

**BROADVIEW WESTCHESTER  
JOINT WATER AGENCY, ILLINOIS**

**ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2014**

**BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**

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## **INDEPENDENT AUDITORS' REPORT**



## **INDEPENDENT AUDITORS' REPORT**

August 27, 2014

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

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 was 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.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



LAUTERBACH & AMEN, LLP

## **MANAGEMENT DISCUSSION AND ANALYSIS**

BROADVIEW WESTCHESTER JOINT WATER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
April 30, 2014

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 \$519,130 in 2014. In 2013, the net increase was \$252,099. The total increase for the two years was \$771,229 to create ending net position of \$5,542,623.
- The operating revenues were \$259,164 over budget. Total expenses were \$152,670 under budget.
- As of April 30, 2014, the Agency maintained \$3,043,557 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

	2014	2013
Capital Assets, net of depreciation	\$6,284,036	\$2,934,539
Current and other assets	3,904,250	3,311,438
Total Assets	<u>10,188,286</u>	<u>6,245,977</u>
Other liabilities	\$1,242,941	\$ 791,572
Noncurrent Liabilities	3,402,722	430,912
Total Liabilities	<u>4,824,285</u>	<u>1,222,484</u>
Net Investment in Capital Assets	\$ 2,881,314	\$ 2,503,627
Unrestricted Net position	2,661,309	2,519,866
Total Net position	<u>5,542,623</u>	<u>5,023,493</u>

(See independent auditor's report)



Table 2 – Condensed Statement of Changes in Net Position

	2014		2013	
<b>Operations</b>				
Sale of Water	\$ 5,215,608	100%	\$ 4,402,240	100%
Total Operating Revenues	<u>5,215,608</u>	100%	<u>4,402,240</u>	100%
<b>Operating Expenses</b>				
Source of Water	\$ 4,057,550	87%	\$ 3,384,241	86%
Repairs and maintenance	58,454	1%	65,447	2%
Administration	505,694	10%	414,254	10%
Depreciation	80,630	2%	92,740	2%
Total Operating Expenses	<u>4,702,328</u>	100%	<u>4,156,682</u>	100%
<b>Non-operating Revenues (Expenses)</b>				
Interest Income	4,833		2,936	
Other Income	1,017		4,334	
Interest Expense	<u>-</u>		<u>(729)</u>	
Increase/(Decrease) in Net position	<u>\$ 519,130</u>		<u>\$ 252,099</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 eighteen percent increase in the water revenue over last year. The increase in the revenues was created by the fifteen percent increase in the rates to cover the costs of the operations of the Agency.

The total expenses for the Agency increased by \$545,646 over 2013. This is a 13% increase over prior year. This increase was due to the City of Chicago implementing a 15% increase in January 2013 and 2014. The Agency saw a 22% increase in the administration costs due to becoming fully staffed in the current year.

#### Budgetary Highlights

The Water Agency did not amend the budget during the fiscal year. For the current year, operating revenue received was over budget by \$259,164. This overage was due to an increase water rates and usage for the year. The Agency was under budget by \$152,670 for operating expenses. During the current year, the Agency savings due to lower actual costs for administrative expenses.

(See independent auditor's report)

## Capital Assets

By the end of 2014, the Agency had invested \$3.4 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 10<sup>th</sup> 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 \$80,630.

## Long Term Debt

The Agency is utilizing long term debt to finance the construction of the 10<sup>th</sup> Avenue Station. As of April 30, 2014, the Agency had \$3,402,722 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 municipal 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. 10<sup>th</sup> Avenue, Broadview, Illinois 60155.

(See independent auditor's report)

## **BASIC FINANCIAL STATEMENTS**

**BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**

**Statement of Net Position  
April 30, 2014**

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**ASSETS**

Current Assets	
Cash and Investments	\$ 3,043,557
Receivable - Members	624,702
Receivable - Customers	216,771
Prepays	19,220
Total Current Assets	<u>3,904,250</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable Capital Assets	5,036,871
Depreciable Capital Assets	4,509,269
Less Accumulated Depreciation	<u>(3,262,104)</u>
Total Noncurrent Assets	<u>6,284,036</u>
Total Assets	<u>10,188,286</u>

**LIABILITIES**

Current Liabilities	
Accrued Payroll	7,767
Accounts Payable	1,235,174
Total Current Liabilities	<u>1,242,941</u>
Noncurrent Liabilities	
IEPA Loan Payable	<u>3,402,722</u>
Total Liabilities	<u>4,645,663</u>

**NET POSITION**

Net Position	
Net Investment in Capital Assets	2,881,314
Unrestricted	<u>2,661,309</u>
Total Net Position	<u>5,542,623</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Operating Revenues			
Water Sales	\$ 4,956,444	4,956,444	5,215,608
Expenses			
Operations	4,854,998	4,854,998	4,621,698
Depreciation	-	-	80,630
Total Operating Expenses	<u>4,854,998</u>	<u>4,854,998</u>	<u>4,702,328</u>
Operating Income	<u>101,446</u>	<u>101,446</u>	<u>513,280</u>
Nonoperating Revenues			
Interest Income	1,200	1,200	4,833
Other Income	<u>2,000</u>	<u>2,000</u>	<u>1,017</u>
	<u>3,200</u>	<u>3,200</u>	<u>5,850</u>
Change in Net Position	<u>104,646</u>	<u>104,646</u>	519,130
Net Position			
Beginning			<u>5,023,493</u>
Ending			<u>5,542,623</u>

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, 2014

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 5,011,997
Other Income	1,017
Payment to Employees	(273,024)
Payment to Suppliers	<u>(3,897,305)</u>
	<u>842,685</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(3,430,127)
Issuance of Capital Debt	<u>2,971,810</u>
	<u>(458,317)</u>
Cash Flows from Investing Activities	
Interest Received	<u>4,833</u>
Net Change in Cash and Cash Equivalents	389,201
Cash and Cash Equivalents	
Beginning	<u>2,654,356</u>
Ending	<u><u>3,043,557</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	513,280
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	80,630
Other Income	1,017
(Increase) Decrease in Current Assets	(203,611)
Increase (Decrease) in Current Liabilities	<u>451,369</u>
Net Cash Provided by Operating Activities	<u><u>842,685</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, 2014**

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### **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, 2014**

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### **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, 2014

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### 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, 2014

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### 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.

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

#### DUE FROM MEMBERS

At April 30, 2014, the Agency has the following amounts receivable from member agencies:

<u>Member</u>	<u>Amount</u>
Village of Broadview	\$ 388,609
Village of Westchester	<u>236,093</u>
Total	<u><u>624,702</u></u>

#### ACCOUNTS RECEIVABLE

At April 30, 2014, the Agency had the following amounts receivable from customers:

<u>Member</u>	<u>Amount</u>
U.S. Veterans Administration	\$ 126,020
Loyola Hospital	81,864
Madden Mental Health Center	10,380
Less Allowances	<u>(1,493)</u>
Total	<u><u>216,771</u></u>

## BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

### Notes to the Financial Statements

April 30, 2014

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#### 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 \$1,431,973 and the bank balances totaled \$1,896,391. The Agency also has \$65 invested in the Illinois Funds and \$1,611,519 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 rated AA Af by Standard & Poor's and the 1-3 Year Fund is rated AA Af by Standard & Poor's.

# BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

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### 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, 2014, 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, 2014, the Agency has over 50% of cash and investments invested in 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, 2014:

<u>Member/Significant Customer</u>	<u>Revenues</u>	<u>Percentage</u>
Village of Westchester	\$ 2,141,693	41%
Village of Broadview	1,659,707	32%
Loyola Hospital	807,005	15%
U.S. Veterans Administrations	551,081	11%

**BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS****Notes to the Financial Statements  
April 30, 2014****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
<b>Nondepreciable Capital Assets</b>				
Land	\$ 588,155	-	-	588,155
Construction in Progress	1,018,589	3,430,127	-	4,448,716
	<u>1,606,744</u>	<u>3,430,127</u>	<u>-</u>	<u>5,036,871</u>
<b>Depreciable Capital Assets</b>				
Infrastructure	3,426,895	-	-	3,426,895
Buildings	476,000	-	-	476,000
Machinery and Equipment	480,566	-	-	480,566
Land Improvements	125,808	-	-	125,808
	<u>4,509,269</u>	<u>-</u>	<u>-</u>	<u>4,509,269</u>
<b>Less Accumulated Depreciation</b>				
Infrastructure	2,408,586	49,907	-	2,458,493
Buildings	354,603	7,854	-	362,457
Machinery and Equipment	340,842	16,939	-	357,781
Land Improvements	77,443	5,930	-	83,373
	<u>3,181,474</u>	<u>80,630</u>	<u>-</u>	<u>3,262,104</u>
Depreciable Capital Assets, Net	<u>1,327,795</u>	<u>(80,630)</u>	<u>-</u>	<u>1,247,165</u>
Capital Assets, Net	<u>2,934,539</u>	<u>3,349,497</u>	<u>-</u>	<u>6,284,036</u>

# BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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%.	\$ 430,912	2,971,810	-	3,402,722	-

There is no final repayment schedule on this IEPA loan because the Agency will continue to receive disbursements in FY2015. 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, 2014:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 6,284,036
Less Capital Related Debt:	
IEPA Loans	<u>(3,402,722)</u>
Net Investment in Capital Assets	<u>2,881,314</u>

#### NET POSITION DESIGNATIONS

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

	2014	2013
Unrestricted Net Position		
Designated for Working Capital Reserve	\$ 669,168	542,078
Undesignated	<u>1,992,141</u>	<u>1,977,788</u>
Total Unrestricted Net Position	<u>2,661,309</u>	<u>2,519,866</u>

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

### **Notes to the Financial Statements April 30, 2014**

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#### **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](http://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, 2014**

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#### **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 2013 and 2014 were 12.42 and 22.62 percent, respectively.



## BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

##### Funding Policy and Annual Pension Cost

For December 31, 2013, the Agency's actual contributions for pension costs were \$22,435. The Agency's required contribution was \$22,435. The required contribution was determined as part of the December 31, 2011 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, 2011 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
2014	\$ 22,435	100%	None
2013	14,842	100%	None
2012	24,926	100%	None

# BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

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### 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	12/31/2013
Percent Funded	43.19%
Actuarial Accrued Liability for Benefits	\$102,816
Actuarial Value of Assets	\$44,409
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$58,407)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$180,637
Ratio of UAAL to Covered Payroll	32.33%

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, 2014**

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#### **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, 2014.

**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, 2014**

<b>Funding Progress</b>						
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%

**Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009*	\$ 5,272	\$ 5,272	100.00%
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%

\*The Agency began participating in IMRF in February 2009.

**SUPPLEMENTAL SCHEDULE**

**BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**

**Schedule of Operating Expenses - Budget and Actual  
For the Fiscal Year Ended April 30, 2014**

	Original Budget	Final Budget	Actual
<b>Salaries and Benefits</b>			
Salaries	\$ 195,000	195,000	181,005
Employee Benefits			
FICA	14,918	14,918	12,788
Unemployment Taxes	1,500	1,500	193
IMRF	25,493	25,493	25,836
Health/Life Insurance	79,829	79,829	53,202
<b>Total Salaries and Benefits</b>	<b>316,740</b>	<b>316,740</b>	<b>273,024</b>
<b>Operations</b>			
Water Purchases	4,000,548	4,000,548	4,057,550
<b>Utilities</b>			
Electric	80,000	80,000	65,888
Cell Phone	3,800	3,800	3,673
Telephone	17,000	17,000	14,683
Heating - 10th Ave	6,000	6,000	4,582
Heating - Cuyler Ave	1,600	1,600	1,239
<b>Total Utilities</b>	<b>108,400</b>	<b>108,400</b>	<b>90,065</b>
<b>Professional Fees</b>			
Legal Fees	90,000	90,000	42,541
Accounting Fees	16,200	16,200	15,600
Auditing Fees	10,050	10,050	10,050
Engineering Services	40,000	40,000	25,302
<b>Total Professional Fees</b>	<b>156,250</b>	<b>156,250</b>	<b>93,493</b>
<b>Repairs and Maintenance</b>			
Vehicle Repairs/Replacement	2,200	2,200	1,565
Laboratory Test Fees	790	790	537
Chlorine	4,500	4,500	1,359
Cleaning and Paint Supplies	750	750	449
Equipment Repairs/Replacement	100,500	100,500	15,231
Small Tools and Spare Parts	100	100	132
Building Repair and Maintenance	8,500	8,500	7,566

**BROADVIEW WESTCHESTER JOINT WATER AGENCY, ILLINOIS**

**Schedule of Operating Expenses - Budget and Actual - Continued  
For the Fiscal Year Ended April 30, 2014**

	Original Budget	Final Budget	Actual
<b>Operations - Continued</b>			
<b>Repairs and Maintenance - Continued</b>			
Landscaping Fees	\$ 9,000	9,000	7,717
Pump Station Repairs/Replacement	8,000	8,000	7,956
Water Main Repairs	50,000	50,000	10,434
Transmission Valve Service and Repair	6,500	6,500	2,400
Cross Connect Repairs	10,000	10,000	-
Calibration and Testing	1,500	1,500	1,455
Meter Repair/Replacement	10,000	10,000	1,653
Total Repairs and Maintenance	212,340	212,340	58,454
<b>Other</b>			
Internet/Website	5,000	5,000	3,373
Office Supplies	2,500	2,500	2,116
Payroll Expense	500	500	435
Subscriptions/Publications	4,150	4,150	1,580
Uniform Expense	1,500	1,500	913
Recording Secretary	3,000	3,000	3,000
Bank Service Charges	1,000	1,000	1,225
Regular Meeting Expense	1,000	1,000	848
Postage & Delivery	270	270	187
Dues	300	300	345
General Liability Insurance	30,000	30,000	23,765
Workers Comp Insurance	10,000	10,000	10,414
Miscellaneous	1,500	1,500	911
Capital Outlay	4,570,000	4,570,000	3,430,127
Total Other	4,630,720	4,630,720	3,479,239
Less: Capital Assets Capitalized	(4,570,000)	(4,570,000)	(3,430,127)
Total Other	60,720	60,720	49,112
Total Operations	4,854,998	4,854,998	4,621,698
Depreciation	-	-	80,630
Total Operating Expenses	4,854,998	4,854,998	4,702,328