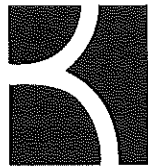


**TRI-TOWNSHIP WATER DISTRICT
TRENTON, ILLINOIS
ANNUAL FINANCIAL STATEMENTS –
MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2021**

Tri-Township Water District, Trenton, Illinois
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INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Tri-Township Water District
180 State Route 160
Trenton, Illinois 62293

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of Tri-Township Water District, Trenton, Illinois, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Tri-Township Water District, Trenton, Illinois, as of April 30, 2021, and the changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Summary Statement of Revenue and Expenses and Comparison with Budget on page 25, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Revenue Account Requirements on pages 26 through 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Revenue Account Requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 Revenue Account Requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

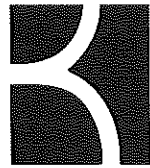
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2021, on our consideration of Tri-Township Water District, Trenton, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Tri-Township Water District, Trenton, Illinois' 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 Tri-Township Water District, Trenton, Illinois' internal control over financial reporting and compliance.

Ruehl + Associates, LLC

Carlyle, Illinois
November 26, 2021

Wm. Brent Palmer, C.P.A.
James G. Leuty, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Trustees of
Tri-Township Water District
180 State Route 160
Trenton, Illinois 62293

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-Township Water District, Trenton, Illinois, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise Tri-Township Water District, Trenton, Illinois' basic financial statements and have issued our report thereon dated November 26, 2021. The financial statements were prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-Township Water District, Trenton, Illinois' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-Township Water District, Trenton, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-Township Water District, Trenton, Illinois' internal control.

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

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

Internal Control Over Financial Reporting

Criteria: The District is responsible for establishing and maintaining internal controls to provide for the preparation of reliable financial statements, including related disclosures and necessary adjustments, such that they are fairly presented in conformity with the modified cash basis of accounting.

Condition/Context: – The District does not have an internal control policy in place over annual financial reporting, including any necessary adjustments, that would enable them to prepare their annual financial statements and related disclosures in a manner that is complete and presented in accordance with the modified cash basis of accounting. As requested by the District, we as your auditors, assisted with material adjustments during the course of the audit. Also, as requested by the District, we, as your auditors, prepared your annual financial statements and related disclosures.

Cause: – The District has limited staff to prepare full disclosure financial statements, related disclosures and necessary adjustments and the present staff does not possess adequate training, knowledge, and expertise to perform these tasks.

Effect: – There is a reasonable possibility that the District would not be able to draft the financial statements and related disclosures nor make necessary adjustments that are correct without the assistance of the auditors. Further, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

In response to the material weakness described above, Tri-Township Water District, Trenton, Illinois' management stated the following:

Internal Control Over Financial Reporting: While the Board reviews, approves and accepts responsibility for the financial statements, related disclosures and year-end adjusting entries, we do not possess the time, resources or staff competence to perform these tasks internally and feel it would be cost prohibitive to do so. The Board agrees that this is a material weakness, but based on the reasons mentioned, it is unlikely the District will have the staff needed to perform these tasks internally. That being said, we will continue to work with the auditors to reduce the risk of material adjustments.

Compliance and Other Matters

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

Tri-Township Water District's Response to Finding

Tri-Township Water District, Trenton, Illinois' response to the finding identified in our audit is described previously. Tri-Township Water District, Trenton, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Krehbiel + Associates, LLC

Carlyle, Illinois

November 26, 2021

Tri-Township Water District, Trenton, Illinois
Statement of Net Position – Modified Cash Basis
April 30, 2021

ASSETS

Current Assets:

Cash	\$	344,252
Restricted Cash - Bond and Interest		325,534
Total Current Assets		669,786

Noncurrent Assets:

Restricted Cash		506,606
Capital Assets, net of accumulated depreciation		5,854,627
Total Noncurrent Assets		6,361,233

Total Assets		7,031,019
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LIABILITIES

Current Liabilities:

Revenue Bonds – Current Portion		170,000
Installment Bonds – Current Portion		10,888
Note Payable – Current Portion		6,572
Total Current Liabilities		187,460

Noncurrent Liabilities:

Revenue Bonds – Long-Term Portion		5,917,167
Installment Bonds – Long-Term Portion		245,868
Note Payable – Long-Term Portion		114,675
Total Noncurrent Liabilities		6,277,710

Total Liabilities		6,465,170
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NET POSITION

Net investment in capital assets		(610,543)
Restricted for bond and interest		325,534
Restricted for depreciation reserve		60,060
Restricted for reserve		387,690
Restricted for construction		58,856
Unrestricted		344,252
Total Net Position	\$	565,849

See accompanying notes to the basic financial statements.

Tri-Township Water District, Trenton, Illinois
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Modified Cash Basis
For the Fiscal Year Ended April 30, 2021

Operating Revenues:

Charges for Services:	
Treated Water Sales	\$ 1,012,384
Tap on Fees	98,028
Solar Renewable Energy Credits	13,780
Miscellaneous Revenues	<u>14,384</u>
Total Operating Revenues	<u>1,138,576</u>

Operating Expenses:

Wages and Payroll Taxes	117,783
Contract Services	80,712
Insurance Expense	17,036
Utilities	18,976
Professional Fees	33,376
Water	218,769
Office and Administrative Expenses	22,887
General Operating Expenses	110,819
Miscellaneous Expense	6,921
Depreciation Expense	<u>244,551</u>
Total Operating Expenses	<u>871,830</u>

Operating Income (Loss) 266,746

Non-Operating Revenues (Expenses):

Other Income	0
Gain on Sale of Assets	0
Interest Income	816
Interest Expense	<u>(268,341)</u>
Total Non-Operating Revenues (Expenses):	<u>(267,525)</u>

Increase/(Decrease) in Net Position (779)

Total Net Position – Beginning 566,628

Total Net Position – Ending \$ 565,849

See accompanying notes to the basic financial statements.

Tri-Township Water District, Trenton, Illinois
Statement of Cash Flows – Modified Cash Basis
For the Fiscal Year Ended April 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	1,138,576
Payments to suppliers		(509,496)
Payments to employees and payroll taxes		<u>(117,783)</u>
Net Cash Provided by Operating Activities		<u>511,297</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Sale of capital assets		0
Purchase of capital assets		(205,320)
Principal paid on capital debt		(166,965)
Interest paid on capital debt		(268,341)
Advance on capital debt		<u>254,295</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities		<u>(386,331)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest		<u>816</u>
Net Cash Provided by Investing Activities		<u>816</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		125,782
Balance – Beginning of the Year		<u>1,050,610</u>
Balance – End of the Year	\$	<u><u>1,176,392</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$	266,746
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		<u>244,551</u>
Net cash provided by operating activities	\$	<u><u>511,297</u></u>

See accompanying notes to the basic financial statements.

Tri-Township Water District, Trenton, Illinois
Statement of Cash Flows – Modified Cash Basis
For the Fiscal Year Ended April 30, 2021

(CONTINUED)

**Reconciliation to the Statement of Net Position -
Modified Cash Basis:**

Cash and Cash Equivalents	\$	344,252
Restricted Cash – Bond and Interest		325,534
Restricted Cash – Depreciation Reserve		60,060
Restricted Cash – Reserve		387,690
Restricted Cash – Construction		<u>58,856</u>
	<u>\$</u>	<u>1,176,392</u>

See accompanying notes to the basic financial statements.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-Township Water District was organized and incorporated in the year 1994 under and pursuant to the provisions of the general laws of the State of Illinois providing for the organization of water districts, including the Public Water District Act (Section 3705/0.01 et seq. of Chapter 70 of the Illinois Compiled Statutes [70 ILCS 3705/0.01 et seq.]). The cost of Phase I of the water distribution system was defrayed by loans from Rural Development of the United States Department of Agriculture and a grant pursuant to the applicable Section of the Rural Development Act.

The District's Trustees are appointed by the Madison, St. Clair and Clinton County Boards from the water system users. The District has oversight authority over no other entity and no other entity effectively has control over the District. The financial statements are of Tri-Township Water District and include no other financial information.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1.A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. As defined by GASB Statement No. 14 and No. 39, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. There are no component units to report.

1.B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

MEASUREMENT FOCUS

The District accounts for its operations in an enterprise fund (a type of proprietary fund) using the economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position. All revenues, expenses and increases/decreases in total economic net worth are included on the Statement of Revenues, Expenses and Changes in Fund Net Position.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for treated water sales. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BASIS OF ACCOUNTING

In the enterprise fund financial statements, business-like activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

1.C. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments.

CAPITAL ASSETS

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings & Improvements	25-40 years
Land Improvements	10-20 years
Machinery & Equipment	5-10 years
Vehicles	5-10 years
Utility Systems	25-40 years

LONG-TERM DEBT

All long-term debt arising from cash basis transactions is reported as liabilities in the financial statements.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

EQUITY CLASSIFICATION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The District does not have any deferred outflows of resources or any deferred inflows of resources due to their use of the modified cash basis of accounting. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1.D. REVENUES AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.E. USE OF ESTIMATES

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

NOTE 2. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net position, revenues, and expenses.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk.

At April 30, 2021, the District's deposits had a carrying amount of \$1,176,192. The bank balance on deposit with the District's financial institutions at April 30, 2021 was \$1,186,018. Of the bank balance, \$638,508 was covered by federal depository insurance and \$547,510 was uninsured but collateralized with securities held by the pledging financial institution. At year end, the District's petty cash fund was \$200.

CASH AND INVESTMENTS

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30 ILCS 235/2 and 235/6; and Chapter 105 ILCS 8-7. A brief summary of allowable investments is as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended April 30, 2021, the District did not have any investments.

2.B. RESTRICTED ASSETS

Amounts shown as restricted assets are composed of various items. Amounts shown as restricted for depreciation reserve, bond and interest and reserve represent revenues that have been restricted by revenue bond ordinances passed relative to Phase I, II, III and IV Revenue and Installment Bonds to be used for the specified purposes contained within the ordinance. Further details surrounding the bond ordinances can be found in the Supplementary Information section of these financial statements.

As of April 30, 2021, restricted assets are comprised of the following amounts:

Depreciation Reserve	\$ 60,060
Bond and Interest	325,534
Reserve Accounts	387,690
Construction Account	<u>58,856</u>
Restricted Cash	<u>\$ 832,140</u>

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2021, was as follows:

	Balance at May 1, 2020	Additions	Deductions	Balance at April 30, 2021
Capital Assets not being Depreciated:				
Land	\$ 130,067	\$ 0	\$ 0	\$ 130,067
Construction in Process	<u>1,382,489</u>	<u>0</u>	<u>1,382,489</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>1,512,556</u>	<u>0</u>	<u>1,382,489</u>	<u>130,067</u>
Other Capital Assets:				
Water System	7,477,732	1,578,609	0	9,056,341
Building and Improvements	441,496	9,200	0	450,696
Field and Office Equipment	<u>132,510</u>	<u>0</u>	<u>0</u>	<u>132,510</u>
Total Other Capital Assets at Historical Cost	<u>8,051,738</u>	<u>1,587,809</u>	<u>0</u>	<u>9,639,547</u>
Less Accumulated Depreciation for:				
Water System	3,519,138	224,794	0	3,743,932
Building and Improvements	28,168	14,396	0	42,564
Field and Office Equipment	<u>123,130</u>	<u>5,361</u>	<u>0</u>	<u>128,491</u>
Total Accumulated Depreciation	<u>3,670,436</u>	<u>244,551</u>	<u>0</u>	<u>3,914,987</u>
Other Capital Assets, net	<u>4,381,302</u>	<u>1,343,258</u>	<u>0</u>	<u>5,724,560</u>
Capital Assets, net	<u>\$ 5,893,858</u>	<u>\$ 1,343,258</u>	<u>\$ 1,382,489</u>	<u>\$ 5,854,627</u>

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

2.D. LONG-TERM DEBT

As of April 30, 2021, long-term debt arising from cash transactions consisted of the following:

Revenue Bonds:

- \$2,940,000 Waterworks System Revenue Bonds to Rural Development, dated January 22, 1997, principal payable annually on May 1, interest payable semi-annually on May 1 and November 1 at 4.875%, final payment due May 1, 2036 (Phase I) \$ 1,880,000

- \$2,000,000 Waterworks System Revenue Bonds to Rural Development, dated December 27, 1999, principal payable annually on May 1, interest payable semi-annually on May 1 and November 1 at 4.375%, final payment due May 1, 2038 (Phase II) 1,400,000

- \$1,500,000 Waterworks System Revenue Bonds to Rural Development, dated July 9, 2009, principal payable annually on May 1, interest payable semi-annually on May 1 and November 1 at 3.50%, final payment due May 1, 2048 (Phase III) 1,171,000

- \$1,636,167 Waterworks System Revenue Bonds to Rural Development, dated May 15, 2019, principal payable annually on May 1, interest payable semi-annually on May 1 and November 1 at 3.875%, final payment due May 1, 2058 (Phase IV) 1,636,167

Installment Bonds:

- \$400,000 Waterworks System Revenue Installment Bond to Rural Development, dated March 5, 1997, principal and interest payable annually on May 1 with interest at 5.0%, final payment due May 1, 2036 (Phase I Installment Bonds) 256,756

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

2.D. LONG-TERM DEBT (CONTINUED)

Note Payable:

- Note Payable to Bradford National Bank for real estate located at 180 State Route 160, Trenton, IL, payable in monthly installments of \$794.06 with the final payment due September 1, 2036. The loan has a 2.5% interest rate and is secured by the aforementioned real estate.	<u>121,247</u>
Total Long-Term Debt	<u>\$ 6,465,170</u>

PLEDGED REVENUES

The District has pledged future water revenues, net of specified operating expenses for the water system, to repay 100% of the Revenue and Installment Bonds as described above. Proceeds of the bonds were used to fund capital improvement projects. The bonds are payable through May 1, 2058. As of April 30, 2021, pledged net water revenues required for future principal and interest payments on the bonds totaled \$10,030,352. Total principal and interest paid on bonds from net water revenues was \$425,777 and net water revenues were \$511,297 for the year ended April 30, 2021. See the Supplementary Information section of these financial statements for further details on revenue bond ordinances related to outstanding Revenue and Installment Bonds.

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended April 30, 2021:

Type of Debt	Balance May 1, 2020	Additions	Reductions	Balance April 30, 2021	Amount Due Within One Year
Revenue Bonds:					
Phase I	\$ 1,960,000	\$ 0	\$ 80,000	\$ 1,880,000	\$ 80,000
Phase II	1,440,000	0	40,000	1,400,000	60,000
Installment Bonds	267,116	0	10,360	256,756	10,888
Phase III	1,201,000	0	30,000	1,171,000	30,000
Phase IV	1,381,872	254,295	0	1,636,167	0
Note Payable:					
Bradford Bank	<u>127,852</u>	<u>0</u>	<u>6,605</u>	<u>121,247</u>	<u>6,572</u>
Totals	<u>\$ 6,377,840</u>	<u>\$ 254,295</u>	<u>\$ 166,965</u>	<u>\$ 6,465,170</u>	<u>\$ 187,460</u>

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of April 30, 2021, are as follows:

Fiscal Year Ended April 30	Principal	Interest	Total
2022	\$ 187,460	\$ 269,284	\$ 456,744
2023	208,171	260,610	468,781
2024	208,913	251,518	460,431
2025	234,688	241,809	476,497
2026	235,498	231,481	466,979
2027-2031	1,300,949	994,887	2,295,836
2032-2036	1,652,374	671,783	2,324,157
2037-2041	944,950	346,402	1,291,352
2042-2046	540,000	232,014	772,014
2047-2051	426,000	135,695	561,695
2052-2056	355,000	68,523	423,523
2057-2059	171,167	7,282	178,449
Total	<u>\$ 6,465,170</u>	<u>\$ 3,711,288</u>	<u>\$ 10,176,458</u>

NOTE 3. OTHER NOTES

3.A. EMPLOYER PENSION AND OTHER BENEFIT PLANS

The District does not participate in the Illinois Municipal Retirement Fund. However, employees are covered under social security.

3.B. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

The District manages these various risks of loss through the purchase of commercial insurance, summarized as follows:

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company General Liability	3,000,000 1,000,000 300,000 10,000 480,500 4,000 75,000 600,000 600,000 463,500	2-26-22	Coverage Part Aggregate General Liability per Occurrence Fire Damage per Occurrence Medical Payments (Any One Person) Office Antenna Water Lift Pump Water Tower–Bellm Hill Water Tower–Birger Hill Pump Station/Chemical Station
Auto Owners Insurance Company Commercial Umbrella Liability	5,000,000	2-26-22	Each Occurrence
Auto Owners Insurance Company Inland Marine	25,000 15,000 25,000 500 per day 20,000 23,000	2-26-22	Building Materials and Installation Property Electronic Data Processing Equipment (\$2,500 maximum limit per laptop computer) Contractors Equipment and Tools (\$2,500 maximum limit per tool) Rental Reimbursement and Extra Expense for Contractors Equipment (\$2,500 maximum) Tools and Equipment-Actual Cash Value Miscellaneous Property
Auto Owners Insurance Company Fidelity Bond	1,200,000	6-1-21	Bond Amount
Auto Owners Insurance Company Worker's Compensation	500,000 500,000 500,000	2-26-22	Bodily Injury by Accident Bodily Injury by Disease (Each Employee) Bodily Injury by Disease (Policy Limit)

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

(CONTINUED)

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company Auto	1,000,000 1,000,000 1,000,000	2-26-22	Auto Liability per Occurrence Uninsured Motorists Coverage Underinsured Motorists Coverage
Old Republic Surety Company Public Officials Liability	1,000,000	1-20-22	Liability Limit

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. During the year ended April 30, 2021, there were no significant reductions in insurance coverage. Also, settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.C. ECONOMIC DEPENDENCY

The District purchases all water from SLM Water Commission. Total purchases for the current year were \$218,769.

NOTE 4. COMMITMENTS

4.A. WATER OPERATOR AGREEMENT

On April 24, 2019, the District renewed their agreement with a local company to operate the District's water treatment facilities and perform such other duties as may be associated with the regular maintenance and operation of the water system. The agreement is binding for three (3) years with a commencement date of May 1, 2019 and an ending date of April 30, 2022. The District will pay the water operator \$6,562 per month in Year 1, \$6,726 per month in Year 2 and \$6,894 per month in Year 3. In addition, any services performed by the water operator that does not constitute "normal maintenance" will cost the District \$50/hour the first year and then an increase equal to the cost of living adjustment for the next two years.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

4.B. WATER PURCHASE CONTRACT

On October 23, 1996, the District entered into a contract with Summerfield, Lebanon, Mascoutah Water Commission (SLM) whereby the District agreed to purchase its treated and potable water for distribution to its customers from SLM. The original contract stipulated that the District shall not purchase water from any other supplier (nor shall it produce any water itself unless SLM is unable to supply the water demands of the District) for a period of forty (40) years from the date of the initial delivery of water to the District. Due to the expansion of the District's water system and subsequent amendments to the SLM contract, the District is obligated to purchase its water from SLM through May 1, 2059.

The District pledged this Water Purchase Contract, and all amendments and addendums thereto, to Rural Development as part of the security for the Phase IV loan to construct water mains and a water storage tank.

4.C. WATER SALES CONTRACTS

On September 30, 1999, the District entered into a contract with the Village of Pierron whereby the District agreed to sell the Village of Pierron potable water in such quantities as may be required, not to exceed 2,000,000 gallons per month but not to be less than 600,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of Pierron was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

On May 18, 2000, the District entered into a contract with the Village of St. Jacob whereby the District agreed to sell the Village of St. Jacob potable water in such quantities as may be required, not to exceed 1,000,000 gallons per month but not to be less than 100,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of St. Jacob was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

Tri-Township Water District, Trenton, Illinois
Notes to Financial Statements
April 30, 2021

NOTE 5. CONTINGENCIES

The District is a Plaintiff in a lawsuit filed on April 12, 2019 against the City of Trenton, Illinois in United States District Court for the Southern District of Illinois. The District is seeking an injunction to stop the City of Trenton from selling water to customers who reside within the territorial boundaries of Tri-Township Water District. No amount has been accrued in these financial statements since the outcome of this matter is uncertain and the amount of liability, if any, cannot be determined.

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

OTHER INFORMATION

Tri-Township Water District, Trenton, Illinois
Summary Statement of Revenue and Expenses and
Comparison with Budget
For the Fiscal Year Ended April 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)
Operating Revenue:			
Treated Water Sales	\$ 965,000	\$ 1,012,384	\$ 47,384
Tap on Fees	85,000	98,028	13,028
Other Income	<u>15,000</u>	<u>28,164</u>	<u>13,164</u>
Total Operating Revenue	<u>1,065,000</u>	<u>1,138,576</u>	<u>73,576</u>
Operating Expenses:			
Water Purchased	225,000	218,769	6,231
Wages and Payroll Taxes	110,000	117,783	(7,783)
Utilities	25,000	18,976	6,024
Miscellaneous	10,000	6,921	3,079
Office and Administrative Expenses	80,000	73,299	6,701
General Operating Costs	110,000	110,819	(819)
Contract Services (Maintenance and Meter Reading)	<u>80,712</u>	<u>80,712</u>	<u>0</u>
Total Operating Expenses	<u>640,712</u>	<u>627,279</u>	<u>13,433</u>
Operating Income Before Depreciation	424,288	511,297	87,009
Less Provision for Depreciation	<u>247,927</u>	<u>244,551</u>	<u>3,376</u>
Net Operating Income	176,361	266,746	90,385
Other Income and Expenses:			
Interest Income	2,000	816	(1,184)
Interest Expense	(273,700)	(268,341)	5,359
Gain on Sale of Assets	0	0	0
Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Net Income (Loss) for the Year	<u>\$ (95,339)</u>	<u>\$ (779)</u>	<u>\$ 94,560</u>

Note: Budget and Actual are prepared on the modified cash basis of accounting.

SUPPLEMENTARY INFORMATION

Tri-Township Water District, Trenton, Illinois
Revenue Account Requirements
April 30, 2021

In accordance with the provisions of Bond Ordinances passed by Tri-Township Water District, Madison, St. Clair and Clinton Counties, Illinois the District is required to establish separate reserve accounts and make payments thereto as follows:

- a) Operation and Maintenance Account. There shall be paid into the Operation and Maintenance Account, on the first business day of each month an amount sufficient to pay the reasonable expenses of the operation, maintenance and repair of the District's waterworks system for the current month, including, without limiting the generality of the foregoing, salaries, wages, taxes, costs of materials and supplies, insurance, power, fuel, reasonable repairs and extensions necessary to render efficient service.

- b) Bond and Interest Account. There shall be paid into the Bond and Interest Account on the first business day of each month, after the required payment has been determined, a fractional amount of the principal and interest becoming due on the next succeeding principal and/or interest payment date (occurring within 6 months as to interest and within 12 months as to principal) on all outstanding bonds authorized to be issued under the terms of the ordinances.

Payments into the Bond and Interest Account may be suspended in any fiscal year at such time as there shall have been paid into such Account sufficient monies to pay the total principal and interest for such pertinent fiscal year, but such payments shall again be resumed at the beginning of the new fiscal year. All monies in such Account shall be used only for the purpose of paying interest and principal on the bonds hereby authorized as the same shall become due and including principal and interest on all bonds hereafter issued and on a parity with the bonds herein authorized.

As of April 30, 2021, the Bond and Interest Account requirement was \$325,534. The District has adequately funded this account at April 30, 2021.

Tri-Township Water District, Trenton, Illinois
Revenue Account Requirements
April 30, 2021

- c) Reserve Account. Relative to Phase IV Revenue Bonds, there shall be paid into the Reserve Account the sum of \$757.50 on the first day of each month until such account accumulates a total amount of \$90,900. After \$90,900 has accumulated in such Reserve Account, no further deposits need be made therein except to replace withdrawals at a monthly rate of \$757.50. Phase I, Phase II and Phase III Revenue Bonds contained monthly deposit requirements of \$1,630, \$910 and \$615, respectively until the accounts accumulated \$195,600, \$109,200 and \$73,800, respectively. As of April 30, 2013, the reserve accounts for Phase I and Phase II had accumulated the maximum required amounts. As of April 30, 2020, the reserve account for Phase III had accumulated the maximum required amount.

The monies in such Reserve Account shall be used to the extent necessary to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of the waterworks system and shall be transferred to the Bond and Interest Account for such purpose, and whenever such an amount is withdrawn from such Reserve Account and so transferred to the Bond and Interest Account, the amount so transferred shall be added to the amount to be next and thereafter paid into such Reserve Account to again be paid monthly at the foregoing rate (in addition to any then required deposit) until full reimbursement to such Reserve Account has been made.

As of April 30, 2021, the reserve account requirement for all Revenue Bonds was \$387,690. The District has adequately funded these accounts at April 30, 2021.

- d) Depreciation Account. The Phase IV Revenue Bonds require that there shall be paid into the Depreciation Account the sum of \$1,755 on the first day of the month. This amount supersedes the Phase III Revenue Bonds deposit requirement. The monies in such Depreciation Account shall be used to the extent necessary to make any needful repairs or replacements to the Issuer's waterworks system and, although not reasonably expected, to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of such system.

As of April 30, 2021, the Depreciation Account requirement was \$60,060. The District has adequately funded this account at April 30, 2021.

Tri-Township Water District, Trenton, Illinois
Revenue Account Requirements
April 30, 2021

- e) Surplus. After all the required payments into the accounts herein above described have been made, including the payments of any deficiencies, and when there is on deposit in the above-described Reserve Account the full maximum amount required to be accumulated in such Reserve Account, then all moneys remaining in the Waterworks Fund (“surplus funds”) may be used for the purpose of calling and redeeming and prepaying any outstanding bonds of the Issuer which by their terms are payable from the income and revenues of the waterworks system as such bonds become redeemable according to their terms, or such monies may to the extent permitted by law be used for the purpose of constructing extensions and improvements to the waterworks system of the Issuer.
- f) Investments. The monies in any of the Accounts created by subparagraphs (a) through (e), as herein above created and set forth in this section may by resolution adopted by the Issuer be invested from time to time by the Treasurer of the Issuer in interest bearing bonds or other direct and general obligations of the United States Government maturing in not more than ten (10) years after the purchase date thereof and in certificates of deposit or time deposits constituting direct obligations of any savings and loan association or of any bank as defined in the Illinois Banking Act to the extent such certificates or deposits are insured by the Federal Deposit Insurance Corporation or its successor and mature in not more than ten (10) years after the purchase date thereof, and such investments shall be sold from time to time by such Treasurer pursuant to a resolution of the Board of Trustees as funds may be needed for the purpose for which such Accounts have been created. All accrued interest received from any such investments shall be considered and treated as income and revenues of the waterworks system and be deposited as received in the Issuer’s Waterworks Fund.