

**SOUTH SANGAMON WATER COMMISSION**  
Rochester, Illinois

**ANNUAL FINANCIAL REPORT**

**For the Year Ended April 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
South Sangamon Water Commission  
Rochester, Illinois 62563

We have audited the accompanying financial statements of the business-type activities of South Sangamon Water Commission as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission'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 from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Sangamon Water Commission, as of April 30, 2016, and the respective changes in financial position, where applicable, and cash flows thereof for

the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the retirement fund historical data on pages 20-21 and the related notes on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 South Sangamon Water Commission's basic financial statements. The Schedule of Insurance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Insurance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Bond Compliance*

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the Commission's master bond ordinance number 10-21, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

*Zumbahlen, Eyth, Stewart, Foote & Flynn Ltd.*

Jacksonville, IL  
August 15, 2016

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois

STATEMENT OF NET POSITION  
April 30, 2016

<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 159,147
Accounts Receivable	191,024
Prepaid Insurance	24,215
Interest Subsidy Receivable	150,929
Total Current Assets	<u>525,315</u>
<b>RESTRICTED ASSETS</b>	
Cash and Cash Equivalents	<u>2,342,433</u>
Total Restricted Assets	<u>2,342,433</u>
<b>PROPERTY AND EQUIPMENT</b>	
Land	566,483
Equipment	111,975
Buildings and Infrastructure	32,790,167
Construction in Progress	127,708
Less: Accumulated Depreciation	<u>(3,240,806)</u>
Net Property and Equipment	<u>30,355,527</u>
Total Assets	\$ <u>33,223,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions	<u>3,655</u>
Total Deferred Outflows of Resources	<u>3,655</u>
Total Assets and Deferred Outflows of Resources	<u><u>33,226,930</u></u>
<b>CURRENT LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	\$ 42,274
Accrued Interest	566,487
Bonds Payable	498,989
Capital Lease Payable	11,862
Net Pension Liability	401
Total Current Liabilities	<u>1,120,013</u>
<b>NON-CURRENT LIABILITIES</b>	
Bond Principal Due After One (1) Year	32,298,536
Capital Lease Due After One (1) Year	<u>11,212</u>
Total Non-Current Liabilities	<u>32,309,748</u>
Total Liabilities	<u>33,429,761</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	<u>67,351</u>
Total Deferred Inflows of Resources	<u>67,351</u>
Total Liabilities and Deferred Inflows of Resources	33,497,112
<b>NET POSITION</b>	
Net Investment in Capital Assets	(2,465,072)
Restricted For:	
Bond Covenants	2,289,791
Conservation Reserve	52,642
Unrestricted	<u>(147,543)</u>
Total Net Position	<u>(270,182)</u>
Total Liabilities and Net Position	\$ <u><u>33,226,930</u></u>

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
Year Ended April 30, 2016

OPERATING REVENUES	
Charges for Services	\$ <u>2,714,157</u>
Total Operating Revenues	<u>2,714,157</u>
OPERATING EXPENSES	
Personnel	11,459
Contractual Services and Other	953,474
Insurance and Taxes	21,704
Professional Services	92,016
Rent	847
Repairs and Maintenance	76,849
Supplies	1,472
Utilities	7,077
Pension Expense	71,013
Depreciation	<u>832,076</u>
Total Operating Expenses	<u>2,067,987</u>
Operating Income (Loss)	<u>646,170</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	4,081
Interest Expense	<u>(1,707,211)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,703,130)</u>
Net Income (Loss) Before Contributions	(1,056,960)
CAPITAL CONTRIBUTIONS	<u>473,285</u>
Change in Net Position	(583,675)
Total Net Position, Beginning-RESTATED	<u>313,493</u>
Total Net Position, Ending	\$ <u><u>(270,182)</u></u>

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois

STATEMENT OF CASH FLOWS

Year Ended April 30, 2016

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,971,158
Cash Payments to Suppliers for Goods and Services	(1,238,447)
Cash Payments to Employees and Related Benefits	(14,075)
Net Cash Provided by (Used for) Operating Activities	<u>1,718,636</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions	473,285
Acquisition and Construction of Capital Assets	(41,804)
Interest Paid on Long Term Debt	(1,711,401)
Repayment of Revenue Bonds	(412,615)
Repayment of Capital Lease	(11,489)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,704,024)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>4,081</u>
Net Cash Provided by (Used for) Investing Activities	<u>4,081</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,693
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,482,887</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,501,580</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 646,170
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	832,076
(Increase) Decrease in Accounts Receivable	257,001
(Increase) Decrease in Prepaid Insurance	10,862
(Increase) Decrease in Deferred Outflows of Resources	73,655
Increase (Decrease) in Payroll Liabilities	480
Increase (Decrease) in Operating Accounts Payable	(95,870)
Increase (Decrease) in Deferred Inflows of Resources	67,351
Increase (Decrease) in Net Pension Liability	(73,089)
Total Adjustments	<u>1,072,466</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,718,636</u>

See accompanying notes to financial statements



**SOUTH SANGAMON WATER COMMISSION**  
Rochester, Illinois

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

The South Sangamon Water Commission, Rochester, Illinois operates under the Illinois Compiled Statutes as a Special District, under a Board of Trustees form of Government and provides water service.

The more significant of the Commission's accounting policies are described below:

**A. Reporting Entity**

The Commissioners are appointed, one each, by Sangamon County, the Village of New Berlin and the Village of Chatham and has the authority to make decisions, hire employees, and significantly influence operations. The Commission also has the primary accountability for fiscal matters.

The Commission's financial statements include the accounts of all Commission operations. The criteria for including organizations within the Commission's reporting entity, as set forth in GASB No. 61, "The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and No. 34", is financial accountability. A component unit is included in the Commission's reporting entity if it is both fiscally dependent on the Commission (primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of the criteria for inclusion as set forth in GASB No. 61, there are no component units.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Commission is accounted for as a proprietary fund type (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Commission are included on the statement of net position.

Under the accrual basis of accounting, revenues are recorded when earned and become measurable and expenses are recorded in the accounting period in which they are incurred and become measurable.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses relate to the primary, continuing operations of the Commission. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.



SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported in current assets and current liabilities in the financial statements.

*Recently Issued and Adopted Accounting Pronouncements*

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*, which became effective for the Commission during the fiscal year ending April 30, 2016. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. As a result of this statement, the Commission has recorded the net pension liability, deferred outflows of resources and deferred inflows of resources and added significant note disclosures regarding its defined benefit pension plan.

C. Capital Assets

Capital assets which include property, plant and equipment are reported in the Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Capital assets having a useful life greater than one year are capitalized when the asset cost is greater than \$1,500 for equipment, \$10,000 for buildings and improvements, and \$10,000 for infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not capitalized. The Commission uses the direct method to record expenses for planned major maintenance. Such expenditures are recorded as incurred. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Capital Assets (Continued)

<i>Description</i>	<i>Years</i>
Plant and Buildings	40
Improvements	10-20
Equipment	5-7

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash deposited in checking accounts and certificates of deposit. The certificates of deposit are reported at their cost which approximates their fair value. For purposes of the statement of cash flows, the Commission considers all highly liquid investments such as certificates of deposit to be cash equivalents.

E. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Net Position

The Statement of Net Position presents the Commission's assets and deferred outflows and liabilities and deferred inflows with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets that do not meet the criteria of the two preceding categories.

Note 2. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned or the Commission will not be able to recover collateral securities in the possession of an outside party. The Commission's policy requires deposits to be 110% secured by collateral valued at market or par whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

**Note 2. Deposits (Continued)**

Deposited funds may be invested in certificates of deposit or in accordance with the investment policies adopted by the Commission Board. Collateral agreements must be approved prior to deposit of funds as provided by law. The Commission Board designates a list of authorized depository institutions.

At year-end the Commission's bank balances totaled \$2,649,362. Of this balance, \$250,000 is covered by federal depository insurance coverage, \$1,446,098 is collateralized by securities held by the pledging institution's trust department or agent, but not in the name of the Commission, \$953,264 is listed as having specific pledged collateral held by the pledging financial institution in the name of the Commission.

**Note 3. Accounts Receivable**

Customer Receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2016.

**Note 4. Restricted Cash and Net Position**

The following cash and investments are restricted:

Depreciation, Repair & Replacement	236,131
Debt Service Reserve	1,445,752
Bond & Interest	607,908
CRP Management	52,642
	<u>2,342,433</u>

This same amount is reported as Restricted Net Position.

**Note 5. Revenue Bond Ordinances**

General Obligation Bonds (Alternate Revenue Source)

	<i>Beginning Balance</i>	<i>Proceeds</i>	<i>Decreases</i>	<i>Ending Balance</i>
(a) Series 2010B	23,505,000			23,505,000
(b) Series 2010C	3,090,000			3,090,000
(c) Series 2010D	1,745,000		185,000	1,560,000
(d) Series 2011	4,870,143		227,618	4,642,525
<b>TOTAL</b>	<b>33,210,143</b>		<b>412,618</b>	<b>32,797,525</b>

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 5. Revenue Bond Ordinances (Continued)

(a) Series 2010B (Taxable) Build America Bonds-Direct Payment

\$23,505,000 of 2010 Serial Revenue Bonds issued September 30, 2010, due in annual installments each January 1 beginning 2025 and extending through 2041, interest payable semi-annually each January 1 and July 1 beginning 2011 from 5.4% to 6.125% with a 35% Federal interest subsidy. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Federal government sequestration results in an 8.7% reduction to the Commission's 35% Federal interest subsidy through September 30, 2013, at that time the sequestration rate was subject to change. For fiscal year ending April 30, 2015, the Commission was informed of a sequester reduction of 7.2%. The following schedule assumes the subsidy will be fully reinstated and is subject to change in future years. The annual debt service requirement of these bonds is as follows:

Fiscal Year Of Maturity	2010B Serial Revenue Bonds			
	Principal	Interest	B.A.B. 35% Rebate	Net Due
2017		1,394,045	487,916	906,129
2018		1,394,045	487,916	906,129
2019		1,394,045	487,916	906,129
2020		1,394,045	487,916	906,129
2021		1,394,045	487,916	906,129
2022		1,394,045	487,916	906,129
2023		1,394,045	487,916	906,129
2024		1,394,045	487,916	906,129
2025	475,000	1,394,045	487,916	1,381,129
2026	970,000	1,368,395	478,938	1,859,457
2027	1,035,000	1,314,560	460,096	1,889,464
2028	1,100,000	1,256,083	439,629	1,916,454
2029	1,180,000	1,193,383	417,684	1,955,699
2030	1,245,000	1,126,123	394,143	1,976,980
2031	1,330,000	1,055,157	369,305	2,015,852
2032	1,405,000	976,687	341,840	2,039,847
2033	1,490,000	893,792	312,827	2,070,965
2034	1,560,000	805,883	282,059	2,083,824
2035	1,645,000	713,843	249,845	2,108,998
2036	1,725,000	616,787	215,875	2,125,912
2037	1,815,000	511,131	178,896	2,147,235
2038	1,910,000	399,963	139,987	2,169,976
2039	1,930,000	282,975	99,041	2,113,934
2040	2,020,000	164,763	57,667	2,127,096
2041	670,000	41,037	14,363	696,674
	23,505,000	25,266,967	8,843,439	39,928,528

**SOUTH SANGAMON WATER COMMISSION**  
**Rochester, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Revenue Bond Ordinances (Continued)**

**(b) Series 2010C Tax Exempt General Obligation Bonds**

\$3,090,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2021 and extending through 2025, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.4% to 3.8%. The annual debt service requirement of these bonds is as follows:

Fiscal Year Of Maturity	2010C Serial Revenue Bonds		
	Principal	Interest	Net Due
2017		111,005	111,005
2018		111,005	111,005
2019		111,005	111,005
2020		111,005	111,005
2021	580,000	111,005	691,005
2022	635,000	91,285	726,285
2023	705,000	69,060	774,060
2024	780,000	43,680	823,680
2025	390,000	14,820	404,820
	3,090,000	773,870	3,863,870

**(c) Series 2010D Taxable General Obligation Bonds**

\$1,820,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2015 and extending through 2020, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.0% to 4.5%. The annual debt service requirement of these bonds is as follows:

Fiscal Year Of Maturity	2010D Serial Revenue Bonds		
	Principal	Interest	Net Due
2017	265,000	65,350	330,350
2018	360,000	55,412	415,412
2019	425,000	41,013	466,013
2020	510,000	22,950	532,950
	1,560,000	184,725	1,744,725



**SOUTH SANGAMON WATER COMMISSION**  
**Rochester, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Revenue Bond Ordinances (Continued)**

**(d) Series 2011 Tax-Exempt Subordinate Revenue Bonds**

\$5,200,000 issue of 2011 Subordinate Revenue Bonds due in semi-annual installments each January 1 and July 1 beginning 2014 and extending through January 1, 2032, interest payable semi-annually each January 1 and July 1 beginning July 1, 2012 at 2.78% until July 1, 2021. At July 1, 2021, the interest rate will be adjusted to Prime minus 0.75%, with a maximum rate cap of 7.00%.

Fiscal Year Of Maturity	2011 Subordinate Revenue Bonds		
	Principal	Interest	Net Due
2017	233,989	127,447	361,436
2018	240,540	120,896	361,436
2019	247,272	114,164	361,436
2020	254,194	107,242	361,436
2021	261,310	100,126	361,436
2022	268,626	92,810	361,436
2023	276,146	85,290	361,436
2024	283,875	77,561	361,436
2025	291,822	69,614	361,436
2026	299,991	61,445	361,436
2027	308,389	53,047	361,436
2028	317,022	44,414	361,436
2029	325,896	35,540	361,436
2030	335,019	26,417	361,436
2031	344,397	17,039	361,436
2032	354,037	7,398	361,435
	4,642,525	1,140,450	5,782,975

The revenue bond ordinances require that all monies held by the Commission be segregated and restricted in separate special accounts as follows:

1. Operations and Maintenance Account - A sufficient amount to pay reasonable expenses.
2. Bond and Interest Account – An amount equal to the next annual tax levy to pay the current bond and interest maturities, until which time enough funds have accumulated to abate such tax levy.
3. Debt Service Reserve Account – Used to pay principal and interest costs during which times the bond and interest account contains insufficient funds to pay bond and interest requirements.

**SOUTH SANGAMON WATER COMMISSION**  
Rochester, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Revenue Bond Ordinances (Continued)**

4. Rebate Fund Account – Interest earned on Federal monies which must be rebated to the United States of America.
5. Bond Reserve and Depreciation Account – Monthly deposits are required until which point the depreciation, repair, and replacement requirement has been met.
6. Surplus Account - Any surplus remaining after making the above deposits.

**Note 6. Risk Management**

The Commission 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 disaster. Significant losses are covered by commercial insurance for all major programs: workers' compensation, liability and property. For these programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 7. Commitments and Contingencies**

In the prior fiscal year, the Commission had a dispute with one of its contractors and has withheld from final payment \$75,000, which was included in accounts payable as of April 30, 2015. As a result, the contractor sued the Commission and settled for a payment of \$80,000 during the fiscal year ending April 30, 2016. No other commitments or contingencies were noted as of April 30, 2016.

**Note 8. Operating Leases**

The Commission has two separate operating leases for copy machines. Both leases call for quarterly payments of \$200. Future minimum lease payments under these leases are estimated at \$2,400 per year.

**Note 9. Capital Lease Payable**

On March 20, 2013, the Commission entered into a capital lease with Caterpillar Financial for the purchase of a track loader at a total of \$57,350. The agreement calls for 60 monthly payments of \$1,035 at an interest rate of 3.20%. As of April 30, 2016, the lease has a balance of \$23,074, of which \$11,862 is included in current liabilities.



SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Lease Payable (continued)

The annual debt service requirements of the lease are as follows:

	Principal	Interest	Total
2017	11,862	565	12,427
2018	11,212	180	11,392
	23,074	745	23,819

Note 10. Illinois Municipal Retirement Fund

**IMRF Plan Description**

The Commission's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Commission's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF.

Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). South Sangamon Water Commission participates in the Regular Plan.

The IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 10. Illinois Municipal Retirement Fund (Continued)

**Benefits Provided (Continued)**

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Employees Covered by Benefit Terms**

As of December 31, 2015, the Commission's membership consisted of 0 retirees and beneficiaries currently receiving benefits, 1 inactive plan member entitled to but not yet receiving benefits, and 0 active plan member for a total of 1 plan members.

**Contributions**

As set by statute, the Commission's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Commission's annual contribution rate for calendar year 2015 was 14.09%. For the fiscal year ended April 30, 2016, the Commission contributed \$3,096 to the plan. The Commission also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The Commission's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 10. Illinois Municipal Retirement Fund (Continued)

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
- For non-disabled retirees, an IMRF specific **Mortality** table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

**SOUTH SANGAMON WATER COMMISSION**  
**Rochester, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Illinois Municipal Retirement Fund (Continued)**

**Single Discount Rate**

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 81,038	\$ 7,548	\$ 73,490
Changes for the year:			
Service Cost	8,639		8,639
Interest on the Total Pension Liability	6,393		6,393
Changes of Benefit Terms			
Differences Between Expected and Actual Experience of the Total Pension Liability	(83,147)		(83,147)
Changes of Assumptions	(24)		(24)
Contributions – Employer		4,054	(4,054)
Contributions – Employees		1,295	(1,295)
Net Investment Income		51	(51)
Benefit Payments, including Refunds of Employee Contributions			
Other (Net Transfer)		(450)	450
Net Changes	(68,139)	4,950	(73,089)
Balances at December 31, 2015	\$ 12,899	\$ 12,498	\$ 401

**SOUTH SANGAMON WATER COMMISSION**  
**Rochester, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Illinois Municipal Retirement Fund (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Single Discount Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$15,513	\$12,899	\$ 10,820
Plan Fiduciary Net Position	12,498	12,498	12,498
Net Pension Liability/(Asset)	\$ 3,015	\$ 401	\$(1,678)

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended April 30, 2016 the Commission recognized pension expense of \$71,013. At April 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Differences between expected and actual experience	0	67,332
Net difference between projected and actual earnings on pension plan investments	559	
Changes of assumptions	0	19
Total Deferred Amounts to be recognized in pension expense in future periods	559	67,351
Employer contributions subsequent to the measurement date (December 31, 2015)	3,096	
Total Deferred Amounts Related to Pensions	3,655	67,351



SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

Note 10. Illinois Municipal Retirement Fund (Continued)

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Under generally accepted accounting principles, \$3,096 is reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and would be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended April 30:	
2017	\$ (15,680)
2018	(15,680)
2019	(15,680)
2020	(15,681)
2021	(4,071)
<b>Total</b>	<b>\$ (66,792)</b>

Note 11. Capital Assets

Capital asset activity for the year ended April 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 566,483	\$	\$	\$ 566,483
Construction-in-Process	124,108	3,600		127,708
<b>Total capital assets not being depreciated</b>	<b>\$ 690,591</b>	<b>\$ 3,600</b>	<b>\$ -</b>	<b>\$ 694,191</b>
Capital assets being depreciated				
Buildings and infrastructure	\$ 32,790,167	\$	\$	\$ 32,790,167
Equipment	73,772	38,203		111,975
<b>Total capital assets being depreciated</b>	<b>32,863,939</b>	<b>38,203</b>	<b>-</b>	<b>32,902,142</b>
Less accumulated depreciation for:				
Buildings and infrastructure	2,382,228	820,723		3,202,951
Equipment	26,502	11,353		37,855
<b>Total accumulated depreciation</b>	<b>2,408,730</b>	<b>\$ 832,076</b>	<b>\$ -</b>	<b>3,240,806</b>
<b>Capital assets - net</b>	<b>\$ 31,145,800</b>			<b>\$ 30,355,527</b>

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
NOTES TO FINANCIAL STATEMENTS

**Note 12. Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the Commission through August 15, 2016, the date which the financial statements were available to be issued, and concluded that no subsequent events would require recognition or disclosure in the notes to the financial statements.

**Note 13. Construction in Process**

As of April 30, 2016, the Commission has spent \$127,708 for engineering fees related to a new green sand filtration system at the water plant. The ultimate cost and timeframe of this project is unknown at the current time due to the early stages of the project.

**Note 14. Restatement of Beginning Net Position**

Net position of the business-type activities has been restated as of April 30, 2016 as required for the adoption of GASB Statements 68 and 71 relating to defined benefit pensions, as discussed in note 10. The restatement of net position was calculated as follows:

Net Position 4/30/15 As Originally Reported	\$	309,673
Inclusion Of Net Pension Liability As Of 4/30/15		(73,490)
Inclusion Of Deferred Outflows As Of 4/30/15 As A Result		<u>77,310</u>
Net Position 4/30/15 As Restated	\$	<u>313,493</u>



SOUTH SANGAMON WATER COMMISSION  
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (to be built prospectively from 2015)

Calendar Year Ending December 31,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability</b>										
Service Cost	\$ 8,639									
Interest on the Total Pension Liability	6,393									
Benefit Changes										
Difference Between Expected and Actual Experience	(83,147)									
Assumption Changes	(24)									
Benefit Payments and Refunds										
<b>Net Change in Total Pension Liability</b>	<b>(68,139)</b>									
<b>Total Pension Liability - Beginning</b>	<b>81,038</b>									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 12,899</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 4,054									
Employee Contributions	1,295									
Pension Plan Net Investment Income	51									
Benefit Payments and Refunds	-									
Other	(450)									
<b>Net Change in Plan Fiduciary Net Position</b>	<b>4,950</b>									
<b>Plan Fiduciary Net Position - Beginning</b>	<b>7,548</b>									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 12,498</b>									
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 401</b>									
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>96.89%</b>									
<b>Covered Valuation Payroll</b>	<b>\$ 28,772</b>									
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	<b>1.39%</b>									

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SOUTH SANGAMON WATER COMMISSION  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (To be built prospectively from 2015)

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ -	\$ 4,054	\$ (4,054)	\$ 28,772	14.09%

South Sangamon Water Commission  
Notes to Multiyear Schedule of Contributions  
Illinois Municipal Retirement Fund  
April 30, 2016

**Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate\***

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period until remaining period reaches 15 years (then 15-year rolling period).
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

**Other Information:**

Notes: There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
OTHER INFORMATION  
SCHEDULE OF INSURANCE  
April 30, 2016

<b>PROPERTY OWNERS POLICY</b>	<b>Amount of Coverage</b>
Package Policy	

Cincinnati Insurance Company: #UPP0007920

Liability, Property, etc.

Per Occurrence

\$ 1,000,000

Aggregate

\$ 3,000,000

Liability Umbrella #UPP0007920

Various Items

\$ 5,000,000

Business Income/Extra Expense #UPP0007920

\$ 2,300,000

Business Auto #UPP0007920\

Hired/Non-Owned

\$ 1,000,000

Business Personal Property #UPP0007920

\$ 100,000

Crime #UPP0007920

\$ 250,000

Building #UPP0007920

\$ 10,410,000

Boiler & Machinery #UPP00079250

\$ 6,000,000

Contractor's Equipment #UPP0007920

\$ 63,200

Data Processing Equipment #UPP0007920

\$ 150,000

Expires May 1, 2017

**WORKERS COMPENSATION LIABILITY**

Cincinnati Insurance Company #EWC0238049-01

Each Accident, Employee

\$ 1,000,000

Policy Limit

\$ 1,000,000

Expires May 1, 2017

**FIDELITY BONDS**

Ohio Casualty Group #404006386

Treasurer

\$ 2,500,000

Expires May 1, 2017

SOUTH SANGAMON WATER COMMISSION  
Rochester, Illinois  
OTHER INFORMATION  
SCHEDULE OF INSURANCE  
April 30, 2016

PUBLIC OFFICIALS LIABILITY	Amount of Coverage
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United States Liability Ins. Co.  
#PQ1000789E

Public Officials Liability	
Per Occurrence	\$2,000,000
Aggregate	\$2,000,000

Employment Practices Liability	
Per Occurrence	\$1,000,000
Aggregate	\$1,000,000

Expired August 3, 2016