

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

FINANCIAL REPORT

APRIL 30, 2018

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12-27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios	28
Schedule of Funding Progress Other Postemployment Benefits Plan	29
Schedule of Employer Contributions	30
Schedule of Employer Contributions Other Postemployment Benefits Plan	31
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet by Subfund	32
Combining Schedule of Revenues, Expenses, and Changes in Net Position by Subfund	33
Schedule of Revenues and Expenses - Sewerage and User Subfund Budget to Actual	34-36

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Flagg Creek Water Reclamation District
Burr Ridge, Illinois

We have audited the financial statements of the Flagg Creek Water Reclamation District (the District), as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 Flagg Creek Water Reclamation District'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.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Flagg Creek Water Reclamation District, as of April 30, 2018, and the changes in its financial position and cash flows for the year then ended in conformity 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 and the other required supplementary information 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 District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relate 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 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.

Bansley and Kiener, L.L.P.
Certified Public Accountants

July 30, 2018

FLAGG CREEK WATER RECLAMATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended April 30, 2018

The discussion and analysis of the Flagg Creek Water Reclamation District (the District) financial performance provides an overall review of the District's financial activities for the year ended April 30, 2018. The management of the District encourages readers to consider the information presented here, in conjunction with the basic financial statements, to enhance their understanding of the District's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Certain comparative information between the current and prior year is required to be presented in Management's Discussion and Analysis (the MD&A).

Financial Highlights of the Government-Wide Financial Statements:

- As of April 30, 2018, the assets of the District exceeded its liabilities by \$41,102.3 (net position). Of this amount \$14,070.7 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's operating expenses increased in 2018 by \$118.2 or 1.62%. Operating revenues available to fund operating expenses increased by \$54.1 or 0.56%, due mainly to an increase in service availability.
- The District's capital expenses for 2018 and 2017 were \$2,562.4 and \$2,278.3, respectively. The largest components of the capital expenses in 2018 were sewer collection system and construction in process, which represents projects that were initiated, but not fully completed.
- Other income decreased \$191.5 or 93.0% in the fiscal year 2018 due mainly to a grant received from the State of Illinois Commerce and Economic Opportunity Agency in the previous year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Required supplementary information and
- Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* 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 and other charges, profitability and creditworthiness.

The *statement of cash flows* reports the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, financing, and provides what cash was used for, and what was the change in the cash balance during the reporting period.

The government-wide financial statements are presented on pages 9 through 11 of this report.

FLAGG CREEK WATER RECLAMATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended April 30, 2018

Financial Schedules

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Internally, the District maintains three separate governmental funds. Although these funds are maintained as governmental funds internally, all of the District's activities are considered business-type activities in the government-wide financial statements.

The District reports the following funds in the Other Supplementary Information:

General Fund - The General Fund (Sewerage and User) is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund. General operating expenses and the capital improvement costs that are not paid through other funds are paid from the General Fund. In addition, funds from the General Fund may be transferred to an applicable fund to cover their expenses.

Capital Projects Fund - The Capital Projects Fund is used to account for revenues and expenses that are for the expansion and major maintenance of the facilities.

State Fund IEPA - The State Fund IEPA accounts are for the transactions relating to the IEPA revolving loan agreements.

The District may use any unexpended funds to pay long-term debt, such surplus may also be transferred to the General Fund. Also, any operating expenses that cannot be satisfied with the resources within the General Fund, funds may be transferred from the Capital Projects Fund to the General Fund to cover these expenses.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided (as supplementary information) for the Sewerage and User Fund to demonstrate compliance with this budget.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. These notes to financial statements can be found on pages 12 through 27 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 28 through 31 of this report.

Other supplementary information includes combining financial statements and budgetary comparison schedules for the General Fund, which can be found on pages 32 through 36 of this report.

FLAGG CREEK WATER RECLAMATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended April 30, 2018

Figure A summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this section of management's discussion and analysis highlights the structure and contents of each of the statements.

FIGURE A

Major Features of the Government-Wide Statements and Other Supplementary Information

	<u>Government-Wide Statements</u>	<u>Other Supplementary Information</u>
Scope	Entire District	Entire District
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Combining balance sheet by subfund • Combining schedule of revenues, expenses, and changes in net position by subfund • Budget to actual in sewerage and user subfund
Accounting basis and measurement focus	Accrual basis of accounting and economic resources measurement focus.	Accrual basis of accounting and economic resources measurement focus.
Types of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-Wide Financial Analysis

Net Position: In 2018 and 2017 total net position was \$41,102.3 and \$40,483.6, respectively.

In 2018 and 2017 current assets total \$17,365.3 and \$18,154.7, respectively consisting of cash and cash equivalents of \$16,253.7 and \$16,622.0, respectively, receivables-net of \$1,045.8 and \$1,440.5, respectively, and prepaid expenses of \$65.8 and \$92.1, respectively. Capital assets shown net of accumulated depreciation amounted to \$44,579.6 and \$44,980.0 in 2018 and 2017, respectively, representing approximately 70.5% and 71.2% respectively of total assets (see note 3).

In 2018, the long-term liabilities outstanding were \$18,852.4 or approximately 89.8% of total liabilities. In 2017, the long-term liabilities were \$20,716.5 or approximately 89.4% of the total liabilities. Current liabilities in 2018 and 2017 amounted to \$2,149.7 and \$2,456.2, respectively, representing the current portion of long-term debt, unearned revenues, accounts payable, and accrued expenses.

FLAGG CREEK WATER RECLAMATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended April 30, 2018

Table 1
Condensed Statements of Net Position
As of April 30, 2018 and 2017
Government-Wide

	Business-Type Activities	
	2018	2017
Cash and cash equivalents	\$16,253.7	\$16,622.0
Accounts receivables - net	1,045.8	1,440.5
Prepaid expenses	65.8	92.1
Capital assets, net	44,579.6	44,980.0
Net pension asset	<u>1,244.1</u>	<u>-</u>
Total assets	<u>63,189.0</u>	<u>63,134.6</u>
Deferred outflows of resources	<u>450.7</u>	<u>624.8</u>
Accounts payable	469.5	555.2
Accrued salaries and payroll expenses	14.8	127.0
Accrued interest	51.5	54.0
Unearned revenue	320.0	448.1
Accrued compensated absences	173.4	165.5
Loans payable	19,972.9	21,157.6
Net pension liability	<u>-</u>	<u>665.3</u>
Total liabilities	<u>21,002.1</u>	<u>23,172.7</u>
Deferred inflows of resources	<u>1,535.2</u>	<u>103.2</u>
Net investment in capital assets	25,457.9	23,822.4
Restricted - debt service	1,573.7	1,569.5
Unrestricted	<u>14,070.7</u>	<u>15,091.7</u>
Total net position	<u>\$41,102.3</u>	<u>\$40,483.5</u>

Changes in Net Position: In 2018 the total revenues exceeded expenses, increasing net position by \$618.7 for the year compared to prior year's increase of \$985.2. The District's total revenue in 2018 and 2017 was \$11,312.1 and \$11,163.1, respectively. The major component of the District's revenues is customer charges for sewer services that totaled \$9,609.7.

The District also received \$775.7 for connection fees from new accounts, reconnections and increased sewerage discharge from existing accounts. User charges are based on meter readings at a predetermined rate and a flat rate on non-metered residences. Composite connection charges are assessed for new residential and commercial accounts.

In 2018 and 2017 the total cost of all programs and services were \$10,693.4 and \$10,177.9, respectively. The District's expenses are primarily related to providing services to its residents. In 2018 and 2017 administrative service expenses represented approximately 40.1% and 38.4%, respectively, of the operating expenses.

FLAGG CREEK WATER RECLAMATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended April 30, 2018

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Business-Type Activities	
	2018	2017
Revenues		
Operating revenues	\$ 9,786.3	\$ 9,732.2
Non-operating revenues (expenses)	911.7	821.4
Net pension obligation – GASB 68	<u>303.2</u>	<u>287.1</u>
Total revenues	<u>11,001.2</u>	<u>10,840.7</u>
Expenses		
Operating expenses	7,419.7	7,301.5
Depreciation	<u>2,962.8</u>	<u>2,554.1</u>
Total expenses	<u>10,382.5</u>	<u>9,855.6</u>
Change in net position	<u>\$ 618.7</u>	<u>\$ 985.1</u>

Financial Analysis of Flagg Creek Water Reclamation District

The most common financial question posed to the District is "How did we do financially during 2018?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position, the difference between assets and liabilities or increases/decreases in the District's net position as 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 changes in governmental legislation.

The government-wide assets of the District total \$63,189.0. The largest portion of the District's assets reflects its investment in capital assets of \$44,579.6. The total cost of land, buildings, infrastructure improvements, equipment and vehicles is reported net of the total accumulated depreciation on these items.

The District's receivable (net) of \$1,045.8 is the user charge receivables and unbilled user fee revenue as of April 30, 2018, which will be collected in the fiscal year 2018. The District had total cash and cash equivalents on hand at the end of the year of \$16,253.7.

Net position total \$41,102.3 of which \$25,457.8 represents the net amount of the capital assets less outstanding debt used to acquire them. The remaining amount of \$15,644.5 represents the amount of funds the District would have if all revenues were collected and all obligations of the District were satisfied.

FLAGG CREEK WATER RECLAMATION DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended April 30, 2018

General Fund Budgetary Highlights

The District adopted the final fiscal year 2018 budget in April 2017. The District did not revise the annual operating budget during the Fiscal Year.

- Actual revenues in the General Fund were \$506.4 lower than budgeted due mainly to a decrease in user fees, sewer services fees and service availability received by the District. User fees, sewer service fees, and service availability were \$490.3 lower than budgeted.
- The actual expenses were \$147.0 lower than budgeted. This can be generally attributed to the District's over budgeting of administration, maintenance of sewers and plant wastewater treatment expenses.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of April 30, 2018 is \$44,579.6. Note 3 to the financial statements provides details of the capital asset changes during the fiscal year ended April 30, 2018.

Long-Term Debt

The District's debt as of April 30, 2018 is \$19,972.9. The current portion of this debt is \$1,276.5. Note 5 to the financial statements provides details of the long-term debt changes during the fiscal year ended April 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of the District's finances, comply with finance related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, please contact Mr. Thomas K. O'Connor, Executive Director, Flagg Creek Water Reclamation District.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

STATEMENT OF NET POSITION
April 30, 2018

CURRENT ASSETS	
Cash and cash equivalents	\$ 14,679,998
Restricted cash and cash equivalents	1,573,730
Receivables	
Accounts, net of allowance	675,787
Unbilled user fee revenue	369,967
Prepaid expenses	65,832
	<hr/>
Total current assets	17,365,314
NONCURRENT ASSETS	
Capital assets not being depreciated	3,063,152
Capital assets being depreciated, net of accumulated depreciation	41,516,430
Net pension asset	1,244,080
	<hr/>
Total noncurrent assets	45,823,662
	<hr/>
Total assets	63,188,976
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pension	450,695
	<hr/>
CURRENT LIABILITIES	
Accounts payable	469,541
Accrued salaries and payroll expenses	14,822
Accrued interest	51,463
Unearned revenues	320,047
Accrued compensated absences - current portion	17,335
Loans payable - current portion	1,276,527
	<hr/>
Total current liabilities	2,149,735
NONCURRENT LIABILITIES	
Accrued compensated absences - long-term portion	156,010
Loans payable - long-term portion	18,696,383
	<hr/>
Total noncurrent liabilities	18,852,393
	<hr/>
Total liabilities	21,002,128
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pension	1,535,227
	<hr/>
NET POSITION	
Net investment in capital assets	25,457,846
Restricted - debt service	1,573,730
Unrestricted	14,070,740
	<hr/>
TOTAL NET POSITION	\$ 41,102,316
	<hr/>

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

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED APRIL 30, 2018

OPERATING REVENUES	
Charges for services	
User fees	\$ 4,449,211
Sewer service fees	1,588,321
Service availability	3,572,183
Fines and fees	<u>176,555</u>
Total operating revenues	<u>9,786,270</u>
OPERATING EXPENSES	
Administration	2,978,346
Maintenance of sewers	803,165
Lift stations	155,874
Plant wastewater treatment	3,217,818
Laboratory	<u>264,486</u>
Total operating expenses	<u>7,419,689</u>
OPERATING INCOME BEFORE DEPRECIATION AND NET PENSION OBLIGATION - GASB 68	2,366,581
Depreciation	2,962,808
Net pension obligation - GASB 68	<u>(303,234)</u>
OPERATING LOSS	<u>(292,993)</u>
NON-OPERATING REVENUES (EXPENSES)	
Replacement taxes	81,803
Investment income	102,687
Waste strength surcharge fees	100,263
Grease trap permits	102,318
Scrap metal sales	3,572
Connection fees	775,661
Plan review fees	41,850
Other income	14,408
Interest expense	<u>(310,878)</u>
Total non-operating revenues (expenses)	<u>911,684</u>
CHANGE IN NET POSITION	618,691
NET POSITION, MAY 1, 2017	<u>40,483,625</u>
NET POSITION, APRIL 30, 2018	<u><u>\$ 41,102,316</u></u>

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

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,053,023
Payments to suppliers	(4,569,248)
Payments to employees	(3,014,111)
	<u>2,469,664</u>
Net cash from operating activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Replacement taxes	81,803
Waste strength surcharge fees	100,263
Grease trap permits	102,318
Scrap metal sales	3,572
Connection fees	775,661
Plan review fees	41,850
Other cash receipts	14,408
	<u>1,119,875</u>
Net cash from noncapital financing activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,562,358)
Interest paid	(313,443)
Principal paid on state revolving fund notes payable	(1,251,182)
Proceeds from borrowings on state revolving fund notes payable	66,483
	<u>(4,060,500)</u>
Net cash from capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	102,687
	<u>102,687</u>
Net cash from investing activities	
NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(368,274)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
	<u>16,622,002</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	
	<u>\$ 16,253,728</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (292,993)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	2,962,808
Net pension obligation - GASB 68	(303,234)
Changes in assets and liabilities	
Accounts receivable	80,698
Unbilled user fee revenue receivable	314,092
Prepaid expenses	26,310
Accounts payable	(85,701)
Accrued salaries and payroll expenses	(112,132)
Unearned revenues	(128,037)
Accrued compensated absences	7,853
	<u>2,762,657</u>
Total adjustments	
NET CASH FROM OPERATING ACTIVITIES	
	<u>\$ 2,469,664</u>
CASH AND CASH EQUIVALENTS	
Unrestricted	\$ 14,679,998
Restricted	1,573,730
	<u>\$ 16,253,728</u>
Total cash and cash equivalents	

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

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Flagg Creek Water Reclamation District (the District) is an Illinois unit of local government organized in 1926 under the Illinois Sanitary District Act of 1917. The Board of Trustees is appointed by state legislators who serve communities within District boundaries. The District was formed in 1926 with the first sewers and treatment works becoming operational in 1930. The District serves parts or all of the following Illinois communities: Burr Ridge, Clarendon Hills, Darien, Elmhurst, Hinsdale, Lombard, Oak Brook, Oakbrook Terrace, Villa Park, Westmont and Willowbrook, including some unincorporated areas within these communities.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

a) Reporting Entity

The District is considered to be a primary government since it is legally separate and fiscally independent. These financial statements include all funds, functions, programs, and activities under the control of the Board of Trustees of the District.

b) Fund Accounting

Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into a single fund.

Enterprise Funds

The accounts of the District are Enterprise Funds. Enterprise Funds are proprietary type funds used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the District has decided that periodic determination of revenues earned, expenses incurred, and operating income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

c) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenues/expenses are incidental to the operations of these funds.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

c) Basis of Accounting (Continued)

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twenty-one months or less when purchased to be cash equivalents. Cash includes cash on hand, demand deposits, money market accounts and certificates of deposits with banks.

e) Investments

Investments with a maturity date of less than one year from the date of purchase are recorded at cost or amortized cost. Investments with a maturity date of greater than one year from the date of purchase are recorded at fair value.

f) Accounts Receivable and Unbilled User Fees Revenue Receivable

The District recognizes wastewater treatment (user) charges in the period in which the service is provided. The District bills these services on a monthly basis for large commercial users, and residential and small commercial customers are billed bimonthly. Unbilled receivables have been estimated as of April 30, 2018. User charge rates are intended to generate revenue equivalent to estimated operating and replacement cost.

State of Illinois replacement taxes are recognized as revenue when all eligibility requirements have been met. Services and permits, Fats, Oils and Grease (FOG) program revenues, capital investment charges, and other miscellaneous revenues (except investment earnings) 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.

g) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

h) Restricted Assets

Proceeds of Illinois EPA Loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

i) Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are stated at cost or at estimated historical cost.

Capital assets contributed to the District are recorded at fair value on the date contributed. Depreciation is computed under the straight-line method over the estimated useful lives of the assets. Depreciation is not recognized on construction in progress.

The following is a summary of useful lives used for depreciation of the various classes of capital assets:

<u>Class</u>	<u>Useful Life in Years</u>
Buildings	5-40
Lift stations	5-40
Sewer collection system	5-40
Office furniture and equipment	5-7
Vehicles	5-10
Plant improvement and equipment	5-40

j) Unamortized Bond Discounts, Bond Premiums, and Loss on Bond Refundings

Any bond discounts and bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, bond premiums are presented as an addition to the face amount of bonds payable.

In accordance with GASB Statement No. 23 *Accounting and Financial Reporting/or Refundings of Debt Reported by Proprietary Activities*, the District amortizes the loss on any bond refundings over the shorter of the term of the refunding bonds or the term of the refunded bonds, using the straight-line method.

k) Compensated Absences

Compensated absences are recorded in the period in which they are earned by employees whether or not actually paid.

l) Pensions

For purposes of measuring the net pension asset and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF), the Fund, and additions to/deductions from the Fund'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.

For budgetary purposes, pension expense is based upon the expected contributions to the fund. For financial statement purposes, pension expense includes the change in the net pension obligation in accordance with GASB No. 68 *Accounting and Financial Reports for Pensions* - an amendment of GASB statement No. 27.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

m) Net Position

Restricted net position represents amounts required to be segregated by Illinois EPA Loan covenants. Net investment in capital assets represents the book value of capital assets less long-term debt principal outstanding issued to construct or acquire capital assets. None of the District's net position is restricted as a result of enabling legislation adopted by the District.

n) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

o) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The District is authorized to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and the Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. The District's investment policy does limit its deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 - Deposits and Investments (Continued)

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District requires pledging of collateral for all bank balances in excess of federal depository insurance. The District does have a formal investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District limits its exposure to interest rate risk by remaining sufficiently liquid to meet all operating requirements that may be reasonably anticipated and to provide sufficient liquidity to pay obligations as they come due. The District held no investments at April 30, 2018.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The District held no investments at April 30, 2018.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the District will not be able to recover the value of its investments that are in possession of an outside party. The District held no investments at April 30, 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk that the District has a high percentage of its investments invested in one type of investment. The District held no investments at April 30, 2018.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Capital Assets

The District's property, plant, and equipment as of April 30, 2018 are as follows:

	<u>Balances May 1</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balances April 30</u>
Capital assets not being depreciated					
Land	\$ 456,695	\$ -	\$ -	\$ -	\$ 456,695
Construction in progress	892,472	1,930,362	(216,377)	-	2,606,457
Total capital assets not being depreciated	<u>1,349,167</u>	<u>1,930,362</u>	<u>(216,377)</u>	<u>-</u>	<u>3,063,152</u>
Capital assets being depreciated					
Buildings	18,249,867	-	-	-	18,249,867
Lift stations	6,310,063	-	13,910	-	6,323,973
Sewer collection system	25,613,206	595,116	10,000	-	26,218,322
Office furniture and equipment	341,277	-	-	-	341,277
Vehicles	944,551	-	-	-	944,551
Plant improvement and equipment	<u>53,912,412</u>	<u>36,880</u>	<u>192,467</u>	<u>-</u>	<u>54,141,759</u>
Total capital assets being depreciated	<u>105,371,376</u>	<u>631,996</u>	<u>216,377</u>	<u>-</u>	<u>106,219,749</u>
Less accumulated depreciation for					
Buildings	14,292,171	339,045	-	-	14,631,216
Lift stations	1,223,278	306,451	-	-	1,529,729
Sewer collection system	9,739,638	1,118,247	-	-	10,857,885
Office furniture and equipment	268,075	17,260	-	-	285,335
Vehicles	519,876	92,327	-	-	612,203
Plant improvement and equipment	<u>35,697,473</u>	<u>1,089,478</u>	<u>-</u>	<u>-</u>	<u>36,786,951</u>
Total accumulated depreciation	<u>61,740,511</u>	<u>2,962,808</u>	<u>-</u>	<u>-</u>	<u>64,703,319</u>
Total capital assets being depreciated, net	<u>43,630,865</u>	<u>(2,330,812)</u>	<u>216,377</u>	<u>-</u>	<u>41,516,430</u>
CAPITAL ASSETS, NET	<u>\$ 44,980,032</u>	<u>\$ (400,450)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,579,582</u>

Note 4 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. To limit exposure to these risks, the District has purchased third party indemnity insurance. Management believes such coverage will insure likely losses at the most reasonable premiums. No material decreases in insurance coverage have occurred nor have any claims in excess of insurance coverage been paid or reported in the last three years.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5 - Changes in Long-Term Debt

Long-term debt at April 30, 2018 comprises of the following individual note obligations.

a) Water Pollution Control Revolving Fund Notes Payable

The District entered into a Water Pollution Control Revolving Fund loan agreement in the amount of \$7,796,000 with the Illinois Environmental Protection Agency (IEPA) in fiscal year 2009 for improvements to the District Wastewater Treatment Plant. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.5% and matures on April 28, 2031. As of April 30, 2018, \$5,488,804 was outstanding on this loan.

In fiscal year 2010 the District entered into a loan agreement in the amount of \$12,104,000 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project. This loan was funded by \$6,052,000 from the Water Pollution Control Center Loan Program and \$6,052,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). Only one-half of the ARRA funds, \$3,026,000, will need to be repaid. Repayment of the loan is being made in semi-annual payments. The note bears interest at 0%, and matures on June 1, 2031. As of April 30, 2018, \$6,127,650 was outstanding on this loan.

In fiscal year 2011 the District entered into a loan agreement in the amount of \$3,253,648 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project. Repayment of the loan is being made in semi-annual payments. The note bears interest at 1.25% and matures on November 29, 2031. As of April 30, 2018, \$2,361,191 was outstanding on this loan.

In fiscal year 2012 the District entered into a loan agreement in the amount of \$3,522,065 with the IEPA for improvements to the Tertiary Filter Project. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.295%, and matures on December 23, 2032. As of April 30, 2018, \$2,843,039 was outstanding on this loan.

In fiscal year 2016 the District entered into a loan agreement in the amount of \$3,351,192 with the IEPA for construction of the Meyers Road Lift Station Project. Loan proceeds of \$3,282,953 have been recognized previously while the remaining \$68,239 was received in August 2017. Repayment of the loan will be made in semi-annual payments. The note bears interest at 2.210% and will mature on February 13, 2036. As of April 30, 2018, \$3,152,226 was outstanding on this loan.

The following is a summary of note payable transactions of the District for the year ended April 30, 2018:

NOTES PAYABLE AT APRIL 30, 2017	\$21,157,609
Issuances	68,239
Retirements	<u>(1,252,938)</u>
NOTES PAYABLE AT APRIL 30, 2018	<u>\$19,972,910</u>
CURRENT PORTION	<u>\$ 1,276,527</u>

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5 - Changes in Long-Term Debt (Continued)

b) Compensated Absences

The following is a summary of accrued compensated absences payable of the District for the year ended April 30, 2018:

COMPENSATED ABSENCES PAYABLE	
at APRIL 30, 2017	\$165,492
Additions	43,330
Deletions	<u>(35,477)</u>
COMPENSATED ABSENCES PAYABLE	
at APRIL 30, 2018	<u>\$173,345</u>
 CURRENT PORTION	 <u>\$ 17,335</u>

c) The annual debt services requirements to amortize to maturity debt outstanding as of April 30, 2018, are as follows

Fiscal Year Ending April 30	Principal	Interest	Total
2019	\$ 1,276,527	\$ 297,203	\$ 1,573,730
2020	1,294,504	279,226	1,573,730
2021	1,312,891	260,839	1,573,730
2022	1,331,700	242,030	1,573,730
2023	1,350,937	222,793	1,573,730
2024	1,370,617	203,113	1,573,730
2025	1,390,746	182,984	1,573,730
2026	1,411,335	162,395	1,573,730
2027	1,432,396	141,334	1,573,730
2028	1,453,942	119,788	1,573,730
2029	1,475,979	97,751	1,573,730
2030	1,498,525	75,205	1,573,730
2031	1,521,587	52,143	1,573,730
2032	817,981	31,656	849,637
2033	417,633	20,681	438,314
2034	200,710	12,502	213,212
2035	205,170	8,042	213,212
2036	<u>209,730</u>	<u>3,482</u>	<u>213,212</u>
 TOTAL	 <u>\$19,972,910</u>	 <u>\$2,413,167</u>	 <u>\$22,386,077</u>

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Defined Benefit 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).

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

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

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	30
Inactive Plan Members entitled to but not yet receiving benefits	13
Active Plan Members	<u>36</u>
Total	<u>79</u>

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Defined Benefit Pension Plan (Continued)

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 2017 was 9.31%. For the fiscal year ended April 30, 2018, the District contributed \$462,438 to the plan. 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 Asset

The District's net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset 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, 2017:

- 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 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014-2016.
- 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.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

- 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 as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65-7.35%
Cash Equivalents	<u>1%</u>	2.25%
Total	<u>100%</u>	

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Defined Benefit Pension Plan (Continued)

Changes in the Net Pension (Asset)/Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2016	\$12,237,194	\$11,571,890	\$ 665,304
Changes for the year:			
Service Cost	317,399	-	317,399
Interest on the Total Pension Liability	910,011	-	910,011
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(299,258)	-	(299,258)
Changes of Assumptions	(401,918)	-	(401,918)
Contributions - Employer	-	462,438	(462,438)
Contributions - Employees	-	126,850	(126,850)
Net Investment Income	-	2,054,177	(2,054,177)
Benefit Payments, including Refunds of Employee Contributions	(524,823)	(524,823)	-
Other (Net Transfer)	-	(207,847)	207,847
Net Changes	<u>1,411</u>	<u>1,910,795</u>	<u>(1,909,384)</u>
Balances at December 31, 2017	<u>\$12,238,605</u>	<u>\$13,482,685</u>	<u>\$(1,244,080)</u>

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension (Asset) Liability	\$267,417	\$(1,244,080)	\$(2,473,472)

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Defined Benefit Pension Plan (Continued)

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

For the year ended April 30, 2018, the District's recognized pension expense of \$161,213. At April 30, 2018 the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pension</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods		
Differences between expected and actual experience	\$ 14,469	\$ 272,611
Changes in assumptions	3,611	309,286
Net difference between projected and actual earnings on pension plan investments	<u>350,028</u>	<u>953,330</u>
Total deferred amounts to be recognized in pension expense in future periods	368,108	1,535,227
Pension contributions made subsequent to the measurement date	<u>82,587</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$450,695</u>	<u>\$1,535,227</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ (202,092)
2020	(246,517)
2021	(393,753)
2022	<u>(242,170)</u>
Total	<u>\$(1,084,532)</u>

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 7- Other Postemployment Benefits

a) Plan Description

In addition to providing the pension benefits described, the District provided other postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan until December 31, 2013, when the plan was terminated.

In addition, the District evaluated its potential implicit subsidy for other postemployment benefits liability. The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the District are required to pay 100% of the current premium. However, no former employees have chosen to stay in the District's health insurance plan upon the termination of the explicit subsidy. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Therefore, the District has not recorded any postemployment benefit liability as of April 30, 2018.

b) Benefits Provided

The District provides access to postemployment health care to its retirees. To be eligible for implicit benefits, an employee must qualify for retirement under IMRF or meet COBRA requirements.

All health care benefits are provided through the District's employee health plan and require the retiree to pay 100% of the current premium as noted above. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care and prescriptions.

c) Membership

At April 30, 2018, no members were in the Plan.

d) Funding Policy

The District was not required to advance funds for the cost of benefits that would have become due and payable in the future. Active employees do not contribute to the plan until retirement.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 7- Other Postemployment Benefits (Continued)

e) Annual OPEB Costs and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Year Ended April 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ -	\$ -	- %	\$ -
2017	-	-	-	-
2018	-	-	-	-

f) Funded Status and Funding Progress

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 annual required contributions of the employer 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 multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 8- Pronouncements Issued Not Yet Adopted

The following is a description of the GASB authoritative pronouncements, which have been issued but not yet adopted by the District.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employer)*, will be effective for the District beginning with its year ended April 30, 2019, this statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

GASB Statement No. 84, *Fiduciary Activities*, was established to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. If applicable, this statement will be implemented for the year ended April 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, was established to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). If applicable, this statement will be implemented for the year ended April 30, 2019.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 8- Pronouncements Issued Not Yet Adopted (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues* was established to improve consistency in accounting and financial reporting for the extinguishment of debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing the debt, was acquired. If applicable, this statement will be implemented for the year ended April 30, 2019.

GASB Statement No. 87, *Leases*, was established to improve accounting financial reporting for governments with leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. If applicable, this statement will be implemented for the year ended April 30, 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, an amendment to GASB No. 34, *Basic Financial Statements* and GASB No. 38, *Certain Financial Statement Not Disclosures*, was established to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. If applicable, this statement will be implemented for the year ended April 30, 2020.

Management is still in the process of determining what effect, if any, the above standards will have on the basic financial statements and related disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION (ASSET) LIABILITY AND RELATED RATIOS
LAST THREE CALENDAR YEARS

Calendar Year Ended December 31,	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 317,399	\$ 312,292	\$ 312,359
Interest on the Total Pension Liability	910,011	857,738	819,447
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(299,258)	28,881	(181,321)
Changes of Assumptions	(401,918)	(14,566)	13,709
Benefit Payments, including Refunds of Employee Contributions	(524,823)	(485,550)	(391,156)
Net Change in Total Pension Liability	1,411	698,795	573,038
Total Pension Liability - Beginning	12,237,194	11,538,399	10,965,361
Total Pension Liability - Ending (A)	<u>\$ 12,238,605</u>	<u>\$ 12,237,194</u>	<u>\$ 11,538,399</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 462,438	\$ 483,827	\$ 479,708
Contributions - Employees	126,850	124,729	121,495
Net Investment Income	2,054,177	708,965	52,814
Benefit Payments, including Refunds of Employee Contributions	(524,823)	(485,550)	(391,156)
Other (Net Transfer)	(207,847)	178,738	(159,394)
Net Change in Plan Fiduciary Net Position	1,910,795	1,010,709	103,467
Plan Fiduciary Net Position - Beginning	11,571,890	10,561,181	10,457,714
Plan Fiduciary Net Position - Ending (B)	<u>\$ 13,482,685</u>	<u>\$ 11,571,890</u>	<u>\$ 10,561,181</u>
Net Pension (Asset) Liability - Ending (A) - (B)	<u>\$ (1,244,080)</u>	<u>\$ 665,304</u>	<u>\$ 977,218</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.17%	94.56%	91.53%
Covered Valuation Payroll	\$ 2,818,883	\$ 2,771,744	\$ 2,699,878
Net Pension (Asset) Liability as a Percentage of Coverage Valuation Payroll	(44.13)%	24.00%	36.19%

Note: This schedule is required 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.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio <u>(1) / (2)</u>	(4) Unfunded AAL <u>(2) - (1)</u>	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll <u>(4) / (5)</u>
2009	\$ -	\$ 2,168,671	0.00%	\$ 2,168,671	N/A	N/A
2012	-	3,519,459	0.00	3,519,459	N/A	N/A

GASB requires triennial valuations to be performed.

The District terminated its other postemployment benefits plan during the fiscal year ended April 30, 2014.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST THREE CALENDAR YEARS

Calendar Year Ended December 31	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 279,708	\$ 479,708	\$ (200,000)	\$ 2,699,878	17.77%
2016	283,827	483,827	(200,000)	2,771,744	17.46
2017	262,438	462,438	(200,000)	2,818,883	16.41

Note: This schedule is required to show information for 10 years. However, until a full 10-year trend is complied, information is presented for those years for which information is available.

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
April 30, 2018

<u>Year Ended April 30</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2010	\$15,145	\$506,410	2.99%
2011	25,938	506,410	5.12
2012	25,919	511,919	5.06
2013	40,708	541,275	7.52
2014	7,992	541,275	1.48
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-

The District terminated its other postemployment benefits plan during the fiscal year ended April 30, 2014.

OTHER SUPPLEMENTARY INFORMATION

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

COMBINING BALANCE SHEET BY SUBFUND
April 30, 2018

	Sewerage and User	Capital Projects	State Fund IEPA	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,100,743	\$ 10,645,777	\$ 2,933,478	\$ 14,679,998
Restricted cash and cash equivalents	-	-	1,573,730	1,573,730
Receivables				
Accounts, net of allowance	675,787	-	-	675,787
Unbilled user fee revenue	369,967	-	-	369,967
Prepaid expenses	65,832	-	-	65,832
Total current assets	2,212,329	10,645,777	4,507,208	17,365,314
NONCURRENT ASSETS				
Capital assets not being depreciated	456,695	2,213,551	392,906	3,063,152
Capital assets being depreciated, net of accumulated depreciation	41,516,430	-	-	41,516,430
Net pension asset	1,244,080	-	-	1,244,080
Total noncurrent assets	43,217,205	2,213,551	392,906	45,823,662
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pension	450,695	-	-	450,695
Total assets and deferred outflows	\$ 45,880,229	\$ 12,859,328	\$ 4,900,114	\$ 63,639,671
CURRENT LIABILITIES				
Accounts payable	\$ 304,273	\$ 165,268	\$ -	\$ 469,541
Accrued salaries and payroll expenses	14,822	-	-	14,822
Accrued interest	-	-	51,463	51,463
Unearned revenues	19,500	300,547	-	320,047
Accrued compensated absences - current portion	17,335	-	-	17,335
Loans payable - current portion	-	-	1,276,527	1,276,527
Total current liabilities	355,930	465,815	1,327,990	2,149,735
NONCURRENT LIABILITIES				
Accrued compensated absences - long-term portion	156,010	-	-	156,010
Loans payable - long-term portion	-	-	18,696,383	18,696,383
Total noncurrent liabilities	156,010	-	18,696,383	18,852,393
Total liabilities	511,940	465,815	20,024,373	21,002,128
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pension	1,535,227	-	-	1,535,227
NET POSITION				
Net investment in capital assets	43,217,205	2,213,551	(19,972,910)	25,457,846
Restricted - debt service	-	-	1,573,730	1,573,730
Unrestricted	615,857	10,179,962	3,274,921	14,070,740
Total net position	43,833,062	12,393,513	(15,124,259)	41,102,316
Total liabilities, deferred inflows and net position	\$ 45,880,229	\$ 12,859,328	\$ 4,900,114	\$ 63,639,671

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY SUBFUND
YEAR ENDED APRIL 30, 2018

	Sewerage and User	Capital Projects	State Fund IEPA	Total
OPERATING REVENUES				
Charges for services				
User fees	\$ 4,449,211	\$ -	\$ -	\$ 4,449,211
Sewer service fees	1,588,321	-	-	1,588,321
Service availability	3,572,183	-	-	3,572,183
Fines and fees	176,555	-	-	176,555
Total operating revenues	<u>9,786,270</u>	<u>-</u>	<u>-</u>	<u>9,786,270</u>
OPERATING EXPENSES				
Administration	2,978,328	18	-	2,978,346
Maintenance of sewers	803,165	-	-	803,165
Lift stations	155,874	-	-	155,874
Plant wastewater treatment	3,217,818	-	-	3,217,818
Laboratory	264,486	-	-	264,486
Total operating expenses	<u>7,419,671</u>	<u>18</u>	<u>-</u>	<u>7,419,689</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND NET PENSION OBLIGATION - GASB 68	2,366,599	(18)	-	2,366,581
Depreciation	2,962,808	-	-	2,962,808
Net pension obligation - GASB 68	(303,234)	-	-	(303,234)
OPERATING LOSS	<u>(292,975)</u>	<u>(18)</u>	<u>-</u>	<u>(292,993)</u>
NON-OPERATING REVENUES (EXPENSES)				
Replacement taxes	81,803	-	-	81,803
Investment income	1,034	82,186	19,467	102,687
Waste strength surcharge fees	100,263	-	-	100,263
Grease trap permits	102,318	-	-	102,318
Scrap metal sales	3,572	-	-	3,572
Connection fees	59,531	716,130	-	775,661
Plan review fees	41,850	-	-	41,850
Other income	14,408	-	-	14,408
Interest expense	-	-	(310,878)	(310,878)
Total non-operating revenues (expenses)	<u>404,779</u>	<u>798,316</u>	<u>(291,411)</u>	<u>911,684</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>111,804</u>	<u>798,298</u>	<u>(291,411)</u>	<u>618,691</u>
TRANSFERS				
Transfers in	-	921,448	2,180,000	3,101,448
Transfers (out)	(3,096,165)	-	(5,283)	(3,101,448)
Total transfers	<u>(3,096,165)</u>	<u>921,448</u>	<u>2,174,717</u>	<u>-</u>
CHANGE IN NET POSITION	(2,984,361)	1,719,746	1,883,306	618,691
NET POSITION, MAY 1	<u>46,817,423</u>	<u>10,673,767</u>	<u>(17,007,565)</u>	<u>40,483,625</u>
NET POSITION, APRIL 30	<u>\$ 43,833,062</u>	<u>\$ 12,393,513</u>	<u>\$ (15,124,259)</u>	<u>\$ 41,102,316</u>

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF REVENUES AND EXPENSES - SEWERAGE AND USER SUBFUND
BUDGET TO ACTUAL
YEAR ENDED APRIL 30, 2018

	Budget	Actual	Variance
OPERATING REVENUES			
Charges for services			
User fees	\$ 4,700,000	\$ 4,449,211	\$ (250,789)
Sewer services fees	1,700,000	1,588,321	(111,679)
Service availability	3,700,000	3,572,183	(127,817)
Fines and fees	166,000	176,555	10,555
Total operating revenues	<u>10,266,000</u>	<u>9,786,270</u>	<u>(479,730)</u>
NON-OPERATING REVENUES			
Replacement taxes	82,000	81,803	(197)
Investment income	1,000	1,034	34
Waste strength surcharge fees	114,000	100,263	(13,737)
Grease Trap Permits	100,000	102,318	2,318
Scrap metal sales	2,000	3,572	1,572
Connection fees	70,000	59,531	(10,469)
Plan review fees	50,000	41,850	(8,150)
Other income	12,500	14,408	1,908
Total non-operating revenues	<u>431,500</u>	<u>404,779</u>	<u>(26,721)</u>
TOTAL REVENUES	<u><u>\$ 10,697,500</u></u>	<u><u>\$ 10,191,049</u></u>	<u><u>\$ (506,451)</u></u>
OPERATING EXPENSES			
Administration			
Salaries	\$ 1,249,000	\$ 1,228,780	\$ (20,220)
Group insurance	303,000	308,027	5,027
Unemployment taxes	4,000	1,002	(2,998)
Employee benefits	120,000	134,154	14,154
Worker's compensation	9,000	4,675	(4,325)
Life insurance	5,000	3,278	(1,722)
IMRF/FICA	430,000	397,058	(32,942)
Uniforms	2,000	1,835	(165)
Utilities	35,000	28,567	(6,433)
Shipping	1,500	2,127	627
Supplies/postage	85,000	91,823	6,823
Notifications	500	1,139	639
Subscriptions	23,500	25,642	2,142
Telephone	10,000	11,365	1,365
Training and meetings	500	340	(160)
Insurance	181,900	189,761	7,861
Equipment purchases	10,000	8,559	(1,441)
Safety equipment and supplies	500	241	(259)
Maintenance contracts	100,000	44,688	(55,312)
Vehicle expense	10,000	15,884	5,884
Professional services	337,000	383,424	46,424

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF REVENUES AND EXPENSES - SEWERAGE AND USER SUBFUND
BUDGET TO ACTUAL
YEAR ENDED APRIL 30, 2018

	Budget	Actual	Variance
OPERATING EXPENSES (Continued)			
Administration (Continued)			
Administrative services	13,000	13,241	241
Computer maintenance	64,000	82,718	18,718
Total administration	<u>2,994,400</u>	<u>2,978,328</u>	<u>(16,072)</u>
Maintenance of Sewers			
Salaries	375,000	361,117	(13,883)
Group insurance	100,000	100,430	430
Unemployment taxes	1,000	272	(728)
Employee benefits	25,000	36,865	11,865
Life insurance	1,000	943	(57)
IMRF/FICA	67,000	57,022	(9,978)
Uniforms	4,000	4,354	354
Equipment purchases	2,500	3,024	524
Supplies	26,500	28,185	1,685
Shipping	1,000	1,303	303
Telephone	3,000	3,101	101
Training and meetings	500	-	(500)
Safety equipment and supplies	1,000	2,152	1,152
J.U.L.I.E.	24,000	24,238	238
Maintenance contracts	25,000	3,898	(21,102)
Vehicle expense	30,000	33,091	3,091
Administrative services	3,300	4,800	1,500
Computer maintenance	5,000	10,341	5,341
Sewer repairs	165,000	126,029	(38,971)
Sewer cleaning	-	2,000	2,000
Total maintenance of sewers	<u>859,800</u>	<u>803,165</u>	<u>(56,635)</u>
Lift Stations			
Utilities	81,000	76,221	(4,779)
Supplies	35,000	32,877	(2,123)
Maintenance contracts	30,000	13,426	(16,574)
Sewer cleaning	-	33,350	33,350
Total lift stations	<u>146,000</u>	<u>155,874</u>	<u>9,874</u>
Plant Wastewater Treatment			
Salaries	1,199,000	1,172,472	(26,528)
Group insurance	405,000	406,994	1,994
Unemployment taxes	4,000	1,449	(2,551)
Employee benefits	142,000	156,325	14,325
Worker's compensation	80,000	72,004	(7,996)
Life insurance	3,500	3,517	17

FLAGG CREEK WATER RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS

SCHEDULE OF REVENUES AND EXPENSES - SEWERAGE AND USER SUBFUND
BUDGET TO ACTUAL
YEAR ENDED APRIL 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING EXPENSES (Continued)			
Plant Wastewater Treatment (Continued)			
IMRF/FICA	200,000	193,856	(6,144)
Uniforms	20,000	13,999	(6,001)
Utilities	390,000	385,145	(4,855)
Shipping	2,000	2,306	306
Supplies	225,000	223,627	(1,373)
Subscriptions	1,500	1,540	40
Telephone	12,000	12,283	283
Permits	52,500	52,500	-
Training and meetings	2,000	6,600	4,600
Equipment purchases	17,500	18,421	921
Safety equipment and supplies	1,500	4,734	3,234
Maintenance contracts	500,000	450,167	(49,833)
Vehicle expense	35,000	37,388	2,388
Professional services	2,000	1,935	(65)
Computer maintenance	500	556	56
	<u>3,295,000</u>	<u>3,217,818</u>	<u>(77,182)</u>
Total plant wastewater treatment			
Laboratory			
Salaries	145,000	147,463	2,463
Group insurance	55,000	55,848	848
Unemployment taxes	1,000	227	(773)
Employee benefits	10,000	17,393	7,393
Life insurance	500	472	(28)
IMRF/FICA	30,000	24,257	(5,743)
Uniforms	3,000	1,901	(1,099)
Shipping	500	471	(29)
Supplies/postage	10,000	10,107	107
Safety equipment and supplies	500	629	129
Maintenance contracts	15,000	5,373	(9,627)
Vehicle expense	500	74	(426)
Computer software	500	271	(229)
	<u>271,500</u>	<u>264,486</u>	<u>(7,014)</u>
Total laboratory			
TOTAL OPERATING EXPENSES	<u>\$ 7,566,700</u>	<u>\$ 7,419,671</u>	<u>\$ (147,029)</u>