

Salt Creek SANITARY DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2014

Selden Fox, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

SALT CREEK SANITARY DISTRICT

Villa Park, Illinois

Annual Financial Report

For the Year Ended April 30, 2014

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, 2014**

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INDEPENDENT AUDITOR'S REPORT

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Selden Fox, Ltd.

October 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Salt Creek Sanitary District
Management's Discussion and Analysis
April 30, 2014**

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, 2014 and 2013. 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, 2014, the assets of the District exceeded its liabilities by \$6,886,547 (net position). Of this amount, \$4,266,222 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's operating expenses for fiscal year 2014 increased by \$207,903 or 11.2% over 2013. The increase was shared by a multiple of operating expense categories, primarily from the increase in depreciation expense of \$169,445.
- User charge revenues increased by \$66,433 or 3.2% over 2013 primarily due to a rate increase for wastewater treatment services.
- Replacement tax revenue increased by \$1,523 in 2014 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 2014</u>	<u>FY 2013</u>
Current and other assets	\$ 5,253,291	\$ 4,668,749
Capital assets	<u>11,834,627</u>	<u>9,737,658</u>
Total assets	<u>17,087,918</u>	<u>14,406,407</u>
Long-term debt outstanding	9,214,302	6,679,741
Other liabilities	<u>987,069</u>	<u>909,388</u>
Total liabilities	<u>10,201,371</u>	<u>7,589,129</u>
Net investment in capital assets	2,620,325	3,057,917
Unrestricted	<u>4,266,222</u>	<u>3,759,361</u>
Total net position	<u>\$ 6,886,547</u>	<u>\$ 6,817,278</u>

As can be seen from Table A-1 above, net position increased by \$69,269. 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 \$2,534,561 through the issuance of new debt of \$2,955,116 to fund the tertiary sand filter building project, partially offset by \$420,555 in debt repayments during the year. Other liabilities increased by \$77,681 due to an increase in accrued interest payable related to the construction of the tertiary sand filter building.

Net Position (cont'd)

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

	<u>FY 2014</u>	<u>FY 2013</u>
Operating revenues	\$ 2,290,150	\$ 2,221,477
Non operating revenues (expenses)	<u>(151,645)</u>	<u>(113,970)</u>
Total revenues	<u>2,138,505</u>	<u>2,107,507</u>
Depreciation expense	798,927	629,482
Other operating expense	<u>1,270,309</u>	<u>1,231,851</u>
Total operating expenses	<u>2,069,236</u>	<u>1,861,333</u>
Change in net position	69,269	246,174
Net position, beginning of the year	<u>6,817,278</u>	<u>6,571,104</u>
Net position , end of year	<u>\$ 6,886,547</u>	<u>\$ 6,817,278</u>

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 decrease in change in net position from 2013 was due to a combination of an increase in depreciation and operating expenses, with a relatively stable revenue base.

The District's operating revenues increased by \$68,673 to \$2,290,150 in 2014 due to an increase in the wastewater usage rate. Also non-operating revenue (expenses), as shown in more detail on page 10 decreased by \$37,675 primarily due to an increase in interest expense.

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 2014 and 2013 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 2014 General Fund budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
FY 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
From operations	\$ 2,287,850	\$ 2,282,449	\$ (5,401)
Non operating	29,650	43,938	14,288
Total revenues	<u>2,317,500</u>	<u>2,326,387</u>	<u>8,887</u>
Operation expenses:			
Employee costs:			
Salaries	417,506	406,613	10,893
Fringe benefits	342,500	280,278	62,222
Contractual services	106,700	84,700	22,000
Waste disposal	88,850	38,445	50,405
Utilities	264,000	239,103	24,897
Insurance	84,000	50,398	33,602
Chemicals	10,300	12,240	(1,940)
Materials and supplies	66,975	49,857	17,118
Maintenance	91,500	49,824	41,676
Other	131,400	39,982	91,418
Total expenses	<u>1,603,731</u>	<u>1,251,440</u>	<u>352,291</u>
Revenues over expenditures	<u>\$ 713,769</u>	<u>\$ 1,074,947</u>	<u>\$ 361,178</u>

Revenues over expenditures were over budget by \$361,178, due to the following:

- Operational revenues were under budget by \$5,401 due to decreased water usage.
- Nonoperational revenues were over budget by \$14,288 due to increased unanticipated collections of replacement taxes, miscellaneous income and interest income.
- Salaries were \$10,893 lower than expected, primarily due to part time personnel not hired.
- Fringe benefits were \$62,222 lower than anticipated because of decreased health insurance costs.
- Waste disposal expenses were \$50,405 lower than expected primarily because of lower sludge removal needs.
- Utilities were \$24,897 lower than expected due to the Tertiary Building taken out of service during construction.

Budgetary Highlights (cont'd)

- Materials and supplies were \$17,118 lower than expected primarily because necessary maintenance expenditures were less than anticipated.
- Maintenance costs were \$41,676 lower than budget, primarily because incurred expenditures were less than anticipated.
- Other costs were under budget by \$91,418 primarily due to the budgeted amount containing a significant unutilized contingent expense component.

Capital Assets

At the end of 2014, the District had \$11,834,627 invested in capital assets, including wastewater treatment facilities, as shown in Table A-4.

**Table A-4
Capital Assets**

	<u>FY 2014</u>	<u>FY 2013</u>
Wastewater treatment facilities	\$ 24,635,643	\$ 19,951,185
Office and lab equipment	185,710	185,710
Transportation equipment	<u>113,215</u>	<u>113,215</u>
Total capital assets	24,934,568	20,250,110
Accumulated depreciation	(13,103,741)	(12,304,814)
Construction in progress	<u>3,800</u>	<u>1,792,362</u>
Net capital assets	<u>\$ 11,834,627</u>	<u>\$ 9,737,658</u>

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, 2014 and 2013 amounted to \$9,214,302 and \$6,679,741, 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% - 3.015%. The balance at April 30, 2014 includes \$4,020,086 for 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 \$0.09 per thousand gallons for operation and maintenance and \$0.07 per thousand gallons for debt service expenses effective May, 2014.

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>
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
2014	3.83	.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, or by phone, 630-832-3637, or by email at scsd.scsd@comcastbiz.net.

BASIC FINANCIAL STATEMENTS

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

Assets	2014	2013
Current assets:		
Cash	\$ 1,747,845	\$ 1,416,956
Investments	3,304,932	3,101,697
Receivables:		
Accounts	145,444	136,521
Replacement taxes	6,133	7,106
Accrued interest	10,535	3,558
Prepaid assets	38,402	2,911
Total current assets	5,253,291	4,668,749
Capital assets, net:		
Not being depreciated	53,862	1,842,424
Being depreciated	11,780,765	7,895,234
Total capital assets, net	11,834,627	9,737,658
Total assets	17,087,918	14,406,407
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	745,829	759,504
Payroll related liabilities	16,603	13,866
Accrued interest payable	91,207	22,727
Compensated absences	21,322	18,716
Current maturities of long-term debt	511,103	420,556
Total current liabilities	1,386,064	1,235,369
Long-term liabilities:		
Long-term debt, less current maturities	8,703,199	6,259,185
Compensated absences	42,435	38,668
Net pension obligation	69,673	55,907
Total long-term liabilities	8,815,307	6,353,760
Total liabilities	10,201,371	7,589,129
Net Position		
Net investment in capital assets	2,620,325	3,057,917
Unrestricted	4,266,222	3,759,361
Total net position	\$ 6,886,547	\$ 6,817,278

See accompanying notes.

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

	<u>2014</u>	<u>2013</u>
Operating revenues:		
User charges	\$ 2,172,148	\$ 2,105,715
Capital charges	118,002	115,762
Total operating revenues	<u>2,290,150</u>	<u>2,221,477</u>
Operating expenses:		
Employee costs:		
Salaries	406,614	423,462
Fringe benefits	292,691	289,129
Contractual services	87,903	88,679
Waste disposal	38,445	21,349
Utilities	242,314	201,662
Insurance	50,398	45,681
Chemicals	12,240	9,186
Material and supplies	9,541	11,806
Maintenance	62,661	62,409
Administrative	67,468	64,075
Other	34	14,413
Depreciation	798,927	629,482
Total operating expenses	<u>2,069,236</u>	<u>1,861,333</u>
Operating income	<u>220,914</u>	<u>360,144</u>
Nonoperating revenues (expenses):		
Replacement taxes	37,164	35,641
Interest income	13,295	8,235
Interest expense	(206,711)	(159,058)
Other income	4,607	1,212
Total nonoperating expense	<u>(151,645)</u>	<u>(113,970)</u>
Change in net position	69,269	246,174
Net position, beginning of the year	<u>6,817,278</u>	<u>6,571,104</u>
Net position, end of the year	<u>\$ 6,886,547</u>	<u>\$ 6,817,278</u>

See accompanying notes.

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

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Received from customers	\$ 2,281,227	\$ 2,211,762
Paid to suppliers for goods and services	(618,778)	(515,348)
Paid to employees for services	(676,429)	(699,854)
Net cash flows from operating activities	<u>986,020</u>	<u>996,560</u>
Cash flows from investing activities:		
Investment income received	6,318	2,563
Investments purchased	(2,051,489)	(801,239)
Investments sold	1,848,254	350,365
Net cash flows from investing activities	<u>(196,917)</u>	<u>(448,311)</u>
Cash flows from capital and related financing activities:		
Proceeds from Illinois Environmental Protection Agency loan	2,955,116	1,064,970
Debt retired	(420,555)	(462,700)
Interest paid	(138,231)	(150,165)
Purchases of capital assets	(2,897,288)	(703,436)
Net cash flows from capital and related financing activities	<u>(500,958)</u>	<u>(251,331)</u>
Cash flows from noncapital financing activities:		
Replacement taxes received	38,137	33,325
Other income received	4,607	1,212
Net cash from noncapital financing activities	<u>42,744</u>	<u>34,537</u>
Net change in cash	330,889	331,455
Cash, beginning of the year	<u>1,416,956</u>	<u>1,085,501</u>
Cash, end of the year	<u>\$ 1,747,845</u>	<u>\$ 1,416,956</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 220,914	\$ 360,144
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	798,927	629,482
Changes in:		
Receivables	(8,923)	(9,715)
Other assets	(35,491)	8,012
Payables and compensated absences	(3,173)	(2,658)
Net pension obligation	13,766	11,295
Net cash flows from operating activities	<u>\$ 986,020</u>	<u>\$ 996,560</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 business 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: net investment in capital assets; 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)

Net Investment in Capital Assets – 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/Deferred Outflows, Liabilities/Deferred Inflows and Net Position

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/Deferred Outflows, Liabilities/Deferred Inflows and Net Position (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/Deferred Outflows, Liabilities/Deferred Inflows and Net Position (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 – 30 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 are deferred and amortized over the life of the bonds. Bond issuance costs are reported as expenses at the time of issuance.

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, 2014, the carrying amount of the District's deposits was \$1,747,445 and the bank balance was \$1,718,565 (\$1,416,656 and \$1,423,040, respectively, at April 30, 2013), 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 \$3,304,932 which approximates the fair value as of April 30, 2014 (\$3,101,697 at April 30, 2013). All certificates of deposit held at April 30, 2014 mature in one year or less.

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, 2014 and 2013 is as follows:

	Balance May 1, 2013	Additions	Deletions	Balance April 30, 2014
Capital assets, not being depreciated:				
Land and land improvements	\$ 50,062	\$ -	\$ -	\$ 50,062
Construction in process	1,792,362	2,856,062	(4,644,624)	3,800
Total capital assets not being depreciated	1,842,424	2,856,062	(4,644,624)	53,862
Capital assets being depreciated:				
Plant, buildings and equipment	19,258,048	4,684,458	-	23,942,506
Administration building	643,075	-	-	643,075
Transportation equipment	113,215	-	-	113,215
Office equipment	185,710	-	-	185,710
Total capital assets being depreciated	20,200,048	4,684,458	-	24,884,506
Less accumulated depreciation	(12,304,814)	(798,927)	-	(13,103,741)
Total capital assets being depreciated, net	7,895,234	3,885,531	-	11,780,765
Total capital assets, net of accumulated depreciation	\$ 9,737,658	\$ 6,741,593	\$ (4,644,624)	\$ 11,834,627

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)

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

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,	
	2014	2013
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.	\$ 61,886	\$ 101,627
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.	5,132,329	5,513,144
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, 2014. First repayment is due January 15, 2015 with final payment due July 15, 2034.	4,020,086	1,064,970
	\$ 9,214,301	\$ 6,679,741

Long-term debt activity during the years ended April 30, 2014 and 2013 was as follows:

	Balance May 1, 2013	Increase/ Proceeds	Payments	Balance April 30, 2014	Due Within One Year
IEPA loan dated:					
October 1996	\$ 101,627	\$ -	\$ 39,740	\$ 61,887	\$ 40,948
May 2004	5,513,144	-	380,815	5,132,329	390,395
June 2012	1,064,970	2,955,116	-	4,020,086	79,760
Compensated absences	57,384	51,627	45,254	63,757	21,322
Net pension obligation	55,907	57,356	43,590	69,673	-
	\$ 6,793,032	\$ 3,064,099	\$ 509,399	\$ 9,347,732	\$ 532,425

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, 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	-
	<u>\$ 6,176,010</u>	<u>\$ 1,154,500</u>	<u>\$ 537,478</u>	<u>\$ 6,793,032</u>	<u>\$ 439,272</u>

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

Fiscal Year	Principal	Interest	Total
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	431,185	85,093	516,278
2020 – 2024	2,324,193	257,197	2,581,390
2025 – 2026	755,452	18,964	774,416
	<u>\$ 5,194,215</u>	<u>\$ 806,743</u>	<u>\$ 6,000,958</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, 2014, 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 2013 was 11.32 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2013 was 13.49%. 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, 2014, the District's actual contributions for pension cost for regular employees were \$43,590 and its required contribution was \$57,356.

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
4/30/2014	\$ 57,356	76 %	\$ 69,673
4/30/2013	50,137	77	55,907
4/30/2012	59,331	69	44,612

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, 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, 2011 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, 2013, the most recent actuarial valuation date, the regular plan was 66.77 percent funded. The actuarial accrued liability for benefits was \$1,667,651 and the actuarial value of assets was \$1,113,558, resulting in an underfunded actuarial accrued liability (UAAL) of \$554,093. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$383,626 and the ratio of the UAAL to the covered payroll was 144 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 and Contingencies

Construction – The District has an open contract in process totaling \$3,749,000 for the construction of a tertiary filter building. Though work on the project was substantially complete and the asset has been placed into service as of April 30, 2014, minor “punch-list” items have yet to be completed as the contractor has become insolvent and has not invoiced the District for portions of work completed. This has caused delays in submitting reimbursement requests through the Illinois Environmental Protection Agency Revolving Loan Fund Program. Total remaining unpaid project costs at April 30, 2014, approximately \$659,000, have been recorded in accounts payable in the accompanying statement of net position. Management estimates that no significant costs in excess of the original contracted amount will be incurred to fully complete the project.

REQUIRED SUPPLEMENTARY INFORMATION

**Salt Creek Sanitary District, Villa Park, Illinois
 Illinois Municipal Retirement Fund
 Required Supplementary Information -
 Schedule of Funding Progress
 April 30, 2014**

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
12/31/13	\$ 1,113,558	\$ 1,667,651	\$ 554,093	66.77 %	\$ 383,626	144.44 %
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

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,458,634. On a market basis, the funded ratio would be 87.47%.

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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
User charges	\$ 2,176,850	\$ 2,164,447	\$ (12,403)
Capital charges	111,000	118,002	7,002
Replacement income taxes	28,000	37,164	9,164
Interest	350	2,167	1,817
Miscellaneous	1,300	4,607	3,307
Total revenues	2,317,500	2,326,387	8,887
Expenditures:			
Administrative	441,990	383,351	58,639
Operating	822,437	622,971	199,466
Maintenance	262,762	181,604	81,158
Laboratory	76,542	63,514	13,028
Total expenditures	1,603,731	1,251,440	352,291
Revenues over expenditures	713,769	1,074,947	361,178
Other financing uses - transfers out	(915,950)	(900,271)	15,679
Changes in fund balance	\$ (202,181)	174,676	\$ 376,857
Fund balance, beginning of the year		1,243,974	
Fund balance, end of the year		\$ 1,418,650	

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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Administrative:			
Personnel costs:			
Salaries and wages	\$ 153,190	\$ 157,903	\$ (4,713)
Payroll taxes and fringe benefits	119,700	109,892	9,808
	<u>272,890</u>	<u>267,795</u>	<u>5,095</u>
Contractual services:			
Bank fees	2,400	1,482	918
Legal	30,000	17,183	12,817
Audit	10,000	8,750	1,250
Other professional fees	20,300	17,436	2,864
	<u>62,700</u>	<u>44,851</u>	<u>17,849</u>
Supplies:			
Office supplies	7,000	6,255	745
Computer	7,000	5,153	1,847
Office equipment maintenance	7,000	6,811	189
Postage	13,000	11,619	1,381
	<u>34,000</u>	<u>29,838</u>	<u>4,162</u>
Utilities - telephone service	<u>1,000</u>	<u>885</u>	<u>115</u>
Other:			
Official's bonds	4,000	3,203	797
Advertising	1,700	1,184	516
Meetings	8,000	3,777	4,223
Travel	1,600	1,181	419
Dues and subscriptions	27,000	30,120	(3,120)
Water meter readings	1,000	34	966
Uncollectible accounts	3,000	483	2,517
Miscellaneous	100	-	100
Contingency	25,000	-	25,000
	<u>71,400</u>	<u>39,982</u>	<u>31,418</u>
Total administrative	<u>441,990</u>	<u>383,351</u>	<u>58,639</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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating:			
Personnel costs:			
Salaries and wages	\$ 176,195	\$ 157,982	\$ 18,213
Payroll taxes and fringe benefits	150,992	108,789	42,203
	<u>327,187</u>	<u>266,771</u>	<u>60,416</u>
Contractual services - engineer fees	<u>15,000</u>	<u>11,898</u>	<u>3,102</u>
Waste disposal	<u>88,850</u>	<u>38,445</u>	<u>50,405</u>
Insurance:			
Vehicle insurance	4,000	1,138	2,862
General insurance	80,000	49,260	30,740
	<u>84,000</u>	<u>50,398</u>	<u>33,602</u>
Supplies:			
Drying bed supplies	2,600	2,112	488
Supplies	6,500	2,889	3,611
	<u>9,100</u>	<u>5,001</u>	<u>4,099</u>
Chemicals - other chemicals	<u>10,300</u>	<u>12,240</u>	<u>(1,940)</u>
Utilities:			
Telephone and pager	5,500	4,145	1,355
Electric	202,000	182,429	19,571
Natural gas	53,000	50,915	2,085
Water	2,500	729	1,771
	<u>263,000</u>	<u>238,218</u>	<u>24,782</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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating (cont'd):			
Contingency	\$ 25,000	\$ -	\$ 25,000
Total operating	822,437	622,971	199,466
Maintenance:			
Personnel costs:			
Salaries and wages	67,251	70,014	(2,763)
Payroll taxes and fringe benefits	59,136	47,925	11,211
	126,387	117,939	8,448
Materials and supplies:			
Repair materials	12,875	10,229	2,646
Supplies	5,000	3,000	2,000
Tools	2,000	612	1,388
	19,875	13,841	6,034
Repair and maintenance:			
Outside equipment repairs	40,000	28,517	11,483
Equipment rental	3,000	1,105	1,895
Vehicle repairs	2,000	1,280	720
Building maintenance	40,000	14,827	25,173
Oil and gasoline	6,500	4,095	2,405
	91,500	49,824	41,676
Contingency	25,000	-	25,000
Total maintenance	262,762	181,604	81,158

(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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Laboratory:			
Personnel costs:			
Salaries and wages	\$ 20,870	\$ 20,714	\$ 156
Payroll taxes and fringe benefits	12,672	13,672	(1,000)
	<u>33,542</u>	<u>34,386</u>	<u>(844)</u>
Contractual services - outside services	29,000	27,951	1,049
Materials and supplies	4,000	1,177	2,823
Other - contingency	10,000	-	10,000
	<u>76,542</u>	<u>63,514</u>	<u>13,028</u>
Total laboratory			
	<u>76,542</u>	<u>63,514</u>	<u>13,028</u>
Total expenditures	<u>\$ 1,603,731</u>	<u>\$ 1,251,440</u>	<u>\$ 352,291</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, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Connection fees	\$ -	\$ 7,700	\$ 7,700
Interest income	-	2,993	2,993
Total revenues	-	10,693	10,693
Expenditures:			
Current - repairs	-	4,830	(4,830)
Capital outlay	153,230	13,396	139,834
Total expenditures	153,230	18,226	135,004
Revenues under expenditures and changes in fund balance	(153,230)	(7,533)	145,697
Fund balance, beginning of the year		1,145,297	
Fund balance, end of the year		\$ 1,137,764	

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, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 2,755	\$ 2,755
Expenditures:			
Current - repairs and maintenance	-	8,799	(8,799)
Capital outlay	187,050	33,192	153,858
Total expenditures	187,050	41,991	145,059
Revenues under expenditures	(187,050)	(39,236)	147,814
Other financing sources - transfers in	11,000	151,588	140,588
Changes in fund balance	\$ (176,050)	112,352	\$ 288,402
Fund balance, beginning of the year		852,948	
Fund balance, end of the year		\$ 965,300	

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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 5,069	\$ 5,069
Expenditures - debt service:			
Principal	420,556	420,556	-
Interest	138,230	138,230	-
Total expenditures	558,786	558,786	-
Revenues under expenditures	(558,786)	(553,717)	5,069
Other financing sources (uses):			
Transfers in	904,950	888,682	(16,268)
Transfers out	-	(140,000)	(140,000)
Total other financing sources (uses)	904,950	748,682	(156,268)
Changes in fund balance	\$ 346,164	194,965	\$ (151,199)
Fund balance, beginning of the year		1,315,434	
Fund balance, end of the year		\$ 1,510,399	

See independent auditor's report.

**Salt Creek Sanitary District, Villa Park, Illinois
Project Fund
Schedule of Revenues, Expenditures and Changes in
Fund Deficit - Budget and Actual
For the Year Ended April 30, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 309	\$ 309
Expenditures - capital outlay	3,627,628	2,841,768	785,860
Revenues under expenditures	(3,627,628)	(2,841,459)	786,169
Other financing sources - Illinois Environmental Protection Agency loan proceeds	-	2,622,331	2,622,331
Changes in fund deficit	\$ (3,627,628)	(219,128)	\$ 3,408,500
Fund deficit, beginning of the year		(16,597)	
Fund deficit, end of the year		\$ (235,725)	

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.