

**BROADVIEW-WESTCHESTER
JOINT WATER AGENCY, ILLINOIS**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
APRIL 30, 2015**

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

September 17, 2015

Members of the Board of Directors
Broadview Westchester Joint Water Agency
Broadview, Illinois

We have audited the accompanying financial statements of the Broadview Westchester Joint Water Agency, Illinois (the "Agency") as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 of 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 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 Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 opinions on the financial statements that collectively comprise the Broadview Westchester Joint Water Agency, Illinois', financial statements as a whole. The supplemental schedule is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedule is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauterbach & Amen LLP
LAUTERBACH & AMEN, LLP

MANAGEMENT DISCUSSION AND ANALYSIS

BROADVIEW WESTCHESTER JOINT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015

The Broadview Westchester Joint Water Agency (the Agency) Management's Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Agency's financial activity, (3) identify changes in the Agency's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual issues and concerns.

Since the Management's Discussion and Analysis (MD&A) is also designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Agency's financial statements.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$542,387 in 2015 create ending net position of \$6,085,010.
- The operating revenues were \$524,671 over budget. Total expenses were \$127,819 over budget.
- As of April 30, 2015, the Agency maintained \$3,117,497 in cash and investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Entity-wide financial statements
- Fund financial statements
- Notes to the financial statements.

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

Entity-Wide Financial Statements

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

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

Fund Financial Statements

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 Agency uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Agency is unique to many governments since it is an entity with only one fund, proprietary in nature.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other information concerning the Agency's progress in funding its obligation to provide pension benefits to its employees.

FINANCIAL ANALYSIS OF THE AGENCY

Table 1 – Condensed Statement of Net Position

	2015	2014
Capital Assets, net of depreciation	\$6,192,405	6,284,036
Current and other assets	4,751,191	3,904,250
Total Assets	10,943,596	10,188,286
Other liabilities	935,352	1,242,941
Noncurrent Liabilities	3,923,234	3,402,722
Total Liabilities	4,858,586	4,645,663
Net Investment in Capital Assets	2,269,171	2,881,314
Unrestricted Net position	3,815,839	2,661,309
Total Net position	6,085,010	5,542,623

(See independent auditor's report)

Table 2 – Condensed Statement of Changes in Net Position

	2015		2014	
Operations				
Sale of Water	\$ 6,197,046	100%	5,215,608	100%
Total Operating Revenues	<u>6,197,046</u>	100%	<u>5,215,608</u>	100%
Operating Expenses				
Source of Water	4,713,897	85%	4,057,550	86%
Repairs and maintenance	104,127	2%	58,454	1%
Administration	605,894	11%	505,694	11%
Depreciation	90,436	2%	80,630	2%
Total Operating Expenses	<u>5,514,354</u>	100%	<u>4,702,328</u>	100%
Non-operating Revenues (Expenses)				
Interest Income	10,039		4,833	
Other Income	56,926		1,017	
Other Expense	(73,684)		-	
Interest Expense	<u>(133,586)</u>		<u>-</u>	
Increase/(Decrease) in Net Position	<u>\$ 542,387</u>		<u>519,130</u>	

Revenues for the Agency are a function of the rate that is charged to each of the member communities and the hospital campus we serve. In the current year, the Agency experienced a 19% increase in the water revenue over last year. The increase in the revenues was created by the 15% increase in the rates to cover the costs of the operations of the Agency.

The total expenses for the Agency increased by \$812,026 over 2014. This is a 17% increase over prior year. This increase was due to the City of Chicago implementing a 15% increase in January 2014 coupled with an increase in usage. The Agency saw a 20% increase in the administration costs due to additional costs incurred due to delays in the completion of the building project.

Budgetary Highlights

The Water Agency amended their budget once during the fiscal year to accommodate for the delays in the construction project. For the current year, operating revenue received was over budget by \$524,671. This overage was due to an increase water rates and usage for the year. The Agency spent \$127,819 more than was budgeted for operating expenses. During the current year, the Agency had excess costs from water over budget as well as additional payroll expense to due additional monitoring required due to delays in the construction project.

Capital Assets

By the end of 2015, the Agency had invested \$6.2 million in a broad range of capital assets, including water system (mains, valves, radio-read meter, etc.); multiple reservoirs; transportation equipment; field supplies and equipment; office furniture, fixtures, office/computer hardware and software and building infrastructure and mechanicals. Detail of Capital Assets can be found in Note 3.

In the current year, the Agency continued construction on the new 10th Avenue water pump station. This project is being funded by a grant/loan from the IEPA. This building will replace a building that is approximately 50 years old and almost fully depreciated. The total depreciation expense for the year was \$90,436.

Long Term Debt

The Agency is utilizing long term debt to finance the construction of the 10th Avenue Station. As of April 30, 2015, the Agency had \$3,923,234 of Illinois Environmental Protection Agency Loans outstanding. Detail of Long Term Debt can be found Note 3.

Factors Bearing on the Agency's Future

The Agency faces the same problems that similar municipal entities face. High fixed costs and aging infrastructure burden resources and dominate short and long term financial planning. The Agency has a 40 year old transmission main that could incur unexpected expenses. The Board began evaluating their options to help create redundancies within their system to minimize risks of failures within the system. The process is expected to be an extended process with several joint governmental agreements being entered into. This will help ease the stress on the Agency.

As with any government entity which operates an enterprise activity, the Agency must continually monitor its billing rates to gain assurances that the rates charged are sufficient to cover operating costs. The Agency is in the final year of a four year increase in water rates from the City of Chicago. The City of Chicago has identified the need for additional increases in the water rates over the next four years. The exact increase is not been reported out to the agency. Those increases along with future debt service requirements will play a large role in the evaluation of the water rates charged to customers over future years.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be forwarded to the Broadview Westchester Joint Water Agency, 2222 S. 10th Avenue, Broadview, Illinois 60155.

BASIC FINANCIAL STATEMENTS

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Statement of Net Position April 30, 2015

ASSETS

Current Assets	
Cash and Investments	\$ 3,117,497
Receivable - Members	955,779
Receivable - Customers	308,668
Receivable - Other	23,243
Escrow Deposits	322,572
Prepays	23,432
Total Current Assets	<u>4,751,191</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable Capital Assets	606,392
Depreciable Capital Assets	8,539,180
Less Accumulated Depreciation	<u>(2,953,167)</u>
Total Noncurrent Assets	<u>6,192,405</u>
Total Assets	<u>10,943,596</u>

LIABILITIES

Current Liabilities	
Accrued Payroll	5,316
Accounts Payable	909,391
Interest Payable	<u>20,645</u>
Total Current Liabilities	<u>935,352</u>
Noncurrent Liabilities	
IEPA Loan Payable	<u>3,923,234</u>
Total Liabilities	<u>4,858,586</u>

NET POSITION

Net Position	
Net Investment in Capital Assets	2,269,171
Unrestricted	<u>3,815,839</u>
Total Net Position	<u>6,085,010</u>

The notes to the financial statements are an integral part of this statement.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2015**

	Original Budget	Final Budget	Actual
Operating Revenues			
Water Sales	\$ 5,672,375	5,672,375	6,197,046
Expenses			
Operations	5,426,535	5,386,535	5,423,918
Depreciation	-	-	90,436
Total Operating Expenses	5,426,535	5,386,535	5,514,354
Operating Income	245,840	285,840	682,692
Nonoperating Revenues			
Interest Income	6,000	6,000	10,039
Other Income	-	-	56,926
Other Expense	-	-	(73,684)
Interest Expense	-	-	(133,586)
	6,000	6,000	(140,305)
Change in Net Position	251,840	291,840	542,387
Net Position			
Beginning			5,542,623
Ending			6,085,010

The notes to the financial statements are an integral part of this statement.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Statement of Cash Flows

For the Fiscal Year Ended April 30, 2015

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 5,424,045
Other Income	56,926
Payment to Employees	(352,622)
Payment to Suppliers	<u>(5,378,885)</u>
	<u>(250,536)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(72,489)
Issuance of Capital Debt	600,448
Payment of IEPA Loan	(79,936)
Interest and Fiscal Charges	<u>(133,586)</u>
	<u>314,437</u>
Cash Flows from Investing Activities	
Interest Received	<u>10,039</u>
Net Change in Cash and Cash Equivalents	73,940
Cash and Cash Equivalents	
Beginning	<u>3,043,557</u>
Ending	<u><u>3,117,497</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used)	
by Operating Activities	
Operating Income	682,692
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	90,436
Other Income	56,926
(Increase) Decrease in Current Assets	(773,001)
Increase (Decrease) in Current Liabilities	<u>(307,589)</u>
Net Cash Provided by Operating Activities	<u><u>(250,536)</u></u>

The notes to the financial statements are an integral part of this statement.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements

April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Broadview Westchester Joint Water Agency, Illinois (the “Agency”) was organized on March 1, 2006. The Agency assumed all contracts, debts, liabilities, obligations and assets of the Westchester-Broadview Joint Water Commission (established November 27, 1927) under the authority of the Intergovernmental Cooperation Act, Municipal Joint Water Agency (5 ILCS 220-3.1). The charter members of the Agency are the Villages of Broadview and Westchester. The purposes and objectives of the Agency are:

1. To provide water to member municipalities and other customers.
2. To plan, construct, acquire, develop, operate, maintain or contract for facilities in receiving and transmitting water from Lake Michigan for the principal use and mutual benefits of the municipalities and their water users
3. To provide adequate supplies of such water on an economical and efficient basis for the municipalities.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Agency’s accounting policies established in GAAP and used by the Agency are described below.

REPORTING ENTITY

The Agency is an intergovernmental agency created under the Illinois Intergovernmental Act and is governed by a Board of Directors, which consists of one elected official from each member municipality.

As required by GAAP, these financial statements present the Agency and its component units, entities for which the Agency is considered to be financially accountable. There are no component units of the Agency, and the Agency should not be included as a component unit of any of its members.

BASIS OF PRESENTATION

In the Statement of Net Position, the Agency’s activities are reported on a full accrual, economic resources basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term/deferred inflows obligations.

The Agency uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

The Agency utilizes a single proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

All proprietary funds utilize an “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. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The Agency’s basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Agency are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, the cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are reported at fair value, which is based on quoted market prices for the same or similar investments.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Prepays

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

Capital Assets

Under the terms of the intergovernmental agreement for the establishment of the Agency dated March 1, 2006, the members conveyed all portions of the waterworks system (excluding land) to the Agency. Value of assets conveyed was determined based on an independent appraisal.

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. For movable property, the Agency's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life that is greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation has been provided using the straight-line method over the following estimated useful lives of the assets:

Infrastructure	50 Years
Buildings	20 – 50 Years
Machinery and Equipment	5 – 15 Years
Land Improvements	20 Years

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in two components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – All other net position balances that do not meet the definition of "net investment in capital assets."

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Agency shall operate within a Balanced Budget in each fiscal year. Not later than forty-five (45) days before the end of each fiscal year, the Finance Director must submit to the Board the proposed Balanced Budget for the next fiscal year. "Balanced Budget" means, with respect to a fiscal year, a budget in each case approved by the Board in which (i) the amount of projected revenues and the amount of projected expenses are equal, and (ii) any prior year encumbrance is reflected in such budget as an expense which is offset by a corresponding prior year fund balance relating to such expense included in such budget.

EXCESS OF ACTUAL EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

The Agency had an excess of actual expenses, exclusive of depreciation, over budget of \$37,383 as of the date of this report.

NOTE 3 – DETAILED NOTES ON THE BASIC FINANCIAL STATEMENTS

DUE FROM MEMBERS

At April 30, 2015, the Agency has the following amounts receivable from member agencies:

<u>Member</u>	<u>Amount</u>
Village of Broadview	\$ 764,990
Village of Westchester	<u>190,789</u>
Total	<u>955,779</u>

ACCOUNTS RECEIVABLE

At April 30, 2015, the Agency had the following amounts receivable from customers:

<u>Member</u>	<u>Amount</u>
U.S. Veterans Administration	\$ 244,206
Madden Mental Health Center	9,029
Chase Credit Card	56,926
Less Allowances	<u>(1,493)</u>
Total	<u>308,668</u>

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAILED NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments - Statutes authorize the Agency to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds and Illinois Metropolitan Investment Fund investment pools.

Illinois Funds is an investment pool management by the Illinois Public Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds does operate in a manner consistent with Rule 2a7 of the investment company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is 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 the share price, the price for which the investment could be sold.

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Agency's deposits totaled \$1,523,977 and the bank balances totaled \$1,957,767. The Agency also has \$858,127 invested in the Illinois Funds and \$735,393 in IMET at year end.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency invests 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 Agency 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 Agency are, in order of priority, legality, safety of principal, liquidity, and rate of return. The Agency's investment in the Illinois Funds has an average maturity of less than one year and the Agency's investment in IMET has an average maturity of one to five years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency limits its exposure to credit risk by primarily investing U.S. Treasury obligations and external investment pools. The Agency's investments in the Illinois Funds is rated AAAM by Standard & Poor's and the Agency's investment in the Illinois Metropolitan Investment Trust Convenience Fund is not rated and the 1-3 Year Fund is rated Aaa by Moody's.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAILED NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a formal investment policy regarding custodial credit risk for deposits. At year end, the entire bank balance was covered by collateral, federal depository or equivalent insurance.

For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency does not have a formal investment policy regarding custodial credit risk for investments. At April 30, 2015, the Agency's investment in the Illinois Funds and IMET funds are not subject to custodial credit risk.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency has a high percentage of its investments invested in one type of investment. At April 30, 2015, the Agency has over 5% of cash and investments invested in Illinois Funds and IMET.

WATER SUPPLY CONTRACT

The Agency has a water supply contract with the City of Chicago (the "City") to purchase Lake Michigan water from the City for resale to members and customers located within the corporate limits of the Agency. Quantities purchased are limited by a state allocation plan (State Opinion and Order Number LMO 99-3, as amended from time to time). The rates charged by the City are determined by city ordinance (currently \$2.50 per 1,000 gallons). The Agency sets its own rates for sale of the water to its members and customers. The Agency is responsible for the maintenance of the water system.

SIGNIFICANT CUSTOMERS

The Agency recognized revenue from the following members and significant customers during the fiscal year ended April 30, 2015:

<u>Member/Significant Customer</u>	<u>Revenues</u>	<u>Percentage</u>
Village of Westchester	\$ 2,275,596	37%
Village of Broadview	2,133,836	34%
Loyola Hospital	1,126,843	18%
U.S. Veterans Administrations	597,754	10%

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**Notes to the Financial Statements****April 30, 2015****NOTE 3 – DETAILED NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued****CAPITAL ASSETS**

The following is a summary of capital assets as of the date of this report:

	Beginning Balances	Additions	Deletions	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 588,155	-	-	588,155
Construction in Progress	4,448,716	-	4,430,479	18,237
	5,036,871		4,430,479	606,392
Depreciable Capital Assets				
Infrastructure	3,426,895	-	30,364	3,396,531
Buildings	476,000	4,502,968	-	4,978,968
Machinery and Equipment	480,566	-	350,993	129,573
Land Improvements	125,808	-	91,700	34,108
	4,509,269	4,502,968	473,057	8,539,180
Less Accumulated Depreciation				
Infrastructure	2,458,493	25,129	2,430	2,481,192
Buildings	362,457	37,874	-	400,331
Machinery and Equipment	357,781	21,503	326,435	52,849
Land Improvements	83,373	5,930	70,508	18,795
	3,262,104	90,436	399,373	2,953,167
Depreciable Capital Assets, Net	1,247,165	4,412,532	73,684	5,586,013
Capital Assets, Net	6,284,036	4,412,532	4,504,163	6,192,405

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAILED NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

LONG – TERM DEBT

IEPA Loans Payable

The Agency has entered into loan agreements with the IEPA to provide low interest financing for capital improvements. IEPA loans currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances	Amounts Due within One Year
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2012, due in annual installments of including interest at 2.5%.	\$ 3,402,722	600,448	79,936	3,923,234	-

There is no final repayment schedule on this IEPA loan because the Agency will continue to receive disbursements in FY2016. Once the disbursements are final a repayment schedule will be provided.

NET POSITION CLASSIFICATION

Net investment in capital assets was comprised of the following as of April 30, 2015:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 6,192,405
Less Capital Related Debt:	
IEPA Loans	<u>(3,923,234)</u>
Net Investment in Capital Assets	<u>2,269,171</u>

NET POSITION DESIGNATIONS

The following are net position designations at year-end for the Agency:

	2014	2014
Unrestricted Net Position		
Designated for Working Capital Reserve	\$ 851,390	669,168
Undesignated	<u>2,964,449</u>	<u>1,992,141</u>
Total Unrestricted Net Position	<u>3,815,839</u>	<u>2,661,309</u>

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Agency's employees. These risks are covered by commercial insurance. There has been no significant reduction in coverage in any program from coverage in the prior year. For all programs, settlement amounts have not exceeded insurance coverage for the current or prior year (from inception).

CONTINGENT LIABILITIES

Litigation

The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Plan Descriptions, Provisions and Funding Policies

The Agency contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan; those provisions can only be amended by the Illinois General Assembly. IMRF provides retirement, disability, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2012 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2012 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of \$106,800 at January 1, 2012.

The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2012, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Agency is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer annual required contribution rate for calendar year 2014 and 2015 were 22.62 and 10.72 percent, respectively.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Funding Policy and Annual Pension Cost

For December 31, 2014, the Agency's actual contributions for pension costs were \$47,336. The Agency's required contribution was \$47,336. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year, depending on age and service, attributable to seniority/merit, (d) post-retirement benefit increases of 3% annually, and (e) inflation rate of 4.0%. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. IMRF's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2015	\$ 47,336	100%	None
2014	22,435	100%	None
2013	14,842	100%	None

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Funded Status and Funding Progress

The Agency's funded status for the current year and related information for the plan is as follows:

	<u>Illinois Municipal Retirement</u>
Actuarial Valuation Date	12/31/2014
Percent Funded	79.85%
Actuarial Accrued Liability for Benefits	\$123,598
Actuarial Value of Assets	\$98,695
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$24,903)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$209,267
Ratio of UAAL to Covered Payroll	11.90%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

The Agency has evaluated its potential other postemployment benefits liability. The Agency 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 Agency are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Agency's health insurance plan. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Agency had no former employees for which the Agency was providing any explicit subsidy and no current employees with agreements for future explicit subsidies upon retirements. Therefore, the Agency has not recorded any postemployment benefit liability as of April 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information Schedule of Funding Progress and Employer Contributions April 30, 2015

Funding Progress

Actuarial Valuation Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2009	\$ 20,752	\$ 84,872	24.45%	\$ 64,120	\$ 136,442	46.99%
2010	43,458	111,267	39.06%	67,809	149,622	45.32%
2011	76,378	140,208	54.47%	63,830	182,739	34.93%
2012	(18,920)	59,316	0.00%	78,236	117,516	66.57%
2013	44,409	102,816	43.19%	58,407	180,637	32.33%
2014	98,695	123,598	79.85%	24,903	209,267	11.90%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2010	\$ 16,911	\$ 16,911	100.00%
2011	17,082	12,748	134.00%
2012	24,926	24,926	100.00%
2013	14,842	14,842	100.00%
2014	22,435	22,435	100.00%
2015	47,336	47,336	100.00%

SUPPLEMENTAL SCHEDULE

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Schedule of Operating Expenses - Budget and Actual For the Fiscal Year Ended April 30, 2015

	Original Budget	Final Budget	Actual
Salaries and Benefits			
Salaries	\$ 200,000	200,000	236,984
Employee Benefits			
FICA	14,918	14,918	17,040
Unemployment Taxes	1,500	1,500	330
IMRF	25,000	43,000	43,542
Health/Life Insurance	77,556	77,756	54,726
Total Salaries and Benefits	318,974	337,174	352,622
Operations			
Water Purchases	4,654,686	4,654,686	4,713,897
Utilities			
Electric	75,000	75,000	48,901
Cell Phone	3,900	3,900	2,951
Telephone	12,000	17,000	13,013
Heating - 10th Ave	4,500	5,500	5,212
Heating - Cuyler Ave	1,200	1,200	926
Total Utilities	96,600	102,600	71,003
Professional Fees			
Legal Fees	55,000	40,000	79,777
Accounting Fees	16,800	16,800	15,600
Auditing Fees	10,500	13,000	12,650
Engineering Services	40,000	35,000	21,077
Total Professional Fees	122,300	104,800	129,104
Repairs and Maintenance			
Vehicle Repairs/Replacement	2,200	2,200	807
Laboratory Test Fees	800	800	489
Chlorine	4,500	1,800	99
Cleaning and Paint Supplies	750	2,250	875
Equipment Repairs/Replacement	72,000	27,700	30,779
Small Tools and Spare Parts	300	300	196
Building Repair and Maintenance	6,500	8,300	10,804

BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

Schedule of Operating Expenses - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2015

	Original Budget	Final Budget	Actual
Operations - Continued			
Repairs and Maintenance - Continued			
Landscaping Fees	\$ 8,000	5,000	4,923
Pump Station Repairs/Replacement	8,000	8,000	784
Water Main Repairs	50,000	50,000	47,795
Transmission Valve Service and Repair	5,000	5,000	1,365
Cross Connect Repairs	5,000	2,500	-
Calibration and Testing	2,000	2,000	1,811
Meter Repair/Replacement	10,000	10,000	3,400
Total Repairs and Maintenance	175,050	125,850	104,127
Other			
Internet/Website	3,500	6,000	6,044
Office Supplies	2,500	2,500	2,196
Payroll Expense	500	500	408
Subscriptions/Publications	3,800	3,800	1,139
Uniform Expense	1,500	1,500	821
Recording Secretary	3,000	3,000	3,000
Bank Service Charges	1,000	1,000	1,955
Regular Meeting Expense	1,000	1,000	1,044
Postage & Delivery	225	225	159
Dues	400	400	150
General Liability Insurance	30,000	30,000	26,844
Workers Comp Insurance	10,000	10,000	9,111
Miscellaneous	1,500	1,500	294
Capital Outlay	1,500,000	1,520,000	72,489
Total Other	1,558,925	1,581,425	125,654
Less: Capital Assets Capitalized	(1,500,000)	(1,520,000)	(72,489)
Total Other	58,925	61,425	53,165
Total Operations	5,426,535	5,386,535	5,423,918
Depreciation	-	-	90,436
Total Operating Expenses	5,426,535	5,386,535	5,514,354