

**LAKE IN THE HILLS SANITARY DISTRICT
MCHENRY COUNTY, ILLINOIS**

**BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

Year Ended April 30, 2013

LAKE IN THE HILLS SANITARY DISTRICT

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JAMES GIOIA & COMPANY, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the President and Members of the Board of Trustees
Lake In The Hills Sanitary District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake In The Hills Sanitary District, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake In The Hills Sanitary District, as of April 30,

2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

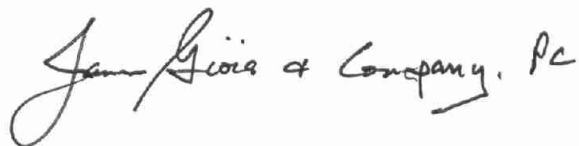
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the budgetary comparison information on pages 28 through 33, and the Schedule of Funding Progress on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake In The Hills Sanitary District's basic financial statements. The combining and individual nonmajor fund financial statements on pages 37 through 40 and the other schedules on pages 41 and 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other schedules have 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 them.

A handwritten signature in cursive script that reads "James Gioia & Company, PC". The signature is written in dark ink and is positioned in the lower-left quadrant of the page.

Crystal Lake, Illinois
September 12, 2013

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

Our discussion and analysis of the Lake In The Hills Sanitary District's financial performance provides an overview of the District's financial activities for the year ended April 30, 2013. Please review it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Lake In The Hills Sanitary District exceeded its liabilities at the close of the most recent fiscal year by the amount of \$45,978,324 (net position). Of this amount, \$3,875,085 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors, in accordance with the District's fund designation and fiscal policies.
- The District's net position decreased by \$504,112 during the recent year compared to a decrease of \$450,835 during the preceding year. The decreases were after deducting depreciation of plant and equipment, in the amount of \$1,535,161 for the recent year and \$1,552,920 for the preceding year.
- The District continued payments of its debt certificates, which were issued in February 2008 with an original issue amount of \$2,000,000. The purpose of the certificates was to fund the remaining costs necessary to complete its construction project. The District paid down \$80,000 of its debt certificates' principal. At the close of the fiscal year, \$1,710,000 of the outstanding debt certificates remained.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The State of Net Position (Exhibit A) and the Statement of Activities (Exhibit B) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements are presented in Exhibits C through G. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's plant and infrastructure, to assess the overall health of the District.

In the State of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

- Governmental activities – The District's administrative activities are reported here. Property taxes finance most of these activities.
- Business-type activities – The District charges a fee to customers to help it cover the cost of its sewerage system. Operations and maintenance of the sewerage system are reported here, as well as construction and oversight of improvements to the system.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on the most significant or "major" funds – not the District as a whole. Some funds are required to be established by state law, while some are established to show that the District is meeting legal responsibilities for using certain taxes. The District's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental Funds. The District's administrative services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are restricted or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the District by laws and by the District's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's administrative operations. The statements help readers to determine whether there are more or fewer resources that can be spent in the near future to finance the District's administration. The relationships (or differences) between governmental activities reported in the government-wide statements and governmental funds are provided in a reconciliation at the bottom of the fund financial statements.

Proprietary Funds. The District's proprietary fund is also reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District maintains one proprietary fund, named the "Operations and Maintenance Fund." There are two types of proprietary funds; enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The District's Operations and Maintenance Fund is an enterprise fund. The District has no internal service funds.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comprised of budgetary comparison schedules for the District's governmental funds, as well as a schedule of funding progress for the Illinois Municipal Retirement Fund in which the District participates.

Additional supplementary information includes the combining and individual statements referred to earlier in connection with the District's non-major governmental funds, a comparison of expenditures and

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

appropriations for the District's proprietary fund, a comparison schedule of tax extensions for each of the past three years, and a statement of the District's legal debt margin.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position decreased by approximately \$500,000 compared to a year ago. Net position at April 30, 2013 was \$45,978,324 and at April 30, 2012, it was \$46,482,436. Similarly, the District's combined net position decreased by approximately \$450,000 during the previous year.

The components of the District's net position provide insight into the overall decrease. One component – net position invested in capital assets – decreased by approximately \$1,100,000. Meanwhile, another component – unrestricted net position – increased by approximately \$600,000.

The District's net position invested in capital assets reflects its investment in the infrastructure of the sewerage system itself and comprises over 90% of total net position. Its decrease each year is directly attributable to depreciation of the District's plant and equipment.

The District's long-term liabilities decreased by approximately \$600,000. The decrease is primarily attributable to payment of its debt certificates and the reduction in its liability for downstream charges which have expired.

The following table provides a summary of the District's net position at April 30:

Lake In The Hills Sanitary District Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Capital assets | \$ - | \$ - | \$ 44,827,480 | \$ 43,637,557 | \$ 44,827,480 | \$ 43,637,557 |
| Cash and cash equivalents | 848,872 | 919,870 | 2,491,438 | 2,437,297 | 3,340,310 | 3,357,167 |
| Other assets | 614,544 | 622,410 | 926,369 | 943,849 | 1,540,913 | 1,566,259 |
| Total Assets | 1,463,416 | 1,542,280 | 48,245,287 | 47,018,703 | 49,708,703 | 48,560,983 |
| Current liabilities | 557,905 | 584,591 | 372,646 | 318,706 | 930,551 | 903,297 |
| Long-term liabilities | - | - | 2,295,716 | 1,679,362 | 2,295,716 | 1,679,362 |
| Total liabilities | 557,905 | 584,591 | 2,668,362 | 1,998,068 | 3,226,267 | 2,582,659 |
| Net Position | | | | | | |
| Invested in capital assets | - | - | 43,000,664 | 41,893,195 | 43,000,664 | 41,893,195 |
| Restricted | 223,388 | 210,044 | - | - | 223,388 | 210,044 |
| Unrestricted | 682,123 | 747,645 | 2,576,261 | 3,127,440 | 3,258,384 | 3,875,085 |
| Total Net Position | \$ 905,511 | \$ 957,689 | \$ 45,576,925 | \$ 45,020,635 | \$ 46,482,436 | \$ 45,978,324 |

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

As of April 30, 2013, the District is able to report positive balances in all three categories of net position, for the government as a whole, as well for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

The District's governmental activities increased its net position by the amount of \$52,178. This increase represents 9% of its total revenues.

Property taxes account for nearly all (over 99%) of the District's governmental activities revenue. Total property taxes revenue amounted to \$550,830 for the fiscal year ended April 30, 2013. This represents a slight increase from the previous year, in the amount of \$9,339, or approximately 1.4%.

Business-type Activities

The expenses of plant operations increased during the year ended April 30, 2013 by approximately \$280,000. The net increase results from a combination of increases and decreases. The largest increase was for sludge management expenses, which rose by approximately \$480,000. This increase was offset by reductions in several of expenses, the largest of which was from utilities and energy expenses, which decreased by approximately \$100,000.

Capital contributions totaled approximately \$580,000 during the year ended April 30, 2013 compared to approximately \$390,000 during the year ended April 30, 2012. These capital contributions consist primarily of fees from users tapping on to the sewerage system.

The following table provides a summary of the District's operations for the year ended April 30, 2013 with comparative totals for the year ended April 30, 2012.

Lake In The Hills Sanitary District Summary of Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Operating revenue | \$ - | \$ - | \$ 3,459,964 | \$ 3,448,178 | \$ 3,459,964 | \$ 3,448,178 |
| Taxes | 543,116 | 552,441 | - | - | 543,116 | 552,441 |
| Other income | 666 | 1,019 | 3,366 | 7,024 | 4,032 | 8,043 |
| | <u>543,782</u> | <u>553,460</u> | <u>3,463,330</u> | <u>3,455,202</u> | <u>4,007,112</u> | <u>4,008,662</u> |
| Plant operations | - | - | 1,970,234 | 2,252,017 | 1,970,234 | 2,252,017 |
| Depreciation | - | - | 1,552,920 | 1,535,161 | 1,552,920 | 1,535,161 |
| Personnel | 171,831 | 178,997 | 437,246 | 456,620 | 609,077 | 635,617 |
| Administrative | 12,481 | 14,783 | 300,302 | 251,741 | 312,783 | 266,524 |
| Other | 289,322 | 307,502 | 117,020 | 96,943 | 406,342 | 404,445 |
| | <u>473,634</u> | <u>501,282</u> | <u>4,377,722</u> | <u>4,592,482</u> | <u>4,851,356</u> | <u>5,093,764</u> |
| Change in net assets before contributions | 70,148 | 52,178 | (914,392) | (1,137,280) | (844,244) | (1,085,102) |
| Capital contributions | - | - | 393,409 | 580,990 | 393,409 | 580,990 |
| Change in net position | <u>\$ 70,148</u> | <u>\$ 52,178</u> | <u>\$ (520,983)</u> | <u>\$ (556,290)</u> | <u>\$ (450,835)</u> | <u>\$ (504,112)</u> |

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on financial position and on sources, uses, and balances of spendable financial resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$901,927. Of this total, \$154,282 has been assigned; meaning there are limitations resulting from its intended use, such as for contributions to the pension plan, for liability insurance, for contributions to pay social security taxes, and for other purposes. The remaining \$747,645 is unassigned and can be used for any lawful purpose.

Proprietary Fund

As previously mentioned, the District has one proprietary fund, the Operations and Maintenance Fund. It is further classified within the set of types of proprietary funds as an enterprise fund. The Operations and Maintenance Fund reports the "business" operations of the sanitary sewer system; its fees for services, its costs of maintenance and personnel, its capital improvements and expansion, and its payment of its debt certificates.

The Operations and Maintenance Fund is by far the largest fund of the District. Its net position amounted to \$45,020,635 at April 30, 2013, or approximately 98% of the District's total net position.

Operating revenues of the Operations and Maintenance Fund totaled \$3,448,178 for the current fiscal year. The proprietary fund's revenues were comprised entirely of sewer services revenues. Overall, sewer services revenues remained constant compared to the prior year, decreasing by less than 1%. The decrease is attributable to a decrease in fees from processing septage as compared to the prior year. The District actually raised residential sewerage customer rates by approximately 6%, effective January 1, 2013.

The Operations and Maintenance Fund generated a net loss for the fiscal year, in the amount of \$1,137,280. Included in its expenses was depreciation, in the amount of \$1,535,161. Operations before depreciation generated a positive net operating income, in the amount of \$465,603.

BUDGETARY HIGHLIGHTS

Major Governmental Funds. The District has two major governmental funds, its General Fund and its Liability Insurance Fund.

In the General Fund, the District budgeted for a net decrease in the fund balance (on a budgetary basis), in the amount of \$15,710. As reported in the budgetary comparison schedule, the fund balance actually increased (on a budgetary basis), by the amount of \$74,807. Actual operating expenses were lower than budgeted and were the main contributors to the difference. The largest positive budget variance was for utilities expenditures.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of April 30, 2013, was \$41,893,195. This investment represents over 90% of the District's total net position.

During the year ended April 30, 2013, the District completed the third and final phase of the improvements to its dam lift station. The first phase of the project, improvements to the Hilltop force main, had been completed in the fiscal year ended April 30, 2011 with a total cost of \$256,888. The second phase, completed in the fiscal year ended April 30, 2012, consisted of improvements to the Maple Street force main and had a total cost of \$221,112. The third and final phase of the project, completed in the fiscal year ended April 30, 2013, consisted of improvements to the pumping station and totaled \$323,074.

Debt Administration

During the year, the District had only one issue of long-term debt outstanding; Debt Certificates, Series 2008, dated February 6, 2008. The proceeds of the Debt Certificates, approximately \$2,000,000, were used to pay for part of the construction costs of the expansion of the District's wastewater treatment plant and improvements to its facilities. The certificates mature May 1, 2013 through May 1, 2027. Certificates maturing on or after 2019 are subject to maturity prior to redemption. At April 30, 2013, the balance of the Certificates remaining to be paid was \$1,710,000.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has begun the process of rerating its plant treatment capacity to 4.9 million gallons per day. Currently, the District's plant has a rating for a treatment capacity of 4.5 million gallons per day. For its fiscal year ending April 30, 2015, as the result of a new accounting pronouncement, the District's financial statements will report the unfunded accumulated actuarial liability for its pension plan, discussed in Note 6, as a liability in both its government-wide and fund-level financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's commitment to public accountability. If you have questions about this report or would like additional information, please contact the District Manager at 515 Plum Street, Lake In The Hills, Illinois 60156.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
April 30, 2013

| | PRIMARY GOVERNMENT | | |
|--|----------------------------|-----------------------------|----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Cash and cash equivalents | \$ 919,870 | \$ 2,437,297 | \$ 3,357,167 |
| Property taxes receivable | 569,063 | - | 569,063 |
| Accounts receivable, net | - | 785,282 | 785,282 |
| Interfund balances | (2,415) | 2,415 | - |
| Deferred debt certificate costs | - | 33,964 | 33,964 |
| Deposit with debt certificate paying agent | - | 122,188 | 122,188 |
| Prepaid insurance | 55,762 | - | 55,762 |
| Capital assets: | | | |
| Land not being depreciated | - | 446,489 | 446,489 |
| Plant and equipment, net of depreciation | - | 43,191,068 | 43,191,068 |
| TOTAL ASSETS | 1,542,280 | 47,018,703 | 48,560,983 |
| LIABILITIES | | | |
| Accounts payable | 5,523 | 165,589 | 171,112 |
| Accrued compensated absences | 10,005 | 13,123 | 23,128 |
| Accrued interest | - | 37,188 | 37,188 |
| Deferred property taxes revenue | 569,063 | - | 569,063 |
| Customer deposits | - | 156 | 156 |
| Developer deposits | - | 17,650 | 17,650 |
| Long-term liabilities: | | | |
| Due within one year | | | |
| Debt certificates payable | - | 85,000 | 85,000 |
| Due in more than one year | | | |
| Debt certificates payable | - | 1,625,000 | 1,625,000 |
| Debt certificates premium | - | 34,362 | 34,362 |
| Escrow deposits | - | 20,000 | 20,000 |
| TOTAL LIABILITIES | 584,591 | 1,998,068 | 2,582,659 |
| NET POSITION | | | |
| Net investment in capital assets | - | 41,893,195 | 41,893,195 |
| Restricted for: | | | |
| Audit expenses | 4,212 | - | 4,212 |
| Chlorination, disinfection, and treatment | 57,166 | - | 57,166 |
| Pension contributions | 60,203 | - | 60,203 |
| Public liability insurance | 56,292 | - | 56,292 |
| Social security contributions | 32,171 | - | 32,171 |
| Unrestricted | 747,645 | 3,127,440 | 3,875,085 |
| TOTAL NET POSITION | \$ 957,689 | \$ 45,020,635 | \$ 45,978,324 |

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF ACTIVITIES
Year Ended April 30, 2013

| | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT | | |
|-----------------------------------|------------------|-------------------------|--|--|-----------------------------|----------------------|
| | EXPENSES | CHARGES FOR SERVICES | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| FUNCTIONS/PROGRAMS | | | | | | |
| Primary Government | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | |
| Administration | \$ 501,282 | \$ - | \$ - | \$ (501,282) | \$ - | \$ (501,282) |
| BUSINESS-TYPE ACTIVITIES | | | | | | |
| Sewerage services | 4,517,736 | 3,448,178 | 580,990 | - | (488,568) | (488,568) |
| Debt service | 74,746 | - | - | - | (74,746) | (74,746) |
| Total Primary Government | <u>5,093,764</u> | <u>3,448,178</u> | <u>580,990</u> | <u>(501,282)</u> | <u>(563,314)</u> | <u>(1,064,596)</u> |
| GENERAL REVENUES | | | | | | |
| Property taxes | | | | 550,830 | - | 550,830 |
| Personal property replacement tax | | | | 1,611 | - | 1,611 |
| Unrestricted investment earnings | | | | 1,019 | 4,224 | 5,243 |
| Gain from sale of equipment | | | | - | 2,800 | 2,800 |
| TOTAL GENERAL REVENUES | | | | <u>553,460</u> | <u>7,024</u> | <u>560,484</u> |
| CHANGE IN NET POSITION | | | | 52,178 | (556,290) | (504,112) |
| NET POSITION | | | | | | |
| BEGINNING | | | | <u>905,511</u> | <u>45,576,925</u> | <u>46,482,436</u> |
| ENDING | | | | <u>\$ 957,689</u> | <u>\$ 45,020,635</u> | <u>\$ 45,978,324</u> |

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2013

| | GENERAL FUND | LIABILITY INSURANCE FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|-----------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 765,588 | \$ 530 | \$ 153,752 | \$ 919,870 |
| Property taxes receivable | 270,233 | 144,968 | 153,862 | 569,063 |
| TOTAL ASSETS | \$ 1,035,821 | \$ 145,498 | \$ 307,614 | \$ 1,488,933 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 5,523 | \$ - | \$ - | \$ 5,523 |
| Accrued compensated absences | 10,005 | - | - | 10,005 |
| Deferred property taxes revenue | 270,233 | 144,968 | 153,862 | 569,063 |
| Due to other funds | 2,415 | - | - | 2,415 |
| Total Liabilities | 288,176 | 144,968 | 153,862 | 587,006 |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Audit expenses | - | - | 4,212 | 4,212 |
| Chlorination, disinfection, and treatment | - | - | 57,166 | 57,166 |
| Pension contributions | - | - | 60,203 | 60,203 |
| Public liability insurance | - | 530 | - | 530 |
| Social security contributions | - | - | 32,171 | 32,171 |
| Unassigned | 747,645 | - | - | 747,645 |
| Total Fund Balances | 747,645 | 530 | 153,752 | 901,927 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,035,821 | \$ 145,498 | \$ 307,614 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Insurance premiums for policy periods that extend past the year end are reported as prepaid insurance in the governmental activities statement of net position. | | | | 55,762 |
| Net position of governmental activities | | | | \$ 957,689 |

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended April 30, 2013

| | GENERAL FUND | LIABILITY INSURANCE FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|--------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 317,573 | \$ 103,346 | \$ 129,911 | \$ 550,830 |
| Personal property replacement tax | 1,611 | - | - | 1,611 |
| Interest income | 1,019 | - | - | 1,019 |
| TOTAL REVENUES | <u>320,203</u> | <u>103,346</u> | <u>129,911</u> | <u>553,460</u> |
| EXPENDITURES | | | | |
| Personnel services and salary | 178,997 | - | - | 178,997 |
| Contractual services | 22,829 | - | 22,250 | 45,079 |
| Administrative expenses | 14,783 | - | - | 14,783 |
| Operating expenses | 38,072 | - | - | 38,072 |
| Contingency and miscellaneous expenses | - | - | - | - |
| Chlorination, disinfection, and treatment | - | - | - | - |
| Public liability insurance | - | 107,876 | - | 107,876 |
| Pension contributions | - | - | 61,482 | 61,482 |
| Social security contributions | - | - | 46,968 | 46,968 |
| TOTAL EXPENDITURES | <u>254,681</u> | <u>107,876</u> | <u>130,700</u> | <u>493,257</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 65,522 | (4,530) | (789) | 60,203 |
| FUND BALANCES | | | | |
| BEGINNING | <u>682,123</u> | <u>5,060</u> | <u>154,541</u> | |
| ENDING | <u>\$ 747,645</u> | <u>\$ 530</u> | <u>\$ 153,752</u> | |

Amounts reported for governmental activities in the statement of activities are different because:

Insurance premiums for policy periods that extend past the year end are reported as prepaid insurance in the governmental activities statement of activities. Change in prepaid insurance.

(8,025)

Change in net position of governmental activities

\$ 52,178

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
April 30, 2013

| | <u>ENTERPRISE FUND OPERATIONS & MAINTENANCE</u> |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 2,437,297 |
| Accounts receivable, net of \$160,000 allowance for doubtful accounts | 785,282 |
| Due from general fund | 2,415 |
| Deferred debt certificate costs | 33,964 |
| Deposit with debt certificate paying agent | 122,188 |
| Total Current Assets | <u>3,381,146</u> |
| NONCURRENT ASSETS | |
| Capital Assets: | |
| Land | 446,489 |
| Plant and equipment | 61,260,999 |
| Less accumulated depreciation | (18,069,931) |
| Total Noncurrent Assets | <u>43,637,557</u> |
| TOTAL ASSETS | <u>47,018,703</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 165,589 |
| Current portion of debt certificates payable | 85,000 |
| Accrued compensated absences | 13,123 |
| Accrued interest | 37,188 |
| Customer deposits | 156 |
| Developer deposits | 17,650 |
| Total Current Liabilities | <u>318,706</u> |
| NONCURRENT LIABILITIES | |
| Debt certificates payable, net of current portion | 1,625,000 |
| Debt certificates premium | 34,362 |
| Escrow deposits | 20,000 |
| Total Noncurrent Liabilities | <u>1,679,362</u> |
| TOTAL LIABILITIES | <u>1,998,068</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 41,893,195 |
| Unrestricted | 3,127,440 |
| TOTAL NET POSITION | <u>\$ 45,020,635</u> |

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended April 30, 2013

| | ENTERPRISE FUND OPERATIONS & MAINTENANCE |
|---|--|
| OPERATING REVENUES | |
| Sewer services | \$ 3,448,178 |
| TOTAL OPERATING REVENUES | 3,448,178 |
| OPERATING EXPENSES | |
| Personnel services | 456,620 |
| Administrative expenses | 251,741 |
| Operation and maintenance of plant | 2,252,017 |
| Capital improvements | 22,197 |
| Contingent expenses | - |
| TOTAL OPERATING EXPENSES | 2,982,575 |
| OPERATING INCOME BEFORE DEPRECIATION | 465,603 |
| DEPRECIATION | 1,535,161 |
| OPERATING LOSS | (1,069,558) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 4,224 |
| Gain from sale of equipment | 2,800 |
| Debt certificate amortization | 29 |
| Interest expense and agent fees | (74,775) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (67,722) |
| LOSS BEFORE CONTRIBUTIONS | (1,137,280) |
| CAPITAL CONTRIBUTIONS | 580,990 |
| CHANGE IN NET POSITION | (556,290) |
| NET POSITION | |
| BEGINNING | 45,576,925 |
| ENDING | \$ 45,020,635 |

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended April 30, 2013

| | <u>ENTERPRISE FUND OPERATIONS & MAINTENANCE</u> |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 3,444,015 |
| Payments to suppliers | (2,534,526) |
| Payments to employees | (456,550) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>452,939</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Contributed capital - connection fees | 30,590 |
| Developer deposits received | 6,798 |
| Proceeds from sale of equipment | 2,800 |
| Developer deposits refunded | (67,980) |
| Interest paid and administration fee | (74,775) |
| Debt certificate principal deposited with paying agent | (85,000) |
| Purchases of capital assets | (323,737) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(511,304)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest from cash and investments | 4,224 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>4,224</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (54,141) |
| CASH AND CASH EQUIVALENTS, at beginning of year | <u>2,491,438</u> |
| CASH AND CASH EQUIVALENTS, at end of year | <u>\$ 2,437,297</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| OPERATING LOSS | \$ (1,069,558) |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Depreciation | 1,535,161 |
| CHANGE IN ASSETS AND LIABILITIES | |
| Accounts receivable | (14,451) |
| Due from general fund | (1,955) |
| Accounts payable | 3,672 |
| Accrued compensated absences | 70 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 452,939</u> |

Noncash Capital Financing Activities

Capital assets of \$550,400 were acquired through contributions from developers.

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake In The Hills Sanitary District was organized in 1963 under the provisions of the State of Illinois Sanitary District Act of 1917. The District is located in southeastern McHenry County, Illinois. The District provides wastewater collection and treatment services to residential and commercial customers located within its boundaries.

The District's 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 accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The Lake In The Hills Sanitary District (the "District") is governed by a Board of Trustees, comprised of three members. Each member is appointed by the McHenry County Board for a three-year term. District officers are elected at the beginning of each year.

The District's Board of Trustees has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Thus, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board in its Statement No. 14.

The District does not have any component units as defined by Government Accounting Standards Board Statement No. 61, nor is the District a component unit of some other governmental entity.

B. Basic Financial Statements - Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general administrative services are classified as governmental activities. The District's sewerage services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property taxes and personal property replacement tax). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital specific grants.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The net costs (by function or business-type activity) are normally covered by general revenues (property taxes, personal property replacement tax, interest income, etc).

The District does not allocate indirect costs. All interfund activity has been eliminated. The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports these major governmental funds and fund types:

- a. The General Fund is the District's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.
- b. The Liability Insurance Fund is a special revenue fund. Its revenue is derived from property taxes that are designated for use in funding the District's public liability insurance policies.

The activities of these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The District reports the following proprietary fund type:

- a. The Operations and Maintenance Fund is a proprietary fund. More specifically, it is an enterprise fund of the proprietary fund type. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The activities in this fund are reported as business-type activities in the government-wide financial statements. The Operations and Maintenance Fund operates and maintains the District's sewerage system.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The District has no fiduciary funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Available” means collectible within the current period or within thirty-one days after year end. Expenditures are recognized when the related liability is incurred.

E. Financial Statement Amounts

1. Cash and Cash Equivalents

Many of the District’s funds combine their cash in common checking accounts. During the fiscal year, the District invested only in checking and money market accounts. In years when the District invests in certificates of deposit, it reports certificates of deposit with original maturities of three months or less as cash equivalents. Certificates of deposits with original maturities of more than three months are reported as investments.

2. Accounts Receivable

Accounts receivable are reported by the Proprietary Fund net of an allowance for doubtful accounts, in the amount of \$150,000 at April 30, 2013.

3. Interfund Receivables

During the course of its operations, the Lake In The Hills Sanitary District had transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of the end of its fiscal year, balances of interfund amounts receivable or payable have been recorded.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Deferred Debt Certificate Costs

Deferred debt certificate costs consist of the balance of unamortized costs incurred to issue the District's Series 2008 debt certificates. The \$46,700 original issuance costs are amortized over the 19.25 year term of the certificates.

5. Prepaid Insurance

Prepaid insurance balances are for premiums paid by the District in the current year for the portion of insurance policy terms occurring in the subsequent year.

6. Capital Assets

Plant and equipment of the enterprise fund is stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000 and an estimated useful life of more than one year. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend asset lives are not capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 24 to 50 years for the treatment plant and trunk line and from 5 to 25 years for equipment.

7. Impairment

Impairment losses are recorded whenever there has been a significant, unexpected decline in the service utility of a capital asset. The events or circumstances which lead to impairments are not considered normal and ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used to provide service. Common indicators of potential impairment include – evidence of physical damage (above normal wear and tear) where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technology factors; other evidence of obsolescence, changes in the manner or duration or use of capital assets; and construction stoppage due to lack of funding. Based on these criteria, there was no impairment of the District's capital assets during the fiscal year ended April 30, 2013.

8. Compensated Absences

The District's policy allows employees to accumulate ten days of unused sick leave on an annual basis, based on their hire date, and to carryover up to sixty days of unused sick leave to the following year. Sick leave is not paid upon termination, but will be paid upon illness while in the employ of the District. Employees are entitled to up to four weeks of annual vacation depending on their length of service. Vacation days not used by the end of their hire date anniversary do not carryover.

9. Long-term Obligations

In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt certificates payable are reported net of their associated premium.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Property Tax Calendar and Revenues

Property taxes are recorded in the governmental funds when measurable and available. The lien date for property taxes levied by the District is January 1 of each year. The District's property taxes are included on the bills issued by the McHenry County and are generally issued in May. Payments of property taxes are due in June and September each year. The County collects the property tax payments and remits them periodically.

The 2013 property tax levy, which attached as an enforceable lien on property on January 1, 2013 has not been recorded as a receivable as of April 30, 2013, as the tax has not yet been levied by the District and will not be levied until December 2013 and, therefore, the levy is not measurable as of April 30, 2013. The 2013 taxes are intended to finance the District's fiscal year ending April 30, 2014.

11. Defining Operating Revenues and Expenses

The District's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District's Operations and Maintenance Fund consists of charges for services and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

12. Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

- a. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position – consist of assets that are restricted by the enabling legislation.
- c. Unrestricted - all other net position is reported in this category.

13. Governmental Fund Balances

In the governmental fund financial statements, fund balances are reported based on a hierarchy, which shows from highest to lowest, the level or type of constraints on fund balances, and accordingly, the extent to which the District is bound to honor them. The fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of constraints established by parties outside of the District or through enabling legislation.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action established by the Board of Trustees.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. Assigned – Amounts that are designated by constraints established by the intent expressed by the governing body or designated by the governing body.
- e. Unassigned – All amounts not included in other spendable classifications.

14. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications.

15. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

16. Subsequent Events

Management has reviewed transactions and events occurring subsequent to the balance sheet date through the date of the accompanying independent auditor's report on the financial statements, which is the date that such statements were available for release. The financial statements include all events and/or transactions (including estimates) required to be recognized in accordance with the financial reporting framework utilized herein. Management has also determined that there are no non-recognized subsequent events which require additional disclosure in order for the financial statements not to be misleading.

NOTE 2 - CASH AND INVESTMENTS

The District maintains various individual and commingled cash accounts that are available for use by the various funds. Each fund type's portion of the cash accounts is displayed on the combined statement of assets and liabilities as "cash and cash equivalents."

The District's investment policies are governed by state statutes whereby District monies must be deposited in authorized investments. Authorized investments include certain demand accounts, money market accounts, and certificates of deposit.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 2 - CASH AND INVESTMENTS (continued)

At year end, the carrying amounts of the District's cash and investments consisted of the following:

| | <u>Governmental Funds</u> | <u>Operations and Maintenance Fund</u> | <u>Total</u> |
|------------------------------------|-------------------------------|--|---------------------|
| CASH AND EQUIVALENTS | | | |
| Checking and Money Market Accounts | \$ 919,870 | \$ 2,404,434 | \$ 3,324,304 |
| Pooled Money Market Accounts | - | 32,463 | 32,463 |
| Cash on Hand | <u>-</u> | <u>400</u> | <u>400</u> |
| | | | |
| TOTAL CASH AND EQUIVALENTS | <u>\$ 919,870</u> | <u>\$ 2,437,297</u> | <u>\$ 3,357,167</u> |

All deposits of the District are insured by the FDIC or the depository is carrying collateral in the District's name in an amount that exceeds the checking and money market accounts balances.

NOTE 3 - ENTERPRISE FUND – CAPITAL ASSETS

Capital assets activity for the year was, as follows:

| | <u>Balance May 1, 2012</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Balance April 30, 2013</u> |
|-------------------------------------|--------------------------------|----------------------|---------------------|-----------------------------------|
| FIXED ASSETS | | | | |
| Land | \$ 446,489 | \$ - | \$ - | \$ 446,489 |
| Plant and equipment | <u>60,942,914</u> | <u>350,924</u> | <u>(32,839)</u> | <u>61,260,999</u> |
| Total | 61,389,403 | 350,924 | (32,839) | 61,707,488 |
| | | | | |
| Accumulated depreciation | <u>(16,567,609)</u> | <u>(1,535,161)</u> | <u>32,839</u> | <u>(18,069,931)</u> |
| | | | | |
| Net fixed assets | <u>44,821,794</u> | <u>(1,184,237)</u> | <u>-</u> | <u>43,637,557</u> |
| | | | | |
| CONSTRUCTION IN PROGRESS | | | | |
| | <u>5,686</u> | <u>-</u> | <u>(5,686)</u> | <u>-</u> |
| | | | | |
| Total capital assets | <u>\$ 44,827,480</u> | <u>\$(1,184,237)</u> | <u>\$ (5,686)</u> | <u>\$ 43,637,557</u> |

Depreciation charged to current operations amounted to \$1,535,161 based on the straight line method of depreciation and useful lives of 5-50 years. Land and Construction in Progress were not subject to depreciation.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 4 – INTERFUND BALANCES

Interfund balances at April 30, 2013 for reimbursement of payroll taxes to be repaid in the following month consisted of the following.

| | |
|----------------------|-----------------------------------|
| <u>Due To (From)</u> | <u>Due (to) from General Fund</u> |
| Enterprise Fund | \$ 2,415 |
| Total | <u>\$ 2,415</u> |

NOTE 5 - LONG-TERM DEBT

Outstanding debt -

At April 30, 2013, long-term debt consisted of the following individual issue:

| | PROPRIETARY FUND TYPE <u>OPERATIONS AND MAINTENANCE FUND</u> |
|--|---|
| <i>Debt Certificates, Series 2008, dated February 6, 2008.</i> Amount of original issue \$2,000,000. For the purpose of constructing improvements to the District’s sanitary sewerage system. The outstanding certificates carry interest rates of 3.750% to 4.875% and mature May 1, 2013 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity. | <u>\$ 1,710,000</u> |
| Total | \$ 1,710,000 |
| Current portion | <u>85,000</u> |
| Noncurrent | <u>\$ 1,625,000</u> |

Changes in outstanding debt –

| | <u>Balance at May 1, 2012</u> | <u>Accrued</u> | <u>Used</u> | <u>Balance at April 30, 2013</u> |
|--------------------------------|-----------------------------------|-----------------------|--------------------|--|
| Accrued Compensated Absences | \$ <u>16,474</u> | \$ <u>35,462</u> | \$ <u>(28,808)</u> | \$ <u>23,128</u> |
| | <u>Balance at May 1, 2012</u> | <u>New Issues</u> | <u>Retirements</u> | <u>Balance at April 30, 2013</u> |
| Debt Certificates, Series 2008 | \$ <u>1,790,000</u> | \$ <u>-</u> | \$ <u>(80,000)</u> | \$ <u>1,710,000</u> |

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 5 - LONG-TERM DEBT (continued)

Debt Certificates –

These certificates constitute direct general obligations of the District payable from any funds lawfully available and annually budgeted for that purpose. There is no statutory authority for the levy of a separate tax in addition to other District taxes or the levy of a special tax to pay the installments of principal and interest due on the certificates.

Debt service requirements to maturity –

The annual debt service requirements to maturity for all long-term debt, as of April 30, 2013, are as follows:

| <u>Year Ending</u> <u>April 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------|---------------------|
| 2014 | \$85,000 | \$72,781 | \$157,781 |
| 2015 | 90,000 | 69,388 | 159,388 |
| 2016 | 90,000 | 65,788 | 155,788 |
| 2017 | 100,000 | 62,138 | 162,138 |
| 2018 | 100,000 | 58,438 | 158,438 |
| 2019 - 2023 | 555,000 | 223,909 | 778,909 |
| 2024 - 2028 | <u>690,000</u> | <u>84,984</u> | <u>774,984</u> |
| Total | <u>\$ 1,710,000</u> | <u>\$ 637,426</u> | <u>\$ 2,347,426</u> |

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description. The District’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, District Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 10.32 percent. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2012 was \$59,885.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Three-Year Trend Information for the Regular Plan

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--------------------------------------|--|-----------------------------------|
| 04/30/13 | 59,885 | 100% | \$0 |
| 04/30/12 | 56,184 | 95% | 2,809 |
| 04/30/11 | 51,782 | 89% | 5,696 |

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of District Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 84.39 percent funded. The actuarial accrued liability for benefits was \$1,632,866 and the actuarial value of assets was \$1,377,927, resulting in an underfunded actuarial accrued liability (UAAL) of \$254,939. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$580,281 and the ratio of the UAAL to the covered payroll was 44 percent.

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

NOTE 7 – DEFINED CONTRIBUTION PLAN

Effective May 1, 2005, the District adopted the Lake In The Hills Sanitary District 401(a) Plan, which is a defined contribution plan administered by the Security Benefit Advisor Retirement Program. District contributions, in the form of flat dollar contributions to the account of each eligible participant, are discretionary and are determined by the Board of Trustees. There are no mandatory employer matching contributions or mandatory employee contributions. Plan provisions and contribution requirements are established and may be amended by the District Board of Trustees. The District contributed \$15,000 to the plan during the year ended April 30, 2013.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2013

NOTE 8 – RISK MANAGMENT

The District purchases commercial insurance policies for coverage relating to workers compensation claims, equipment, vehicles, general liability, pollution, and commercial coverage. Payments of commercial insurance premiums are recorded in the Public Liability Insurance Fund.

Additionally, the District purchases medical and life insurance coverage for its employees. Payments of medical and life insurance premiums are recorded in the Enterprise Fund.

NOTE 9 – IMACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During the year ended April 30, 2013, the District adopted the applicable provisions of GASB Statements 61, 62, and 63, which had no material effect on its financial reporting and accounting practices.

The District has adopted all current GASB pronouncements which are applicable to its financial reporting stewardship. No new GASB statements required adoption during the year ended April 30, 2013, other than Statements 61, 62, and 63. The accounting principles governing the reported amounts, financial presentations and disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various standard-setting bodies. The GASB has issued the following statements which will potentially be applicable to the District.

- Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement 69, Government Combinations and Disposals of Government Operations*
- Statement 68, Accounting and Reporting for Pensions – an amendment of GASB Statement 27*
- Statement 67, Accounting and Reporting for Pensions – an amendment of GASB Statement 25*
- Statement 66, Technical Corrections – 2012, an amendment of GASB Statements 10 and 62*
- Statement 65, Items Previously Reported as Assets and Liabilities*
- Statement 64, Derivative Investments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement 53*

Those new pronouncements not yet in effect as of April 30, 2013 as listed above, are not expected to have any significant impact on the District's financial position or results of operations, other than Statement 68, which will result in the unfunded accumulated actuarial liability discussed in Note 6 above being recorded as a liability in both the government-wide and fund level financial statements in the year ending April 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|--|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 317,790 | \$ 317,573 | \$ (217) |
| Personal property replacement tax | - | 1,611 | 1,611 |
| Interest income | 1,000 | 1,019 | 19 |
| TOTAL REVENUES | <u>318,790</u> | <u>320,203</u> | <u>1,413</u> |
| EXPENDITURES | | | |
| PERSONNEL SERVICES AND SALARY EXPENSE | | | |
| Salaries of trustees, manager, finance director and assistant clerk | <u>180,000</u> | <u>172,412</u> | <u>7,588</u> |
| Total personnel services and salary expense | <u>180,000</u> | <u>172,412</u> | <u>7,588</u> |
| CONTRACTUAL SERVICES | | | |
| Professional engineering | 15,000 | 11,798 | 3,202 |
| Legal services | 15,000 | 9,891 | 5,109 |
| Other professional services | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Total contractual services | <u>40,000</u> | <u>21,689</u> | <u>18,311</u> |
| ADMINISTRATIVE EXPENSES | | | |
| Printing and publications | 1,000 | 708 | 292 |
| Office supplies and equipment | 2,000 | 4,750 | (2,750) |
| Postage | 2,000 | 1,354 | 646 |
| Treasurer's bond | 5,000 | 4,145 | 855 |
| Community affairs | 5,000 | 160 | 4,840 |
| Memberships and dues | <u>5,000</u> | <u>3,538</u> | <u>1,462</u> |
| Total administrative expenses | <u>20,000</u> | <u>14,655</u> | <u>5,345</u> |
| OPERATING EXPENSES | | | |
| Building and grounds upkeep | 12,000 | 5,290 | 6,710 |
| Utilities | 65,000 | 26,319 | 38,681 |
| JULIE | 1,500 | 1,539 | (39) |
| Training and education | 2,500 | 295 | 2,205 |
| Travel expenses | 2,500 | 262 | 2,238 |
| Computer hardware, software & support | <u>10,000</u> | <u>2,935</u> | <u>7,065</u> |
| Total operating expense | <u>93,500</u> | <u>36,640</u> | <u>56,860</u> |
| CONTINGENCY AND MISCELLANEOUS EXPENSES | | | |
| Contingency and miscellaneous expenses | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| Total contingent and miscellaneous expenses | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| TOTAL EXPENDITURES | <u>334,500</u> | <u>245,396</u> | <u>89,104</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (15,710) | 74,807 | 90,517 |
| BUDGETARY FUND BALANCE | | | |
| BEGINNING OF YEAR | <u>688,366</u> | <u>688,366</u> | <u>-</u> |
| END OF YEAR | <u>\$ 672,656</u> | <u>\$ 763,173</u> | <u>\$ 90,517</u> |
| BUDGET-TO-ACTUAL RECONCILIATION | | | |
| BUDGETARY BASIS | | \$ 74,807 | |
| Expenditure accruals | | <u>(9,285)</u> | |
| GAAP BASIS | | <u>\$ 65,522</u> | |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - LIABILITY INSURANCE FUND
 Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 103,000 | \$ 103,346 | \$ 346 |
| EXPENDITURES | | | |
| Workers Compensation | 28,000 | 20,631 | 7,369 |
| Property | 35,000 | 37,185 | (2,185) |
| Vehicles | 20,000 | 17,502 | 2,498 |
| General liability | 110,000 | 32,558 | 77,442 |
| TOTAL EXPENDITURES | 193,000 | 107,876 | 85,124 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (90,000) | (4,530) | 85,470 |
| BUDGETARY FUND BALANCE | | | |
| Beginning of year | 5,060 | 5,060 | - |
| END OF YEAR | \$ (84,940) | \$ 530 | \$ 85,470 |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHLORINATION FUND
 Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| EXPENDITURES | | | |
| Chlorination, disinfection and treatment | 2,000 | - | 2,000 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,000) | - | 2,000 |
| BUDGETARY FUND BALANCE | | | |
| Beginning of year | 57,166 | 57,166 | - |
| END OF YEAR | \$ 55,166 | \$ 57,166 | \$ 2,000 |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - SOCIAL SECURITY FUND
 Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 48,000 | \$ 47,973 | \$ (27) |
| EXPENDITURES | | | |
| Social security contributions | 50,000 | 46,968 | 3,032 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,000) | 1,005 | 3,005 |
| BUDGETARY FUND BALANCE | | | |
| Beginning of year | 31,166 | 31,166 | - |
| END OF YEAR | \$ 29,166 | \$ 32,171 | \$ 3,005 |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - ILLINOIS MUNICIPAL RETIREMENT FUND
 Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 58,000 | \$ 57,963 | \$ (37) |
| EXPENDITURES | | | |
| Pension contributions by employer | 85,000 | 61,482 | 23,518 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (27,000) | (3,519) | 23,481 |
| BUDGETARY FUND BALANCE | | | |
| Beginning of year | 63,722 | 63,722 | - |
| END OF YEAR | \$ 36,722 | \$ 60,203 | \$ 23,481 |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - AUDIT FUND
 Year Ended April 30, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE POSITIVE (NEGATIVE) |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 23,900 | \$ 23,974 | \$ 74 |
| EXPENDITURES | | | |
| Auditing expense and fee | 24,000 | 22,250 | 1,750 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (100) | 1,724 | 1,824 |
| BUDGETARY FUND BALANCE | | | |
| Beginning of year | 2,487 | 2,487 | - |
| END OF YEAR | \$ 2,387 | \$ 4,211 | \$ 1,824 |

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended April 30, 2013

NOTE A – BUDGETARY BASIS OF ACCOUNTING

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide financial statements.

NOTE B – BUDGETARY COMPLIANCE AND ACCOUNTABILITY

For the year ended April 30, 2013, expenditures did not exceed appropriations in any of the District's governmental funds. None of the District's funds had deficit balances at the end of the year.

LAKE IN THE HILLS SANITARY DISTRICT
IMRF SCHEDULE OF FUNDING PROGRESS
Year Ended April 30, 2013

ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) /c) |
|---|--|---|--|-------------------------------------|------------------------------------|--|
| 12/31/12 | 1,377,927 | 1,632,866 | 254,939 | 84.39% | 580,281 | 43.93% |
| 12/31/11 | 1,216,171 | 1,468,930 | 252,759 | 82.79% | 559,048 | 45.21% |
| 12/31/10 | 1,112,988 | 1,308,496 | 195,508 | 85.06% | 531,097 | 36.81% |

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,408,204. On a market value basis, the funded ratio would be 86.24%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Lake In The Hills Sanitary District. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 April 30, 2013

SCHEDULE 7

| | | <u>Total</u> | <u>Chlorination Fund</u> | <u>Social Security Fund</u> | <u>Illinois Municipal Retirement Fund</u> | <u>Audit Fund</u> |
|---------------------------------|---|-------------------|------------------------------|-------------------------------------|---|-----------------------|
| | ASSETS | | | | | |
| Cash and cash equivalents | | \$ 153,752 | \$ 57,166 | \$ 32,171 | \$ 60,203 | \$ 4,212 |
| Property taxes receivable | | 153,862 | - | 49,942 | 83,020 | 20,900 |
| | TOTAL ASSETS | <u>\$ 307,614</u> | <u>\$ 57,166</u> | <u>\$ 82,113</u> | <u>\$ 143,223</u> | <u>\$ 25,112</u> |
| | LIABILITIES | | | | | |
| Deferred property taxes revenue | | \$ 153,862 | - | \$ 49,942 | \$ 83,020 | \$ 20,900 |
| | TOTAL LIABILITIES | 153,862 | - | 49,942 | 83,020 | 20,900 |
| | FUND BALANCES | | | | | |
| Fund Balances | | 153,752 | 57,166 | 32,171 | 60,203 | 4,212 |
| | TOTAL LIABILITIES AND SANITARY DISTRICT EQUITY | <u>\$ 307,614</u> | <u>\$ 57,166</u> | <u>\$ 82,113</u> | <u>\$ 143,223</u> | <u>\$ 25,112</u> |

LAKE IN THE HILLS SANITARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended April 30, 2013

SCHEDULE 8

| | Total | Chlorination Fund | Social Security Fund | Illinois Municipal Retirement Fund | Audit Fund |
|---|-------------------|----------------------|----------------------------|---|-----------------|
| REVENUES | | | | | |
| Property taxes | \$ 129,911 | \$ - | \$ 47,973 | \$ 57,963 | \$ 23,975 |
| EXPENDITURES | | | | | |
| Auditing expense and fee | 22,250 | - | - | - | 22,250 |
| Chlorination, disinfection, and treatment | - | - | - | - | - |
| Pension contributions | 61,482 | - | - | 61,482 | - |
| Social security contributions | 46,968 | - | 46,968 | - | - |
| TOTAL EXPENDITURES | 130,700 | - | 46,968 | 61,482 | 22,250 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (789) | - | 1,005 | (3,519) | 1,725 |
| FUND BALANCES | | | | | |
| Beginning of year | 154,541 | 57,166 | 31,166 | 63,722 | 2,487 |
| FUND BALANCES, end of year | \$ 153,752 | \$ 57,166 | \$ 32,171 | \$ 60,203 | \$ 4,212 |

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND TYPE
OPERATIONS & MAINTENANCE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
Year Ended April 30, 2013

| | Cash Basis (Non-GAAP) | | Accrual Basis Expenses |
|---|-----------------------|------------------|------------------------------|
| | Appropriations | Actual | |
| PERSONNEL SERVICES | | | |
| District personnel salaries | \$ 500,000 | \$ 441,550 | \$ 441,620 |
| District personnel retirement | 15,000 | 15,000 | 15,000 |
| TOTAL PERSONNEL SERVICES | 515,000 | 456,550 | 456,620 |
| ADMINISTRATIVE EXPENSES | | | |
| Telephone | 4,000 | 1,895 | 1,895 |
| Postage | 17,000 | 17,868 | 17,868 |
| Printing and publications | 4,000 | 917 | 860 |
| Office supplies | 5,500 | 5,397 | 6,467 |
| Billing and collection expenses | 110,000 | 83,724 | 73,644 |
| Professional services | 5,000 | 1,616 | 1,616 |
| Training, travel and education | 10,000 | 9,177 | 9,140 |
| Computer hardware, software and support | 20,000 | 17,496 | 18,501 |
| Community affairs | 2,500 | 379 | 379 |
| Medical and life insurance | 140,000 | 121,581 | 121,371 |
| TOTAL ADMINISTRATIVE EXPENSES | 318,000 | 260,050 | 251,741 |
| OPERATION AND MAINTENANCE OF PLANT | | | |
| Operating supplies | 50,000 | 35,283 | 33,327 |
| Maintenance and repair (plant) | 80,000 | 73,058 | 73,176 |
| Maintenance and repair (collection systems) | 80,000 | 75,281 | 64,814 |
| Utilities and energy | 300,000 | 244,186 | 236,357 |
| Grounds upkeep | 15,000 | 7,355 | 7,355 |
| Gas and oil | 24,000 | 17,997 | 18,521 |
| Computer and support services | 3,000 | 3,379 | 3,264 |
| Emergency communications | 22,000 | 26,062 | 26,360 |
| Sludge management | 1,550,000 | 1,755,066 | 1,755,761 |
| Professional services | 15,000 | 4,571 | 5,113 |
| Residential reimbursement | 10,000 | - | 9,716 |
| Compliance requirements and permits | 20,000 | 18,253 | 18,253 |
| GIS | 5,000 | - | - |
| TOTAL OPERATION AND MAINTENANCE OF PLANT | 2,174,000 | 2,260,491 | 2,252,017 |

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND
OPERATIONS & MAINTENANCE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
Year Ended April 30, 2013

| | <u>Cash Basis (Non-GAAP)</u> | | Accrual |
|---|------------------------------|---------------------|---------------------|
| | <u>Appropriations</u> | <u>Actual</u> | Basis Expenses |
| CAPITAL IMPROVEMENTS | | | |
| New construction | 50,000 | 6,029 | 6,029 |
| Plant equipment | 60,000 | 6,350 | 6,350 |
| Collection system | 300,000 | 266,821 | 266,821 |
| Vehicles | 20,000 | - | - |
| Legal expense | 5,000 | - | - |
| Engineering expense | 80,000 | 57,393 | 66,734 |
| Bond, finance consulting expense | 2,500 | - | - |
| | <u>517,500</u> | <u>336,593</u> | <u>345,934</u> |
| TOTAL CAPITAL IMPROVEMENTS | | | |
| | <u>517,500</u> | <u>336,593</u> | <u>345,934</u> |
| BOND TRANSFERS | | | |
| Debt certificates principal | 85,000 | 85,000 | - |
| Debt certificates interest | 80,000 | 74,375 | 74,375 |
| Administration fee | 1,500 | 400 | 400 |
| | <u>166,500</u> | <u>159,775</u> | <u>74,775</u> |
| TOTAL BOND TRANSFERS | | | |
| | <u>166,500</u> | <u>159,775</u> | <u>74,775</u> |
| CONTINGENT EXPENSES | | | |
| Contingency and miscellaneous expenses | 2,500 | - | - |
| | <u>2,500</u> | <u>-</u> | <u>-</u> |
| TOTAL CONTINGENT EXPENSES | | | |
| | <u>2,500</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATIONS AND MAINTENANCE FUND EXPENDITURES | <u>\$ 3,693,500</u> | <u>\$ 3,473,459</u> | 3,381,087 |
| LESS CAPITALIZED EXPENDITURES | | | <u>323,737</u> |
| TOTAL OPERATING EXPENSES INCLUDING INTEREST | | | <u>\$ 3,057,350</u> |

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
 ASSESSED VALUATIONS, EXTENDED TAX RATES, AMOUNTS AND PERCENTAGE ALLOCATIONS BY FUND

SCHEDULE 10

| TAX LEVY YEAR | 2010 | | | 2011 | | | 2012 | | |
|---------------------|----------------------|---------------|-------------------|----------------------|---------------|-------------------|----------------------|---------------|-------------------|
| ASSESSED VALUATION | <u>\$818,523,108</u> | | | <u>\$785,318,994</u> | | | <u>\$684,133,380</u> | | |
| TAX EXTENSIONS | | | | | | | | | |
| Fund | Rate | % of Total | Extension | Rate | % of Total | Extension | Rate | % of Total | Extension |
| GENERAL | 0.040466 | 61.08 | \$ 331,224 | 0.040467 | 57.66 | \$ 317,795 | 0.039500 | 47.49 | \$ 270,233 |
| CHLORINATION | - | - | - | - | - | - | - | - | - |
| LIABILITY INSURANCE | 0.009900 | 14.94 | 81,034 | 0.013169 | 18.76 | 103,419 | 0.021190 | 25.47 | 144,968 |
| SOCIAL SECURITY | 0.005865 | 8.85 | 48,006 | 0.006113 | 8.71 | 48,006 | 0.007300 | 8.78 | 49,942 |
| IMRF | 0.007086 | 10.70 | 58,001 | 0.007386 | 10.52 | 58,004 | 0.012135 | 14.59 | 83,019 |
| AUDIT | 0.002933 | 4.43 | 24,007 | 0.003055 | 4.35 | 23,991 | 0.003055 | 3.67 | 20,900 |
| | <u>0.066250</u> | <u>100.00</u> | <u>\$ 542,272</u> | <u>0.070190</u> | <u>100.00</u> | <u>\$ 551,215</u> | <u>0.083180</u> | <u>100.00</u> | <u>\$ 569,062</u> |

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF LEGAL DEBT MARGIN

| | |
|---|-----------------------|
| ASSESSED VALUATION | <u>\$ 684,133,380</u> |
| DEBT LIMITATION (5.75% OF \$684,133,380) | \$ 39,337,669 |
| Debt Certificates, Series 2008 | <u>(1,710,000)</u> |
| LEGAL DEBT MARGIN | <u>\$ 37,627,669</u> |

See independent auditor's report.