

Salt Creek SANITARY DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2015

Selden Fox, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

SALT CREEK SANITARY DISTRICT

Villa Park, Illinois

Annual Financial Report

For the Year Ended April 30, 2015

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, 2015

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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, 2015 and 2014, 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, 2015 and 2014, 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 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Salt Creek Sanitary District
Management's Discussion and Analysis
April 30, 2015**

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, 2015 and 2014. 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, 2015, the assets of the District exceeded its liabilities by \$6,842,868 (net position). Of this amount, \$4,778,204 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's operating expenses for fiscal year 2015 increased by \$16,659 or 0.8% over 2014. The increase was shared among a multiple of operating expense categories.
- User charge revenues decreased by \$82,936 or 3.8% under 2014 primarily due to a loss in billable flow for wastewater treatment services.
- Interest expense increased by \$20,746 or 10.0% due to additional draws on the loan for the tertiary filter building project.

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, investments and capital and non-capital 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 2015</u>	<u>FY 2014</u>
Current and other assets	\$ 5,555,104	\$ 5,253,291
Capital assets	<u>11,481,554</u>	<u>11,834,627</u>
Total assets	<u>17,036,658</u>	<u>17,087,918</u>
Long-term liabilities	8,928,084	8,815,307
Other liabilities	<u>1,265,706</u>	<u>1,386,064</u>
Total liabilities	<u>10,193,790</u>	<u>10,201,371</u>
Net Investment in capital assets	2,064,663	2,620,325
Unrestricted	<u>4,778,205</u>	<u>4,266,222</u>
Total net position	<u>\$ 6,842,868</u>	<u>\$ 6,886,547</u>

As can be seen from Table A-1 above, net position decreased by \$43,679. The components of this decrease can be seen in Table A-2 on the following page. The above decrease in capital assets resulted from depreciation expense in excess of asset purchases. Long-term liabilities outstanding increased by \$112,777, due mainly to increase in debt to fund the tertiary sand filter building project.

Net Position (cont'd)

Other liabilities decreased by \$120,358 due to a decrease in accounts payable, accrued expenses and interest payable related to the construction of the tertiary sand filter building.

Table A-2
Condensed Statements of Activities

	<u>FY 2015</u>	<u>FY 2014</u>
Operating revenues	\$ 2,204,814	\$ 2,290,150
Non operating revenues (expenses)	<u>(162,598)</u>	<u>(151,645)</u>
Total revenues	<u>2,042,216</u>	<u>2,138,505</u>
Depreciation expense	756,030	798,927
Other operating expense	<u>1,329,865</u>	<u>1,270,309</u>
Total operating expenses	<u>2,085,895</u>	<u>2,069,236</u>
Change in net position	(43,679)	69,269
Net position, beginning of the year	<u>6,886,547</u>	<u>6,817,278</u>
Net position , end of year	<u>\$ 6,842,868</u>	<u>\$ 6,886,547</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 under 2014 was due to a combination of an increase in operation expenses and a decrease in revenues driven by a loss in billable flow in wastewater treatment services.

The District's operating revenues decreased by \$85,336 to \$2,204,814 in 2015 due to a decrease in billable flow in wastewater treatment services. Also non-operating expenses, as shown in more detail on page 10, increased by \$10,953 primarily 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 budget transfers. A fiscal 2015 and 2014 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 2015 General Fund budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
FY 2015**

	Budget	Actual	Variance
Revenues:			
From operations	\$ 2,294,750	\$ 2,199,214	\$ \$(95,536)
Non operating	35,200	79,651	44,451
Total revenues	2,329,950	2,278,865	(51,085)
Operation expenses:			
Employee costs:			
Salaries	434,024	421,245	12,779
Fringe benefits	329,400	268,643	60,757
Contractual services	111,700	114,786	(3,086)
Waste disposal	92,000	54,891	37,109
Utilities	283,200	255,228	27,972
Insurance	48,000	57,042	(9,042)
Chemicals	13,000	14,529	(1,529)
Materials and supplies	70,875	37,047	33,828
Maintenance	95,500	56,434	39,066
Other	149,200	26,215	122,985
Total expenses	1,626,899	1,306,060	320,839
Revenues over expenditures	\$ 703,051	\$ 972,805	\$ 269,754

Revenues over expenditures were over budget by \$269,754 due to the following:

- Operational revenues were under budget by \$95,536 due to decreased billable flows in waste treatment services.
- Nonoperational revenues were over budget by \$44,451 due to unanticipated insurance recovery of additional legal and engineering expenses in connection with the tertiary filter project.
- Salaries were \$12,779 lower than expected, primarily due to part-time personnel not hired.
- Fringe benefits were \$60,757 lower than anticipated because of decreased health insurance costs.
- Waste disposal expenses were \$37,109 lower than expected primarily because of lower sludge removal costs.

Budgetary Highlights (cont'd)

- Utilities were \$27,972 lower than expected due to less utility usage.
- Materials and supplies were \$33,828 lower than expected primarily because incurred expenditures were less than anticipated.
- Maintenance costs were \$39,066 lower than budget, primarily because fewer than anticipated outside equipment repairs were needed.
- Other costs were under budget by \$122,985 primarily due to the budgeted amount containing a significant unutilized contingency expense component.

Capital Assets

At the end of 2015, the District had \$11,481,554 invested in capital assets, including wastewater treatment facilities, as shown in Table A-4.

**Table A-4
Capital Assets**

	<u>FY 2015</u>	<u>FY 2014</u>
Wastewater treatment facilities	\$ 24,635,044	\$ 24,635,643
Office and lab equipment	185,710	185,710
Transportation equipment	113,215	113,215
Total capital assets	24,933,969	24,934,568
Accumulated depreciation	(13,845,491)	(13,103,741)
Construction in progress	393,076	3,800
Net capital assets	\$ 11,481,554	\$ 11,834,627

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, 2015 and 2014 amounted to \$9,416,890 and \$9,214,301 respectively. This balance represents funds received by the District through Illinois Environmental Protection Agency Revolving Loan Fund Program. Interest on these loans are payable semiannually at rates of 2.295% - 3.015%.

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

Future Considerations at the District

User fees will be increased by \$0.08 per thousand gallons for operation and maintenance and \$0.14 per thousand gallons for debt service expenses effective May, 2015

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	3.83	.1775	.1649
2014	3.99	.1775	.1649
2015	4.21	.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,

	2015	2014
Assets		
Current assets:		
Cash	\$ 2,044,887	\$ 1,747,845
Investments	3,289,338	3,304,932
Receivables:		
Accounts	182,264	145,444
Replacement taxes	7,822	6,133
Accrued interest	7,408	10,535
Prepaid assets	23,385	38,402
Total current assets	5,555,104	5,253,291
Capital assets, net:		
Not being depreciated	443,138	53,862
Being depreciated	11,038,416	11,780,765
Total capital assets, net	11,481,554	11,834,627
Total assets	17,036,658	17,087,918
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	573,334	745,829
Payroll related liabilities	16,956	16,603
Accrued interest payable	41,649	91,207
Compensated absences	21,307	21,322
Current maturities of long-term debt	612,460	511,103
Total current liabilities	1,265,706	1,386,064
Long-term liabilities:		
Long-term debt, less current maturities	8,804,430	8,703,199
Compensated absences	46,030	42,435
Net pension obligation	77,624	69,673
Total long-term liabilities	8,928,084	8,815,307
Total liabilities	10,193,790	10,201,371
Net Position		
Net investment in capital assets	2,064,664	2,620,325
Unrestricted	4,778,204	4,266,222
Total net position	\$ 6,842,868	\$ 6,886,547

See accompanying notes.

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

	<u>2015</u>	<u>2014</u>
Operating revenues:		
User charges	\$ 2,089,212	\$ 2,172,148
Capital charges	115,602	118,002
Total operating revenues	<u>2,204,814</u>	<u>2,290,150</u>
Operating expenses:		
Employee costs:		
Salaries	421,244	406,614
Fringe benefits	274,416	292,691
Contractual services	114,935	87,903
Waste disposal	54,891	38,445
Utilities	258,864	242,314
Insurance	57,042	50,398
Chemicals	14,529	12,240
Material and supplies	11,212	9,541
Maintenance	70,143	62,661
Administrative	52,574	67,468
Other	15	34
Depreciation	756,030	798,927
Total operating expenses	<u>2,085,895</u>	<u>2,069,236</u>
Operating income	<u>118,919</u>	<u>220,914</u>
Nonoperating revenues (expenses):		
Replacement taxes	38,899	37,164
Interest income	16,617	13,295
Interest expense	(227,457)	(206,711)
Loss on disposal of capital assets	(26,720)	-
Other income	36,063	4,607
Total nonoperating expense	<u>(162,598)</u>	<u>(151,645)</u>
Change in net position	<u>(43,679)</u>	<u>69,269</u>
Net position, beginning of the year	<u>6,886,547</u>	<u>6,817,278</u>
Net position, end of the year	<u>\$ 6,842,868</u>	<u>\$ 6,886,547</u>

See accompanying notes.

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

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Received from customers	\$ 2,167,994	\$ 2,281,227
Paid to suppliers for goods and services	(791,683)	(618,778)
Paid to employees for services	(683,776)	(676,429)
Net cash flows from operating activities	692,535	986,020
Cash flows from investing activities:		
Investment income received	19,744	6,318
Investments purchased	(1,370,446)	(2,051,489)
Investments matured	1,386,040	1,848,254
Net cash flows from investing activities	35,338	(196,917)
Cash flows from capital and related financing activities:		
Proceeds from Illinois Environmental Protection Agency loan	723,631	2,955,116
Debt retired	(521,043)	(420,555)
Interest paid	(277,015)	(138,231)
Proceeds from the sale of capital assets	1,000	-
Purchases of capital assets	(430,677)	(2,897,288)
Net cash flows from capital and related financing activities	(504,104)	(500,958)
Cash flows from noncapital financing activities:		
Replacement taxes received	37,210	38,137
Other income received	36,063	4,607
Net cash from noncapital financing activities	73,273	42,744
Net change in cash	297,042	330,889
Cash, beginning of the year	<u>1,747,845</u>	<u>1,416,956</u>
Cash, end of the year	<u>\$ 2,044,887</u>	<u>\$ 1,747,845</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 118,919	\$ 220,914
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	756,030	798,927
Changes in:		
Receivables	(36,820)	(8,923)
Other assets	15,017	(35,491)
Payables and compensated absences	(168,562)	(3,173)
Net pension obligation	7,951	13,766
Net cash flows from operating activities	\$ 692,535	\$ 986,020

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, 2015, the carrying amount of the District's deposits was \$2,044,587 and the bank balance was \$2,055,322 (\$1,747,445 and \$1,718,565, respectively, at April 30, 2014), 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 \$3,289,338 which approximates the fair value as of April 30, 2015 (\$3,304,932 at April 30, 2014). At April 30, 2015, certificates of deposit with a carrying value of \$2,987,164 mature within one year, with the remainder maturing between one and two years.

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, 2015 and 2014 is as follows:

	Balance May 1, 2014	Additions	Deletions	Balance April 30, 2015
Capital assets, not being depreciated:				
Land and land improvements	\$ 50,062	\$ -	\$ -	\$ 50,062
Construction in process	3,800	389,276	-	393,076
Total capital assets not being depreciated	53,862	389,276	-	443,138
Capital assets being depreciated:				
Plant, buildings and equipment	23,942,506	41,401	(42,000)	23,941,907
Administration building	643,075	-	-	643,075
Transportation equipment	113,215	-	-	113,215
Office equipment	185,710	-	-	185,710
Total capital assets being depreciated	24,884,506	41,401	(42,000)	24,883,907
Less accumulated depreciation	(13,103,741)	(756,030)	14,280	(13,845,491)
Total capital assets being depreciated, net	11,780,765	(714,629)	(27,720)	11,038,416
Total capital assets, net of accumulated depreciation	\$ 11,834,627	\$ (325,353)	\$ (27,720)	\$ 11,481,554

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, 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)

C. Long-term Debt

	Outstanding April 30,	
	2015	2014
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.	\$ 20,938	\$ 61,887
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.	4,741,935	5,132,329
Illinois Environmental Protection Agency loan dated June 21, 2012 for \$4,665,370 at 2.295%. Final repayment schedule has not been determined as of report issuance. Preliminary repayment schedule (pending final IEPA approval of the related construction project) indicates repayment of principal and interest in semiannual installments of \$140,674 with final payment due July 15, 2034.	4,654,017	4,020,086
	\$ 9,416,891	\$ 9,214,302

Long-term debt activity during the years ended April 30, 2015 and 2014 was as follows:

	Balance May 1, 2014	Increase/ Proceeds	Payments	Balance April 30, 2015	Due Within One Year
IEPA loan dated:					
October 1996	\$ 61,887	\$ -	\$ 40,949	\$ 20,938	\$ 20,938
May 2004	5,132,329	-	390,394	4,741,935	400,215
June 2012	4,020,086	723,631	89,700	4,654,017	191,307
Compensated absences	63,757	54,510	50,930	67,337	21,307
Net pension obligation	69,673	67,821	59,870	77,624	-
	\$ 9,347,732	\$ 845,962	\$ 631,843	\$ 9,561,851	\$ 633,767

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, 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	-
	<u>\$ 6,793,032</u>	<u>\$ 3,064,099</u>	<u>\$ 509,399</u>	<u>\$ 9,347,732</u>	<u>\$ 532,425</u>

Principal and interest maturities of the outstanding debt are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 612,460	\$ 222,096	\$ 834,556
2017	606,088	207,294	813,382
2018	620,928	192,454	813,382
2019	636,133	177,249	813,382
2020	651,710	161,672	813,382
2021 – 2025	3,505,920	560,992	4,066,912
2026 – 2030	1,513,969	229,693	1,743,662
2031 – 2035	1,269,682	74,262	1,343,944
	<u>\$ 9,416,890</u>	<u>\$ 1,825,712</u>	<u>\$ 11,242,602</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, 2015, 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. The District did not make contributions to this plan for either the year ended April 30, 2015 or 2014. 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 2014 was 14.34 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2014 was 17.35%. 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, 2015, the District's actual contributions for pension cost for regular employees were \$59,870 and its required contribution was \$67,821.

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
4/30/2015	\$ 67,821	88 %	\$ 77,624
4/30/2014	57,356	76	69,673
4/30/2013	50,137	77	55,907

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, 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, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress – As of December 31, 2014, the most recent actuarial valuation date, the regular plan was 68.56 percent funded. The actuarial accrued liability for benefits was \$1,870,174 and the actuarial value of assets was \$1,282,147, resulting in an underfunded actuarial accrued liability (UAAL) of \$588,027. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$397,407 and the ratio of the UAAL to the covered payroll was 148 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, 2015, approximately \$269,000, 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, 2015**

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
12/31/14	\$ 1,282,147	\$ 1,870,174	\$ 588,027	68.56 %	\$ 397,407	147.97 %
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

On a fair value basis, the actuarial value of assets as of December 31, 2014 is \$1,624,080.
 On a fair value basis, the funded ratio would be 86.84%.

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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
User charges	\$ 2,183,750	\$ 2,083,612	\$ (100,138)
Capital charges	111,000	115,602	4,602
Replacement income taxes	32,000	38,899	6,899
Interest	200	3,614	3,414
Miscellaneous	3,000	37,138	34,138
Total revenues	2,329,950	2,278,865	(51,085)
Expenditures:			
Administrative	466,752	378,097	88,655
Operating	820,380	692,805	127,575
Maintenance	252,486	163,273	89,213
Laboratory	87,281	71,885	15,396
Total expenditures	1,626,899	1,306,060	320,839
Revenues over expenditures	703,051	972,805	269,754
Other financing uses - transfers out	(930,500)	(897,264)	33,236
Changes in fund balance	\$ (227,449)	75,541	\$ 302,990
Fund balance, beginning of the year		1,418,650	
Fund balance, end of the year		\$ 1,494,191	

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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Administrative:			
Personnel costs:			
Salaries and wages	\$ 157,952	\$ 164,729	\$ (6,777)
Payroll taxes and fringe benefits	118,900	101,145	17,755
	<u>276,852</u>	<u>265,874</u>	<u>10,978</u>
Contractual services:			
Bank fees	2,400	5	2,395
Legal	30,000	29,053	947
Audit	10,000	10,000	-
Other professional fees	22,300	20,592	1,708
	<u>64,700</u>	<u>59,650</u>	<u>5,050</u>
Supplies:			
Office supplies	7,000	5,211	1,789
Computer	7,000	6,575	425
Office equipment maintenance	8,000	1,911	6,089
Postage	13,000	11,821	1,179
	<u>35,000</u>	<u>25,518</u>	<u>9,482</u>
Utilities - telephone service	<u>1,000</u>	<u>840</u>	<u>160</u>
Other:			
Advertising	1,500	172	1,328
Meetings	7,000	3,494	3,506
Permit/assessment fees	45,000	18,140	26,860
Travel	1,600	1,304	296
Dues and subscriptions	6,000	2,548	3,452
Water meter readings	1,000	-	1,000
Uncollectible accounts	2,000	557	1,443
Miscellaneous	100	-	100
Contingency	25,000	-	25,000
	<u>89,200</u>	<u>26,215</u>	<u>62,985</u>
Total administrative	<u>466,752</u>	<u>378,097</u>	<u>88,655</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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating:			
Personnel costs:			
Salaries and wages	\$ 189,680	\$ 173,389	\$ 16,291
Payroll taxes and fringe benefits	143,000	114,094	28,906
	<u>332,680</u>	<u>287,483</u>	<u>45,197</u>
Contractual services - engineer fees	15,000	19,915	(4,915)
Waste disposal	92,000	54,891	37,109
Insurance:			
Vehicle insurance	3,000	2,000	1,000
General insurance	45,000	55,042	(10,042)
	<u>48,000</u>	<u>57,042</u>	<u>(9,042)</u>
Supplies:			
Drying bed supplies	7,500	-	7,500
Supplies	5,000	4,557	443
	<u>12,500</u>	<u>4,557</u>	<u>7,943</u>
Chemicals - other chemicals	13,000	14,529	(1,529)
Utilities:			
Telephone and pager	5,000	3,829	1,171
Electric	226,000	210,920	15,080
Natural gas	50,000	38,930	11,070
Water	1,200	709	491
	<u>282,200</u>	<u>254,388</u>	<u>27,812</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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating (cont'd):			
Contingency	\$ 25,000	\$ -	\$ 25,000
Total operating	820,380	692,805	127,575
Maintenance:			
Personnel costs:			
Salaries and wages	60,611	62,046	(1,435)
Payroll taxes and fringe benefits	51,000	39,730	11,270
	<u>111,611</u>	<u>101,776</u>	<u>9,835</u>
Materials and supplies:			
Repair materials	12,875	1,173	11,702
Supplies	5,000	2,948	2,052
Tools	2,500	942	1,558
	<u>20,375</u>	<u>5,063</u>	<u>15,312</u>
Repair and maintenance:			
Outside equipment repairs	40,000	13,737	26,263
Equipment rental	3,000	1,025	1,975
Vehicle repairs	3,000	434	2,566
Building maintenance	35,000	31,118	3,882
Software maintenance	8,000	5,644	2,356
Oil and gasoline	6,500	4,476	2,024
	<u>95,500</u>	<u>56,434</u>	<u>39,066</u>
Contingency	25,000	-	25,000
Total maintenance	252,486	163,273	89,213

(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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Laboratory:			
Personnel costs:			
Salaries and wages	\$ 25,781	\$ 21,081	\$ 4,700
Payroll taxes and fringe benefits	16,500	13,674	2,826
	<u>42,281</u>	<u>34,755</u>	<u>7,526</u>
Contractual services - outside services	32,000	35,221	(3,221)
Materials and supplies	3,000	1,909	1,091
Other - contingency	10,000	-	10,000
	<u>87,281</u>	<u>71,885</u>	<u>15,396</u>
Total laboratory	<u>87,281</u>	<u>71,885</u>	<u>15,396</u>
	<u>\$ 1,626,899</u>	<u>\$ 1,306,060</u>	<u>\$ 320,839</u>
Total expenditures	<u>\$ 1,626,899</u>	<u>\$ 1,306,060</u>	<u>\$ 320,839</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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Connection fees	\$ -	\$ 5,600	\$ 5,600
Interest income	-	3,428	3,428
Total revenues	-	9,028	9,028
Expenditures:			
Current - repairs	-	5,081	(5,081)
Capital outlay	520,180	114,380	405,800
Total expenditures	520,180	119,461	400,719
Revenues under expenditures and changes in fund balance	(520,180)	(110,433)	409,747
Fund balance, beginning of the year		1,137,764	
Fund balance, end of the year		\$ 1,027,331	

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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 3,227	\$ 3,227
Expenditures:			
Current - repairs and maintenance	-	13,886	(13,886)
Capital outlay	483,100	295,477	187,623
Total expenditures	483,100	309,363	173,737
Revenues under expenditures	(483,100)	(306,136)	176,964
Other financing sources - transfers in	11,000	11,556	556
Changes in fund balance	\$ (472,100)	(294,580)	\$ 177,520
Fund balance, beginning of the year		965,300	
Fund balance, end of the year		\$ 670,720	

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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 6,004	\$ 6,004
Expenditures - debt service:			
Principal	667,453	521,042	146,411
Interest	182,928	178,418	4,510
Miscellaneous	-	15	(15)
Total expenditures	850,381	699,475	150,906
Revenues under expenditures	(850,381)	(693,471)	156,910
Other financing sources - transfers in	919,500	885,708	(33,792)
Changes in fund balance	\$ 69,119	192,237	\$ 123,118
Fund balance, beginning of the year		1,510,399	
Fund balance, end of the year		\$ 1,702,636	

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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - interest	\$ -	\$ 119	\$ 119
Expenditures - capital outlay	-	17,925	(17,925)
Revenues under expenditures	-	(17,806)	(17,806)
Other financing sources - Illinois Environmental Protection Agency loan proceeds	-	251,500	251,500
Changes in fund deficit	\$ -	233,694	\$ 233,694
Fund deficit, beginning of the year		(235,725)	
Fund deficit, end of the year		\$ (2,031)	

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.