

Salt Creek SANITARY DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2013

Selden Fox, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

SALT CREEK SANITARY DISTRICT

Villa Park, Illinois

Annual Financial Report

For the Year Ended April 30, 2013

Administrative Office

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Villa Park, Illinois 60181

(630) 832-3637

Board of Trustees

William Dewyer, President
Dennis Keating, Vice President
Raymond Hensley, Clerk

Administration

James Listwan, Manager
Deborah Seaton, Business Administrator

Salt Creek Sanitary District, Villa Park, Illinois
Annual Financial Report
For the Year Ended April 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Selden Fox, LTD.

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Independent Auditor's Report

Board of Trustees
Salt Creek Sanitary District
Villa Park, Illinois

We have audited the accompanying statement of net position of the **Salt Creek Sanitary District**, as of and for the years ended April 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the **Salt Creek Sanitary District**, as of April 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years 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 on pages 3 – 8 and the Illinois Municipal Retirement Fund – Schedule of Funding Progress on page 24 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 the financial reporting for placing the basic financial statements in the 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 **Salt Creek Sanitary District's** basic financial statements. The accompanying financial information listed as supplementary information in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Seiden Fox, Ltd.

October 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Salt Creek Sanitary District
Management's Discussion and Analysis
April 30, 2013**

As management of the Salt Creek Sanitary District (District), we offer readers of the District's financial statements this narrative overview to the financial activities of the District for the fiscal years ended April 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- As of April 30, 2013, the assets of the District exceeded its liabilities by \$6,817,278 (net position). Of this amount, \$3,759,361 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's operating expenses for fiscal year 2013 decreased by \$90,410, or 4.6%, from 2012. The decrease was shared by a multiple of operating expense categories, highlighting the District's continued efforts to keep expenses to a minimum.
- User charge revenues increased by \$92,831, or 4.6%, over 2012 primarily due to a rate increase for wastewater treatment services.
- Replacement tax revenue increased by \$2,316, or 7.0%, in 2013 as a result of increased collections from the State of Illinois.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Basic Financial Statements

The financial statements of the District 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 its liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the statement of activities. 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, capital charges, and other non-operating revenues.

Basic Financial Statements (cont'd)

The final required 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.

Financial Analysis of the District

The statement of net position and the statement of activities report information about the District's activities in a way that helps explain how the District did financially. These two statements report the net position of the District and the changes therein. One can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Net Position

To begin our analysis, a summary of the District's statement of net position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>
Current and other assets	\$ 4,668,749	\$ 3,876,729
Capital assets	<u>9,737,658</u>	<u>8,957,386</u>
Total assets	<u>14,406,407</u>	<u>12,834,115</u>
Long-term debt outstanding	6,679,741	6,077,471
Other liabilities	<u>909,388</u>	<u>185,540</u>
Total liabilities	<u>7,589,129</u>	<u>6,263,011</u>
Invested in capital assets, net of related debt	3,057,917	2,879,915
Unrestricted	<u>3,759,361</u>	<u>3,691,189</u>
Total net position	<u>\$ 6,817,278</u>	<u>\$ 6,571,104</u>

As can be seen from Table A-1 above, net position increased by \$246,174. The components of this increase can be seen in Table A-2 on the following page. The above increase in capital assets resulted from capital asset purchases in excess of depreciation expense. Long-term debt outstanding increased by \$602,270 through the issuance of new debt of \$1,064,970 to fund the tertiary sand filter building project, partially offset by \$462,700 in debt repayments during the year. Other liabilities increased by \$723,848 due to an increase in accounts payable related to the construction of the tertiary sand filter building.

Net Position (cont'd)

**Table A-2
Condensed Statements of Activities**

	<u>FY 2013</u>	<u>FY 2012</u>
Operating revenues	\$ 2,221,477	\$ 2,128,525
Non operating revenues (expenses)	<u>(113,970)</u>	<u>(125,450)</u>
Total revenues	2,107,507	2,003,075
Depreciation expense	629,482	651,626
Other operating expense	<u>1,231,851</u>	<u>1,300,117</u>
Total operating expenses	1,861,333	(1,951,743)
Change in net position	246,174	51,332
Net position, beginning of the year	<u>6,571,104</u>	<u>6,519,772</u>
Net position, end of year	\$ 6,817,278	\$ 6,571,104

While the statement of net position shows the change in financial position of the District, the statement of activities provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, the increase in net position over 2012 was due to a combination of a decrease in other operating expense across most areas of operation and an increase in revenues driven by a rate increase in wastewater treatment services.

The District's operating revenues increased by \$92,952 to \$2,221,477 in 2013 due to an increase in the wastewater usage rate. Also, non-operating expenses, as shown in more detail on page 10, decreased by \$11,480 primarily to a loss on disposal of capital assets that occurred in 2012, while there was no such loss in 2013.

The District adopts an annual operating budget following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. The District's operating budget remains in effect the entire year, and is not revised except for potential budget transfers. A fiscal 2013 and 2012 budget comparison and analysis is presented to management as interim financial statements; budgetary comparison schedules are presented in this report as supplementary information beginning on page 25.

Budgetary Highlights

A 2013 General Fund budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
FY 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
From operations	\$ 2,194,500	\$ 2,217,877	\$ 23,377
Non operating	34,100	38,282	4,182
Total revenues	<u>2,228,600</u>	<u>2,256,159</u>	<u>27,559</u>
Operation expenses:			
Employee costs:			
Salaries	512,308	423,462	88,846
Fringe benefits	309,040	283,426	25,614
Contractual services	95,550	86,048	9,502
Waste disposal	88,500	21,349	67,151
Utilities	254,000	200,203	53,797
Insurance	48,500	45,681	2,819
Chemicals	10,000	9,186	814
Materials and supplies	63,700	42,200	21,500
Maintenance	90,500	43,140	47,360
Other	129,100	64,915	64,185
Total expenses	<u>1,601,198</u>	<u>1,219,610</u>	<u>381,588</u>
Revenues over expenditures	<u>\$ 627,402</u>	<u>\$ 1,036,549</u>	<u>\$ 409,147</u>

The actual amounts were under budget by \$409,147, due to the following:

- Operational revenues were over budget by \$23,377 due to increased water usage.
- Nonoperational revenues were over budget by \$4,182 due to increased unanticipated collections of replacement taxes and interest income.
- Salaries were \$88,846 lower than expected, primarily because of an unexpected retirement and staff repositioning.
- Fringe benefits were \$25,614 lower than anticipated because of reduced staff, payroll taxes and decreased health insurance costs.
- Waste disposal expenses were \$67,151 lower than expected primarily because of lower than anticipated sludge removal costs.
- Utilities were \$53,797 lower than expected because of savings generated by a new electricity contract.

Budgetary Highlights (cont'd)

- Materials and supplies were \$21,500 lower than expected primarily because necessary maintenance expenditures were less than anticipated.
- Maintenance costs were \$47,360 lower than budget, primarily because incurred expenditures were less than anticipated.
- Other costs were under budget by \$64,185 primarily due to the budgeted amount containing a significant unutilized contingent expense component.

Capital Assets

At the end of 2013, the District had \$9,737,658 invested in capital assets, including wastewater treatment facilities, as shown in Table A-4.

**Table A-4
Capital Assets**

	<u>FY 2013</u>	<u>FY 2012</u>
Wastewater treatment facilities	\$ 19,951,185	\$ 19,918,823
Office and lab equipment	185,710	185,710
Transportation equipment	113,215	113,215
Total capital assets	20,250,110	20,217,748
Accumulated depreciation	(12,304,814)	(11,675,332)
Construction in progress	1,792,362	414,970
Net capital assets	\$ 9,737,658	\$ 8,957,386

Additional information on the District's capital assets can be found at Note II.B. on pages 17 and 18 of this report.

Debt Administration

In order to avoid levying a tax for debt service, the District maintains cash and investments in a fund to meet the balance of the current year's debt service requirements. The District believes the most equitable method is collecting for debt service requirements based on water usage.

Notes payable outstanding at April 30, 2013 and 2012 amounted to \$6,679,741 and \$6,077,471, respectively. This balance represents funds received by the District through the Illinois Environmental Protection Agency Revolving Loan Fund Program. Interest on these loans is payable semiannually at rates of 2.295% - 3.58%. The balance at April 30, 2013 includes \$1,064,970 for a loan dated June, 2012 which is in the construction draw down phase.

Additional information on the District's long-term debt can be found at Note II.C. on pages 19 – 20 of this report.

Future Considerations at the District

User fees were increased by \$0.08 per thousand gallons for operation and maintenance and \$0.07 per thousand gallons for debt service expenses effective May, 2013.

Table A-5

District Rate History

<u>Fiscal Year</u>	<u>Volume (Per 1,000 Gallons)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>
2004	\$ 2.21	\$.1775	\$.1649
2005	2.41	.1775	.1649
2006	2.61	.1775	.1649
2007	2.81	.1775	.1649
2008	2.98	.1775	.1649
2009	2.98	.1775	.1649
2010	3.08	.1775	.1649
2011	3.28	.1775	.1649
2012	3.53	.1775	.1649
2013	3.68	.1775	.1649

District Contact Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and its accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Deborah Seaton, Business Administrator, Salt Creek Sanitary District, 201 South Route 83, Post Office Box 6600, Villa Park, Illinois, 60181, by phone at 630-832-3637, or by email at scsd.scasd@comcastbiz.net.

BASIC FINANCIAL STATEMENTS

Salt Creek Sanitary District, Villa Park, Illinois
Statement of Net Position
April 30,

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 1,416,956	\$ 1,085,501
Investments	3,101,697	2,645,600
Receivables:		
Accounts	136,521	126,806
Replacement taxes	7,106	4,790
Accrued interest	3,558	3,109
Prepaid assets	2,911	10,923
Total current assets	<u>4,668,749</u>	<u>3,876,729</u>
Capital assets, net:		
Not being depreciated	1,842,424	465,032
Being depreciated	7,895,234	8,492,354
Total capital assets, net	<u>9,737,658</u>	<u>8,957,386</u>
Total assets	<u>14,406,407</u>	<u>12,834,115</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	759,504	57,286
Payroll related liabilities	13,866	15,881
Accrued interest payable	22,727	13,834
Compensated absences	18,716	19,072
Current maturities of long-term debt	420,556	462,700
Total current liabilities	<u>1,235,369</u>	<u>568,773</u>
Long-term liabilities:		
Long-term debt, less current maturities	6,259,185	5,614,771
Compensated absences	38,668	34,855
Net pension obligation	55,907	44,612
Total long-term liabilities	<u>6,353,760</u>	<u>5,694,238</u>
Total liabilities	<u>7,589,129</u>	<u>6,263,011</u>
Net Position		
Investment in capital assets, net of related debt	3,057,917	2,879,915
Unrestricted	3,759,361	3,691,189
Total net position	<u>\$ 6,817,278</u>	<u>\$ 6,571,104</u>

See accompanying notes.

Salt Creek Sanitary District, Villa Park, Illinois
Statement of Activities
For the Year Ended April 30,

	<u>2013</u>	<u>2012</u>
Operating revenues:		
User charges	\$ 2,105,715	\$ 2,012,884
Capital charges	115,762	115,641
Total operating revenues	<u>2,221,477</u>	<u>2,128,525</u>
Operating expenses:		
Employee costs:		
Salaries	423,462	475,722
Fringe benefits	289,129	301,380
Contractual services	88,679	86,479
Waste disposal	21,349	35,125
Utilities	201,662	225,203
Insurance	45,681	45,173
Chemicals	9,186	13,635
Material and supplies	11,806	16,116
Maintenance	62,409	41,472
Administrative	64,075	59,039
Other	14,413	773
Depreciation	629,482	651,626
Total operating expenses	<u>1,861,333</u>	<u>1,951,743</u>
Operating income	<u>360,144</u>	<u>176,782</u>
Nonoperating revenues (expenses):		
Replacement taxes	35,641	33,325
Interest income	8,235	8,390
Interest expense	(159,058)	(161,428)
Loss on disposal of capital assets	-	(6,500)
Other income	1,212	763
Total nonoperating expense	<u>(113,970)</u>	<u>(125,450)</u>
Change in net position	<u>246,174</u>	<u>51,332</u>
Net position, beginning of the year	<u>6,571,104</u>	<u>6,519,772</u>
Net position, end of the year	<u>\$ 6,817,278</u>	<u>\$ 6,571,104</u>

See accompanying notes.

Salt Creek Sanitary District, Villa Park, Illinois
Statement of Cash Flows
For the Year Ended April 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Received from customers	\$ 2,211,762	\$ 2,172,753
Paid to suppliers for goods and services	(515,348)	(623,236)
Paid to employees for services	(699,854)	(756,034)
Net cash flows from operating activities	<u>996,560</u>	<u>793,483</u>
Cash flows from investing activities:		
Investment income received	2,563	15,071
Investments purchased	(801,239)	(361,923)
Investments sold	350,365	409,641
Net cash flows from investing activities	<u>(448,311)</u>	<u>62,789</u>
Cash flows from capital and related financing activities:		
Proceeds from Illinois Environmental Protection Agency loan	1,064,970	-
Debt retired	(462,700)	(450,612)
Interest paid	(150,165)	(162,253)
Purchases of capital assets	(703,436)	(240,728)
Net cash flows from capital and related financing activities	<u>(251,331)</u>	<u>(853,593)</u>
Cash flows from noncapital financing activities:		
Replacement taxes received	33,325	33,614
Other income received	1,212	763
Net cash from noncapital financing activities	<u>34,537</u>	<u>34,377</u>
Net change in cash and equivalents	<u>331,455</u>	<u>37,056</u>
Cash and equivalents, beginning of the year	<u>1,085,501</u>	<u>1,048,445</u>
Cash and equivalents, end of the year	<u>\$ 1,416,956</u>	<u>\$ 1,085,501</u>
Noncash transactions - loss on disposal of capital asset	<u>\$ -</u>	<u>\$ 6,500</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 360,144	\$ 176,782
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	629,482	651,626
Changes in:		
Receivables	(9,715)	44,228
Other assets	8,012	8,953
Payables and compensated absences	(2,658)	(106,585)
Net pension obligation	11,295	18,479
Net cash flows from operating activities	<u>\$ 996,560</u>	<u>\$ 793,483</u>

See accompanying notes.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements

I. Summary of Significant Accounting Policies

A. The Reporting Entity

Salt Creek Sanitary District ("the District") was organized in 1928 as a municipality, and derives its operating income from an annual appropriation ordinance, taxes if levied, and from user charges for sanitation purification. The District provides purification and treatment of sewage for substantially all of Villa Park, Illinois.

The District includes all funds of its governmental operations and its component units based on financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will and fiscal dependency. The accompanying financial statements include only those funds of the District, as there are no other organizations for which it has financial accountability.

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

The term "measurement focus" is used to denote what is being measured and reported in the District's operating statement. The District is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes, if levied, would be recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District prepares its financial statements in accordance with Governmental Accounting Standards Board Statement Number 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" as amended by Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB 34 and GASB 63 require the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

Invested in Capital Assets, Net of Related Debt – This component of net position 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. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

Use of Estimates – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Assets, Liabilities and Equity

1. Cash and Investments

For the purpose of reporting cash flows, cash includes cash on hand and demand deposits. Investments in certificates of deposit are stated at cost.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

C. Assets, Liabilities and Equity (cont'd)

1. Cash and Investments (cont'd)

Under State of Illinois law, the District is restricted to investing funds in specific types of investment instruments. The following generally represent the types of instruments allowable by State of Illinois law:

- Securities issued or guaranteed by the United States.
- Interest-bearing accounts of banks insured by the Federal Deposit Insurance Corporation.
- Short-term obligations (less than 180 days) of U.S. corporations with assets over \$500,000,000 in the three highest classifications by at least two rating agencies.
- Insured accounts of an Illinois credit union chartered under United States or State of Illinois law.
- Money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same types of obligations.
- State of Illinois Funds.
- Repurchase agreements that meet instrument transaction requirements of State of Illinois law.

2. Accounts Receivable

All receivables are reported at their gross value, and are deemed fully collectible, since the District's policy is to place liens on properties, or request the shut off of water service to collect past due monies.

3. Prepaid Assets

Payments to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid assets. Prepaid assets are recognized as expense when the service or good has been received.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

C. Assets, Liabilities and Equity (cont'd)

4. Capital Assets

The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated asset lives as follows:

Plant buildings and equipment	7 – 25 years
Administration building and improvements	7 – 50 years
Transportation equipment	5 – 7 years
Office equipment	5 – 10 years

5. Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees, and the unpaid liability is reflected as compensated absences payable.

6. Long-term Obligations

Long-term debt and other obligations of the District are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

D. Revenues and Expenses

Revenue and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees and capital revenue for wastewater treatment services.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Revenues and Expenses (cont'd)

Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

II. Detailed Notes For All Activities and Fund Types

A. Cash and Investments

All investments are held by the bank's agent in the District's name.

Deposits – At April 30, 2013, the carrying amount of the District's deposits was \$1,416,656 and the bank balance was \$1,423,040 (\$1,085,201 and \$1,054,130, respectively, at April 30, 2012), which was fully insured and collateralized. In addition, the District has cash on hand of \$300.

Investments – The District's investments consist of certificates of deposit with a carrying value of \$3,101,697 which approximates the fair value as of April 30, 2013 (\$2,645,600 at April 30, 2012). Maturities of certificates of deposit at April 30, 2013 are as follows:

Due in one year or less	\$ 1,848,254
Due after one year through two years	<u>1,253,443</u>
	<u>\$ 3,101,697</u>

Interest Rate Risk – This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the District manages its interest rate risk by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter term securities.

Credit Risk – Generally, credit risk is the risk that an issuer of a debt type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. Certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) are not considered to have credit risk exposure.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

II. Detailed Notes For All Activities and Fund Types (cont'd)

A. Cash and Investments (cont'd)

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, a government will not be able to recover its deposits. All District deposits with financial institutions are fully insured or collateralized. For investments, this is the risk that in the event of the failure of the counterparty, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the District's policy that investments shall be collateralized by the actual security held in safekeeping by the agent.

B. Capital Assets

Capital asset activity for the years ended April 30, 2013 and 2012 is as follows:

	Balance May 1, 2012	Additions	Deletions	Balance April 30, 2013
Capital assets, not being depreciated:				
Land and land improvements	\$ 50,062	\$ -	\$ -	\$ 50,062
Construction in process	414,970	1,377,392	-	1,792,362
Total capital assets not being depreciated	465,032	1,377,392	-	1,842,424
Capital assets being depreciated:				
Plant, buildings and equipment	19,225,686	32,362	-	19,258,048
Administration building	643,075	-	-	643,075
Transportation equipment	113,215	-	-	113,215
Office equipment	185,710	-	-	185,710
Total capital assets being depreciated	20,167,686	32,362	-	20,200,048
Less accumulated depreciation	(11,675,332)	(629,482)	-	(12,304,814)
Total capital assets being depreciated, net	8,492,354	(597,120)	-	7,895,234
Total capital assets, net of accumulated depreciation	\$ 8,957,386	\$ 780,272	\$ -	\$ 9,737,658

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

II. Detailed Notes For All Activities and Fund Types (cont'd)

B. Capital Assets (cont'd)

	Balance May 1, 2011	Additions	Deletions	Balance April 30, 2012
Capital assets, not being depreciated:				
Land and land improvements	\$ 50,062	\$ -	\$ -	\$ 50,062
Construction in process	242,505	178,965	(6,500)	414,970
Total capital assets not being depreciated	292,567	178,965	(6,500)	465,032
Capital assets being depreciated:				
Plant, buildings and equipment	19,163,923	61,763	-	19,225,686
Administration building	643,075	-	-	643,075
Transportation equipment	113,215	-	-	113,215
Office equipment	185,710	-	-	185,710
Total capital assets being depreciated	20,105,923	61,763	-	20,167,686
Less accumulated depreciation	(11,023,706)	(651,626)	-	(11,675,332)
Total capital assets being depreciated, net	9,082,217	(589,863)	-	8,492,354
Total capital assets, net of accumulated depreciation	\$ 9,374,784	\$ (410,898)	\$ (6,500)	\$ 8,957,386

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

II. Detailed Notes For All Activities and Fund Types (cont'd)

C. Long-term Debt

	Outstanding April 30,	
	2013	2012
Illinois Environmental Protection Agency loan dated May 21, 1992 for \$754,375, at 3.58%. Repayment of principal and interest in semiannual installments of \$27,040, with final payment due April 2013.	\$ -	\$ 52,661
Illinois Environmental Protection Agency loan dated October 1996 for \$634,956, at 3.015%. Repayment of principal and interest in semiannual installments of \$21,254, with final payment due July 2015.	101,627	140,196
Illinois Environmental Protection Agency loan dated May 14, 2004 for \$7,894,744, at 2.5%. Repayment of principal and interest in semiannual installments of \$258,139 with final payment due September 2025.	5,513,144	5,884,614
Illinois Environmental Protection Agency loan dated June 21, 2012 for \$4,665,370 at 2.295%. Repayment period has not officially begun as loan is in construction draw down phase. Repayment installments are indeterminable at April 30, 2013. First repayment is due July 1, 2014 with final payment due January 1, 2034.	1,064,970	-
	\$ 6,679,741	\$ 6,077,471

Long-term debt activity during the years ended April 30, 2013 and 2012 was as follows:

	Balance May 1, 2012	Increase/ Proceeds	Payments	Balance April 30, 2013	Due Within One Year
IEPA loan dated:					
May 1992	\$ 52,661	\$ -	\$ 52,661	\$ -	\$ -
October 1996	140,196	-	38,569	101,627	39,741
May 2004	5,884,614	-	371,470	5,513,144	380,815
June 2012	-	1,064,970	-	1,064,970	-
Compensated absences	53,927	39,393	35,936	57,384	18,716
Net pension obligation	44,612	50,137	38,842	55,907	-
	\$ 6,176,010	\$ 1,154,500	\$ 537,478	\$ 6,793,032	\$ 439,272

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

II. Detailed Notes For All Activities and Fund Types (cont'd)

C. Long-term Debt (cont'd)

	Balance May 1, 2011	Increase/ Proceeds	Payments	Balance April 30, 2012	Due Within One Year
IEPA loan dated:					
May 1992	\$ 103,487	\$ -	\$ 50,826	\$ 52,661	\$ 52,661
October 1996	177,628	-	37,432	140,196	38,569
May 2004	6,246,968	-	362,354	5,884,614	371,470
Compensated absences	51,799	33,880	31,752	53,927	19,072
Net pension obligation	26,133	59,331	40,852	44,612	-
	<u>\$ 6,606,015</u>	<u>\$ 93,211</u>	<u>\$ 523,216</u>	<u>\$ 6,176,010</u>	<u>\$ 481,772</u>

Principal and interest maturities of the outstanding debt excluding the 2012 IEPA loan are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 420,556	\$ 138,230	\$ 558,786
2015	431,343	127,443	558,786
2016	421,154	116,378	537,532
2017	410,283	105,995	516,278
2018	420,605	95,673	516,278
2019 – 2023	2,267,160	314,230	2,581,390
2024 – 2026	1,243,670	47,024	1,290,694
	<u>\$ 5,614,771</u>	<u>\$ 944,973</u>	<u>\$ 6,559,744</u>

III. Other Information

A. Risk Management

The District is exposed to various risks related to theft of, damage to, and destruction of assets, environmental remediation, errors and omissions, injuries to employees and natural disasters. The District purchases commercial insurance to cover itself against known risks, and maintains the following types of insurance: general liability and property, automobile liability, boiler and machinery liability, umbrella liability, national flood insurance, public officials' and employees' liability, treasurer's bond, and terrorism. The District also purchases group insurance to cover its employees as follows: workers' compensation, health, dental, life, and vision. As of April 30, 2013, the District had no outstanding claims, and has not had any insurance settlements exceed commercial coverage.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

III. Other Information (cont'd)

B. Deferred Compensation Plan

The District offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All funds are held in trust, and administered by an outside third-party trustee, for the exclusive benefit of participants and their beneficiaries. In accordance with Governmental Accounting Standards Board Statement Number 32, the assets and related liability of the plan are not reported in these financial statements.

C. Employee Retirement System

Plan Description – The District'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 District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. The report may be obtained online at www.imrf.org.

Funding Policy – As set by statute, the District's regular plan members are required to contribute 4.50 percent 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 employer contribution rate for calendar year 2012 was 10.23 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.18%. The District 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost – For the fiscal year ended April 30, 2013, the District's actual contributions for pension cost for regular employees were \$38,842 and its required contribution was \$50,137.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

III. Other Information (cont'd)

C. Employee Retirement System (cont'd)

Three-year Trend Information for the Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2013	\$ 50,137	77 %	\$ 55,907
4/30/2012	59,331	69	44,612
4/30/2011	59,390	68	26,133

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included: (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year, depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually.

The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District's plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress – As of December 31, 2012, the most recent actuarial valuation date, the regular plan was 67.41 percent funded. The actuarial accrued liability for benefits was \$1,798,505 and the actuarial value of assets was \$1,212,300, resulting in an underfunded actuarial accrued liability (UAAL) of \$586,205. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$414,316 and the ratio of the UAAL to the covered payroll was 141 percent.

The schedule of funding progress, presented at Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to the Financial Statements (cont'd)

III. Other Information (cont'd)

D. Commitments

Construction – The District has an open contract in process totaling \$3,749,000 for the construction of a tertiary filter building. Of the contract amount, remaining commitments exist for approximately \$2,713,000 as of April 30, 2013.

E. Litigation

The District is the defendant in a wrongful termination lawsuit. Although the outcome of the suit is uncertain, management believes the amount of loss, if any, resulting from this action would not have a significant impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Salt Creek Sanitary District, Villa Park, Illinois
 Illinois Municipal Retirement Fund
 Required Supplementary Information -
 Schedule of Funding Progress
 April 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	\$ 1,212,300	\$ 1,798,505	\$ 586,205	67.41 %	\$ 414,316	141.49 %
12/31/11	2,031,081	2,408,765	377,684	84.32	479,127	78.83
12/31/10	1,898,406	2,234,586	336,180	84.96	464,638	72.35

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,272,311.
 On a market basis, the funded ratio would be 70.74%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Salt Creek Sanitary District. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

Salt Creek Sanitary District, Villa Park, Illinois
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
User charges	\$ 2,083,500	\$ 2,102,115	\$ 18,615
Capital charges	111,000	115,762	4,762
Replacement income taxes	33,000	35,641	2,641
Interest	800	1,428	628
Miscellaneous	300	1,213	913
Total revenues	2,228,600	2,256,159	27,559
Expenditures:			
Administrative	454,734	403,223	51,511
Operating	785,389	595,958	189,431
Maintenance	286,216	155,257	130,959
Laboratory	74,859	65,172	9,687
Total expenditures	1,601,198	1,219,610	381,588
Revenues over expenditures	627,402	1,036,549	409,147
Other financing uses - transfers out	(823,180)	(829,963)	(6,783)
Changes in fund balance	\$ (195,778)	206,586	\$ 402,364
Fund balance, beginning of the year		1,037,388	
Fund balance, end of the year		\$ 1,243,974	

See independent auditor's report.

Salt Creek Sanitary District, Villa Park, Illinois
General Fund
Detailed Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Administrative:			
Personnel costs:			
Salaries and wages	\$ 175,084	\$ 178,942	\$ (3,858)
Payroll taxes and fringe benefits	121,000	109,675	11,325
	<u>296,084</u>	<u>288,617</u>	<u>7,467</u>
Contractual services:			
Bank fees	1,800	2,426	(626)
Legal	24,000	20,712	3,288
Audit	8,500	8,500	-
Other professional fees	20,250	15,847	4,403
	<u>54,550</u>	<u>47,485</u>	<u>7,065</u>
Supplies:			
Office supplies	7,000	5,103	1,897
Computer	6,000	5,908	92
Office equipment maintenance	7,000	6,296	704
Postage	14,000	12,492	1,508
	<u>34,000</u>	<u>29,799</u>	<u>4,201</u>
Utilities - telephone service	<u>1,000</u>	<u>807</u>	<u>193</u>
Other:			
Official's bonds	4,000	2,632	1,368
Advertising	1,500	1,111	389
Meetings	7,000	8,171	(1,171)
Travel	1,500	1,549	(49)
Dues and subscriptions	27,000	22,444	4,556
Water meter readings	1,000	413	587
Uncollectible accounts	2,000	195	1,805
Miscellaneous	100	-	100
Contingency	25,000	-	25,000
	<u>69,100</u>	<u>36,515</u>	<u>32,585</u>
Total administrative	<u>454,734</u>	<u>403,223</u>	<u>51,511</u>

(cont'd)

Salt Creek Sanitary District, Villa Park, Illinois
General Fund
Detailed Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating:			
Personnel costs:			
Salaries and wages	\$ 205,545	\$ 170,038	\$ 35,507
Payroll taxes and fringe benefits	131,344	122,790	8,554
	<u>336,889</u>	<u>292,828</u>	<u>44,061</u>
Contractual services - engineer fees	<u>15,000</u>	<u>9,538</u>	<u>5,462</u>
Waste disposal	<u>88,500</u>	<u>21,349</u>	<u>67,151</u>
Insurance:			
Vehicle insurance	3,500	2,038	1,462
General insurance	45,000	43,643	1,357
	<u>48,500</u>	<u>45,681</u>	<u>2,819</u>
Supplies:			
Drying bed supplies	2,000	980	1,020
Supplies	6,500	3,000	3,500
	<u>8,500</u>	<u>3,980</u>	<u>4,520</u>
Chemicals - other chemicals	<u>10,000</u>	<u>9,186</u>	<u>814</u>
Utilities:			
Telephone and pager	5,500	3,626	1,874
Electric	195,000	168,367	26,633
Natural gas	50,000	26,887	23,113
Water	2,500	516	1,984
	<u>253,000</u>	<u>199,396</u>	<u>53,604</u>

(cont'd)

Salt Creek Sanitary District, Villa Park, Illinois
General Fund
Detailed Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating (cont'd):			
Contingency	\$ 25,000	\$ 14,000	\$ 11,000
Total operating	785,389	595,958	189,431
Maintenance:			
Personnel costs:			
Salaries and wages	110,240	54,120	56,120
Payroll taxes and fringe benefits	41,776	37,056	4,720
	152,016	91,176	60,840
Materials and supplies:			
Repair materials	12,500	1,947	10,553
Supplies	5,000	3,609	1,391
Tools	1,200	985	215
	18,700	6,541	12,159
Repair and maintenance:			
Outside equipment repairs	40,000	28,972	11,028
Equipment rental	3,000	1,175	1,825
Vehicle repairs	1,000	722	278
Building maintenance	40,000	10,005	29,995
Oil and gasoline	6,500	2,266	4,234
	90,500	43,140	47,360
Contingency	25,000	14,400	10,600
Total maintenance	286,216	155,257	130,959

(cont'd)

Salt Creek Sanitary District, Villa Park, Illinois
General Fund
Detailed Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Laboratory:			
Personnel costs:			
Salaries and wages	\$ 21,439	\$ 20,362	\$ 1,077
Payroll taxes and fringe benefits	14,920	13,905	1,015
	<u>36,359</u>	<u>34,267</u>	<u>2,092</u>
Contractual services - outside services	26,000	29,025	(3,025)
Materials and supplies	2,500	1,880	620
Other - contingency	10,000	-	10,000
	<u>74,859</u>	<u>65,172</u>	<u>9,687</u>
Total laboratory	<u>74,859</u>	<u>65,172</u>	<u>9,687</u>
Total expenditures	<u>\$ 1,601,198</u>	<u>\$ 1,219,610</u>	<u>\$ 381,588</u>

See independent auditor's report.

**Salt Creek Sanitary District, Villa Park, Illinois
Improvement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Connection fees	\$ -	\$ 3,600	\$ 3,600
Interest income	-	2,187	2,187
Total revenues	<u>-</u>	<u>5,787</u>	<u>5,787</u>
Expenditures:			
Current - repairs	-	4,234	(4,234)
Capital outlay	107,000	8,231	98,769
Total expenditures	<u>107,000</u>	<u>12,465</u>	<u>94,535</u>
Revenues under expenditures	(107,000)	(6,678)	100,322
Other financing sources - transfers in	-	418,747	418,747
Changes in fund balance	<u>\$ (107,000)</u>	<u>412,069</u>	<u>\$ 519,069</u>
Fund balance, beginning of the year		<u>733,228</u>	
Fund balance, end of the year		<u>\$ 1,145,297</u>	

See independent auditor's report.

Salt Creek Sanitary District, Villa Park, Illinois
Replacement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 2,026	\$ 2,026
Expenditures:			
Current - repairs and maintenance	-	14,413	(14,413)
Capital outlay	117,300	17,920	99,380
Total expenditures	117,300	32,333	84,967
Revenues under expenditures	(117,300)	(30,307)	86,993
Other financing sources - transfers in	11,000	11,574	574
Changes in fund balance	\$ (106,300)	(18,733)	\$ 87,567
Fund balance, beginning of the year		871,681	
Fund balance, end of the year		\$ 852,948	

See independent auditor's report.

Salt Creek Sanitary District, Villa Park, Illinois
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 2,571	\$ 2,571
Expenditures - debt service:			
Principal	462,700	462,700	-
Interest	150,164	150,165	(1)
Total expenditures	612,864	612,865	(1)
Revenues under expenditures	(612,864)	(610,294)	2,570
Other financing sources - transfers in	812,180	818,389	6,209
Changes in fund balance	\$ 199,316	208,095	\$ 8,779
Fund balance, beginning of the year		1,107,339	
Fund balance, end of the year		\$ 1,315,434	

See independent auditor's report.

**Salt Creek Sanitary District, Villa Park, Illinois
Project Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and Actual
For the Year Ended April 30, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 23	\$ 23
Expenditures - capital outlay	2,768,272	1,369,161	1,399,111
Revenues under expenditures	(2,768,272)	(1,369,138)	1,399,134
Other financing sources (uses):			
Illinois Environmental Protection Agency loan proceeds	-	1,771,288	1,771,288
Transfers out	-	(418,747)	(418,747)
Changes in fund balance	\$ (2,768,272)	(16,597)	\$ 2,751,675
Fund balance, beginning of the year		-	
Fund deficit, end of the year		\$ (16,597)	

See independent auditor's report.

Salt Creek Sanitary District, Villa Park, Illinois
Notes to Supplementary Information

I. Stewardship, Compliance and Accountability

A. Budgets

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the supplementary information:

- Administration submits to the Board of Trustees a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- Public hearings are conducted, and the proposed budget is available for inspection to obtain taxpayer comments. The budget is legally adopted through passage of an ordinance.
- Any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year end. Expenditures may not legally exceed budgeted appropriations at the fund level.
- Budgets are adopted on a basis of anticipated revenues to be received in cash, and expenditures to be incurred, which does not differ materially from accounting principles generally accepted in the United States of America.