SANITARY DISTRICT OF DECATUR
Decatur, Illinois

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
April 30, 2016

CliftonLarsonAllen

TABLE OF CONTENTS

Independent Auditors' Report

Board of Trustees
Sanitary District of Decatur
Decatur, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Sanitary District of Decatur, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Sanitary District of Decatur'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanitary District of Decatur as of April 30, 2016, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Change in Accounting Principle

During fiscal year ended April 30, 2016, the Sanitary District of Decatur adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As a result of the implementation of these standards, the Sanitary District of Decatur reported a restatement for the change in accounting principle (see Note 12). Our opinion is not modified with respect to this matter.

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 III through VIII, schedule of employer contributions on page 30, schedule of changes in the net position liability and related ratios on page 31, and schedule of funding progress on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sanitary District of Decatur's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, on our consideration of the Sanitary District of Decatur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary District of Decatur's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Champaign, Illinois
October 24, 2016

SANITARY DISTRICT OF DECATUR
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sanitary District of Decatur (District) is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended April 30, 2016. We encourage readers to consider the information in conjunction with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

BACKGROUND INFORMATION

The Sanitary District of Decatur was organized under the Sanitary District Act of 1917. The District serves a population of roughly 88,500 in an area of approximately 30 square miles. For the years ended April 30, 2016 and 2015, respectively, approximately 31,850 customers were billed a user charge based on their water consumption, solids, ammonia, and oxygen demanding waste; with the exception of a few users which are billed on metered discharge rather than water purchased. Customers are divided into three categories: residential, commercial/domestic, and industrial. While residential customers are the largest group in number, the industrial customers account for about two-thirds of the District's user charges.

In 2016, the number of full time employees a decreased by one to 53 from the 2015 number of 54 employees. The District treated a maximum flow of 116.24 million gallons per day in 2016 up from 79.0 million gallons per day in 2015. The average flow was 31.8 million gallons of wastewater a day in 2016 and 27.3 million gallons of wastewater a day in 2015. The plant is designed for 41 million gallons per day during dry weather flow and maximum capacity of 125 million gallons per day during wet weather events.

The District continues to meet U.S. Environmental Protection Agency and Illinois Environmental Protection Agency permit requirements and regulations for all requirements except for the amount of nickel discharged. The District is working with USEPA and IEPA to provide research demonstrating that the amount of nickel discharged does not have a negative impact on the environment and is requesting that the permit limit for nickel should be raised.

FINANCIAL HIGHLIGHTS

- During the fiscal year 2016, the District's net position increased $3,835,511 representing an increase of 4.02%. During the fiscal year 2015, the District's net position increased $3,066,000 representing an increase of 3.23%.

- During the fiscal year 2016 expenses increased by $533,000. The majority of this increase was due to the new GASB 68 requirement to record pension expense as a current expense and increased land application costs. Other expenses declined slightly to arrive at the final result.

- Operating Revenues for fiscal Year 2016 were $1,100,000 higher than fiscal year 2015 because of higher user fee and industrial user revenue collection.

SANITARY DISTRICT OF DECATUR
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The financial statements also include notes that explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by the private sector companies. These statements offer short and long-term information about the District's overall financial status.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

The revenue and expenses for each year are accounted for in the Statement of Revenues, Expenses, and Change in Net Position. This statement measures the success of the District's operations over each year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

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.

SANITARY DISTRICT OF DECATUR
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT

A summary, in thousands, of the District's Statements of Net Position are presented below.

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Current and Other Assets	$ 50,130	$ 47,537	$ 2,593	
Capital Assets	94,977	84,669	10,308	
Deferred Outflows	2,254		2,254	
Total Assets	147,361	132,206	15,155	11.5%
Outstanding Debt	44,705	27,765	16,940	
Other Liabilities and Deferred Inflows	3,523	6,386	(2,863)	
Total Liabilities and Deferred Inflows	48,228	34,151	14,077	41.2%
Net Investment in Capital Assets	58,066	60,662	(2,596)	
Unrestricted	41,067	37,393	3674	
Total Net Position	$ 99,133	$ 98,055	$ 1,078	1.1%

For FY 2016 the increase in net position was due to increased assets that resulted from payments from the Clean Water Revolving Loan fund for expenses occurred in the prior fiscal year.

Long-term Debt was used for improving capital assets resulting in an increase in both categories.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

While the Statement of Net Position shows the change in financial position, the Statement of Revenue, Expenses, and Change in Net Position provides answers as to the nature and source of these changes. The table below reflects the past two years changes, in thousands.

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Operating Revenues	$ 14,702	$ 13,591	$ 1,111	
Nonoperating Revenues	4,197	4,142	55	
Total Revenues	18,899	17,733	1,166	6.6%
Operating Expense	11,176	10,644	532	
Depreciation Expense	3,670	3,670	0	
Nonoperating Expense	217	354	137	
Total Expenses	15,063	14,668	395	2.7%
Changes in Net Position	3,836	3,066	770	
Beginning Net Position, Restated	95,297	94,989	308	
Total Net Position	$ 99,133	$ 98,055	$ 1078	1.1%

The major factors for FY 2016 which drove these results:

- The increase in operating revenues was mainly due to increased revenue from user charges and industrial user charges and penalties.
- The increase in operating expenses was due to new GASB 68 pension reporting requirements recording pension expense as current expense for the first time, and increased land application costs.
- 2016 beginning net position was restated to comply with GASB 68. Please see Note 12 in the financial statements for further explanation.

CAPITAL ASSETS

At the end of fiscal years 2016 and 2015, the District had $94,976,764 and $84,669,450 invested in capital assets (net of depreciation), respectively. As of April 30, 2016, the District had various contracts for construction projects and engineering projects with outstanding commitments totaling $451,529. The District is obligated to pay the cost under these contracts as the work is completed. This amount has been reduced significantly from the April 30, 2015 amount of $15,500,000 due to the completion of several large projects.

For FY 2016 the increase in capital assets included the completion of additions and replacements of vehicles, buildings, machinery and equipment including replacement aeration diffusers, a new thickener building with updated equipment, odor control upgrades, interceptor lining, and digester improvements.

DEBT ADMINISTRATION

As of April 30, 2016, the District has outstanding loans from the Illinois Revolving Loan in the amount of $32,844,608 of which the principal and interest due in the upcoming fiscal year are $1,509,091 and $290,389, respectively. As of April 30, 2015, the District had outstanding loans from the Illinois Revolving Loan Fund in the amount of $24,007,531. It is anticipated that the Revolving Loan Fund will continue to be used to fund future projects.

BUDGETARY HIGHLIGHTS

The District adopts an annual combined budget following presentation to the Board of Trustees and public notification and a public hearing. These budgets outline the estimated expenditures and the means of financing them. The District's budget may be revised throughout the year, after Board approval.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District considers many factors when setting the fiscal year budget, user fees and charges. User charge rates generally reflect inflationary pressure on salaries and related personnel expenses, supplies and utilities. Additional consideration is given to the amount of capital improvements and replacements needed for the current fiscal year.

Domestic, commercial and minor industrial classes generate approximately 30% of the billable flow. The District expects to continue to see a small decrease in this user class given the current economical conditions including high unemployment and jobs being transferred to other locations. Unemployment continues to be higher in the Decatur area than the rest of Illinois and the country. As stated in 2015 there has been new development near the area of the new intermodal facility with more development anticipated as use of the inland port continues to expand. So far the development does not appear to be a significant source of new user fees but may help stabilize the declining taxable property values of the District. The District annexed several properties in this area during the 2016 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

The major industrial user class generates more than 70% of the billable flow. Industrial user fee revenue increased by 8.9% in 2016 but the per unit user charge rate only increased by 8.2%. The additional amount was due to increased volume. While this increase was not significant it is a positive sign that billable flow has stabilized after water conservation measures were implemented over the last few years.

The continuing financial crisis for the State of Illinois is not anticipated to have a direct impact on the District. The District receives less than two percent (2%) of total revenue directly from the state.

Domestic user charge rates are listed below:

Domestic User Charge Rates

	FY 15/16	FY 14/15	FY 13/14	FY 12/13	FY 11/12
Cost per 100 cu ft	$ 1.32	$ 1.22	$ 1.12	$ 1.03	$ 0.94
Average annual costs per User's household	$ 127.71	$ 114.17	$ 110.63	$ 96.95	$ 89.27

The District's long range capital financing plan calls for user fees to be increased by 3 to 7 cents per 100 cubic feet per year through 2027. This includes a projected increase of 2 cents in 2017 to provided a dedicated funding source of 22 cents per 100 cu ft for the renewal of existing capital assets. Additional planned increases are designed to keep pace with increasing expenses.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Kent D. Newton, CPFO, Executive Director / CFO, Sanitary District of Decatur, 501 Dipper Lane, Decatur, Illinois 62522 or by telephone at (217) 442-6931, ext. 213, or by email at kentn@sddcleanwater.org.

SANITARY DISTRICT OF DECATUR
STATEMENT OF NET POSITION
April 30, 2016

ASSETS AND DEFERRED OUTLFOWS

CURRENT ASSETS	
Cash and cash equivalents	$ 19,503,662
Investments	15,911,172
Receivables, net	5,646,219
Prepaid expenses	49,932
Other post employment benefits asset	302,376
Notes receivable - Village of Oreana, current portion	137,803
Notes receivable - Argenta Sanitary District, current portion	97,487
Total current assets	41,648,651
CAPITAL ASSETS, net of accumulated depreciation	94,976,764
LONG-TERM RECEIVABLES	
Notes receivable - Village of Oreana, less current portion above	3,460,243
Notes receivable - Argenta Sanitary District, less current portion above	5,020,969
Total long-term receivables	8,481,212
TOTAL ASSETS	145,106,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount related to pension liability	2,254,409
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 147,361,036

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES	
Accounts payable, including retainage of $1,108,941	$ 2,435,318
Accrued expenses	491,124
Other unearned income	500,000
Debt certificates, current maturities	1,170,767
Notes payable, current maturities	1,509,091
Total current liabilities	6,106,300
LONG-TERM LIABILITIES	
Debt certificates, less current maturities above	2,895,508
Notes payable, less current maturities above	31,335,517
Net pension liability	4,367,741
Total long-term liabilities	38,598,766
Total liabilities	44,705,066
DEFERRED INFLOWS OF RESOURCES	
Subsequent year's property taxes	3,523,190
NET POSITION	
Net investment in capital assets	58,065,881
Unrestricted	41,066,899
Total net position	99,132,780
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 147,361,036

The accompanying notes are an integral part of the financial statements.

SANITARY DISTRICT OF DECATUR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended April 30, 2016

OPERATING REVENUES	
Industrial user charges and penalties	$ 9,555,475
User charges	4,659,801
Annexations	16,759
Pump stations	103,378
Miscellaneous	366,768
Total operating revenues	14,702,181
OPERATING EXPENSES	
Personnel services	5,867,644
Operations and maintenance	3,375,640
Building and grounds	173,065
Contractual/outside services	542,582
Depreciation expense	3,669,610
General and administrative expenses	1,218,518
Total operating expenses	14,847,059
Operating loss	(144,878)
NONOPERATING REVENUES (EXPENSES)	
Property taxes	3,509,963
Replacement taxes	378,497
State funding	141,156
Net investment income	144,264
Interest expense	(216,757)
Gain on disposal of assets	3,553
Other income	19,713
Total nonoperating revenues	3,980,389
CHANGE IN NET POSITION	3,835,511
NET POSITION, BEGINNING OF YEAR, RESTATED	95,297,269
NET POSITION, END OF YEAR	$ 99,132,780

The accompanying notes are an integral part of the financial statements.

SANITARY DISTRICT OF DECATUR
STATEMENT OF CASH FLOWS
Year Ended April 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 14,542,971
Payments to suppliers	(4,646,227)
Payments to employees	(6,244,309)
Net cash provided by operating activities	3,652,435
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Property tax receipts	3,509,963
Replacement tax receipts	398,435
Net cash provided by noncapital financing activities	3,908,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(14,000,605)
Proceeds from the sale of capital assets	27,234
Principal payments on notes payable and debt certificates	(2,598,599)
State funding	141,156
Proceeds from notes payable and debt certificates	11,744,612
Interest paid on notes payable	(231,133)
Receipts on notes receivable	318,045
Net cash used in capital and related financing activities	(4,599,290)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale and maturity of investments	1,485,000
Purchase of investments	(1,822,384)
Interest income received	127,298
Net cash used in investing activities	(210,086)
Net increase (decrease) in cash and cash equivalents	2,751,457
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,752,205
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,503,662

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating loss	$ (144,878)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	3,669,610
Effects of changes in operating assets and liabilities:	
Receivables	(159,210)
Prepaid expenses	352,073
Accounts payable	669,188
Accrued expenses	(90,289)
Net pension liability and deferred outflows	(644,059)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,652,435

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sanitary District of Decatur ("District") was incorporated in 1917 under the provisions of the Sanitary District Act for the purpose of providing wastewater services to a geographic area which includes Decatur and annexed areas surrounding the city. Revenues are generated from wastewater services provided for the constituents of the District, supplemented by real estate taxes, grants, investment earnings, and an allocated portion of State of Illinois replacement taxes.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. The financial reporting entity consists of (a) the primary government, the Sanitary District of Decatur, which has a separately appointed governing body, is legally separate and fiscally independent of other state and local governments, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is an independent special purpose government in that it has the authority to determine its budget, set rates or levy taxes, and issue bonded debt without approval by another government.

There are no component units of the Sanitary District of Decatur nor is the Sanitary District of Decatur dependent on any other entity.

Financial Statement Presentation and Basis of Accounting

The District operates as a proprietary fund in which the intent of the District is to recover its operating costs, including depreciation, through the use of industrial and residential user charges and tax levies within. Within this fund, the District maintains sub-funds to account for specific resources and expenses. The accounting records of the District are maintained on the cash method of reporting revenue and expenses, and are adjusted at year end to the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The District recognizes user charge revenues when the service is provided. Monthly cycle billing is utilized for industrial users; residential and small commercial customers are billed on quarterly cycles. Unbilled receivables have been estimated at April 30. User charge rates are intended to generate revenues equivalent to estimated operating and replacement costs.

State of Illinois replacement taxes are recognized as revenue when the underlying exchange transaction has occurred.

Permit income and other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Charges for services are recognized when the service is performed as they are measurable and available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The 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, expenses and changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, all short-term investments with a maturity at the date of purchase of three months or less are considered to be cash equivalents.

Investments

Investments are stated at estimated fair value, and are composed of certificates of deposit and U.S. treasury notes. The types of investments allowed are regulated by Illinois State laws and include municipal bonds, U.S. Government or Illinois obligations, insured deposits or other investments of state or national banks, Federal National Mortgage Association obligations, Public Treasurer’s Investment Pool and agreements collateralized by securities or mortgages in an amount at least equal to the market value of the funds deposited.

User Charges Receivable

User charges receivable include both billed and unbilled services for residential and industrial customers in the Decatur area. The receivables are uncollateralized customer obligations which generally require payment within twenty days from the invoice date. Accounts receivable are stated at the invoice amount plus delinquency fees.

Account balances with invoices over twenty days old are considered delinquent and charged a 5% late fee. The District has the right to file a lien against the property. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management’s assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer’s credit worthiness or actual defaults are higher than the historical experience, management’s estimates of the recoverability of amounts due the District could be adversely affected. All accounts or portions thereof deemed to be uncollectible, or to require an excessive collection cost, are written off to bad debt expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are defined by the District as assets with an initial cost equal to or more than $5,000. Land, buildings, improvements, infrastructure, and machinery and equipment acquired or constructed prior to May 1, 2002 are valued at estimated cost. All other additions since this date are valued at historical cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Land	Non-depreciable
Land improvements	8-50 years
Buildings and improvements	15-50 years
Infrastructure	50 years
Machinery and equipment	5-15 years
Vehicles	8 years

Work in progress includes costs incurred for various additions, improvements and modifications to existing capital assets during the year for which the project was incomplete at year end. Depreciation is not provided until the project is completed and placed in service.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. Interest of $271,638 was capitalized in fiscal year 2016.

Compensated Absences

District personnel earn vacation time in varying amounts depending on length of service with the District. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. The District has one type of deferred outflow of resources which occurs related to its pension plans. The District has deferred outflows related to pension expense to be recognized in future periods.

Deferred Inflows of Resources

The District reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The District will not recognize the related revenue until a future event occurs. The District has one type of item which occurs related to revenue recognition. It occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property Taxes

Property taxes attach as an enforceable lien on all assessable real property located within the boundaries of the District as of each January 1. Taxes are levied on or about May 1 and payable in two installments on or about June 1 and September 1. The County of Macon bills and collects the taxes for the District, and the District receives significant property tax distributions during the months of June, July, and September.

At year end, the District records a receivable for property taxes levied and records deferred inflow for the full amount to match the revenue recording with the period in which the monies will actually be received and used. The receivable and deferral are recorded at 99% of the levy as history has shown that 99% or more of the levy is collected.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District has adopted a formal investment policy approved by the Board of Trustees and Management. The District is authorized by its policy to make deposits or investments in a manner which will provide the maximum security at the highest investment return while meeting the daily cash flow demands of the District and conforming to all state and local statutes and ordinances governing the investment of public funds. The investment policy applies to all financial assets of the District. The District may invest in any type of security allowed by Illinois law, including savings accounts, money market accounts, commercial paper, State Treasurer's Investment Pool (The Illinois Funds), money market mutual funds, repurchase agreement, certificates of deposit and time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC; bonds, notes and obligations guaranteed by the full faith and credit of the United States as to principal and interest.

At year end 2016 the carrying value of the District's deposits including cash and money markets were $19,503,662 and the respective bank balances totaled $19,581,027.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk - the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District will minimize interest rate risk by structuring the 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. By investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy the District will also minimize interest rate risk. The District's formal investment policy states the portfolio shall remain sufficiently liquid to meet all operating costs which may be reasonably anticipated. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). The portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Credit Risk - the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the District shall be the "prudent person" standard which states:

> Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the District's overall portfolio.

The District's investments in U.S. treasury notes of $13,851,607 at April 30, 2016, was rated Aaa by Moody's Investors Service. At April 20, 2016, the District's investments representing greater than five percent of their portfolio was U.S. Treasury notes, which totaled $13,851,607.

Custodial Credit Risk - Deposits and Certificates of Deposit – the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. It is the policy of the District to require that demand and time deposits in excess of FDIC or other federal insurable limits be secured by some form of collateral to protect public deposits in a single situation if it were to default due to poor management or economic factors. As of April 30, 2016, the District's bank deposits were fully insured or collateralized.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of April 30, 2016, the District had the following investments:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Certificates of deposit	$ 2,059,565	$ 596,007	$ 1,463,558	$ -	$ -
US treasury notes	13,851,607	1,009,195	11,451,899	1,390,513	-
Total	$ 15,911,172	$ 1,605,202	$12,915,457	$ 1,390,513	$ -

The District invests in various investment securities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statement of Net Position.

NOTE 3 - RECEIVABLES

Receivables are summarized as follows:

Property tax receivable	$ 3,523,190
Replacement tax receivable	62,736
Interest receivable	86,232
Billed user charges, net allowance of doubtful accounts of $68,101 in 2016 and 2015	212,797
Unbilled user charges	210,607
Industrial user charges	1,550,657
Total	$ 5,646,219

NOTE 4 - MAJOR CUSTOMERS

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. Approximately 83% of the District's operating revenues for the year ended April 30, 2016, was from two industrial customers. The accounts receivable from these two customers totaled $1,498,932 at April 30, 2016.

NOTE 5 - CAPITAL ASSETS

Following is a summary of changes in capital assets and related depreciation for fiscal year ended April 30, 2016.

	Balance April 30, 2015	Increases	Decreases	Balance April 30, 2016
Capital assets, not being depreciated:				
Land	$ 2,935,993	$ -	$ -	$ 2,935,993
Work in progress	7,110,293	10,710,514	238,900	17,581,907
Total capital assets not being depreciated	10,046,286	10,710,514	238,900	20,517,900
Capital assets being depreciated:				
Buildings and improvements	65,403,792	106,739	67,000	65,443,531
Infrastructure	70,556,449	2,976,629	-	73,533,078
Machinery and equipment	61,402,755	395,427	324,691	61,473,491
Vehicles	2,329,206	50,196	253,312	2,126,090
Land improvements	5,518,242	-	-	5,518,242
Total capital assets being depreciated	205,210,444	3,528,991	645,003	208,094,432
Less accumulated depreciation	130,587,280	$ 3,669,610	$ 621,322	133,635,568
Capital assets, net	$ 84,669,450			$ 94,976,764

Work in progress at April 30, 2016 consists of the following projects:

Biogas Co-Generation Replacement Project	$ 148,449
Spring Creek Pipe Bridge	29,837
Sludge Thickening	4,571,473
Hickory Point Pump Station Replacement	100,618
Digester Facility Mixers	8,007,566
Odor Control Phase II	3,395,087
Diffuser Project	1,328,877
Total	$ 17,581,907

NOTE 6 - NOTES RECEIVABLE

Village of Oreana

The District financed the construction of a joint wastewater system for the Village of Oreana (Village). The Village's original cost of the construction was $5,077,771, less $1,164,431 of loan forgiveness related to a grant received by the District, for a net amount due from the Village of $3,913,340. In addition, related to this project, the Village owes the District $202,366 in annexation fees. The agreement calls for the above items to be repaid to the District over a 30 year period, at a 0% interest rate. As of April 30, 2016, the Village owes $3,598,046. Following are the expected maturities on the notes receivable:

Year ended April 30	Principal	Interest	Total
2017	$ 137,803	$ -	$ 137,803
2018	137,803	-	137,803
2019	137,803	-	137,803
2020	137,803	-	137,803
2021	137,803	-	137,803
2022-2026	689,017	-	689,017
2027-2031	689,017	-	689,017
2032-2036	689,017	-	689,017
2037-2041	689,017	-	689,017
2042	152,963	-	152,963
Total	$3,598,046	$ -	$3,598,046

Argenta Sanitary District

The District financed the construction of a joint wastewater system for the Argenta Sanitary District (ASD). ASD's cost of the construction was $6,568,822, less $1,451,797 of loan forgiveness related to a grant received by the District, for a net amount due from ASD of $5,117,025. In addition, related to this project, the ASD owes the District $271,278 in annexation fees. The agreement calls for the above items to be repaid to the District over a 30 year period, at a 1.25% interest rate. As of April 30, 2016, the Argenta Sanitary District owes $5,118,456. Following are the expected maturities on the notes receivable:

Year ended April 30	Principal	Interest	Total
2017	$ 97,487	$ 63,684	$ 161,171
2018	103,560	62,447	166,007
2019	109,854	61,133	170,987
2020	116,376	59,740	176,116
2021	123,136	58,264	181,400
2022-2026	725,873	266,097	991,970
2027-2031	934,924	215,041	1,149,965
2032-2036	1,108,252	150,959	1,259,211
2037-2041	1,182,115	79,570	1,261,685
2042-2044	616,879	11,587	628,466
Total	$5,118,456	$1,028,522	$6,146,978

NOTE 7 - LONG-TERM DEBT

Notes Payable

The following is a summary of changes in notes payable for the year ended April 30, 2016:

	Principal Outstanding April 30, 2015	Issuances	Retirements	Principal Outstanding April 30, 2016	Current Portion
Note payable to the IEPA, for the Hickory Point West Interceptor project; interest at 2.625%; 38.71% payable to Village of Forsyth; due in semi-annual installments in February and August of each year through February 2020.	231,537	-	106,751	124,786	109,571
Note payable to the IEPA, for the Ultra Violet project; interest at 2.535%; due in semi-annual installments in June and December of each year through June 2020.	672,643	-	115,470	557,173	118,416

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Principal Outstanding April 30, 2015	Issuances	Retirements	Principal Outstanding April 30, 2016	Current Portion
Note payable to the IEPA, for the 2002 Rehabilitation project; interest at 2.500%; due in semi-annual installments in July and January of each year through January 2024.	$ 282,302	$ -	$ 28,706	$ 253,596	$ 29,428
Note payable to the IEPA, for the Damon to Monroe project; interest at 2.500%; due in semi-annual installments in January and July of each year through July 2024.	1,545,483	-	147,002	1,398,481	150,700
Note payable to the IEPA, for the Phase 2 – WWTP project; interest at 2.570%; due in semi-annual installments in January and July of each year through January 2024.	1,041,620	-	104,946	936,674	107,661
Note payable to the IEPA, for the Odor Control project; interest at 2.500%; due in semi-annual installments in April and October of each year through January 2027.	445,492	-	32,264	413,228	33,076

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Principal Outstanding April 30, 2015	Issuances	Retirements	Principal Outstanding April 30, 2016	Current Portion
Note payable to the IEPA, for the 2004 Rehabilitation project; interest at 2.500%; due in semi-annual installments in June and December of each year through December 2025.	$ 955,056	$ -	$ 78,109	$ 876,947	$ 80,074
Note payable to the IEPA, for the Wyckles Forcemain project I; interest at 0.000%; due in semi-annual installments in July and January of each year through 2031.	651,594	-	42,039	609,555	42,038
Note payable to the IEPA, for the Oreana Collection System project; interest at 0.000%; due in semi-annual installments in March and September of each year through 2031.	4,046,199	-	252,887	3,793,312	252,887
Note payable to the IEPA, for the Wyckles Phase II project; interest at 0.000%; due in semi-annual installments in November and May of each year through 2030.	630,776	-	40,695	590,081	40,695

SANITARY DISTRICT OF DECATUR
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Principal Outstanding April 30, 2015	Issuances	Retirements	Principal Outstanding April 30, 2016	Current Portion
Note payable to the IEPA, for the Argenta Collection System project; interest at 0.000%; due in semi-annual installments in July and January of each year through 2032.	$ 4,717,237	$ 310,954	$ 250,689	$ 4,777,502	$ 135,337
Note payable to the IEPA, for the Stevens Creek Interceptor Rehab project; interest at 1.2500%; due in semi-annual installments in March and September of each year through 2031.	1,379,144	-	73,292	1,305,852	74,211
Note payable to the IEPA, for the 2011 Trestle Rehab project; interest at 1.2500%; due in semi-annual installments in January and July of each year through 2032.	2,109,810	-	108,568	2,001,242	109,929
Note payable to the IEPA, for the Primary Digester Upgrade; interest at 1.9300%; due in semi-annual installments in November in May each year through 2035.	4,953,660	1,910,676	134,616	6,729,720	135,915
Note payable to the IEPA, for the Sludge Thickening System; interest at 1.9950%; due in semi-annual installments in November and May each year through 2036.	344,978	3,298,165	-	3,643,143	-

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Principal Outstanding April 30, 2015	Issuances	Retirements	Principal Outstanding April 30, 2016	Current Portion
Note payable to the IEPA, for the East Side Separation Rehabilitation; interest at 2.2100%; due in semi-annual installments each year through September 2035.	$ -	$ 2,146,713	$ -	$ 2,146,713	$ 89,153
Note payable to the IEPA, for the Odor Control Project – Phase II; interest at 2.2100%; due in semi-annual installments each year through February 2036.	-	2,686,603	-	2,686,603	-
Totals	$ 24,007,531	$ 10,353,111	$ 1,516,034	$ 32,844,608	$ 1,509,091

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for notes payable are as follows:

	Principal	Interest	Total
Year Ended April 30			
2017	$ 1,509,091	$ 290,389	$ 1,799,480
2018	1,709,949	355,675	2,065,624
2019	1,721,390	328,820	2,050,210
2020	1,748,609	301,601	2,050,210
2021	1,710,508	273,804	1,984,312
2022-2026	7,950,877	989,543	8,940,420
2027-2031	6,600,014	513,606	7,113,620
2032-2036	3,564,424	142,965	3,707,389
Total	$ 26,514,862	$ 3,196,403	$ 29,711,265
Loan balance, Odor Control – Phase II – open loan	$ 2,686,603		
Loan balance, Sludge Thickening System– open loan	3,643,143		
Total	$ 32,844,608		

A contract was entered into in March 2015 for the Odor Control – Phase II project. The project is supported by the Illinois Environmental Protection Agency (IEPA) Revolving Loan Fund Program. The Odor Control – Phase II Project had drawdowns totaling $2,686,603 as of April 30, 2016 which are required to be repaid over twenty years. The maximum loan amount is $5,087,870.

A contract was entered into in October 2014 for the Sludge Thickening System. The project is supported by the Illinois Environmental Projection Agency (IEPA) Revolving Loan Fund Program. The Sludge Thickening System had drawdowns totaling $3,643,143 as of April 30, 2016 which are required to be repaid over twenty years. The maximum loan amount is $5,507,673.

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Debt Certificates

On June 26, 2013, the District issued debt certificates for $5,140,000. The proceeds of the debt certificates were used to pay off four IEPA loans: Stevens Creek Supplemental Interceptor, McKinley Avenue Supplemental Interceptor, 1995 Sewer Rehabilitation Project and the Northeast Supplemental Sewer Project. Principal and interest are due June 26 and December 26 at an interest rate of 2.00%. At April 30, 2016 and 2015, there was principal outstanding in the amount of $2,679,751 and $3,648,839.

On April 24, 2015, the District issued debt certificates for $2,000,000, however, only $108,500 of that was actually disbursed to the District in fiscal year 2015. The $2,000,000 was reduced to $500,000 during fiscal year 2016. Principal and interest are due April 24 and October 24 at an interest rate of 2.55%. At April 30, 2016 and 2015, there was principal outstanding in the amount of $1,386,524 and $108,500.

	Balance April 30, 2015	Issuances	Retirements	Balance April 30, 2016	Current
General Obligation Debt Certificates, Series 2013	$ 3,648,839	$ -	$ 969,088	$ 2,679,751	$ 939,457
General Obligation Debt Certificates, Series 2015	108,500	1,391,500	113,476	1,386,524	231,310
Total	$ 3,757,339	$1,391,500	$ 1,082,564	$ 4,066,275	$1,170,767

Annual debt service requirements to maturity for debt certificates are as follows:

	Principal	Interest	Total
Year Ended April 30			
2017	$ 1,170,767	$ 81,338	$ 1,252,105
2018	1,127,450	54,938	1,182,388
2019	553,756	34,225	587,981
2020	427,445	13,832	441,277
2021	295,442	-	295,442
2022-2026	378,579	-	378,579
2027-2030	112,836	-	112,836
Total	$ 4,066,275	$ 184,333	$ 4,250,608

NOTE 8 - PENSION PLAN

IMRF 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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

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

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

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

NOTE 8 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	89
Inactive Plan Members entitled to but not yet receiving benefits	9
Active Plan Members	52
Total	150

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2015 was 15.68%. For the calendar year 2015, the District's required contribution was $569,583 to the plan and the District contributed $878,601. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

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

Actuarial Assumptions

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.47%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF- specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF- specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38.0%	7.39%
International Equity	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternative Investments	9.0%	2.75-8.15%
Cash Equivalents	1.0%	2.25%
Total	100%	

NOTE 8 - PENSION PLAN (CONTINUED)

Single Discount Rate

A Single Discount Rate of 7.47% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	$ 31,074,552	$ 28,131,986	$2,942,566
Changes for the year:			
Service Cost	408,884	-	408,884
Interest on the Total Pension Liability	2,272,329	-	2,272,329
Changes of Benefit Terms	-	-	-
Differences Between Expected and Experience of the Total Pension	246,402	-	246,402
Changes of Assumptions	35,988	-	35,988
Contributions - Employer	-	878,601	878,601
Contributions - Employees	-	165,740	165,740
Net Investment Income	-	574,993	574,993
Benefit Payments, including Refunds of Employee Contributions	(1,800,538)	(1,800,538)	-
Other (Net Transfer)	-	(80,906)	(80,906)
Net Changes	1,163,065	(262,110)	1,425,175
Balances at December 31, 2015	$ 32,237,617	$ 27,869,876	$4,367,741

NOTE 8 - PENSION PLAN (CONTINUED)

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.47%)	Current Discount (7.47%)	1% Higher (8.47%)
Net Pension Liability	$ 8,390,461	$ 4,367,741	$ 1,010,639

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

For the calendar year ended December 31, 2015, the District recognized pension expense of $907,346. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual	$ 1,188,260	$ -
Changes of assumptions	26,529	-
Net difference between projected and actual earnings on pension plan investments	181,641	-
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	1,396,430	-
Pension Contributions made Subsequent to the Measurement Date	857,979	-
Total Deferred Amounts Related to Pensions	$ 2,254,409	$ -

NOTE 8 - PENSION PLAN (CONTINUED)

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

The net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions, prior to contributions subsequent to measurement date, will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred of Resources
2016	$ 371,284
2017	371,284
2018	356,797
2019	297,065
2020	-
Thereafter	-
Total	$ 1,396,430

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described in Note 8, the District provides other postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). This plan has three components: Retirement Health Savings Program, Health Premium Supplement Program and Deductible Reimbursement Program. Even though Retirement Health Savings Program has defined contribution characteristics, plans with both defined contribution and defined benefit characteristics follow defined benefit plan requirements. Furthermore, the Retirement Health Savings Accounts are not considered OPEB plan assets for purposes of this report. These account balances do offset the District's liabilities under the Health Premium Supplement Program. The calculations of the liabilities associated with the Health Premium Supplement Program recognize this offset. The District has the authority to establish and amend the benefit provisions of this plan. The plan does not issue a separate report.

Monthly Retiree Contributions

Retirees make no contributions toward the cost of the District postemployment reimbursement plan.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employer Contributions

The District postemployment reimbursement plan is funded on a pay-as-you-go basis. For each month of service (but not beginning prior to May 1, 1998), $75 is deposited into an employee's Retirement Health Savings Account. Additionally, 1 ¼ % of an employee's salary (up to a maximum salary base of $100,000) is also deposited into an employee's Retirement Health Savings Account.

After retirement, if the Retirement Health Savings Account is depleted, the District will reimburse the retiree for the medical plan premium, up to a maximum amount equal to the premium that was in effect at the time of retirement.

The District also contributes an amount to reimburse each participating retiree for the portion of the annual deductible that is incurred in excess of $500.

Annual OPEB Cost and Net OPEB Asset

The Annual OPEB Cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The net OPEB asset was calculated as follows:

Annual required contribution	$ 131,536
Interest on net OPEB asset	(10,112)
Adjustment to annual required contribution	8,427
Annual OPEB cost	129,851
Contributions made by the District	179,425
Increase in net OPEB asset	(49,574)
Net OPEB asset, beginning of year	(252,802)
Net OPEB asset, end of year	$ (302,376)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer Contributions

Actuarial valuation date	May 1, 2015
Annual required contribution (ARC)	$ 131,536
Estimated contributions made by the District	$ 179,425
Percentage of ARC contributed	136.4%

Funded Status and Funding Progress

Actuarial valuation date	May 1, 2015
Actuarial accrued liability (AAL)	$2,083,452
Unfunded actuarial accrued liability (UAAL)	$2,083,452
Funded ratio (actuarial value of plan assets/AAL)	0%

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

Actuarial Methods and Assumptions

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

In the May 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an investment return rate of 4%, salary increases comprised of a wage inflation component of 4%, and a healthcare cost trend rate of 3.2%. The calculations assume a level dollar open amortization period and amortization factor of 30.000.

There are no assets that have been set aside to fund the liabilities for this plan.

There was a significant increase in the actuarial accrued liability and unfunded actuarial accrued liability from the last actuarial calculation completed as of May 1, 2013. This increase was due to a few key factors, which included an increase in the number of retirees (17 to 27), and some changes in assumptions including healthcare cost trend rate (5% to 7.8%), spousal coverage was included, and liability for post-65 coverage was included.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

At April 30, 2016, the District had various contracts for construction projects and engineering projects with outstanding commitments totaling approximately $451,529, which were at varying stages of completion. The District is obligated to pay the costs under these contracts as the work is completed.

Subsequent to year end, the District entered into various contracts for construction projects and engineering projects with commitments totaling approximately $2,353,490. The District is obligated to pay the costs under these contracts as the work is completed.

NOTE 12 - RESTATEMENT OF NET POSITION

The District adopted new accounting standards to conform with generally accepted accounting principles. The statements adopted requiring restatement of net position were Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These pronouncements require the restatement of the April 30, 2015 net position as follows:

Net position, April 30, 2015, as previously reported	$ 98,054,660
Adjustment for beginning deferred outflows of resources related to pensions	185,175
Adjustment for beginning net pension liability	(2,942,566)
Net position, April 30, 2015, as restated	$ 95,297,269

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY DISTRICT OF DECATUR
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
(Unaudited)

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	$ 569,583	$ 878,601	$ (309,018)	$ 3,632,546	24.19%

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

See accompanying notes to required supplementary information.

SANITARY DISTRICT OF DECATUR
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT PLAN
(Unaudited)

Calendar Year Ended December 31,	**2015**
Total Pension Liability	
Service Cost	$ 408,884
Interest	2,272,329
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	246,402
Changes of Assumptions	35,988
Benefit Payments, Including Refunds of Employee Contributions	(1,800,538)
Net Change in Total Pension Liability	1,163,065
Total Pension Liability - Beginning	31,074,552
Total Pension Liability - Ending	32,237,617
Plan Fiduciary Net Position	
Contributions - Employer	878,601
Contributions - Employee	165,740
Net Investment Income	574,993
Benefit Payments, Including Refunds of Employee Contributions	(1,800,538)
Other	(80,906)
Net Change in Plan Fiduciary Net Position	(262,110)
Plan Fiduciary Net Position - Beginning	28,131,986
Plan Fiduciary Net Position - Ending	27,869,876
Net Pension Liability - Ending	$ 4,367,741
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%
Covered Employee Payroll	3,632,546
District's Net Pension Liability as a Percentage of Covered Payroll	120.24%

Notes to Schedule:

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

SANITARY DISTRICT OF DECATUR
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
05/01/15	$ -	$ 2,083,452*	$2,083,452	0.00%	$3,338,130	62.4%
05/01/13	-	1,226,402	1,226,402	0.00%	3,477,755	35.3%
05/01/11	-	1,371,842	1,371,842	0.00%	3,595,230	38.2%

*There was a significant increase in the actuarial accrued liability and unfunded actuarial accrued liability from the last actuarial calculation completed as of May 1, 2013. This increase was due to a few key factors, which included an increase in the number of retirees (17 to 27), and some changes in assumptions including healthcare cost trend rate (5% to 7.8%), spousal coverage was included, and liability for post-65 coverage was included.

See accompanying notes to required supplementary information.

SANITARY DISTRICT OF DECATUR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	Non-Taxing bodies: 10-year rolling period. *Taxing bodies (Regular, SLEP and ECO groups):* 28-year closed period *until remaining period reaches 15 years (then 15*-year rolling period). *Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).*
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes:	There were no benefit changes during the year.

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

SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Sanitary District of Decatur
Decatur, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sanitary District of Decatur, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise Sanitary District of Decatur's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary District of Decatur's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary District of Decatur's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary District of Decatur's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness (Finding 2016-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary District of Decatur's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary District of Decatur's Response to Finding

Sanitary District of Decatur's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Sanitary District of Decatur's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Champaign, Illinois
October 24, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Sanitary District of Decatur
Decatur, Illinois

Report on Compliance for Each Major Federal Program

We have audited Sanitary District of Decatur's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sanitary District of Decatur's major federal program for the year ended April 30, 2016. Sanitary District of Decatur's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Sanitary District of Decatur's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanitary District of Decatur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sanitary District of Decatur's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sanitary District of Decatur complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 30, 2016.

Report on Internal Control Over Compliance

Management of the Sanitary District of Decatur is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sanitary District of Decatur's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sanitary District of Decatur's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Champaign, Illinois
October 24, 2016

SANITARY DISTRICT OF DECATUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Passed Through to Sub-Recipients	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Flow-through from Illinois Environmental Protection Agency:				
Capitalization Grant for Clean Water State Revolving Funds	66.458	L17-4876	$-0-	$2,636,060

See accompanying notes to schedule of expenditures of federal awards.

SANITARY DISTRICT OF DECATUR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended April 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Cost Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SANITARY DISTRICT OF DECATUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	unmodified opinion	
Internal control over financial reporting:		
• Material weakness identified?	X Yes	___No
• Significant deficiencies identified that are not considered to be material weaknesses?	___Yes	X None reported
Noncompliance material to financial statements noted?	___Yes	X No

Federal Awards

Internal control over major programs:		
• Material weakness identified?	___Yes	X No
• Significant deficiencies identified that are not considered to be material weakness?	___Yes	X No
Type of auditors' report issued on compliance for major programs:	unmodified opinion	

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ___Yes X No

Identification of major programs:

CFDA Number	**Name of Federal Program or Cluster**
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ___Yes X No

SANITARY DISTRICT OF DECATUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2016

Section II – Financial Statement Findings

FINDING NO. 2016-001 – Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP, including all adjustments required to convert the cash basis records to accrual basis.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements, including footnote disclosures and accrual adjustments.

Cause: The District does not have the necessary staff to prepare the financial statements.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings
There is no disagreement with the audit finding.

Actions Planned in Response to Finding
The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and GAAP adjustments and will review and approve these prior to the issuance of the annual financial statements.

Official Responsible for Ensuring CAP:
The governing board is responsible for ensuring the corrective action of the deficiency.

Planned Completion Date for CAP:
The CAP is ongoing.

Plan to Monitor Completion of CAP:
The governing board will monitor this corrective action plan.

SANITARY DISTRICT OF DECATUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2016

Section III – Federal Awards and Questioned Costs

None to report.

SANITARY DISTRICT OF DECATUR
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
Year Ended April 30, 2016

YEAR ENDED APRIL 30, 2015

FINDING NO. 2015-001 - ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP, including all adjustments required to convert the cash basis records to accrual basis.

Condition still exists, see Finding 2016-001.

FINDING NO. 2015-002 - COLLATERALIZATION OF BANK ACCOUNTS

Condition: The District's bank account balance was not fully collateralized at one of its depositories as of the fiscal year end.

No issues were noted in current year testing.