

Downers Grove  
  
Sanitary District

Downers Grove Sanitary District  
*Downers Grove, Illinois*

Annual Audit

For The Year End  
April 30, 2015

## **Required Communications Regarding the District's Audit**

As part of audit process, the auditors are required to communicate to those charged with governance and management certain items related to the audit process and the auditors' findings. Enclosed you will find such communication letters for each:

- SAS 115 Letter (if applicable) – the auditors' communication of internal controls that are considered to be significant deficiencies and/or material weaknesses
- SAS 114 Letter – the auditors' communication to those charged with governance of our audit process
- Management Letter – the auditors' communication of internal controls that are considered to be control deficiencies as well as other recommendations related to the audit process including new GASB pronouncements, etc.
- Management Representation Letter – the District's communication to the auditors of its responsibilities related to the audit process

**SAS 115 Letter**

Lauterbach & Amen's communication of internal controls



June 25, 2015

Members of the Board of Trustees  
Downers Grove Sanitary District  
Downers Grove, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downers Grove Sanitary District, Illinois, as of and for the year ended April 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the District's internal control to be a material weakness: The District audit resulted in a material restatement to fund balance/net position that was detected by auditing procedures. This represents a material weakness in the internal control over financial reporting in accordance with Statement on Auditing Standards (SAS) No. 115.

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. We consider the following deficiency in the District's internal control to be a significant deficiency: The District audit resulted in material audit adjustments that were detected by auditing procedures. This represents a significant deficiency in the internal control over financial reporting in accordance with Statement on Auditing Standards (SAS) No. 115.

This communication is intended solely for the information and use of management, Downers Grove Sanitary District's Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Lauterbach & Amen LLP*  
LAUTERBACH & AMEN, LLP

## **SAS 114 Letter**

Lauterbach & Amen's communication to the Board of the audit process



June 25, 2015

Members of the Board of Trustees  
Downers Grove Sanitary District  
Downers Grove, Illinois

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downers Grove Sanitary District, Illinois for the year ended April 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities' financial statements was:

Management's estimate of the depreciation expense on capital assets is based on assumed useful lives of the underlying capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Significant Audit Findings – Continued

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Any material misstatements detected as a result of audit procedures were corrected by management.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 25, 2015.

#### *Management Consultations with Other Independent Auditors*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters – Continued

We were engaged to report on the individual fund budgetary comparison schedules and supplemental schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our gratitude to the Board of Trustees and staff (in particular the Finance Department) of the Downers Grove Sanitary District, Illinois for their valuable cooperation throughout the audit engagement.

*Lauterbach + Amen LLP*  
LAUTERBACH & AMEN, LLP

## **Management Letter**

**DOWNERS GROVE SANITARY DISTRICT**

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**MANAGEMENT LETTER**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2015**



June 25, 2015

Members of the Board of Trustees  
Downers Grove Sanitary District  
Downers Grove, Illinois

In planning and performing our audit of the financial statements of the Downers Grove Sanitary District for the year ended April 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less-significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Trustees, management, and others within the Downers Grove Sanitary District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well prepared audit package and we appreciate the courtesy and assistance given to us by the entire District staff.

*Lauterbach + Amen LLP*  
LAUTERBACH & AMEN, LLP

## CURRENT RECOMMENDATIONS

### 1. GASB STATEMENT NO. 67 FINANCIAL REPORTING FOR PENSION PLANS AND GASB STATEMENT NO. 68 ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

#### Comment

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans*, which applies to individual pension plans issuing their own audited financial statements, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which applies to the state and local government employers that sponsor pension plans. The Statements apply to the reporting of the Illinois Municipal Retirement Fund (IMRF) for the District. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the pension plans. The Statements specifically identify the methods and assumptions that are to be used in calculating and disclosing these pension-related accounts in the financial statements and also provide for additional note disclosures and required supplementary information. The Statements are intended to improve information provided by state and local government employers regarding financial support to their pension plans, and ultimately requires that the total net pension liabilities of the pension plans be recorded on the face of the financial statements of the sponsoring government. GASB Statement No. 67 is applicable to the separately issued financial statements of the IMRF for the year ended December 31, 2014. GASB Statement No. 68 is applicable to the District's financial statements for the year ended April 30, 2016.

#### Recommendation

IMRF will automatically be providing the necessary information to all member agencies; we recommend the District review the information provided by IMRF. Lauterbach & Amen, LLP will also work directly with the District to assist in the implementation process, including assistance in determining the implementation timeline with the District, providing all framework for the financial statements in order to complete the implementation, and assisting in answering any questions or concerns the District might have related to the implementation process or requirements.

# DOWNERS GROVE SANITARY DISTRICT

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ANNUAL FINANCIAL REPORT

Downers Grove  
  
Sanitary District

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2015

# DOWNERS GROVE SANITARY DISTRICT

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## **FINANCIAL SECTION**

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements

## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the District's independent auditing firm.



## **INDEPENDENT AUDITORS' REPORT**

June 25, 2015

Members of the Board of Trustees  
Downers Grove Sanitary District  
Downers Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downers Grove Sanitary District (the District), as of and for the year ended April 30, 2015, 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 District'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 District'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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Downers Grove Sanitary District, as of April 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Downers Grove Sanitary District financial statements as a whole. The budgetary comparison schedules and supplemental schedule are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund budgetary comparison schedules and supplemental schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 budgetary comparison schedules and supplemental schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

  
LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

The management of the Downers Grove Sanitary District provides the following overview and analysis of the District's financial operations and attached financial statements for the fiscal year ended April 30, 2015. The following discussion is presented to enable the reader to more fully understand the accompanying audited financial statements. The District is responsible for the fair and accurate presentation of all financial information as well as the internal controls and reporting procedures in creating the financial statements. In management's opinion, the financial statements herewith reflect all material aspects of the District's operations in an accurate, fair and complete manner.

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP), and follow the guidelines of the Governmental Accounting Standards Board (GASB). In 1999, GASB adopted Statement Number 34, "Basic Financial Statement-Management's Discussion and Analysis-For State and Local Governments" (GASB 34). The District implemented GASB 34 effective May 1, 2004. This standard modifies the mandatory reporting for the District requiring full accrual accounting including the reporting of all capital assets net of depreciation. Additional changes resulting from GASB 34 are in the financial statement presentation. In 2004, GASB adopted Statement Number 45, requiring government employers of all sizes to measure and disclose the value of non-pension post-employment benefits. This requirement was implemented in three phases with the District falling into the last category of implementation, effective May 1, 2010. This standard requires the District to have a valuation of non-pension post-employment benefits performed every three years, assuming no tangible change in benefits offered occurs. This valuation is included in the Notes to the Financial Statements. Based on the three-year cycle for plans with less than 200 members, the next full actuarial report will be done for the fiscal year ending April 30, 2016.

**BACKGROUND INFORMATION**

The Downers Grove Sanitary District is a unit of local government providing wastewater collection and treatment services for portions of the Villages of Downers Grove, Westmont, Oak Brook, Woodridge, and Lisle and the City of Darien, and adjacent unincorporated areas in DuPage County. The District was organized in 1921, under the 1917 Sanitary District Act. The District presently serves a population of approximately 65,000. The District operates and maintains both a wastewater collection system and a Wastewater Treatment Center (WWTC) to collect, transport and treat the wastewater from residential, commercial and industrial users within its 20 square mile service area. The collection system consists of over 250 miles of sanitary sewer lines, 6,294 manholes and nine remote pumping stations. The Wastewater Treatment Center is designed to process average flows of 11 million gallons per day and peak flows of 110 million gallons per day. The Wastewater Treatment Center operates under a National Pollutant Discharge Elimination System (NPDES) permit issued by the Illinois Environmental Protection Agency. The NPDES permit establishes the stringent criteria which District operations must meet. The District facility consistently produces an extremely high

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

quality of effluent (sewage after treatment) which is significantly better than permit requirements.

The operations of the District are financed primarily by user charges assessed to all users. The District's user charge consists of two components – a volume charge based on water consumption and a monthly service fee. The volume charge is \$1.65 per 1000 gallons of water consumption. The monthly fee is \$12.00 per account and additional monthly fees are charged to certain commercial and industrial customers. Commercial and industrial users may also be assessed a surcharge based upon waste strengths when these wastes are in excess of average domestic sewage. The District also maintains a real estate tax levy for repairs to the sanitary sewer infrastructure and repayment of loans under the American Recovery and Reinvestment Act of 2009 and the Illinois Environmental Protection Agency's Water Pollution Control Loan Program.

**FINANCIAL HIGHLIGHTS**

In the course of this year's audit, it was identified that the District's net position at the start of the fiscal year needed to be restated to correct for a double-counting of upgrades to the District's capital assets in Fiscal Year 08-09. This resulted in a \$1,465,455 reduction in the District's beginning net position in the current fiscal year (\$73,428,164 instead of \$74,893,619). The District's net position decreased by \$264,289 this year, which represents a decrease of 0.4%. As of April 30, 2015, the assets of the District exceed its liabilities by \$73,163,875 (net position). Of this amount \$2,685,824 (unrestricted net position) may be used to meet the District's ongoing obligations.

The user charge remained at \$1.65 per 1,000 gallons of water consumption. The monthly fee was increased from \$11.00 to \$ 12.00 effective April 11, 2015. The user charge was last increased from \$1.60 to \$1.65 in 2008 and the monthly fee was last increased from \$10.00 to \$11.00 per month in April 2014.

Billable flow for the year was 5.47 million gallons per day, which represented a 1.2% decrease from billable flow last year. Billable flow is used to assess District user charges.

During the year, the District continued sanitary sewer infrastructure rehabilitation work to reduce infiltration and inflow and restore structural integrity to corroding sewer mains, and completed installation of an engine-driven electric generator for converting excess digester gas into electricity and hot water for digester heat, and began operating the equipment to reduce operating costs.

The District is re-paying the loan due to the Illinois Environmental Protection Agency (IEPA), the state agency which administered funding under ARRA for wastewater projects conducted in 2009-12. Re-payments are being made according to the final repayment schedule.

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the District's basic financial statements, which are comprised of the independent auditor's report, general purpose financial statements, and notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

**Government-wide Financial Statements**

The District's basic financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year, and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The last government-wide financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The government-wide financial statements are presented on pages 3 and 4 of this report.

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and internal accounts financial statements. The notes to the financial statements can be found on pages 12 through 29 of this report.

**Internal Accounts (Fund) Financial Statements**

The District uses internal accounts (funds) to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses internal accounts to ensure and demonstrate compliance with finance related legal requirements. The District maintains six separate internal accounts. Although these accounts are maintained as governmental funds internally, all of the District's activities are considered business-type activities in the government-wide financial statements.

The District reports the following internal accounts in its financial statements:

**General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund expenses also include the repayment of that portion of the ARRA loan attributable to projects financed under this fund. The fund also includes a replacement fund as a restricted portion of the General fund. The balance in the replacement fund is maintained at \$820,000. This treatment of the replacement fund allows major replacements to be included in the operation and maintenance budget of the general corporate fund, allows all interest earned on the replacement fund to be fully utilized, and applies the balance in the replacement fund towards meeting the minimum recommended working balance in the general corporate fund.

**Special Revenue Fund** – The Special Revenue Fund is utilized to account for the proceeds of specific revenue sources from which the expenditures are restricted to specific, designated purposes. It currently includes one fund, the Public Benefit Fund. The Public Benefit Fund may only be used to pay for the portion of sewer extensions or sewer special assessments which the District Board of Trustees deems to be of benefit to an area larger than the immediate service area.

**Capital Project Funds** – Capital Project Funds are utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. There are currently nine capital project funds:

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

**Improvement Fund** – The Improvement Fund is utilized for sewer system and pump station improvements. The Improvement Fund expenses also include the repayment of that portion of the ARRA loan attributable to projects financed under this fund. The primary sources of revenue to this fund – trunk and lateral sewer service charges – are expected to gradually decrease as the District reaches full development.

**Construction Fund** – The Construction Fund is utilized to provide funds for improvements and expansions to the Wastewater Treatment Center (WWTC) and repayment of loans to the Illinois Environmental Protection Agency (IEPA) including repayment of that portion of the ARRA loan attributable to projects financed under this fund. The primary source of revenue to the construction fund, sewer permit fees, is directly related to development activity within the District. As development proceeds, sewer permit fees are generated and accumulated to construct additional treatment capacity or otherwise improve the WWTC, as needed. The Illinois EPA determines remaining capacity at a treatment facility by reviewing the past twelve months of average influent flow data at the facility. The three lowest flow months for the period plus outstanding Illinois EPA permits for new development issued to the District over the past two years determines the remaining hydraulic capacity. As of December 31, 2014 there are 21,321 population equivalents of capacity remaining at the WWTC. An expansion in WWTC capacity is not anticipated during the next five years.

**Special Assessment Funds** – These funds account for installation of the public sanitary sewers in special assessment areas. There are currently seven active special assessment funds.

The internal accounts (fund) financial statements are provided on pages 5 through 11 of this report and include a Reconciliation of Total Fund Balances to the Statement of Net Position found on page 7 and a Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities found on page 10.

**Other Information**

In conjunction with the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This pension obligation information can be found on page 30 of this report. Other required supplementary information includes a Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for all major governmental fund types found on pages 32 and 33, a detailed Schedule of Expenditures for the General Fund – Budget and Actual on page 34, and a Schedule of Revenues, Expenditures and Changes in Fund Balances for the Capital Project Funds – Budget and Actual found on pages 35 through

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

37. Finally, a Supplemental Schedule is provided on page 39 to identify the timing and amount of repayments to the Illinois EPA for the ARRA loan.

**Financial Analysis of the Sanitary District**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that help the reader measure the financial health or financial position of the District. These two statements report the net position of the District and the changes in them. Over time, increases or decreases in the District's net position – the difference between assets and liabilities – are one indicator of whether financial health is improving or deteriorating. However, one also needs to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation. A condensed Statement of Net Position is presented in Table A-1, a condensed Statement of Revenues, Expenses and Changes in Net Position is presented in Table A-2 and a condensed Statement of Capital Assets is presented in Table A-3.

Table A-1  
Condensed Statement of Net Position

	<u>FY 2015</u>	<u>FY 2014 As Restated</u>	<u>Increase or (Decrease)</u>
Current and Other Assets	\$ 6,965,160	\$ 6,932,897	\$ 32,263
Capital Assets before Restatement	72,720,634	74,690,054	(1,969,420)
Reduction due to Restatement	<u>-</u>	<u>\$ (1,465,455)</u>	<u>1,465,455</u>
Total Assets	<u>\$ 79,685,794</u>	<u>\$ 80,157,496</u>	<u>\$ (471,702)</u>
Long-term Debt Outstanding	\$ 4,744,686	\$ 5,009,228	\$ (264,542)
Other Liabilities	<u>1,213,678</u>	<u>1,165,072</u>	<u>48,606</u>
Total Liabilities	<u>\$ 5,958,364</u>	<u>\$ 6,174,300</u>	<u>\$ (215,936)</u>
Deferred Inflows	<u>\$ 563,555</u>	<u>\$ 555,072</u>	<u>\$ 8,483</u>
Invested in Capital Assets, Net of Related Debt	\$ 68,014,996	\$ 69,680,826	\$ (1,665,830)
Reduction due to restatement	-	(1,465,455)	1,465,455
Restricted for Public Benefit and Capital projects	2,463,055	2,575,569	(112,514)
Unrestricted	<u>2,685,824</u>	<u>2,637,224</u>	<u>48,600</u>
Total Net Position	<u>\$ 73,163,875</u>	<u>\$ 73,428,164</u>	<u>\$ (264,289)</u>

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

The government-wide assets of the District total \$79,685,794. The largest portion of the District's assets reflects its investment in capital assets of \$68,014,996. The total value of land, buildings, infrastructure improvements, equipment and vehicles is reported net of the total accumulated depreciation on these items.

Current and other assets increased slightly over the year. The District had total cash and investments on hand at the end of the year of \$4,076,595. The decrease in Capital Assets was primarily the result of depreciation outpacing capital improvement projects and upgrades at the WWTC, lift stations and collection system.

The District's receivables of \$2,888,565 for fiscal year 2015 includes user charges receivable in the amount of \$1,505,118 and real estate taxes in the amount of \$1,109,325 which will be collected in fiscal year 2016 and an Improvement fund receivable in the amount of \$3,530 which will be collected sometime in the future and the special assessment receivable in the amount of \$270,592 which will be collected in subsequent years.

The largest component of the District's Liabilities is the amount outstanding to the Illinois Environmental Protection Agency (IEPA) for the repayment of the ARRA loan.

Net position totals \$73,163,875, of which \$68,014,996 represents the net amount of the capital assets less outstanding debt used to acquire them. The remaining amount represents the amount of funds the District would have if all revenues were collected and all other obligations of the District were satisfied. This amount is partially restricted for public benefit and capital projects of \$2,463,055.

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

Table A-2  
Condensed Statement of Revenues,  
Expenses, and Changes in Net Position

	FY 2015	FY 2014	Increase or (Decrease)
Governmental Activities Revenues	\$ 6,989,031	\$ 6,711,736	\$ 277,295
General Revenues	<u>1,248,896</u>	<u>1,104,769</u>	<u>144,127</u>
Total Revenues	8,237,927	7,816,505	421,422
Expenses - Sewer System and Treatment Facilities	6,419,071	6,471,235	(52,164)
Depreciation Expense	<u>2,083,145</u>	<u>1,474,949</u>	<u>608,196</u>
Total Expenses	8,502,216	7,946,184	556,032
Changes in Net Position	(264,289)	(129,679)	(134,610)
Net Position as Restated			
Beginning of Year	<u>73,428,164</u>	<u>73,557,843</u>	<u>(129,679)</u>
End of Year	<u>\$ 73,163,875</u>	<u>\$ 73,428,164</u>	<u>\$ (264,289)</u>

The government-wide operations are reflected in the statement of activities, which reports the overall revenues and expenses for the District. The major component of the District's governmental activities revenues is charges for services that totaled \$6,565,986. This revenue increased due to the increase in the monthly fee in April 2014. The District also received \$416,885 for sewer connection charges assessed for new building connections bringing the total governmental activities revenues to \$6,989,031. The major component for general revenues is a general corporate real estate tax levy and investment income. Real estate tax revenue increased during the year. Investment income increased slightly during the year due to an accumulation in investment capital and stabilization of interest rates on investments. The tax levy generated revenue of \$1,096,835 and investment income was \$63,428.

The District had \$8,502,216 in operating expenses. Depreciation on capital assets totaled \$2,083,145. Other operating expenses totaled \$6,419,071.

The District's total expenses exceeded revenues by \$264,289.

**DOWNERS GROVE SANITARY DISTRICT**  
**Management's Discussion and Analysis**  
**April 30, 2015**

Table A-3  
Condensed Statement of Capital Assets

	<u>FY 2015</u>	<u>FY 2014</u> <u>As Restated</u>	<u>Increase or</u> <u>(Decrease)</u>
Land & Land Improvements	\$ 2,455,790	\$ 2,455,790	\$ -
Buildings and Equipment	51,853,750	48,780,708	3,073,042
Sanitary Sewer Infrastructure	61,421,708	61,176,378	245,330
Construction in Progress	<u>132,975</u>	<u>2,461,488</u>	<u>(2,328,513)</u>
Subtotal	115,864,223	114,874,364	989,859
Less: Accumulated Depreciation	<u>43,143,589</u>	<u>41,649,764</u>	<u>1,493,825</u>
Net Property and Equipment	<u>\$ 72,720,634</u>	<u>\$ 73,224,600</u>	<u>\$ (503,966)</u>

The decrease in Net Property and Equipment was primarily due to depreciation outpacing the value of added capital assets.

**Future Projects**

Projects included in the five-year plan for fiscal years 2015-16 to 2019-20 include continued spending for the District's comprehensive infiltration and inflow removal and sewer system rehabilitation policy. This policy is aimed at removing infiltration and inflow from both public and private property and maintaining the sanitary sewer infrastructure with a rehabilitation program which protects the integrity of the sewer system. Renovation of the Liberty Park Pump Station is included. Improvements to the WWTC included in the plan are: digester mixing upgrades, expansion of the digester gas co-generation facility, and a high-speed turboblower. The five-year plan for fiscal years 2015-16 to 2019-20 also includes annual repayments for the interest-free loan provided to the District under ARRA. Beyond the five-year plan, the NPDES permit requires the construction of phosphorus removal facilities at the WWTC, which may be an opportunity to cost-effectively increase plant treatment capacity.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances, comply with finance related laws and regulations, and demonstrates the District's commitment to public accountability. If you have questions about this report or would like to request additional information, please contact the General Manager or Treasurer, Downers Grove Sanitary District, 2710 Curtiss Street, Downers Grove, IL 60515.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

Fiduciary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**DOWNERS GROVE SANITARY DISTRICT**

**Statement of Net Position  
April 30, 2015**

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<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 4,076,595
Receivables - Net of Allowances	2,888,565
Total Current Assets	<u>6,965,160</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable Capital Assets	2,588,765
Depreciable Capital Assets	113,275,458
Accumulated Depreciation	<u>(43,143,589)</u>
Total Noncurrent Assets	<u>72,720,634</u>
Total Assets	<u>79,685,794</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	205,110
Accrued Payroll	109,156
Current Portion of Long-Term Debt	<u>342,638</u>
Total Current Liabilities	<u>656,904</u>
Noncurrent Liabilities	
Compensated Absences	156,190
Net Other Post-Employment Benefit Obligation Payable	743,222
IEPA Loans Payable	<u>4,402,048</u>
Total Noncurrent Liabilities	<u>5,301,460</u>
Total Liabilities	5,958,364
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	<u>563,555</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,521,919</u>
<b>NET POSITION</b>	
Investment in Capital Assets	68,014,996
Restricted	
Public Benefit	35,252
Capital Projects	2,427,803
Unrestricted	<u>2,685,824</u>
Total Net Position	<u>73,163,875</u>

The notes to the financial statements are an integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Statement of Activities**

**For the Fiscal Year Ended April 30, 2015**

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Change in Net Position
Functions/Programs				
Governmental Activities				
General Government	\$ 8,466,205	6,982,871	6160	(1,477,174)
Interest on Long-Term Debt	36,011	-	-	(36,011)
Total Governmental Activities	8,502,216	6,982,871	6,160	(1,513,185)
General Revenues				
Taxes				
Property Taxes				1,096,835
Replacement Taxes				83,214
Miscellaneous				5,793
Investment Income				63,054
				1,248,896
Change in Net Position				(264,289)
Net Position - Beginning as Restated				73,428,164
Net Position - Ending				73,163,875

The notes to the financial statements are an integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Balance Sheet  
April 30, 2015**

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**See Following Page**

**DOWNERS GROVE SANITARY DISTRICT**

**Balance Sheet  
April 30, 2015**

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	<u>General</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,856,928
Receivables - Net of Allowances	
Property Taxes	1,109,325
Accounts	1,505,118
Special Assessments	-
Other	-
Due from Other Funds	<u>10,063</u>
Total Assets	<u><u>4,481,434</u></u>
<b>LIABILITIES</b>	
Accounts Payable	184,439
Accrued Payroll	109,156
Due to Other Funds	-
Total Liabilities	<u>293,595</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	<u>563,555</u>
Total Liabilities and Deferred Inflows of Resources	<u>857,150</u>
<b>FUND BALANCES</b>	
Restricted	-
Assigned	303,272
Unassigned	<u>3,321,012</u>
Total Fund Balances	<u><u>3,624,284</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>4,481,434</u></u>

The notes to the financial statements are an integral part of this statement.

Special Revenue Public Benefit	Capital Projects			Totals
	Improvement	Construction	Special Assessment	
35,252	1,199,380	981,437	3,598	4,076,595
-	-	-	-	1,109,325
-	-	-	-	1,505,118
-	-	-	270,592	270,592
-	3,530	-	-	3,530
-	86,493	112,891	-	209,447
<u>35,252</u>	<u>1,289,403</u>	<u>1,094,328</u>	<u>274,190</u>	<u>7,174,607</u>
-	-	20,671	-	205,110
-	-	-	-	109,156
-	-	-	209,447	209,447
-	-	20,671	209,447	523,713
-	-	-	-	563,555
-	-	20,671	209,447	1,087,268
35,252	1,289,403	1,073,657	64,743	2,463,055
-	-	-	-	303,272
-	-	-	-	3,321,012
<u>35,252</u>	<u>1,289,403</u>	<u>1,073,657</u>	<u>64,743</u>	<u>6,087,339</u>
<u>35,252</u>	<u>1,289,403</u>	<u>1,094,328</u>	<u>274,190</u>	<u>7,174,607</u>

The notes to the financial statements are an integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Reconciliation of Total Fund Balances to the Statement of Net Position  
April 30, 2015**

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<b>Total Fund Balances</b>	<b>\$ 6,087,339</b>
 Amounts reported in the Statement of Net Position are different because:	
 Capital assets are not financial resources and therefore, are not reported in the funds.	  72,720,634
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(195,238)
Net Other Post-Employment Benefit Obligation	(743,222)
IEPA Loans Payable	<u>(4,705,638)</u>
 <b>Net Position</b>	  <u><u>73,163,875</u></u>

The notes to the financial statements are an integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ended April 30, 2015**

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**See Following Page**

# DOWNERS GROVE SANITARY DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended April 30, 2015

	<u>General</u>
Revenues	
Taxes	\$ 1,180,049
Charges for Services	6,565,986
Grants and Donations	6,160
Investment Income	5,019
Miscellaneous	5,793
Total Revenues	<u>7,763,007</u>
Expenditures	
General Government	7,129,552
Capital Outlay	-
Debt Service	
Principal Retirement	181,592
Interest and Fiscal Charges	-
Total Expenditures	<u>7,311,144</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>451,863</u>
Other Financing Sources (Uses)	
Disposal of Capital Assets	13,578
Transfer In	-
Transfer Out	<u>(298,350)</u>
	<u>(284,772)</u>
Net Change in Fund Balance	167,091
Fund Balances - Beginning as Restated	<u>3,457,193</u>
Fund Balances - Ending	<u><u>3,624,284</u></u>

The notes to the financial statements are an integral part of this statement.

Special Revenue	Capital Projects			Totals
	Improvement	Construction	Special Assessment	
Public Benefit				
-	-	-	-	1,180,049
-	152,625	264,260	-	6,982,871
-	-	-	-	6,160
2	8,758	31,449	17,826	63,054
-	-	-	-	5,793
2	161,383	295,709	17,826	8,237,927
-	-	-	-	7,129,552
-	6,410	694,714	26,651	727,775
-	93,191	28,807	-	303,590
-	-	-	36,011	36,011
-	99,601	723,521	62,662	8,196,928
2	61,782	(427,812)	(44,836)	40,999
-	-	-	-	13,578
-	-	298,350	-	298,350
-	-	-	-	(298,350)
-	-	298,350	-	13,578
2	61,782	(129,462)	(44,836)	54,577
35,250	1,227,621	1,203,119	109,579	6,032,762
35,252	1,289,403	1,073,657	64,743	6,087,339

The notes to the financial statements are an integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities**

**For the Fiscal Year Ended April 30, 2015**

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<b>Net Change in Fund Balances</b>	<b>\$ 54,577</b>
 Amounts reported in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlays	1,596,312
Depreciation Expense	(2,083,145)
 The net effect of various transactions involving capital assets is to decrease net position	
Disposals - Cost	(606,453)
Disposals - Accumulated Depreciation	589,320
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.	
Decrease to Compensated Absences	585
Increase to Net Other Post-Employment Benefit Obligation	(119,075)
Retirement of Debt	<u>303,590</u>
 <b>Changes in Net Position</b>	 <b><u><u>(264,289)</u></u></b>

The notes to the financial statements are in integral part of this statement.

**DOWNERS GROVE SANITARY DISTRICT**

**Statement of Net Position - Fiduciary Fund  
April 30, 2015**

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	<u>Agency Sewer Extension Escrow</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 7,020</u>
<b>LIABILITIES</b>	
Due to Bondholders	<u>7,020</u>

The notes to the financial statements are an integral part of this statement.

# **DOWNERS GROVE SANITARY DISTRICT**

## **Notes to the Financial Statements**

**April 30, 2015**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Downers Grove Sanitary District (the District) was incorporated to provide and maintain economical treatment of the domestic and industrial wastes collected at its sewage treatment plant so that the wastes are given the degree of treatment necessary to prevent pollution of the water of the State of Illinois.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP in the United States for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies established in GAAP in the United States and used by the District are described below.

#### **REPORTING ENTITY**

The District includes all funds of its operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. This report represents the financial activity of the District for the year.

#### **BASIS OF PRESENTATION**

##### **Government-Wide and Fund Financial Statements**

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The District's activities are supported by taxes and charges for services revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use or discretely benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The District accounts for all of its activities in governmental funds, with the emphasis in the fund financial statements being on the major funds.

Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds.

The following fund types are used by the District:

# **DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements**  
**April 30, 2015**

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

### **BASIS OF PRESENTATION – Continued**

#### **Government–Wide and Fund Financial Statements – Continued**

##### **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

**General fund** is the general operating fund of the District. It is used to account for all financial resources, except for those required to be accounted for in another fund.

**Special revenues funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District maintains one major special revenue fund. The Public Benefit Fund is used to account for the payment of sewer extensions or sewer special assessments which the District Board of Trustees deems to be of benefit to an area larger than the immediate service area.

**Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District reports three capital projects funds. The Improvement Fund, a major fund, is used to account for sewer system, pump station improvements, and repayment of loans to the Illinois Environmental Protection Agency. The Construction Fund, a major fund, is used to account for improvements and expansions to the Wastewater Treatment Center and repayment of loans to the Illinois Environmental Protection Agency. The Special Assessment Fund, also a major fund, is used to account for the installation of the public sanitary sewers in special assessment areas.

##### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

**Agency funds** are used to account for assets held by the District in a purely custodial capacity. The Sewer Extension Escrow Fund is used to account for developer deposits to be used for future sewer projects.

The District's fiduciary fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

# **DOWNERS GROVE SANITARY DISTRICT**

## **Notes to the Financial Statements April 30, 2015**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

##### **Measurement Focus**

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

On the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

The District’s funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

##### **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflows is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The District recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability/deferred inflow is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

## **DOWNERS GROVE SANITARY DISTRICT**

### **Notes to the Financial Statements April 30, 2015**

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued**

###### **Basis of Accounting – Continued**

All agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

##### **ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY**

###### **Cash and Investments**

For the purpose of the Statement of Net Position, the District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

###### **Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances include property taxes.

###### **Capital Assets**

Capital assets purchased, constructed or acquired with an original cost at the discretion of management or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Upgrades or rehabilitation that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

# **DOWNERS GROVE SANITARY DISTRICT**

## **Notes to the Financial Statements April 30, 2015**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued**

##### **Capital Assets – Continued**

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Equipment	5 - 75 Years
Sanitary Sewer Infrastructure and Associated Rehabilitation	20 - 100 Years

##### **Compensated Absences**

The District accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

##### **Net Position**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, as applicable.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

## **DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements**  
**April 30, 2015**

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### **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **BUDGETARY INFORMATION**

The budget, levy and appropriation is prepared on the same basis and uses the same accounting practices as are used in the fund financial statements. Unexpended budget amounts lapse at the end of the budget year. Spending controls for the fund is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line level items. Expenditures may not exceed appropriations.

#### **DEPOSITS AND INVESTMENTS**

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments."

Permitted Deposits and Investments – Statutes authorize the District to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

#### **Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk**

*Deposits.* At year-end, the carrying amount of the District's deposits totaled \$4,027,391 and the bank balances totaled \$4,012,339. In addition, the District had \$49,204 invested in the Illinois Funds.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not address interest rate risk.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not address credit risk. The District's investment in the Illinois Funds was rated AAAM by Standard & Poor's.

# DOWNERS GROVE SANITARY DISTRICT

## Notes to the Financial Statements April 30, 2015

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

##### Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy does not address custodial credit risk for deposits. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk for investments. The District's investment in the Illinois Fund is not subject to custodial credit risk.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not address concentration of credit risk. At year-end, the District has no investments that represent 5% or more of total cash and investments.

#### PROPERTY TAXES

Property taxes for 2014 attach as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by DuPage County and are payable in two installments, on or about June 1, and September 1. The County collects such taxes and remits them periodically.

#### INTERFUND BALANCES

The composition of interfund balances as of the date of this report, is as follows:

Due to	Due from	Amount
General	Special Assessment	\$ 10,063
Improvement	Special Assessment	86,493
Construction	Special Assessment	<u>112,891</u>
		<u><u>209,447</u></u>

Interfund balances are advances in anticipation of receipts.

**DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements  
April 30, 2015**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	Restated Beginning Balances	Increases	Decreases	Ending Balances
<b>Nondepreciable Capital Assets</b>				
Land	\$ 2,455,790	-	-	2,455,790
Construction in Progress	2,461,488	113,958	2,442,471	132,975
	<u>4,917,278</u>	<u>113,958</u>	<u>2,442,471</u>	<u>2,588,765</u>
<b>Depreciable Capital Assets</b>				
Buildings and Equipment	48,780,708	3,679,495	606,453	51,853,750
Sanitary Sewer Infrastructure	61,176,378	245,330	-	61,421,708
	<u>109,957,086</u>	<u>3,924,825</u>	<u>606,453</u>	<u>113,275,458</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Equipment	24,834,081	1,316,146	589,320	25,560,907
Sanitary Sewer Infrastructure	16,815,683	766,999	-	17,582,682
	<u>41,649,764</u>	<u>2,083,145</u>	<u>589,320</u>	<u>43,143,589</u>
 Total Net Depreciable Capital Assets	 <u>68,307,322</u>	 <u>1,841,680</u>	 <u>17,133</u>	 <u>70,131,869</u>
 Total Net Capital Assets	 <u>73,224,600</u>	 <u>1,955,638</u>	 <u>2,459,604</u>	 <u>72,720,634</u>

Depreciation expense of \$2,083,145 was charged to the general government function.

**DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements  
April 30, 2015**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT**

**IEPA Loans Payable**

The District has entered into loan agreements with the IEPA to provide no interest financing for waterworks and sewerage improvements. IEPA loans currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Illinois Environmental Protection Agency (IEPA) Loan of 2010, due in annual installments of \$151,796 to \$303,590, non-interest bearing, through November 2, 2030.	\$ 5,009,228	-	303,590	4,705,638

**Long-Term Liability Activity**

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 195,823	585	1,170	195,238	39,048
Net Other Post-Employment Benefit Obligation	624,147	119,075	-	743,222	-
IEPA Loans Payable	5,009,228	-	303,590	4,705,638	303,590
	<u>5,829,198</u>	<u>119,660</u>	<u>304,760</u>	<u>5,644,098</u>	<u>342,638</u>

The General Fund makes payments on the compensated absences and the net other post-employment benefit obligation. Payments on the IEPA loans payable are made by the General, Improvement and Construction Funds.

# DOWNERS GROVE SANITARY DISTRICT

## Notes to the Financial Statements April 30, 2015

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### LONG-TERM DEBT – Continued

#### Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Governmental Activities	
	IEPA Loans	
	Payable	
	Principal	Interest
2016	\$ 303,590	-
2017	303,590	-
2018	303,590	-
2019	303,590	-
2020	303,590	-
2021	303,590	-
2022	303,590	-
2023	303,589	-
2024	303,589	-
2025	303,589	-
2026	303,589	-
2027	303,589	-
2028	303,589	-
2029	303,589	-
2030	303,589	-
2031	151,796	-
Totals	4,705,638	-

### NET POSITION/FUND BALANCE

#### Fund Balance Classification

In the governmental funds financial statements, the District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

**DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements  
April 30, 2015**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**NET POSITION/FUND BALANCE – Continued**

**Fund Balance Classification – Continued**

**Assigned Fund Balance.** The District reports assigned fund balance in the General Fund, a major fund. The District’s Board has assigned these funds for future District construction projects based on approved Board/management expenditures as determined through the annual budget process.

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Special Revenue	Capital Projects		Special Assessment	Totals
		Public Benefit	Improvement	Construction		
<b>Fund Balances</b>						
<b>Restricted</b>						
Public Benefits	\$ -	35,252	-	-	-	35,252
Capital Projects	-	-	1,289,403	1,073,657	64,743	2,427,803
	-	35,252	1,289,403	1,073,657	64,743	2,463,055
<b>Assigned</b>						
Construction Projects	303,272	-	-	-	-	303,272
<b>Unassigned</b>	3,321,012	-	-	-	-	3,321,012
<b>Total Fund Balances</b>	<b>3,624,284</b>	<b>35,252</b>	<b>1,289,403</b>	<b>1,073,657</b>	<b>64,743</b>	<b>6,087,339</b>

**Fund Balance/Net Position Restatements**

The District has restated its financial statements for governmental activities to restate beginning balances in capital assets. In addition, beginning fund balance in the General Fund was restated to correct an error in recognition of payables. The following is a summary of the net position/fund balances as originally reported and as restated:

Fund Balance/Net Position	As Reported	As Restated	Increase (Decrease)
Governmental Activities	\$ 74,893,619	73,428,164	(1,465,455)
General	3,261,371	3,457,193	195,822

**DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**NET POSITION/FUND BALANCE – Continued**

**Net Position Classifications**

Net investment in capital assets was comprised of the following as of April 30, 2015:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 72,720,634
Less Capital Related Debt:	
IEPA Loan of 2010	<u>(4,705,638)</u>
Net Investment in Capital Assets	<u>68,014,996</u>

**NOTE 4 – OTHER INFORMATION**

**RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss including worker's compensation and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

**CONTINGENT LIABILITIES**

**Litigation**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's attorney, the resolution of these matters will not have a material, adverse effect on the financial condition of the District.

**Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

# DOWNERS GROVE SANITARY DISTRICT

## Notes to the Financial Statements April 30, 2015

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### NOTE 4 – OTHER INFORMATION – Continued

#### NONDOMESTIC WASTE

The District received 3.881 billion gallons of waste water from 20,028 users (of which 673 are nonmetered). The District billed users for 1,980 billion gallons. Of the 20,028 users of the system, the following discharge nondomestic waste:

User	Volume (Gallons Per Day)
Good Samaritan Hospital	114,210
Rexnord, Inc.	10,685
Mar Cor Services	2,800
Valid USA	2,189
Bales Mold Service	1,245

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

##### Plan Descriptions, Provisions and Funding Policies

##### Illinois Municipal Retirement System

The District contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at [www.imrf.org](http://www.imrf.org). The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Participating members hired before January 1, 2011 (Tier 1) who retire at or after age 60 (full benefits) or age 55 (reduced benefits) with 8 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 (Tier 2) who retire at or after age 67 (full benefits) or age 62 (reduced benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The District is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2014 was 13.75 percent.

# DOWNERS GROVE SANITARY DISTRICT

## Notes to the Financial Statements April 30, 2015

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

##### Illinois Municipal Retirement System – Continued

##### Funding Policy and Annual Pension Cost

For December 31, 2014, the District's required contribution was equal to the actual contributions for pension costs of \$333,468. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year, depending on age and service, attributable to seniority/merit, (d) post-retirement benefit increases of 3.0% annually, and (e) inflation rate of 4.0%. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. IMRF's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

##### Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 323,384	130.92%	None
2014	343,377	129.12%	None
2015	333,468	129.99%	None

# **DOWNERS GROVE SANITARY DISTRICT**

## **Notes to the Financial Statements April 30, 2015**

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### **EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued**

#### **Illinois Municipal Retirement System – Continued**

#### **Funded Status and Funding Progress**

The District's funded status for the current year and related information for IMRF is as follows:

Actuarial Valuation Date	12/31/2014
Percent Funded	80.72%
Actuarial Accrued Liability for Benefits	\$8,934,915
Actuarial Value of Assets	\$7,212,216
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$1,722,699)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$2,425,225
Ratio of UAAL to Covered Payroll	71.03%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# DOWNERS GROVE SANITARY DISTRICT

## Notes to the Financial Statements April 30, 2015

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### NOTE 4 – OTHER INFORMATION – Continued

#### OTHER POST-EMPLOYMENT BENEFITS

##### Plan Descriptions, Provisions, and Funding Policies

In addition to providing the pension benefits described, the District provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the District's General Fund.

The District provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the District's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the District's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the District's plan becomes secondary.

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2015, retirees contributed \$19,560. Active employees do not contribute to the plan until retirement.

At April 30, 2015, the date of the most recent actuarial report, membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	3
Active Employees	<u>34</u>
Total	<u>37</u>
Participating Employers	1

The District does not currently have a funding policy. This plan is funded on a pay-as-you-go basis.

**DOWNERS GROVE SANITARY DISTRICT**

**Notes to the Financial Statements  
April 30, 2015**

**NOTE 4 – OTHER INFORMATION – Continued**

**OTHER POST-EMPLOYMENT BENEFITS – Continued**

**Annual OPEB Costs and Net OPEB Obligation**

The net OPEB obligation (NOPEBO) as of April 30, 2015, was calculated as follows:

Annual Required Contribution	\$ 177,430
Interest on the NOPEBO	18,724
Adjustment to the ARC	<u>(31,843)</u>
Annual OPEB Cost	164,311
Actual Contribution	<u>45,236</u>
Increase in the NOPEBO	119,075
NOPEBO - Beginning	<u>624,147</u>
NOPEBO - Ending	<u><u>743,222</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Trend Information**

The District’s annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 169,994	\$ 34,419	20.25%	\$ 489,365
2014	167,144	32,362	19.36%	624,147
2015	164,311	45,236	27.53%	743,222

## **DOWNERS GROVE SANITARY DISTRICT**

### **Notes to the Financial Statements April 30, 2015**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

#### **OTHER POST-EMPLOYMENT BENEFITS – Continued**

#### **Funded Status and Funding Progress**

The funded status of the plan as of April 30, 2013, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,329,659
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,329,659
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ -
UAAL as a Percentage of Covered Payroll	0.00%

#### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2013 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return (including a 3% inflation assumption) and an annual healthcare cost trend rate of 8.3%, with an ultimate rate of 5.0%. The actuarial value of assets was not determined as the District has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at April 30, 2015, was 30 years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress and Employer Contributions
  - Illinois Municipal Retirement Fund
  - Other Post-Employment Benefit Plan
- Budgetary Comparison Schedules
  - General Fund
  - Public Benefit – Special Revenue Fund

### Notes to the Required Supplementary Information

- Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

**DOWNERS GROVE SANITARY DISTRICT**

**Illinois Municipal Retirement Fund**

**Required Supplementary Information  
Schedule of Funding Progress and Employer Contributions  
April 30, 2015**

**Schedule of Funding Progress**

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2009	\$ 3,805,958	\$ 6,436,213	59.13%	\$ 2,630,255	\$ 2,214,599	118.77%
2010	3,752,137	6,476,638	57.93%	2,724,501	2,195,568	124.09%
2011	4,451,558	7,030,031	63.32%	2,578,473	2,241,294	115.04%
2012	5,252,231	7,499,153	70.04%	2,246,922	2,202,891	102.00%
2013	6,198,581	8,022,199	77.27%	1,823,618	2,337,487	78.02%
2014	7,212,216	8,934,915	80.72%	1,722,699	2,425,225	71.03%

**Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2010	\$ 258,001	\$ 258,001	100.00%
2011	302,549	302,549	100.00%
2012	330,367	330,367	100.00%
2013	423,384 *	323,384	130.92%
2014	443,377 *	343,377	129.12%
2015	433,468 *	333,468	129.99%

\* - The District contributed an additional \$100,000 above the required contributions

**DOWNERS GROVE SANITARY DISTRICT**

**Other Post-Employment Benefit Plan**

**Required Supplementary Information  
Schedule of Funding Progress and Employer Contributions  
April 30, 2015**

**Schedule of Funding Progress**

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2010	\$ -	\$ 1,168,232	0.00%	\$ 1,168,232	\$ -	0.00%
2011	-	1,168,232	0.00%	1,168,232	-	0.00%
2012	-	1,329,659	0.00%	1,329,659	-	0.00%
2013	-	1,329,659	0.00%	1,329,659	-	0.00%
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A	N/A

**Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2010	\$ 29,538	\$ 159,088	18.57%
2011	39,352	159,088	24.74%
2012	54,584	159,088	34.31%
2013	34,419	177,430	19.40%
2014	32,362	177,430	18.24%
2015	45,236	177,430	25.50%

N/A - Not Available

The District is required to have an actuarial valuation performed triennially.

**DOWNERS GROVE SANITARY DISTRICT**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
<b>Revenues</b>			
Taxes			
Property Taxes	\$ 1,068,750	1,068,750	1,096,835
Replacement Taxes	79,800	79,800	83,214
Charges for Services			
User Billings	3,426,400	3,426,400	3,433,035
Inspection and Review Fees	18,050	18,050	25,994
Monthly Service Fees	2,620,200	2,620,200	2,650,967
Surcharges	310,000	310,000	349,242
Sampling and Monitoring	57,150	57,150	73,843
Property Lease Payments	32,200	32,200	32,905
Grants and Donations	-	-	6,160
Investment Income	9,050	9,050	5,019
Miscellaneous	4,000	4,000	5,793
Total Revenues	<u>7,625,600</u>	<u>7,625,600</u>	<u>7,763,007</u>
<b>Expenditures</b>			
General Government	7,509,450	7,509,450	7,129,552
Debt Service			
Principal Retirement	-	-	181,592
Total Expenditures	<u>7,509,450</u>	<u>7,509,450</u>	<u>7,311,144</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,150</u>	<u>116,150</u>	<u>451,863</u>
<b>Other Financing Sources (Uses)</b>			
Disposal of Capital Assets	-	-	13,578
Transfer Out	-	-	(298,350)
	<u>-</u>	<u>-</u>	<u>(284,772)</u>
Net Change in Fund Balance	<u>116,150</u>	<u>116,150</u>	167,091
Fund Balance - Beginning as Restated			<u>3,457,193</u>
Fund Balance - Ending			<u><u>3,624,284</u></u>

**DOWNERS GROVE SANITARY DISTRICT**

**Public Benefit - Special Revenue Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2015**

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	Budget		Actual
	Original	Final	
Revenues			
Investment Income	\$ 200	200	2
Expenditures			
Capital Outlay	-	-	-
Net Change in Fund Balance	<u>200</u>	<u>200</u>	2
Fund Balance - Beginning			<u>35,250</u>
Fund Balance - Ending			<u>35,252</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – Major Governmental Funds

## **GENERAL FUND**

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

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## **SPECIAL REVENUE FUND**

Special Revenue Funds are created to account for the proceeds of specific revenue sources (other than fiduciary funds or capital project funds) that are legally restricted to expenditure for specified purposes.

### **Public Benefit Fund**

The Public Benefit Fund is used to account for the payment of sewer extensions or sewer special assessments which the District Board of Trustees deems to be of benefit to an area larger than the immediate service area.

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## **CAPITAL PROJECTS FUNDS**

Capital Projects Funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Proprietary Funds.

### **Improvement Fund**

The Improvement Fund is used to account for sewer system, pump station improvements and repayment of loans to the Illinois Environmental Protection Agency.

### **Construction Fund**

The Construction Fund is used to account for improvements and expansions to the Wastewater Treatment Center and repayment of loans to the Illinois Environmental Protection Agency.

### **Special Assessment Fund**

The Special Assessment Fund is used to account for the installation of the public sanitary sewers in special assessment areas.

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## **AGENCY FUND**

### **Sewer Extension Escrow Fund**

The Sewer Extension Escrow Fund is used to account for developer deposits to be used for future sewer projects.

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# DOWNERS GROVE SANITARY DISTRICT

## General Fund

### Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
General Government			
Salaries and Wages			
Plant	\$ 1,060,750	1,060,750	1,153,057
Administrative	789,000	789,000	775,647
Sewer System	426,500	426,500	425,569
Laboratory	181,750	181,750	180,296
Lift Station	75,450	75,450	31,805
Office Expenditures	328,800	328,800	256,926
Insurance	653,100	653,100	638,148
Operations			
Plant	1,494,850	1,494,850	1,502,675
Sewer System	1,224,000	1,224,000	978,064
Laboratory	99,450	99,450	54,575
Lift Station	295,900	295,900	338,799
Motor Vehicles	58,000	58,000	74,460
Professional Services	198,750	198,750	98,135
Retirement Contributions	623,150	623,150	621,396
Total General Government	7,509,450	7,509,450	7,129,552
Debt Service			
Principal Retirement	-	-	181,592
Total Expenditures	7,509,450	7,509,450	7,311,144

**DOWNERS GROVE SANITARY DISTRICT**

**Improvement - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services			
Connection Charges	\$ 20,000	20,000	152,625
Investment Income	5,950	5,950	8,758
Total Revenues	<u>25,950</u>	<u>25,950</u>	<u>161,383</u>
Expenditures			
Capital Outlay	7,500	7,500	6,410
Debt Service			
Principal Retirement	93,200	93,200	93,191
Total Expenditures	<u>100,700</u>	<u>100,700</u>	<u>99,601</u>
Net Change in Fund Balance	<u>(74,750)</u>	<u>(74,750)</u>	61,782
Fund Balance - Beginning			<u>1,227,621</u>
Fund Balance - Ending			<u>1,289,403</u>

**DOWNERS GROVE SANITARY DISTRICT**

**Construction - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
<b>Revenues</b>			
Charges for Services			
Connection Charges	\$ 150,000	150,000	264,260
Investment Income	4,400	4,400	31,449
<b>Total Revenues</b>	<b>154,400</b>	<b>154,400</b>	<b>295,709</b>
<b>Expenditures</b>			
Capital Outlay	700,000	700,000	694,714
Debt Service			
Principal Retirement	28,800	28,800	28,807
<b>Total Expenditures</b>	<b>728,800</b>	<b>728,800</b>	<b>723,521</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(574,400)	(574,400)	(427,812)
<b>Other Financing Sources</b>			
Transfer In	150,000	150,000	298,350
<b>Net Change in Fund Balance</b>	<b>(424,400)</b>	<b>(424,400)</b>	<b>(129,462)</b>
Fund Balance - Beginning			<u>1,203,119</u>
Fund Balance - Ending			<u><u>1,073,657</u></u>

**DOWNERS GROVE SANITARY DISTRICT**

**Special Assessment - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Investment Income	\$ -	-	17,826
Expenditures			
Capital Outlay	-	-	26,651
Debt Service			
Interest and Fiscal Charges	-	-	36,011
Total Expenditures	-	-	62,662
Net Change in Fund Balance	-	-	(44,836)
Fund Balance - Beginning			109,579
Fund Balance - Ending			64,743

**DOWNERS GROVE SANITARY DISTRICT**

**Sewer Extension Escrow - Agency Fund**

**Schedule of Changes in Assets and Liabilities  
For the Fiscal Year Ended April 30, 2015**

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	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balances</u>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 7,020</u>	<u>-</u>	<u>-</u>	<u>7,020</u>
<b>LIABILITIES</b>				
Due to Bondholders	<u>7,020</u>	<u>-</u>	<u>-</u>	<u>7,020</u>

## **SUPPLEMENTAL SCHEDULE**

**DOWNERS GROVE SANITARY DISTRICT**

**Long-Term Debt Requirements**

**IEPA Loan Payable of 2010  
April 30, 2015**

Date of Issue	July 29, 2011
Date of Maturity	November 2, 2030
Authorized Issue	\$8,847,011
Interest Rates	Non-Interest Bearing
Principal Maturity Date	November 2
Payable at	Illinois Environment Protection Agency

**CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 303,590	-	303,590
2017	303,590	-	303,590
2018	303,590	-	303,590
2019	303,590	-	303,590
2020	303,590	-	303,590
2021	303,590	-	303,590
2022	303,590	-	303,590
2023	303,589	-	303,589
2024	303,589	-	303,589
2025	303,589	-	303,589
2026	303,589	-	303,589
2027	303,589	-	303,589
2028	303,589	-	303,589
2029	303,589	-	303,589
2030	303,589	-	303,589
2031	151,796	-	151,796
	<u>4,705,638</u>	<u>-</u>	<u>4,705,638</u>

## **Representation Letter**

District's communication to Lauterbach & Amen regarding management's responsibility

**Board of Trustees**  
Wallace D. Van Buren  
*President*  
Amy S. Kovacevic  
*Vice President*  
Donald F. Peters  
*Clerk*

# Downers Grove Sanitary District

2710 Curtiss Street  
P.O. Box 1412  
Downers Grove, IL 60515-0703  
Phone: 630-969-0664  
Fax: 630-969-0827  
www.dgsd.org

**Staff**  
Nicholas J. Menninga  
*General Manager*  
W. Clay Campbell  
*Administrative Services  
Director*  
**Legal Counsel**  
Michael G. Philipp

*Providing a Better Environment for South Central DuPage County*

June 25, 2015

Lauterbach & Amen, LLP  
Certified Public Accountants  
27W457 Warrenville Road  
Warrenville, Illinois 60555

This representation letter is provided in connection with your audit of the financial statements of the Downers Grove Sanitary District, Illinois, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 25, 2015, the following representations made to you during your audit.

### *Financial Statements*

- 1) We have fulfilled our responsibilities as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the application criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting District.

- 3) We acknowledge our responsibility 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 fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair market value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any have been properly recorded or disclosed.

#### *Information Provided*

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meeting of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.

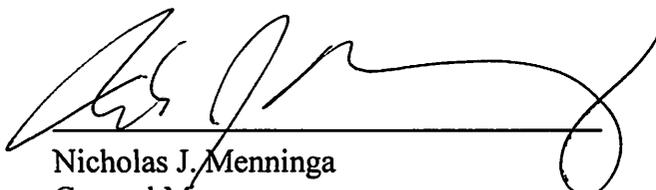
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

*Government – Specific*

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related commendations have been implemented.
- 20) The District has no plans or intentions that may materially affect the carrying value or classifications of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax debt limits and debt contracts; and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all components units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 31) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in statements of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, as applicable, are properly capitalized, reported, and if applicable depreciated.

- 40) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classification for financial reporting purposes.
- 42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 43) With respect to the individual fund budgetary comparison schedules and other information listed as supplementary information:
  - a) We acknowledge our responsibility for presenting the individual fund budgetary comparison schedules and other supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the individual fund budgetary comparison schedules and other supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the individual fund budgetary comparison schedules and other supplementary information have not changes from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of supplementary information.
  - b) If the individual fund budgetary comparison schedules and other supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



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Nicholas J. Menninga  
General Manager



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W. Clay Campbell  
Administrative Services Director