

**CATERPILLAR TRAIL PUBLIC WATER DISTRICT**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Caterpillar Trail Public Water District  
East Peoria, Illinois

We have audited the accompanying financial statements of **Caterpillar Trail Public Water District** (the District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### **Basis for Qualified Opinion**

As described in Note 1 to the financial statements, the District does not record the cost or estimated fair value of water mains donated to the District by real estate developers and the resultant contributed capital revenue. Accounting principles generally accepted in the United States of America require that such assets be recorded at their estimated fair values as of the date they are received by the District. The amount by which this departure would affect the assets, net position, and changes in net position of the District has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of Caterpillar Trail Public Water District as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*(Heinold) Barwant, Ltd.*

September 27, 2018

CATERPILLAR TRAIL PUBLIC WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 526,981	\$ 544,956
Restricted cash	53,466	53,466
Receivables	134,981	133,736
Prepaid expenses	15,720	14,641
Total current assets	731,148	746,799
<b>NONCURRENT ASSETS</b>		
Capital assets not being depreciated	221,415	221,415
Capital assets, net of accumulated depreciation	8,135,595	8,438,766
Total noncurrent assets	8,357,010	8,660,181
	\$ 9,088,158	\$ 9,406,980
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,870	\$ 15,034
Accrued liabilities	10,658	14,119
Current maturities of long-term debt	510,708	498,355
Total current liabilities	529,236	527,508
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current maturities	4,959,519	5,470,227
Total liabilities	5,488,755	5,997,735
<b>NET POSITION</b>		
Net investment in capital assets	2,886,783	2,691,599
Restricted for:		
Debt service	53,466	53,466
Unrestricted	659,154	664,180
Total net position	3,599,403	3,409,245
	\$ 9,088,158	\$ 9,406,980

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues		
Sale of water	\$ 1,280,178	\$ 1,248,075
Charges for services	5,000	5,784
Late payment and administrative fees	17,605	18,752
Meter and part sales	2,950	3,180
	1,305,733	1,275,791
Operating expenses		
Production and distribution		
Salaries	156,815	144,737
Automobile	4,414	3,255
Payroll taxes	11,770	11,146
Insurance	68,725	72,936
401(k)	15,981	15,618
Utilities	49,455	50,767
Operating supplies	69,631	70,725
Engineering fees	28,038	7,414
System maintenance and equipment	96,593	53,244
Depreciation	329,929	355,218
	831,351	785,060
Administrative		
Salaries	66,906	63,956
Payroll taxes	5,346	5,086
Insurance	4,144	1,098
401(k)	5,903	6,116
Telephone	7,174	7,095
Legal and accounting	26,593	18,974
Office supplies	9,041	9,331
Postage and delivery	7,591	9,679
Miscellaneous	2,447	2,150
	135,145	123,485
Total operating expenses	966,496	908,545
Operating income	339,237	367,246

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Non-operating (revenues) expenses		
Interest income	\$ (2,075)	\$ (1,731)
Interest expense	143,207	155,368
Loss on disposal of capital assets	7,947	-
	149,079	153,637
Total non-operating expenses		
Change in net position	190,158	213,609
Total net position, beginning of year	3,409,245	3,195,636
Total net position, end of year	\$ 3,599,403	\$ 3,409,245

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,304,488	\$ 1,303,766
Payments to suppliers	(421,089)	(344,291)
Payments to employees	(227,151)	(210,990)
	656,248	748,485
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,075	1,731
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on revenue bonds	-	(15,000)
Principal payments on debt	(498,355)	(486,301)
Interest paid on revenue bonds and debt	(143,238)	(155,397)
Acquisition of capital assets	(34,705)	(60,692)
	(676,298)	(717,390)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(17,975)	32,826
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	598,422	565,596
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 580,447	\$ 598,422
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 339,237	\$ 367,246
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	329,929	355,218
Effects of changes in operating assets and liabilities		
(Increase) decrease in receivables	(1,245)	27,975
Increase in prepaid expenses	(1,079)	(4,247)
Increase (decrease) in accounts payable	(7,164)	4,861
Decrease in accrued liabilities	(3,430)	(2,568)
	\$ 656,248	\$ 748,485

See accompanying notes.



CATERPILLAR TRAIL PUBLIC WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Caterpillar Trail Public Water District (the District) is a primary government. The District is governed by a Board of Trustees appointed by the Woodford County Board. However, without the approval of another government, the District has the authority to issue general obligation bonds and to levy property taxes. The District has the right to sue and to be sued and has the right to buy, sell, lease, or mortgage property in its own name.

Except for the effects of not recording water mains donated to the District as further described in Paragraph G, the District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body and the ability to impose will on an organization if an organization is fiscally dependent on the primary government. Based on this guidance, management has determined there are no component units required to be included in the District's basic financial statements.

B. Basis of Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (waterworks operation). Revenue is provided through user charges, which are designed to pay operating expenses and provide for a net income to finance the continued operations of the system. The District recognizes water services provided, service call and hook-up fees, and capital improvement fees as operating revenues. Operating expenses include the costs of services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *how* transactions are recorded within the financial statements. Basis of accounting refers to *when* transactions are recorded, regardless of the measurement focus applied.

## Measurement Focus

The District's financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

## Basis of Accounting

Except for the effects of not recording water mains donated to the District as further described in Paragraph G, the District's financial statements are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when an obligation is incurred, regardless of the timing of related cash flows.

### D. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

### E. Compensated Absences

The District's policy for compensated absences permits employees to accumulate and carry over up to five days of unused vacation on a calendar-year basis. Upon separation, employees are paid for earned, unused vacation time. Employees can also accumulate and carry over up to 30 days of unused sick days on a calendar-year basis; however, no sick days accrued or currently earned will be paid upon separation of the employee. The policy does not allow employees to accumulate any personal days if not used. The amount of accrued compensated absences at June 30, 2018 and 2017, was \$10,440 and \$13,558, respectively.

### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

### G. Capital Assets

Capital assets are defined by the District as assets with an initial useful life of one year or greater. The costs of maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, except for water mains donated by developers. The District does not record the cost or estimated fair value of water mains donated to the District by real estate developers, and records are not available to determine the effects of the omission of the donated assets and the related understatement of net position. Generally accepted accounting principles require that contributed assets be recorded at their estimated fair value as of the date they are received.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized and included in the value of the asset constructed or improved. There was no interest expense capitalized by the District during the current fiscal year.

Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Building improvements	5 - 20 years
Machinery and equipment	3 - 10 years
Waterworks system	7 - 40 years

#### H. Equity Classification

Equity is classified as net position and displayed in three components:

- (1) Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net position - Restricted resources with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position - All other resources that do not meet the definition of restricted or net investment in capital assets.

It is the District's policy to first use restricted resources prior to the use of unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### I. Receivables

Receivables at June 30, 2018 and 2017, include \$16,094 and \$16,072, respectively, from customers for unbilled water usage. Unbilled water usage represents the water services that have been provided but not yet billed.

#### NOTE 2. CASH AND CASH EQUIVALENTS

The State authorizes the District to make deposits in interest-bearing depository accounts in federally insured and/or state-chartered banks and savings and loan associations, or other financial institutions, as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, money market mutual funds whose portfolios consist of government securities, Illinois Funds Money Market Fund, and annuities.

The District's cash at June 30, 2018, consisted of deposits with financial institutions. Deposits with financial institutions are covered by FDIC or NCUA insurance. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District had no deposits exceeding the insured limits. The District does not have a deposit policy for deposits in excess of FDIC limits.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 221,415	\$ -	\$ -	\$ 221,415
Other capital assets:				
Building improvements	56,095	1,856	-	57,951
Machinery and equipment	105,093	-	7,000	98,093
Office equipment	22,441	-	-	22,441
Waterworks system	12,769,646	32,849	469,025	12,333,470
Total other capital assets	12,953,275	34,705	476,025	12,511,955
Less accumulated depreciation for:				
Building improvements	12,508	2,826	-	15,334
Machinery and equipment	54,680	10,649	7,000	58,329
Office equipment	18,969	2,058	-	21,027
Waterworks system	4,428,352	314,396	461,078	4,281,670
Total accumulated depreciation	4,514,509	329,929	468,078	4,376,360
Other capital assets, net	8,438,766	(295,224)	(7,947)	8,135,595
Total capital assets, net	\$ 8,660,181	\$ (295,224)	\$ (7,947)	\$ 8,357,010

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 221,415	\$ -	\$ -	\$ 221,415
Other capital assets:				
Building improvements	35,365	20,730	-	56,095
Machinery and equipment	102,418	2,675	-	105,093
Office equipment	22,441	-	-	22,441
Waterworks system	12,732,359	37,287	-	12,769,646
Total other capital assets	12,892,583	60,692	-	12,953,275
Less accumulated depreciation for:				
Building improvements	9,992	2,516	-	12,508
Machinery and equipment	43,736	10,944	-	54,680
Office equipment	16,576	2,393	-	18,969
Waterworks system	4,088,987	339,365	-	4,428,352
Total accumulated depreciation	4,159,291	355,218	-	4,514,509
Other capital assets, net	8,733,292	(294,526)	-	8,438,766
Total capital assets, net	\$ 8,954,707	\$ (294,526)	\$ -	\$ 8,660,181

NOTE 4. LONG-TERM DEBT

The changes in the District's long-term debt for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Long-term debt:					
IEPA loans payable	\$ 5,968,582	\$ -	\$ 498,355	\$ 5,470,227	\$ 510,708

The changes in the District's long-term debt for the year ended June 30, 2017, are as follows:

	Balance			Balance	Amount
	July 1, 2016	Additions	Reductions	June 30, 2017	Due Within One Year
Long-term debt:					
Bonds payable	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
IEPA loans payable	6,454,883	-	486,301	5,968,582	498,355
Total long-term debt	<u>\$ 6,469,883</u>	<u>\$ -</u>	<u>\$ 501,301</u>	<u>\$ 5,968,582</u>	<u>\$ 498,355</u>

#### *Bonds Payable*

On October 1, 1997, the District issued revenue bonds in the original amount of \$300,000. These bonds mature in annual amounts of \$15,000 payable on June 1 of each year through June 1, 2017, plus interest payable on June 1 and December 1 of each year. The interest rate was adjusted on December 1, 2012, to a rate equal to the lesser of 9 percent or the bank's adjusted treasury rate. The final bond payment was made May 5, 2017. The interest rate as of the final payment date was 1.43 percent.

The revenue bond ordinances required the District to segregate and restrict certain monies in separate accounts for principal and interest payments and a depreciation reserve. Due to the final bond payment being made during the year ending June 30, 2017, the District no longer has this requirement to segregate and restrict monies.

#### *IEPA Loans Payable*

On June 27, 2006, the District obtained a loan from the Illinois Environmental Protection Agency (IEPA) for a drinking water project. The loan bears interest at a fixed interest rate of 2.5 percent. The loan requires semi-annual payments with the final payment due on December 24, 2027.

On August 12, 2011, the District obtained a \$305,394 loan from the Illinois Environmental Protection Agency (IEPA) for the purpose of installing a water main along with the rehabilitation of the water storage tank. The loan has a fixed interest rate of 1.25 percent and 20-year repayment term, maturing May 19, 2032.

The schedule of principal and interest requirements of the IEPA loans is as follows:

Fiscal Year	Interest	Principal	Total
2019	\$ 130,884	\$ 510,708	\$ 641,592
2020	118,223	523,369	641,592
2021	105,245	536,347	641,592
2022	91,944	549,648	641,592
2023	78,310	563,282	641,592
2024 - 2028	174,821	2,721,099	2,895,920
2029 - 2032	1,931	65,774	67,705
	<u>\$ 701,358</u>	<u>\$ 5,470,227</u>	<u>\$ 6,171,585</u>

The IEPA loan ordinances require the District to segregate and restrict certain monies in a separate account as follows:

Account	Amount	Nature of Authorized Expenditures
Loans and interest	A repayment fund must be established and maintained for the payment of principal and interest, with a reasonable carryover balance (from year to year) not to exceed the greater of (a) earnings on money in the fund for the preceding bond year or (b) 1/12 of the principal and interest payments on the loan(s) for the preceding bond year.	Paying principal and interest on IEPA loans.

As of June 30, 2018 and 2017, the District had cash of \$53,466 restricted to this account, reported as restricted net position on the Statements of Net Position.

**NOTE 5. EMPLOYEE BENEFIT PLAN**

The District has a 401(k) defined contribution employee benefit plan. The Plan is available to all employees who meet certain eligibility requirements. For eligible employees, the District contributes the lesser of 5 percent of their eligible salary or the highest percentage allocated, matching up to 6 percent of employee contributions. For the years ended June 30, 2018 and 2017, contributions to the Plan amounted to \$40,373 and \$40,802, respectively, and consisted of \$18,489 and \$19,068, respectively, of employee withholdings and \$21,884 and \$21,734, respectively, of employer contributions.

**NOTE 6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; workers' compensation; and natural disasters. The District carries commercial insurance coverage for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.