

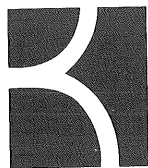
**TRI-TOWNSHIP WATER DISTRICT
HIGHLAND, ILLINOIS
ANNUAL FINANCIAL STATEMENTS –
MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016**

Tri-Township Water District, Highland, Illinois
Table of Contents

Independent Auditor's Report	1-4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-7
Financial Statements	
Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis	9
Statement of Cash Flows – Modified Cash Basis	10
Notes to Financial Statements	11-23
Other Information	
Summary Statement of Revenue and Expenses and Comparison with Budget	24
Supplementary Information	
Revenue Account Requirements	25-27

James M. Randall, C.P.A.
Wm. Brent Palmer, C.P.A.
James G. Leuty, C.P.A.
Gary S. Malawy, C.P.A.
Richelle J. Heggemeier, C.P.A.
Robert N. Huffman, C.P.A.
Brent D. Maschhoff, C.P.A.

Wayne L. Krehbiel, C.P.A.



**KREHBIEL
& ASSOCIATES, LLC**

Certified Public Accountants

E-MAIL AT cpa@krehbielcpa.com

- ☐ 125 North Eleventh Street
P.O. Box 846
Mt. Vernon, Illinois 62864
618-244-2666 Fax 244-2372
- ☐ 181 East St. Louis
Nashville, Illinois 62263
618-327-8042 Fax 327-8052
- ☒ 980 Fairfax Street
Carlyle, Illinois 62231
618-594-2025 Fax 594-2206
- ☐ 215 Southeast Third Street
P.O. Box 308
Fairfield, Illinois 62837
618-842-4840 Fax 244-2372

INDEPENDENT AUDITOR'S REPORT

June 29, 2016

To the Trustees of
Tri-Township Water District
813 Broadway
Highland, Illinois 62249

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of Tri-Township Water District, Highland, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Tri-Township Water District, Highland, Illinois, as of April 30, 2016, and the changes in modified cash basis financial position and cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Summary Statement of Revenue and Expenses and Comparison with Budget on page 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Supplementary Information

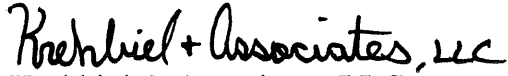
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tri-Township Water District, Highland, Illinois' basic financial statements. The Revenue Account Requirements on pages 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Revenue Account Requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Revenue Account Requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

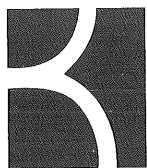
In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of Tri-Township Water District, Highland, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-Township Water District, Highland, Illinois' internal control over financial reporting and compliance.

Respectfully submitted,


Krehbiel & Associates, LLC
Certified Public Accountants

James M. Randall, C.P.A.
Wm. Brent Palmer, C.P.A.
James G. Leuty, C.P.A.
Gary S. Malawy, C.P.A.
Richelle J. Heggemeier, C.P.A.
Robert N. Huffman, C.P.A.
Brent D. Maschhoff, C.P.A.

Wayne L. Krehbiel, C.P.A.



**KREHBIEL
& ASSOCIATES, LLC**

Certified Public Accountants

E-MAIL AT cpa@krehbielcpa.com

- ☐ 125 North Eleventh Street
P.O. Box 846
Mt. Vernon, Illinois 62864
618-244-2666 Fax 244-2372
- ☐ 181 East St. Louis
Nashville, Illinois 62263
618-327-8042 Fax 327-8052
- ☒ 980 Fairfax Street
Carlyle, Illinois 62231
618-594-2025 Fax 594-2206
- ☐ 215 Southeast Third Street
P.O. Box 308
Fairfield, Illinois 62837
618-842-4840 Fax 244-2372

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

June 29, 2016

To the Trustees of
Tri-Township Water District
813 Broadway
Highland, Illinois 62249

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-Township Water District, Highland, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise Tri-Township Water District, Highland, Illinois' basic financial statements and have issued our report thereon dated June 29, 2016. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-Township Water District, Highland, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-Township Water District, Highland, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-Township Water District, Highland, Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify the following deficiency in internal control that we consider to be a material weakness:

- 1) Tri-Township Water District, Highland, Illinois relies on its auditors to prepare the entity's financial statements.

In response to the material weakness described above, Tri-Township Water District, Highland, Illinois' management stated the following:

- 1) While they review, approve and accept responsibility for the financial statements and related notes, they do not possess the time or resources to independently draft the financial statements and feel it would be cost prohibitive to perform this function internally.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-Township Water District, Highland, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tri-Township Water District's Response to Findings

Tri-Township Water District, Highland, Illinois' response to the findings identified in our audit is described previously. Tri-Township Water District, Highland, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Krehbiel & Associates, LLC

Krehbiel & Associates, LLC
Certified Public Accountants

Tri-Township Water District, Highland, Illinois
Statement of Net Position – Modified Cash Basis
April 30, 2016

ASSETS

Current Assets:

Cash	\$ 463,069
Total Current Assets	<u>463,069</u>

Noncurrent Assets:

Restricted Cash	622,901
Capital Assets, net of accumulated depreciation	<u>4,736,603</u>
Total Noncurrent Assets	<u>5,359,504</u>

Total Assets	<u>5,822,573</u>
--------------	------------------

LIABILITIES

Current Liabilities:

Revenue Bonds – Current Portion	115,000
Installment Bonds – Current Portion	<u>8,531</u>
Total Current Liabilities	<u>123,531</u>

Noncurrent Liabilities:

Revenue Bonds – Long-Term Portion	4,996,000
Installment Bonds – Long-Term Portion	<u>295,322</u>
Total Noncurrent Liabilities	<u>5,291,322</u>

Total Liabilities	<u>5,414,853</u>
-------------------	------------------

NET POSITION

Net investment in capital assets	(678,250)
Restricted for debt service	250,421
Restricted for depreciation	23,400
Restricted for reserve	349,080
Unrestricted	<u>463,069</u>
Total Net Position	<u>\$ 407,720</u>

See accompanying notes to the basic financial statements.

Tri-Township Water District, Highland, Illinois
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Modified Cash Basis
For the Fiscal Year Ended April 30, 2016

Operating Revenues:

Charges for Services:	
Treated Water Sales	\$ 835,262
Tap on Fees	54,000
Miscellaneous Revenues	<u>20,116</u>
Total Operating Revenues	<u>909,378</u>

Operating Expenses:

Wages and Payroll Taxes	62,811
Contract Services	67,800
Insurance Expense	14,296
Utilities	16,332
Professional Fees	15,320
Water	170,553
Office and Administrative Expenses	26,580
General Operating Expenses	102,773
Miscellaneous Expense	8,458
Depreciation Expense	<u>191,955</u>
Total Operating Expenses	<u>676,878</u>

Operating Income (Loss)	<u>232,500</u>
-------------------------	----------------

Non-Operating Revenues (Expenses):

Other Income	0
Interest Income	3,057
Interest Expense	<u>(241,609)</u>
Total Non-Operating Revenues (Expenses):	<u>(238,552)</u>

Increase/(Decrease) in Net Position	(6,052)
-------------------------------------	---------

Total Net Position – Beginning	<u>413,772</u>
--------------------------------	----------------

Total Net Position – Ending	<u>\$ 407,720</u>
-----------------------------	-------------------

See accompanying notes to the basic financial statements.

Tri-Township Water District, Highland, Illinois
Statement of Cash Flows – Modified Cash Basis
For the Fiscal Year Ended April 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 909,378
Payments to suppliers	(422,112)
Payments to employees and payroll taxes	<u>(62,811)</u>
Net Cash Provided by Operating Activities	<u>424,455</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental agreement	0
Purchase of capital assets	(52,543)
Principal paid on capital debt	(123,117)
Interest paid on capital debt	(241,609)
Advance on capital debt	<u>0</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>(417,269)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>3,057</u>
Net Cash Provided by Investing Activities	<u>3,057</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	10,243
Balance – Beginning of the Year	<u>1,075,727</u>
Balance – End of the Year	<u>\$ 1,085,970</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 232,500
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>191,955</u>
Net cash provided by operating activities	<u>\$ 424,455</u>

See accompanying notes to the basic financial statements.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-Township Water District was organized and incorporated in the year 1994 under and pursuant to the provisions of the general laws of the State of Illinois providing for the organization of water districts, including the Public Water District Act (Section 3705/0.01 et seq. of Chapter 70 of the Illinois Compiled Statutes [70 ILCS 3705/0.01 et seq.]). The cost of Phase I of the water distribution system was defrayed by loans from Rural Development (FmHA) of the United States Department of Agriculture and a grant pursuant to the applicable Section of the Rural Development Act.

The District's Trustees are appointed by the Madison, St. Clair and Clinton County Boards from the water system users. The District has oversight authority over no other entity and no other entity effectively has control over the District. The financial statements are of Tri-Township Water District and include no other financial information.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1.A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. As defined by GASB Statement No. 14 and No. 39, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. There are no component units to report.

1.B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

MEASUREMENT FOCUS

The District accounts for its operations in an enterprise fund (a type of proprietary fund) using the economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position. All revenues, expenses and increases/decreases in total economic net worth are included on the Statement of Revenues, Expenses and Changes in Fund Net Position.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for treated water sales. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BASIS OF ACCOUNTING

In the enterprise fund financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

1.C. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments.

CAPITAL ASSETS

The District's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings & Improvements	25-40 years
Land Improvements	10-20 years
Machinery & Equipment	5-10 years
Vehicles	5-10 years
Utility Systems	25-40 years

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from business-type resources is reported as liabilities in the fund financial statements.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

EQUITY CLASSIFICATION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Currently, the District does not have any deferred outflows of resources or any deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1.D. REVENUES AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.E. USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net position, revenues, and expenses.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk.

At April 30, 2016, the District's deposits had a carrying amount of \$1,085,770. The bank balance on deposit with the District's financial institutions at April 30, 2016 was \$1,100,325. Of the bank balance, \$573,154 was covered by federal depository insurance and \$527,171 was uninsured but collateralized with securities held by the pledging financial institution. At year end, the District's petty cash fund was \$200.

CASH AND INVESTMENTS

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30 ILCS 235/2 and 235/6; and Chapter 105 ILCS 8-7. A brief summary of allowable investments is as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended April 30, 2016, the District's investments consisted solely of certificates of deposit. At April 30, 2016, the carrying value and fair value of the certificates of deposit totaled \$0. All certificates of deposit were closed during the year.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Water Fund for debt service, reserve, and depreciation as follows:

Depreciation Reserve	\$ 23,400
Bond and Interest	250,421
Reserve Accounts	<u>349,080</u>
Restricted Cash	<u>\$ 622,901</u>

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2016, was as follows:

	Balance at May 1, 2015	Additions	Deductions	Balance at April 30, 2016
Capital Assets not being Depreciated:				
Land	\$ 80,667	\$ 0	\$ 0	\$ 80,667
Total Capital Assets not being Depreciated	<u>80,667</u>	<u>0</u>	<u>0</u>	<u>80,667</u>
Other Capital Assets:				
Water System	7,365,661	52,543	0	7,418,204
Field and Office Equipment	136,867	0	0	136,867
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Capital Assets at Historical Cost	<u>7,502,528</u>	<u>52,543</u>	<u>0</u>	<u>7,555,071</u>
Less Accumulated Depreciation for:				
Water System	2,590,181	184,428	0	2,774,609
Field and Office Equipment	<u>116,999</u>	<u>7,527</u>	<u>0</u>	<u>124,526</u>
Total Accumulated Depreciation	<u>2,707,180</u>	<u>191,955</u>	<u>0</u>	<u>2,899,135</u>
Other Capital Assets, net	<u>4,795,348</u>	<u>(139,412)</u>	<u>0</u>	<u>4,655,936</u>
Capital Assets, net	<u>\$ 4,876,015</u>	<u>\$ (139,412)</u>	<u>\$ 0</u>	<u>\$ 4,736,603</u>

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

2.D. LONG-TERM DEBT

As of April 30, 2016, the long-term debt arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Bonds:

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| - Water Revenue Bonds to Rural Development, dated January 22, 1997, payable in semi-annual installments with interest at 4.875%, final payment due May 1, 2037 | \$ 2,220,000 |
| - Water Revenue Bonds to Rural Development, dated December 27, 1999, payable in semi-annual installments with interest at 4.375%, final payment due May 1, 2039 | 1,600,000 |
| - Water Revenue Bonds to Rural Development, dated July 9, 2009, payable in semi-annual installments with interest at 3.50%, final payment due May 1, 2048 | 1,291,000 |

Installment Bonds:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| - Water Installment Bonds to Rural Development, dated March 5, 1997, payable in annual installments with interest at 5.0%, final payment due May 1, 2037 | <u>303,853</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|

Total Long-Term Debt	<u>\$ 5,414,853</u>
----------------------	---------------------

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended April 30, 2016:

Type of Debt	Balance May 1, 2015	Additions	Reductions	Balance April 30, 2016	Amount Due Within One Year
Revenue Bonds:					
Phase I	\$ 2,280,000	\$ 0	\$ 60,000	\$ 2,220,000	\$ 60,000
Phase II	1,640,000	0	40,000	1,600,000	40,000
Installment Bonds	311,970	0	8,117	303,853	8,531
Phase III	<u>1,306,000</u>	<u>0</u>	<u>15,000</u>	<u>1,291,000</u>	<u>15,000</u>
Totals	<u>\$ 5,537,970</u>	<u>\$ 0</u>	<u>\$ 123,117</u>	<u>\$ 5,414,853</u>	<u>\$ 123,531</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of April 30, 2016, are as follows:

Fiscal Year Ended April 30	Principal	Interest	Total
2017	\$ 123,531	\$ 235,995	\$ 359,526
2018	123,958	230,368	354,326
2019	139,406	224,458	363,864
2020	159,876	217,775	377,651
2021	160,370	210,581	370,951
2022-2026	950,165	931,204	1,881,369
2027-2031	1,126,786	699,333	1,826,119
2032-2036	1,448,002	410,017	1,858,019
2037-2041	746,759	122,508	869,267
2042-2046	300,000	50,050	350,050
2047-2049	<u>136,000</u>	<u>5,075</u>	<u>141,075</u>
Total	<u>\$ 5,414,853</u>	<u>\$ 3,337,364</u>	<u>\$ 8,752,217</u>

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

NOTE 3. OTHER NOTES

3.A. EMPLOYER PENSION AND OTHER BENEFIT PLANS

The District does not participate in the Illinois Municipal Retirement Fund. However, employees are covered under social security.

3.B. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The District manages these various risks of loss through the purchase of commercial insurance, summarized as follows:

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company			
General Liability	3,000,000	2-26-17	Coverage Part Aggregate
	1,000,000		General Liability per Occurrence
	300,000		Fire Damage per Occurrence
	10,000		Medical Payments (Any One Person)
	177,120		Office
	4,000		Antenna
	75,000		Water Lift Pump
	600,000		Water Tower-Bellm Hill
	600,000		Water Tower-Birger Hill
	405,100		Pump Station/Chemical Station

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

(Continued)

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company			
Inland Marine	25,000	2-26-17	Building Materials and Installation Property
	15,000		Electronic Data Processing Equipment (\$2,500 maximum limit per laptop computer)
	25,000		Contractors Equipment and Tools (\$2,500 maximum limit per tool)
	500 per day		Rental Reimbursement and Extra Expense for Contractors Equipment (\$2,500 maximum)
	23,000		Miscellaneous Property
Auto Owners Insurance Company			
Fidelity Bond	320,000	10-1-16	Bond Amount
Old Republic Surety Company			
Public Officials Liability	1,000,000	1-20-17	Liability Limit
Auto Owners Insurance Company			
Worker's Compensation	500,000	2-26-17	Bodily Injury by Accident
	500,000		Bodily Injury by Disease (Each Employee)
	500,000		Bodily Injury by Disease (Policy Limit)
Auto Owners Insurance Company			
Auto	1,000,000	2-26-17	Auto Liability per Occurrence
	1,000,000		Uninsured Motorists Coverage
	1,000,000		Underinsured Motorists Coverage
	1,000		Medical Payments (Any One Person)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. During the year ended April 30, 2016, there were no significant reductions in insurance coverage. Also, settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

3.C. ECONOMIC DEPENDENCY

The District purchases all water from SLM Water Commission. Total purchases for the current year were \$170,553.

NOTE 4. COMMITMENTS

4.A. WATER OPERATOR AGREEMENT

On April 24, 2013, the District renewed their agreement with a local company to operate the District's water treatment facilities and perform such other duties as may be associated with the regular maintenance and operation of the water system. The agreement is binding for three (3) years with a commencement date of May 1, 2013 and an ending date of April 30, 2016. The District will pay the water operator \$5,450 per month in Year 1, \$5,550 per month in Year 2 and \$5,650 per month in Year 3. In addition, any services performed by the water operator that does not constitute "normal maintenance" will cost the District \$46.50/hour.

On April 6, 2016, the District renewed their agreement with a local company to operate the District's water treatment facilities and perform such other duties as may be associated with the regular maintenance and operation of the water system. The agreement is binding for three (3) years with a commencement date of May 1, 2016 and an ending date of April 30, 2019. The District will pay the water operator \$6,100 per month in Year 1, \$6,220 per month in Year 2 and \$6,340 per month in Year 3. In addition, any services performed by the water operator that does not constitute "normal maintenance" will cost the District \$48/hour the first year and then a cola increase for the next two years.

Tri-Township Water District, Highland, Illinois
Notes to Financial Statements
April 30, 2016

4.B. WATER PURCHASE CONTRACT

On October 23, 1996, the District entered into a contract with Summerfield, Lebanon, Mascoutah Water Commission (SLM) whereby the District agreed to purchase its treated and potable water for distribution to its customers from SLM. The original contract stipulated that the District shall not purchase water from any other supplier (nor shall it produce any water itself unless SLM is unable to supply the water demands of the District) for a period of forty (40) years from the date of the initial delivery of water to the District. Due to the expansion of the District's water system and subsequent amendments to the SLM contract as a result, the District is obligated to purchase its water from SLM through May 1, 2049. The District also has an option to renew the contract for another forty (40) year term upon expiration of the initial 40-year term.

4.C. WATER SALES CONTRACTS

On September 30, 1999, the District entered into a contract with the Village of Pierron whereby the District agreed to sell the Village of Pierron potable water in such quantities as may be required, not to exceed 2,000,000 gallons per month but not to be less than 600,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of Pierron was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

On May 18, 2000, the District entered into a contract with the Village of St. Jacob whereby the District agreed to sell the Village of St. Jacob potable water in such quantities as may be required, not to exceed 1,000,000 gallons per month but not to be less than 100,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of St. Jacob was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

OTHER INFORMATION

Tri-Township Water District, Highland, Illinois
Summary Statement of Revenue and Expenses and
Comparison with Budget
For the Fiscal Year Ended April 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Treated Water Sales	\$ 830,000	\$ 835,262	\$ 5,262
Tap on Fees	50,000	54,000	4,000
Other Income	<u>0</u>	<u>20,116</u>	<u>20,116</u>
Total Operating Revenue	<u>880,000</u>	<u>909,378</u>	<u>29,378</u>
Operating Expenses:			
Water Purchased	160,000	170,553	(10,553)
Wages and Payroll Taxes	55,000	62,811	(7,811)
Utilities	13,000	16,332	(3,332)
Miscellaneous	3,950	8,458	(4,508)
Office and Administrative Expenses	51,700	56,196	(4,496)
General Operating Costs	60,000	102,773	(42,773)
Contract Services (Maintenance and Meter Reading)	<u>67,800</u>	<u>67,800</u>	<u>0</u>
Total Operating Expenses	<u>411,450</u>	<u>484,923</u>	<u>(73,473)</u>
Operating Income Before Depreciation	468,550	424,455	(44,095)
Less Provision for Depreciation	<u>191,839</u>	<u>191,955</u>	<u>(116)</u>
Net Operating Income	276,711	232,500	(44,211)
Other Income and Expenses:			
Interest Income	4,000	3,057	(943)
Interest Expense (RD Bonds)	(243,210)	(241,609)	1,601
Other Income	<u>3,400</u>	<u>0</u>	<u>(3,400)</u>
Net Income (Loss) for the Year	<u>\$ 40,901</u>	<u>\$ (6,052)</u>	<u>\$ (46,953)</u>

Note: Budget and Actual are prepared on the modified cash basis of accounting.

SUPPLEMENTARY INFORMATION

Tri-Township Water District, Highland, Illinois
Revenue Account Requirements
April 30, 2016

In accordance with the provisions of Bond Ordinances passed by Tri-Township Water District, Madison, St. Clair and Clinton Counties, Illinois the District is required to establish separate reserve accounts and make payments thereto as follows:

- a) Operation and Maintenance Account. There shall be paid into the Operation and Maintenance Account, on the first business day of each month an amount sufficient to pay the reasonable expenses of the operation, maintenance and repair of the District's waterworks system for the current month, including, without limiting the generality of the foregoing, salaries, wages, taxes, costs of materials and supplies, insurance, power, fuel, reasonable repairs and extensions necessary to render efficient service.
- b) Bond and Interest Account. There shall be paid into the Bond and Interest Account on the first business day of each month, after the required payment has been determined, a fractional amount of the principal and interest becoming due on the next succeeding principal and/or interest payment date (occurring within 6 months as to interest and within 12 months as to principal) on all outstanding bonds authorized to be issued under the terms of the ordinances.

Payments into the Bond and Interest Account may be suspended in any fiscal year at such time as there shall have been paid into such Account sufficient monies to pay the total principal and interest for such pertinent fiscal year, but such payments shall again be resumed at the beginning of the new fiscal year. All monies in such Account shall be used only for the purpose of paying interest and principal on the bonds hereby authorized as the same shall become due and including principal and interest on all bonds hereafter issued and on a parity with the bonds herein authorized.

As of April 30, 2016, the Bond and Interest Account requirement was \$250,421. The District has adequately funded this account at April 30, 2016.

Tri-Township Water District, Highland, Illinois
Revenue Account Requirements
April 30, 2016

- c) Reserve Account. Relative to Phase III Revenue Bonds, there shall be paid into the Reserve Account the sum of \$615 on the first day of each month until such account accumulates a total amount of \$73,800. After \$73,800 has accumulated in such Reserve Account, no further deposits need be made therein except to replace withdrawals at a monthly rate of \$615. Phase I and Phase II Revenue Bonds contained monthly deposit requirements of \$1,630 and \$910, respectively until the accounts accumulated \$195,600 and \$109,200, respectively. As of April 30, 2013, the reserve accounts for Phase I and Phase II had accumulated the maximum required amounts.

The monies in such Reserve Account shall be used to the extent necessary to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of the waterworks system and shall be transferred to the Bond and Interest Account for such purpose, and whenever such an amount is withdrawn from such Reserve Account and so transferred to the Bond and Interest Account, the amount so transferred shall be added to the amount to be next and thereafter paid into such Reserve Account to again be paid monthly at the foregoing rate (in addition to any then required deposit) until full reimbursement to such Reserve Account has been made.

As of April 30, 2016, the reserve account requirement for all Revenue Bonds (Phase I, II and III) was \$349,080. The District has adequately funded these accounts at April 30, 2016.

- d) Depreciation Account. There shall be paid into the Depreciation Account the sum of \$325 on the first day of the month until such account accumulates a total amount of \$100,000. The monies in such Depreciation Account shall be used to the extent necessary to make any needful repairs or replacements to the Issuer's waterworks system and, although not reasonably expected, to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of such system.

As of April 30, 2016, the Depreciation Account requirement was \$23,400. The District has adequately funded this account at April 30, 2016.

Tri-Township Water District, Highland, Illinois
Revenue Account Requirements
April 30, 2016

- e) Surplus. After all the required payments into the accounts herein above described have been made, including the payments of any deficiencies, and when there is on deposit in the above-described Reserve Account the full maximum amount required to be accumulated in such Reserve Account, then all moneys remaining in the Waterworks Fund ("surplus funds") may be used for the purpose of calling and redeeming and prepaying any outstanding bonds of the Issuer which by their terms are payable from the income and revenues of the waterworks system as such bonds become redeemable according to their terms, or such monies may to the extent permitted by law be used for the purpose of constructing extensions and improvements to the waterworks system of the Issuer.

- f) Investments. The monies in any of the Accounts created by subparagraphs (a) through (e), as herein above created and set forth in this section may by resolution adopted by the Issuer be invested from time to time by the Treasurer of the Issuer in interest bearing bonds or other direct and general obligations of the United States Government maturing in not more than ten (10) years after the purchase date thereof and in certificates of deposit or time deposits constituting direct obligations of any savings and loan association or of any bank as defined in the Illinois Banking Act to the extent such certificates or deposits are insured by the Federal Deposit Insurance Corporation or its successor and mature in not more than ten (10) years after the purchase date thereof, and such investments shall be sold from time to time by such Treasurer pursuant to a resolution of the Board of Trustees as funds may be needed for the purpose for which such Accounts have been created. All accrued interest received from any such investments shall be considered and treated as income and revenues of the waterworks system and be deposited as received in the Issuer's Waterworks Fund.

Monies in each of the several Accounts above described shall be kept separate and apart from all other funds and monies of the Issuer and shall be deposited in The Bank of Edwardsville which bank is located and doing business in the State of Illinois and was organized under the laws of the State of Illinois, and whose deposits are insured under the provisions of the Federal Deposit Insurance Act, or its successor.