

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

**BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

Year Ended April 30, 2016

LAKE IN THE HILLS SANITARY DISTRICT

CONTENTS

	<u>EXHIBITS/SCHEDULES</u>	<u>PAGES</u>
INDEPENDENT AUDITOR’S REPORT		1-2
REQUIRED SUPPLEMENTARY INFORMATION MANAGEMENT’S DISCUSSION AND ANALYSIS		4 - 14
BASIC FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Position	A	16
Statement of Activities	B	17
FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	C	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	D	19
Statement of Net Position – Proprietary Fund	E	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	F	21
Statement of Cash Flows – Proprietary Fund	G	22
NOTES TO BASIC FINANCIAL STATEMENTS		23 – 40
REQUIRED SUPPLEMENTARY INFORMATION		
MAJOR GOVERNMENTAL FUND BUDGETARY COMPARISON SCHEDULES		
General Fund	1	42
NOTES TO BUDGETARY COMPARISON SCHEDULES		43
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS	2	44
SCHEDULE OF DISTRICT CONTRIBUTIONS	3	45
SUPPLEMENTARY INFORMATION		
COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS		
Combining Balance Sheet – Nonmajor Governmental Funds	4	47
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Nonmajor Governmental Funds	5	48
OTHER INFORMATION		
NONMAJOR GOVERNMENTAL FUNDS BUDGETARY COMPARISON SCHEDULES		
Audit Fund	6	50
Chlorination Fund	7	51
IMRF Fund	8	52
Public Liability Insurance Fund	9	53
Social Security Fund	10	54
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS		
Proprietary Fund	11	55 - 56
OTHER SCHEDULES		
Assessed Valuations, Extended Tax Rates, Amounts and Percentage Allocations by Fund	12	57
Statement of Legal Debt Margin	13	58



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

Report on the Financial Statements

I 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, 2016, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2016, 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.

Emphasis of Matter

As discussed in Note 1, the Lake In The Hills Sanitary District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, effective May 1, 2015. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

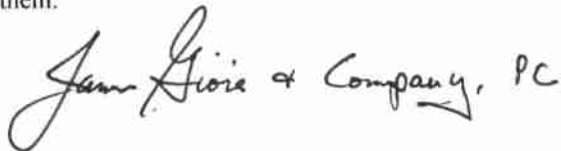
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major governmental fund budgetary comparison schedule, the notes to budgetary comparison schedules, the Schedule of Changes in the Net Pension Liability and Related Ratios, and the Schedule of District Contributions, as listed in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My 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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 my 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.

Other Information

My 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 nonmajor governmental funds budgetary comparison schedules, the proprietary fund comparison of expenditures with appropriations, and the other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are 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, I do not express an opinion or provide any assurance on them.



Crystal Lake, Illinois
September 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

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, 2016. Please review it in conjunction with the District's basic financial statements, including the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the Lake In The Hills Sanitary District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by the amount of \$45,194,849 (net position). Of this amount, \$5,867,541 (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 \$116,642 during the recent year compared to an increase of \$144,047 during the preceding year. The changes in net position were after deducting depreciation of plant and equipment, in the amount of \$1,524,812 for the recent year and \$1,487,940 for the preceding year.
- The District implemented new accounting standards, which replace existing guidance for defined benefit pension plans. The District is now required to recognize a liability equal to the net pension liability; defined as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. As a result of implementing the new standards, the District reported a net pension liability of \$932,199.
- The District completed construction of a new biosolids treatment facility, at a cost of approximately \$2.2 million, and a gravity belt thickener, at a cost of approximately \$800,000. The biosolids treatment facility and the gravity belt thickener were financed by the issuance of general obligation bonds (alternate revenue source), totaling \$3,430,000, in November 2014. In addition to the biosolids treatment facility and the gravity belt thickener, the District is in the process of completing the construction of a digester, which will be a part of the overall biosolids treatment process. The digester is anticipated to be in service in late 2016.
- The expenses of the sewerage plant operations decreased during the year ended April 30, 2016 by nearly \$500,000. The decrease was primarily attributable to a decrease in sludge management expense; the District's largest operating cost, which was the result of the new biosolids management facility and the gravity belt thickener.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's **basic financial statements** comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. After the basic financial statements, are the following sections: **required supplementary** contains a budgetary comparison schedule for the general fund as well as additional information about the District's pension plan. **Supplementary information** is provided to show details about the District's non-major governmental funds, which are combined into a single column on the basic financial statements. The

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

other information section presents budgetary comparison schedules for each of the District's non-major governmental funds and a comparison of expenditures with appropriations for the District's proprietary fund. Also included in other information are two schedules, which provide information about the District's prior three years' property taxes and legal debt margin.

Government-wide Financial Statements

The government-wide financial statements are divided into two categories: (1) governmental activities and (2) business-type activities. The government-wide financial statements contain two statements, the statement of net position and the statement of activities.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 excess of District's assets and deferred outflows of resources over its liabilities and deferred inflows of resources – 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. The reader 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 Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- 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.

The government-wide financial statements can be found on pages 16 and 17 of this report.

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. A fund is a fiscal and accounting entity that is used to maintain control over resources that have been segregated for specific activities or objectives. 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

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

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.

The District maintains a general fund and five special revenue funds. The general fund is considered a major fund and reported as a separate column in the fund financial statements. Each of the District's special revenue funds are classified as non-major funds. Their balance sheets and statements of revenues, expenditures, and changes in fund balances are aggregated and reported in one column in the fund financial statements. Details about each of the special revenue funds are shown in the section of the report, titled "Supplementary Information."

The governmental fund financial statements can be found on pages 18 and 19 of this report.

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 "Sewerage 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 Sewerage Fund is an enterprise fund. The District has no internal service funds.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

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. The notes to the financial statements can be found on pages 23 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The District's combined net position decreased by approximately \$117,000 compared to a year ago. The District's net position at April 30, 2016 was \$45,194,849 and at April 30, 2015, it was \$45,311,491. As a percentage, the decrease in net position was less than one percent.

The components of the District's combined net position provide insight into the modest overall decrease during the year ended April 30, 2016. Combined net position is a combination of the District's net position of its governmental activities and the net position of its business-type activities. The District's net position from its governmental activities decreased by approximately \$549,000, while its net position from business-type activities increased by approximately \$432,000.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

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

Lake In The Hills Sanitary District Net Position

	Governmental Activities		Business-type Activities		Total	
	2015*	2016	2015*	2016	2015*	2016
Assets						
Cash	\$ 1,099,101	\$ 1,192,973	\$ 3,752,874	\$ 5,134,071	\$ 4,851,975	\$ 6,327,044
Other current assets	640,965	639,689	3,933,833	870,879	4,574,798	1,510,568
Capital assets	-	-	42,275,155	43,705,604	42,275,155	43,705,604
Other noncurrent assets	-	-	-	289,369	-	289,369
Total Assets	<u>1,740,066</u>	<u>1,832,662</u>	<u>49,961,862</u>	<u>49,999,923</u>	<u>51,701,928</u>	<u>51,832,585</u>
Deferred outflows of resources						
Pension-related Items	-	296,524	-	-	-	296,524
Liabilities						
Current liabilities	16,984	15,564	613,183	642,338	630,167	657,902
Long-term liabilities	-	932,199	4,951,079	4,746,597	4,951,079	5,678,796
Total liabilities	<u>16,984</u>	<u>947,763</u>	<u>5,564,262</u>	<u>5,388,935</u>	<u>5,581,246</u>	<u>6,336,698</u>
Deferred inflows of resources						
Unearned property tax revenue	590,201	597,562	218,990	-	809,191	597,562
Net Position						
Invested in capital assets	-	-	39,969,821	39,128,534	39,969,821	39,128,534
Restricted	300,162	198,774	-	-	300,162	198,774
Unrestricted	832,719	385,087	4,208,789	5,482,454	5,041,508	5,867,541
Total Net Position	<u>\$ 1,132,881</u>	<u>\$ 583,861</u>	<u>\$ 44,178,610</u>	<u>\$ 44,610,988</u>	<u>\$ 45,311,491</u>	<u>\$ 45,194,849</u>

* Prior year numbers are not restated for GASB 68.

As of both April 30, 2016 and 2015, 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.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

The following table provides a summary of the District's operations for the year ended April 30, 2016 with comparative totals for the year ended April 30, 2015.

Lake In The Hills Sanitary District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015*	2016	2015*	2016	2015*	2016
Revenues						
Operating revenue	\$ -	\$ -	\$ 3,940,033	\$ 4,005,843	\$ 3,940,033	\$ 4,005,843
Taxes	581,434	591,346	-	218,738	581,434	810,084
Capital contributions	-	-	441,537	94,149	441,537	94,149
Other income	1,151	1,185	5,038	8,309	6,189	9,494
Total revenues	<u>582,585</u>	<u>592,531</u>	<u>4,386,608</u>	<u>4,327,039</u>	<u>4,969,193</u>	<u>4,919,570</u>
Expenses						
Plant operations	-	-	1,811,577	1,354,854	1,811,577	1,354,854
Depreciation	-	-	1,487,940	1,524,812	1,487,940	1,524,812
Personnel	137,910	150,545	505,454	484,857	643,364	635,402
Administrative	14,446	19,184	365,495	349,785	379,941	368,969
Interest on long-term debt	-	-	166,102	180,343	166,102	180,343
Other expenses	<u>315,870</u>	<u>302,609</u>	<u>20,352</u>	<u>10</u>	<u>336,222</u>	<u>302,619</u>
Total expenses	<u>468,226</u>	<u>472,338</u>	<u>4,356,920</u>	<u>3,894,661</u>	<u>4,825,146</u>	<u>4,366,999</u>
Change in net position	<u>114,359</u>	<u>120,193</u>	<u>29,688</u>	<u>432,378</u>	<u>144,047</u>	<u>552,571</u>
Net position – beginning of year (as previously stated)	1,018,522	1,132,881	44,148,922	44,178,610	45,167,444	45,311,491
Restatement	<u>-</u>	<u>(669,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(669,213)</u>
Net position - beginning of year (as restated)	<u>1,018,522</u>	<u>463,668</u>	<u>44,148,922</u>	<u>44,178,610</u>	<u>45,167,444</u>	<u>44,642,278</u>
Net position - end of year	<u>\$ 1,132,881</u>	<u>\$ 583,861</u>	<u>\$ 44,178,610</u>	<u>\$ 44,610,988</u>	<u>\$ 45,311,491</u>	<u>\$45,194,849</u>

* Prior year numbers are not restated for GASB 68.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

Governmental Activities

As previously noted, during the year ended April 30, 2016, the District's net position of its governmental activities decreased by approximately \$549,000. Whereas during the preceding year ended April 30, 2015, the District's net position of its governmental activities increased by approximately \$114,000.

The decrease during the most recent year ended April 30, 2016, stems from a combination of two factors. First, during the most recent year, the District's governmental activities revenues exceeded its expenditures by approximately \$87,000. This compares to the preceding year excess of approximately \$114,000.

Second, as a result of the implementation of two new accounting standards, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, the District's Statement of Net Position reports two new items in its Governmental Activities. The two accounting standards are effective for the District's year ended April 30, 2016, and therefore the two new items were not included in the Statement of Net Position at April 30, 2015.

The two new items are a deferred inflow of resources, in an amount of \$296,524, and a net pension liability, in the amount of \$932,199. The net effect of the two items on the Statement of Position is an approximately \$636,000 net decrease to net position. The approximately \$636,000 net decrease combined with the approximately \$87,000 net increase from revenues in excess of expenditures results in the approximately \$549,000 overall net decrease in net position of the governmental activities.

Cash from governmental activities increased during the year ended April 30, 2016 by approximately \$94,000. The increase in cash is a result of the approximately \$87,000 excess of governmental activities revenues over its expenses.

Property taxes account for nearly all (over 99%) of the District's governmental activities revenue. Total property taxes revenue amounted to \$589,523 for the fiscal year ended April 30, 2016. This represents a slight increase from the previous year, in the amount of \$10,191, or approximately 1.8%, due to an allowable tax rate increase, which was offset by tax base shrinkage.

Business-type Activities

During the year ended April 30, 2016, the District's net position from business-type activities increased by approximately \$432,000. Net position from the District's business-type activities consists of two components; net position invested in capital assets and unrestricted net position.

The District's net position invested in capital assets reflects its investment in the infrastructure of the sewerage system itself and comprises approximately 88% of total net position. Net position invested in capital assets decreased by approximately \$840,000 during the year ended April 30, 2016. The net decrease is the net result of several factors. During the year, the District placed approximately \$3 million of fixed assets in service (an increase to net position), including the new biosolids treatment facility and gravity belt thickener. Approximately \$2.7 million of construction costs were paid from the proceeds of the bonds issued in November 2014, which were unspent as of April 30, 2015 (a decrease in net position for the year). Depreciation of fixed assets totaled approximately \$1.5 million during the year (another decrease to net position). Also, the District established a sinking fund and contributed approximately \$180,000 to the fund during the past year (an increase in net position) and deposited approximately \$190,000 of its debt payments due May 1, 2016 with debt paying agents (another increase).

The District's unrestricted net position increased by approximately \$1.3 million during the year ended April 30, 2016 from approximately \$4.2 million at April 30, 2015 to approximately \$5.5 million at April 30, 2016. The increase is attributable to the operations of the sewerage system. During the year ended April 30, 2016, net operating income before depreciation totaled approximately \$1.8 million. During the

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

preceding year ended April 30, 2015, net operating income before depreciation was approximately \$1.2 million, or approximately \$600,000 less than the most recent year.

The District's cash in its business-type activities increased by approximately \$1.4 million, its accounts receivable decreased by approximately \$160,000, and its accounts payable decreased by approximately \$80,000; producing a net increase in its most significant components of working capital of approximately \$1,320,000 (\$1,400,000 less \$160,000 plus \$80,000).

The District's current assets, other than cash, decreased by approximately \$3 million during the most recent year. At April 30, 2015, the District reported restricted cash in the form of unspent capital debt proceeds of approximately \$2.7 million. During the year, the District spent the capital debt proceeds on the new biosolids treatment facility, the gravity belt thickener, and the digester. At April 30, 2016, the approximately \$2.7 million of restricted cash is effectively converted and a part of the District's capital assets.

The District's noncurrent assets consist of approximately \$178,000 restricted cash for its long-term debt sinking fund and approximately \$111,000 of notes receivable from customers, who have entered into payment plans with the District with terms in excess of one year.

Long-term liabilities decreased during the year by approximately \$200,000 as a result of the District's principal portions of its long-term debt due May 1, 2016, which total \$200,000 and are included in current liabilities.

Operating revenues of the District's business-type activities increased by approximately \$66,000 compared to the prior year or by approximately 2%. The increase is attributable, in part, to a new biosolids management surcharge of \$2 per month, which was added to customer bills beginning with the month of July 2014. The surcharge was in effect for the entirety of the year ended April 30, 2016, whereas it was only in effect for ten months during the preceding fiscal year. Proceeds from the biosolids management surcharge have been earmarked for the construction and related debt service of the new biosolids management facility.

During the year ended April 30, 2016, the District received approximately \$220,000 of property tax revenue to pay the debt service on the bonds issued in November 2014. Proceeds of the bonds were used to construct the biosolids management facility.

Capital contributions, in the form of connection fees, totaled approximately \$94,000 during the year. During the preceding year ended April 30, 2015, the District's connection fees totaled approximately \$440,000, with approximately \$350,000 coming from one property development.

The expenses of plant operations decreased during the year ended April 30, 2016 by nearly \$500,000. The decrease was primarily attributable to a decrease in the cost of sludge management; the District's largest operating cost. During the five years preceding the most recent fiscal year (the years ended April 30, 2011 through April 30, 2016), sludge management expenses cost the District more than \$7 million or approximately \$1.4 million per year on average. Sludge management expenses decreased from approximately \$1.3 million during the year ended April 30, 2015 to approximately \$750,000 during the year ended April 30, 2016, resulting in over \$500,000 less cost.

The new facility to treat and manage biosolids waste and the new gravity belt thickener were placed into service in mid-October 2015. The more than \$500,000 decrease in sludge management expense was the result of a decrease in the volume of dewatering required by the District, which, in turn, was because of the new biosolids management facility and the gravity belt thickener. The savings occurred during just the last half of the fiscal year, when they were in operation. (Sludge management expense was approximately \$500,000 for the first six months of the most recent fiscal year and approximately \$250,000 during the last six months.)

**LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016**

Personnel costs of the District's business -type activities fell during the year ended April 30, 2016 by approximately \$20,000 or by approximately 4% compared to the prior year, due to changes in personnel and due to changes in the classifications of personnel paid from the governmental activities and the business-type activities. Total personnel costs for both governmental activities and business-type activities decreased by \$8,000 or approximately 1.2%.

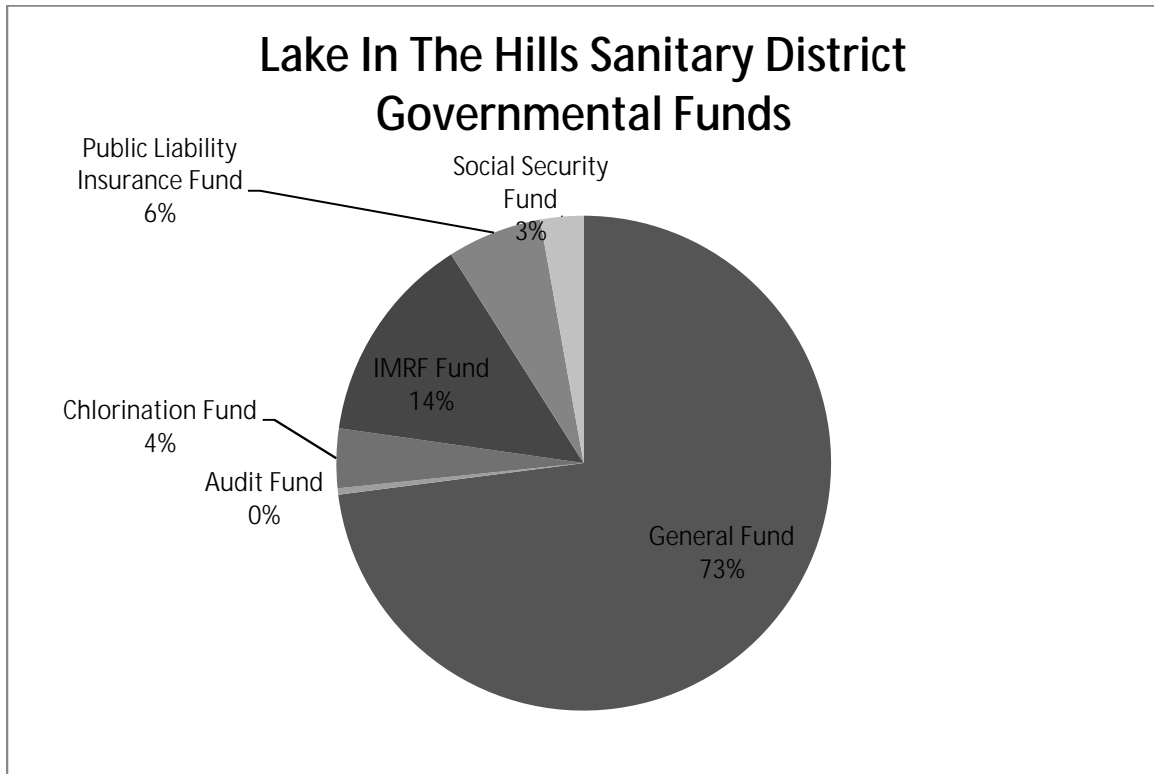
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 \$1,177,409. Of this total, \$318,412 has been restricted; 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 \$858,997 is unassigned and can be used for any lawful purpose.

The following chart shows each of the governmental funds' year end fund balances as a percentage of the total.



The General Fund is the largest of the District's governmental funds. Its fund balance amounted to \$858,997 at April 30, 2016. The General Fund is used to account for and report all financial resources of the governmental funds, except those required to be accounted for in another governmental fund.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

The General Fund experienced an increase in fund balance of \$26,278 during the year ended April 30, 2016 or approximately 3%. General Fund property taxes decreased by \$18,032 compared to the prior year or by 6%. General Fund expenses increased by \$21,907 with the largest increase in Personnel Services and Salary, which grew by \$12,635.

The Illinois Municipal Retirement Fund (IMRF Fund) is the second largest governmental fund, although it is still classified as a non-major fund under criteria established by GASB Statement No. 34. The IMRF Fund accounts for expenditures for municipal retirement expenses for most of the District's employees. The fund balance of the IMRF Fund increased by \$28,265 during the year ended April 30, 2016.

Proprietary Fund

As previously mentioned, the District has one proprietary fund, the Sewerage Fund. It is further classified within the set of types of proprietary funds as an enterprise fund. The Sewerage 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 bonds and debt certificates.

The Sewerage Fund is by far the largest fund of the District. Its net position amounted to \$44,610,988 at April 30, 2016, or approximately 99% of the District's total net position.

Operating revenues of the Sewerage Fund totaled \$4,005,843 for the current fiscal year. The proprietary fund's revenues were comprised of sewer services revenues and penalties and collection charges. Overall, total revenues for the Sewerage Fund increased by \$65,810 compared to the prior year. As previously mentioned, the District began collecting a \$2 monthly biosolids management surcharge from its customers in July 2014, which was in effect for only ten months of the previous fiscal year and in effect for the entirety of the year ended April 30, 2016.

The Sewerage Fund generated a net operating income for the fiscal year, in the amount of \$291,525. Included in its expenses was depreciation, in the amount of \$1,524,812. Sewerage operations generated a net operating income before depreciation, in the amount of \$1,816,337.

BUDGETARY HIGHLIGHTS

Major Governmental Funds. The District has one major governmental fund, its General Fund. In the General Fund, the District budgeted for a net decrease in the fund balance (on a budgetary basis), in the amount of \$49,650. As reported in the budgetary comparison schedule, the fund balance actually increased (on a budgetary basis), by the amount of \$30,133. Actual operating expenses were lower than budgeted and were the main contributors to the difference. The largest positive budget variance was for utilities expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of April 30, 2016, was \$39,128,534. This investment represents approximately 87% of the District's total government-wide net position.

During the year ended April 30, 2016, the District completed its new biosolids waste treatment facility. The new facility includes a gravity belt thickener for sludge thickening and will also include a digester. Total costs incurred with respect to the project were approximately \$2.2 million for the treatment facility and approximately \$820,000 allocated to the gravity belt thickener, both of which were placed into

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

operation in October 2015. Additionally, through April 30, 2016, the District spent approximately \$1.1 million on the digester which is expected to be in operation in the fall of 2016.

The sludge thickening process is expected to save the District significant sludge management costs in the future by delivering a thicker sludge to the sludge belt press. As previously mentioned, during the last six months of operation during the past fiscal year (the period since the new biosolids waste treatment facility has been in operation), the District's sludge management costs have decreased by over \$500,000 compared to previous years.

Future improvements to the District's sewerage system expected to begin within the next three years include replacement of the rear entrance to the District's facilities, improvements to the sewer lining for targeted trunkline, cleaning of the cooling pond, and replacement of an existing lift station.

For more detailed information on the District's capital assets, see Note 5 in the Notes to Basic Financial Statements on page 32.

Debt Administration

As previously discussed, in November 2014, the District issued \$3,430,000 of general obligation bonds (alternate revenue source). The purpose of the bonds is to pay for the construction of the new biosolids waste treatment facility. The bonds mature May 1, 2016 through May 1, 2039. Bonds maturing on or after 2025 are subject to redemption prior to maturity. At April 30, 2016, the balance of the Bonds remaining to be paid was \$3,430,000.

In addition to the 2014 bond issue, the District has long-term debt consisting of debt certificates, which were issued in February 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 in 2008. The debt certificates mature May 1, 2016 through May 1, 2027. Certificates maturing on or after 2019 are subject to maturity prior to redemption. At April 30, 2016, the balance of the Certificates remaining to be paid was \$1,445,000.

For more detailed information on the District's long-term obligations, see Note 6 in the Notes to Basic Financial Statements on page 33.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The government-wide and fund financial analysis presented earlier provide valuable insights into whether the District's overall and near-term financial position has improved or deteriorated. However, overall economic conditions and other circumstances will also impact the District's future financial position.

In anticipation of expected population growth, 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, 2017, the District has budgeted for an abatement of the property taxes attributable to the bond and interest debt service. Overall, District property tax rates are expected to decline from a rate of approximately 0.13 of taxable value to a rate of approximately 0.09 of taxable value.

The District expects its collection efforts on past due accounts to continue to improve. The District also expects to continue its realization of sludge management cost savings from the operation of its new biosolids waste treatment facility.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2016

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 for the money it receives. 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.

BASIC FINANCIAL STATEMENTS

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
April 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,192,973	\$ 5,134,071	\$ 6,327,044
Property taxes receivable	597,562	-	597,562
Accounts receivable, net	-	629,664	629,664
Current portion of notes receivable	-	48,503	48,503
Other receivables	-	1,225	1,225
Deposits with debt paying agents	-	191,487	191,487
Prepaid insurance	42,127	-	42,127
Restricted cash - long-term debt sinking fund	-	178,040	178,040
Notes receivable - noncurrent portion	-	111,329	111,329
Land and construction in progress	-	1,556,120	1,556,120
Capital assets being depreciated (net of accumulated depreciation)	-	42,149,484	42,149,484
TOTAL ASSETS	<u>1,832,662</u>	<u>49,999,923</u>	<u>51,832,585</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related items	296,524	-	296,524
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>296,524</u>	<u>-</u>	<u>296,524</u>
LIABILITIES			
Accounts payable	11,969	330,352	342,321
Accrued compensated absences	3,595	18,333	21,928
Accrued interest	-	91,487	91,487
Developer deposits	-	2,166	2,166
Net pension liability	932,199	-	932,199
Long-term liabilities:			
Due within one year			
Bonds and debt certificates payable	-	200,000	200,000
Due in more than one year			
Bonds and debt certificates payable	-	4,675,000	4,675,000
Unamortized debt issuance premium, net	-	71,597	71,597
TOTAL LIABILITIES	<u>947,763</u>	<u>5,388,935</u>	<u>6,336,698</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	597,562	-	597,562
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>597,562</u>	<u>-</u>	<u>597,562</u>
NET POSITION			
Net investment in capital assets	-	39,128,534	39,128,534
Restricted for:			
Audit expenses	4,929	-	4,929
Chlorination, disinfection, and treatment	45,835	-	45,835
Public liability insurance	114,813	-	114,813
Social security contributions	33,197	-	33,197
Unrestricted	385,087	5,482,454	5,867,541
TOTAL NET POSITION	<u>\$ 583,861</u>	<u>\$ 44,610,988</u>	<u>\$ 45,194,849</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF ACTIVITIES
Year Ended April 30, 2016

	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	\$ 472,338	\$ -	\$ -	\$ (472,338)	\$ -	\$ (472,338)
BUSINESS-TYPE ACTIVITIES						
Sewerage services	3,714,318	4,005,843	94,149	-	385,674	385,674
Debt service	180,343	-	-	-	(180,343)	(180,343)
Total Primary Government	4,366,999	4,005,843	94,149	(472,338)	205,331	(267,007)
GENERAL REVENUES						
Property taxes				589,523	218,738	808,261
Personal property replacement tax				1,823	-	1,823
Unrestricted investment earnings				1,185	8,309	9,494
TOTAL GENERAL REVENUES				592,531	227,047	819,578
CHANGE IN NET POSITION				120,193	432,378	552,571
NET POSITION						
BEGINNING NET POSITION						
As previously reported				1,132,881	44,178,610	45,311,491
Adjustment for GASB 68 and 71 implementation				(669,213)	-	(669,213)
BEGINNING NET POSITON AS RESTATED				463,668	44,178,610	44,642,278
ENDING NET POSITION				\$ 583,861	\$ 44,610,988	\$ 45,194,849

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2016

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 874,561	\$ 318,412	\$ 1,192,973
Property taxes receivable	257,456	340,106	597,562
TOTAL ASSETS	\$ 1,132,017	\$ 658,518	\$ 1,790,535
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,969	\$ -	\$ 11,969
Accrued compensated absences	3,595	-	3,595
Total Liabilities	15,564	-	15,564
 DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	257,456	340,106	597,562
Total Deferred Inflows of Resources	257,456	340,106	597,562
 FUND BALANCES			
Restricted for:			
Audit expenses	-	4,929	4,929
Chlorination, disinfection, and treatment	-	45,835	45,835
Pension contributions	-	161,765	161,765
Public liability insurance	-	72,686	72,686
Social security contributions	-	33,197	33,197
Unassigned	858,997	-	858,997
Total Fund Balances	858,997	318,412	1,177,409
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,132,017	\$ 658,518	\$ 1,790,535
 Fund balance			
			\$ 1,177,409
 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.			42,127
Net pension liability reported in the statement of net position does not require the use of current financial resources, and therefore, is not reported as a liability in governmental funds.			(932,199)
In addition to the net pension liability, associated deferred outflows of resources related to pensions are reported in the statement of net position.			296,524
Net position of governmental activities			\$ 583,861

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, 2016

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 273,038	\$ 316,485	\$ 589,523
Personal property replacement tax	1,823	-	1,823
Interest income	1,185	-	1,185
TOTAL REVENUES	<u>276,046</u>	<u>316,485</u>	<u>592,531</u>
EXPENDITURES			
Personnel services and salary	150,545	-	150,545
Contractual services	38,233	15,500	53,733
Administrative expenses	19,184	-	19,184
Operating expenses	41,806	-	41,806
Contingency and miscellaneous expenses	-	-	-
Chlorination, disinfection, and treatment	-	11,331	11,331
Pension contributions	-	85,745	85,745
Public liability insurance	-	81,365	81,365
Social security contributions	-	48,116	48,116
TOTAL EXPENDITURES	<u>249,768</u>	<u>242,057</u>	<u>491,825</u>
EXCESS OF REVENUES OVER EXPENDITURES	26,278	74,428	100,706
FUND BALANCES			
BEGINNING	<u>832,719</u>	<u>243,984</u>	
ENDING	<u>\$ 858,997</u>	<u>\$ 318,412</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. (14,051)

Components of pension expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.

Change in net pension liability (247,964)
Change in deferred outflows of resources - pension-related items 281,502

Change in net position of governmental activities \$ 120,193

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
April 30, 2016

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 5,134,071
Accounts receivable, net of \$300,000 allowance for doubtful accounts	629,664
Current portion of notes receivable	48,503
Other receivables	1,225
Deposits with debt paying agents	191,487
Total Current Assets	<u>6,004,950</u>
NONCURRENT ASSETS	
Restricted cash - long-term debt sinking fund	178,040
Notes receivable - noncurrent portion	111,329
Land and construction in progress	1,556,120
Capital assets being depreciated (net of accumulated depreciation)	42,149,484
Total Noncurrent Assets	<u>43,994,973</u>
TOTAL ASSETS	<u>49,999,923</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	330,352
Current portion of bonds and debt certificates payable	200,000
Accrued compensated absences	18,333
Accrued interest	91,487
Developer deposits	2,166
Total Current Liabilities	<u>642,338</u>
NONCURRENT LIABILITIES	
Bonds and debt certificates payable, net of current portion	4,675,000
Unamortized debt issuance premium, net of accretion	71,597
Total Noncurrent Liabilities	<u>4,746,597</u>
TOTAL LIABILITIES	<u>5,388,935</u>
NET POSITION	
Invested in capital assets, net of related debt	39,128,534
Unrestricted	5,482,454
TOTAL NET POSITION	<u>\$ 44,610,988</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, 2016

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
OPERATING REVENUES	
Sewer services	\$ 3,752,249
Penalties and collection charges	253,594
TOTAL OPERATING REVENUES	<u>4,005,843</u>
OPERATING EXPENSES	
Personnel services	484,857
Administrative expenses	349,785
Operation and maintenance of plant	1,354,854
Contingent expenses	10
Depreciation	1,524,812
TOTAL OPERATING EXPENSES	<u>3,714,318</u>
OPERATING INCOME	<u>291,525</u>
NONOPERATING REVENUES (EXPENSES)	
Property taxes	218,738
Interest income	8,309
Debt premium amortization	4,482
Interest expense and agent fees	(184,825)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>46,704</u>
INCOME BEFORE CONTRIBUTIONS	338,229
CAPITAL CONTRIBUTIONS	<u>94,149</u>
CHANGE IN NET POSITION	<u>432,378</u>
NET POSITION - BEGINNING OF YEAR	<u>44,178,610</u>
NET POSITION - END OF YEAR	<u><u>\$ 44,610,988</u></u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended April 30, 2016

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,996,567
Payments to suppliers	(1,765,689)
Payments to employees	(487,065)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,743,813</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes received	218,738
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>218,738</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Drawdowns on restricted cash from prior year capital debt proceeds	2,735,745
Contributed capital - connection fees	94,149
Developer deposits refunded	(1,431)
Capital debt principal deposited with paying agent	(100,000)
Capital debt interest paid and administration fees	(184,825)
Purchases of capital assets	(2,955,261)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(411,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	8,309
Sinking fund reserve deposits	(178,040)
NET CASH USED BY INVESTING ACTIVITIES	<u>(169,731)</u>
NET INCREASE IN CASH	1,381,197
CASH, at beginning of year	<u>3,752,874</u>
CASH, AT END OF YEAR	<u><u>\$ 5,134,071</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 291,525
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Bad debt expense	48,485
Depreciation	1,524,812
CHANGE IN ASSETS AND LIABILITIES	
Accounts and notes receivable	(43,618)
Other receivables	(1,225)
Due from general fund	5,414
Accounts payable	(80,974)
Accrued compensated absences	(606)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,743,813</u></u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

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

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of (1) the primary government, (2) component units, which are legally separate organizations for which elected officials of the primary government are financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

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.

Although the members of the District's Board of Trustees are appointed by the McHenry County Board, the District is not financially accountable to the McHenry County Board, because the County does not have the ability to impose its will and because there is no financial benefit or burden relationship.

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.

The District does not have any component units as defined by the Government Accounting Standards Board, nor is the District a component unit of some other governmental entity.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 has one major governmental fund, the General Fund.

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.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The activities of the General Fund 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 Sewerage 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 Sewerage Fund operates and maintains the District's sewerage system.

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.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. New Accounting Standards Implemented

The District has implemented the following new accounting standards as of May 1, 2015: GASB Statement No. 68 – “Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27” and GASB Statement No. 71 – “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” These Statements replace existing accounting and financial reporting standards for defined benefit pension plans. In financial statements prepared using the economic resources measurement focus and the accrual basis of accounting, the District is required to recognize a liability equal to the net pension liability, which is defined as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position.

As a result of implementing Statements 68 and 71, the following accounting and financial reporting changes have been made: On the government-wide statement of net position, a net pension liability has been recorded as a liability and deferred outflows of resources and deferred inflows of resources have been recorded for various pension-related items. Also, beginning net position has been restated to reflect the beginning net pension liability and deferred outflows of resources related to contributions made subsequent to the measurement date. For more information, see Note 7 and Note 11.

F. Financial Statement Amounts

1. Cash

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. Property Taxes Receivable and Accounts and Notes Receivable

Property taxes are collected by the County Collector, who remits the District’s share of the tax collections to the District. The owner of real property on January 1 (lien date) in any year is liable for the taxes of that year. Based on an analysis of historical collections of property taxes, the District does not provide for an allowance for doubtful accounts with respect to its property taxes receivable.

Sewerage accounts and notes receivable are reported by the Proprietary Fund at the amount District management expects to collect from outstanding balances. Differences between the amounts due and the amounts management expects to collect are reported in the Proprietary Fund’s operating results with an offsetting entry to a valuation allowance for doubtful accounts. The District’s allowance for doubtful for sewerage accounts receivable was \$300,000 at April 30, 2016.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For late paying customers, the District mails collection notices, obtains liens against the property receiving sewerage services, and may secure a court judgment against the customer. The District charges delinquent customers penalties at the rate of 10 percent of the outstanding balance. Additionally, the District has agreements with the Villages of Lake In The Hills and Huntley and the City of Crystal Lake to have water service shut off to delinquent customer properties for nonpayment of their sewer bill. Balances which are still outstanding after the District has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The allowance for doubtful accounts is based on an analysis of historical bad debt experience and an assessment of specific identifiable customer accounts considered at risk for collection.

The District has converted certain past-due accounts receivable into installment notes receivable. Interest, at the rate of 9% per year, is added at the end of the payment term to notes receivable for which a judgment has been obtained. Amounts collected on notes receivable are included in net cash provided by operating activities in the proprietary fund's statement of cash flows.

3. Interfund Receivables and Payables

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.

4. Capital Assets

Capital assets purchased by the District are recorded at 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, as follows:

Plant and lift stations	24 to 50 years
Sewer trunkline	50 years
Equipment	5 to 10 years
Administration building	40 years
Vehicles	5 years
Office furniture and equipment	5 to 10 years

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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, 2016.

6. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate category called deferred outflows of resources, which represents a consumption of net position or fund balance that applies to a future period. Deferred outflows of resources are considered by GASB to be separate and distinct from assets. The District reports the following deferred outflows of resources: pension-related items (governmental activities).

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate category called deferred inflows of resources, which represents an acquisition of net position or fund balance that applies to a future period. Deferred inflows of resources are considered by GASB to be separate and distinct from liabilities. The District reports the following deferred inflows of resources: unearned property tax revenue (governmental activities and governmental funds).

7. 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 carry over up to sixty-one days of unused sick leave to the following year. Unused sick leave may be paid to a retiring employee, and will be paid upon illness while in the employ of the District.

Employees are entitled to up to six weeks of annual vacation depending on their length of service. An employee with more than one week of vacation entitlement per year may sell part of their vacation back to the District. Up to five vacation days not used or sold by the end of the calendar year may carry over to the next calendar year.

8. 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. Bonds and debt certificates payable are reported net of their associated premiums.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Property Tax Calendar and Revenues

The District establishes a legal right to the property tax assessments upon the enactment of a tax levy ordinance by the District's Board of Trustees each year in August. The tax levy applies to all taxable real property located in the District. 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 McHenry County, generally, in April or May. Payments of property taxes are due in June and September each year. The County collects the property tax payments and remits them to the District periodically. At April 30, 2016, there were no significant unremitted taxes from the County.

Since the calendar year 2015 property tax is levied to finance the operations of fiscal year 2017, the calendar year 2015 property tax levy is recorded as a receivable and a deferred inflow of resources as of April 30, 2016. The calendar year 2014 property tax levy is recorded as revenue by the District in accordance with the applicable measurement focus and basis of accounting for fiscal year 2016.

The 2016 property tax levy, which attached as an enforceable lien on property on January 1, 2016 has not been recorded as a receivable as of April 30, 2016, as the tax has not yet been levied by the District and, therefore, the levy is not measurable as of April 30, 2016.

10. 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 Sewerage 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.

11. 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 constrained to specific purposes by enabling legislation.
- c. Unrestricted - all other net position is reported in this category.

12. 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:

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.
- 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.

13. 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.

14. 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 expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

15. 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 – BUDGETARY PROCESS

The District adheres to the following procedures in establishing the budget data reflected in the financial statements.

In March or April, the District Manager and the District Finance Officer submit a proposed budget to the Board of Trustees for the following fiscal year. The proposed budget includes each fund and is prepared by function and activity. It includes proposed expenditures and the means for financing them.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 2 – BUDGETARY PROCESS (Continued)

A public hearing is conducted in April to obtain taxpayer comments. Prior to the beginning of the following fiscal year, the budget is adopted by passage of an ordinance by the District Board. A copy of the ordinance is filed with the County Clerk each year. The budget may be amended by the District’s Board of Trustees.

Actual expenditures may not legally exceed budgeted expenditures at the fund level. Unspent budgeted expenditures lapse at year-end. There were no funds for which actual expenditures exceeded budgeted expenditures for the fiscal year.

NOTE 3 - CASH

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” or as “restricted cash – long-term debt sinking fund.”

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

As of April 30, 2016, the District had total deposits with a book balance of \$6,505,084 and a bank balance of \$6,526,175. At year end, the carrying amounts of the District’s cash consisted of the following:

	<u>Governmental Funds</u>	<u>Sewerage Fund</u>	<u>Total</u>
CASH AND EQUIVALENTS			
Long-term Debt Sinking Fund Account	\$ -	\$ 178,040	\$ 178,040
Operations and Maintenance Account	-	610,954	610,954
Bond and Interest Account	-	365,507	365,507
Certificate Account	-	139,725	139,725
Depreciation Account	-	1,218,909	1,218,909
Other Bank Accounts	1,192,973	2,798,576	3,991,549
Cash on Hand	<u>-</u>	<u>400</u>	<u>400</u>
TOTAL CASH AND EQUIVALENTS	<u>\$1,192,973</u>	<u>\$ 5,312,111</u>	<u>\$ 6,505,084</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.

The following is a summary of pledged collateral securities at April 30, 2016.

<u>Security Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Fair Value</u>
Federal Home Loan Banks Bonds	03/08/2019	1.875%	\$ <u>4,521,499</u>
Total			\$ <u>4,521,499</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 4 – ALLOWANCE FOR DOUBTFUL ACCOUNTS

Following is a schedule of the provisions and charges to the sewerage accounts receivable allowance for doubtful accounts reported in the Proprietary Fund for the year ended April 30, 2016.

Beginning of Year	\$ 330,000
Provisions	48,485
Write-offs	<u>(78,485)</u>
End of Year	<u>\$ 300,000</u>

NOTE 5 - ENTERPRISE FUND – CAPITAL ASSETS

A summary of changes in capital assets in the Proprietary Fund for the year was, as follows:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>April 30, 2016</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Cost:				
Land	\$ 446,489	\$ -	\$ -	\$ 446,489
Construction in progress	<u>1,219,587</u>	<u>1,109,631</u>	<u>1,219,587</u>	<u>1,109,631</u>
Total	<u>\$ 1,666,076</u>	<u>\$ 1,109,631</u>	<u>\$ 1,219,587</u>	<u>\$ 1,556,120</u>
 CAPITAL ASSETS BEING DEPRECIATED				
Cost:				
Plant and lift stations	\$ 34,281,397	\$ 3,014,546	\$ -	\$ 37,295,943
Sewer trunkline	22,066,992	-	-	22,066,992
Equipment	3,388,623	20,483	-	3,409,106
Administration building	1,298,177	-	-	1,298,177
Vehicles	607,216	30,188	-	637,404
Office furniture & equipment	<u>58,545</u>	<u>-</u>	<u>-</u>	<u>58,545</u>
Total	<u>61,700,950</u>	<u>3,065,217</u>	<u>-</u>	<u>64,766,167</u>
Depreciation:				
Plant and lift stations	(10,800,451)	(969,175)	-	(11,769,626)
Sewer trunkline	(7,129,155)	(428,493)	-	(7,557,648)
Equipment	(2,280,762)	(90,852)	-	(2,371,614)
Administration building	(225,161)	(32,455)	-	(257,616)
Vehicles	(605,874)	(1,342)	-	(607,216)
Office furniture & equipment	<u>(50,468)</u>	<u>(2,495)</u>	<u>-</u>	<u>(52,963)</u>
Total	<u>(21,091,871)</u>	<u>(1,524,812)</u>	<u>-</u>	<u>(22,616,683)</u>
 Capital Assets Being Depreciated, Net	 <u>\$ 40,609,079</u>	 <u>\$ 1,540,405</u>	 <u>\$ -</u>	 <u>\$ 42,149,484</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 6 - LONG-TERM DEBT

Outstanding debt -

At April 30, 2016, long-term debt consisted of the following individual issues:

	<u>PROPRIETARY FUND</u> <u>SEWERAGE 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 3.700% to 4.875% and mature May 1, 2016 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity.	\$ 1,445,000
<i>General Obligation Bonds (Alternate Revenue Source), Series 2014A, dated November 13, 2014.</i> Amount of original issue \$3,430,000. For the purpose of financing capital projects within the District, including, but not limited to, the construction of a waste treatment facility. The outstanding bonds carry interest rates of 2.000% to 4.000% and mature May 1, 2016 through May 1, 2039. The bonds maturing on or after 2025 are subject to redemption prior to maturity.	<u>3,430,000</u>
Total	4,875,000
Current portion	<u>200,000</u>
Noncurrent	<u>\$ 4,675,000</u>

Changes in outstanding debt –

	<u>Balance at</u> <u>May 1, 2015</u>	<u>Accrued</u>	<u>Used</u>	<u>Balance at</u> <u>April 30,</u> <u>2016</u>
Accrued Compensated Absences	\$ <u>20,693</u>	\$ <u>37,972</u>	\$ <u>(36,737)</u>	\$ <u>21,928</u>
	<u>Balance at</u> <u>May 1, 2015</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance at</u> <u>April 30,</u> <u>2016</u>
Debt Certificates, Series 2008	\$ 1,535,000	\$ -	\$ (90,000)	\$ 1,445,000
General Obligation Bonds (Alternate Revenue Source), Series 2014A	<u>3,430,000</u>	<u>-</u>	<u>-</u>	<u>3,430,000</u>
Total	<u>\$ 4,965,000</u>	<u>\$ -</u>	<u>\$ (90,000)</u>	<u>\$ 4,875,000</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 6 - 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.

General Obligation Bonds (Alternate Revenue Source) –

These bonds constitute direct general obligations of the District secured by a pledge of all net revenues of the District, after payment of all operating and maintenance expenses, and by a pledge of the general taxing power for the payment of the bonds. Whenever District funds are available to pay principal and interest of the bonds when due, the District is to direct the abatement of the pledged taxes by such amount and with proper notification.

The ordinance for the issuance of the bonds provides that the revenue of the sewerage system is to be used to pay operating and maintenance costs, provide an adequate depreciation fund, pay the principal of and the interest on all bonds payable from sewerage system revenues, and provide for accounts described in the ordinance. The District believes it is in compliance with all significant limitations and restrictions contained in the ordinance.

Debt service requirements to maturity –

The annual debt service requirements to maturity for all long-term debt, as of April 30, 2016, are as follows:

<u>Year Ending</u> <u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,000	\$ 180,125	\$ 380,125
2018	200,000	174,425	374,425
2019	205,000	168,278	373,278
2020	210,000	161,109	371,109
2021	220,000	153,181	373,181
2022 - 2026	1,225,000	629,641	1,854,641
2027 – 2031	995,000	388,878	1,383,878
2032 – 2036	830,000	240,087	1,070,087
2037 - 2040	<u>790,000</u>	<u>64,800</u>	<u>854,800</u>
Total	<u>\$ 4,875,000</u>	<u>\$ 2,160,524</u>	<u>\$ 7,035,524</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 7 - 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's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of their final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>11</u>
	21

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2015 was 10.88 percent. For the fiscal year ended April 30, 2016, the District contributed \$85,744.47 to the plan. 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.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.47%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Portfolio Target Percentage	Long-term Expected Real Rate of Return
Domestic equity	38%	7.39%
International equity	17%	7.59%
Fixed income	27%	3.00%
Real estate	8%	6.00%
Alternative investments	9%	2.75-8.15%
Cash equivalents	1%	2.25%
	100%	

Single Discount Rate

A single discount rate of 7.47% was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 2,713,031	\$ 2,028,796	\$ 684,235
Changes for the year:			
Service cost	61,533	-	61,533
Interest on the total pension liability	200,087	-	200,087
Differences between expected and actual experience	169,681	-	169,681
Contributions - District	-	63,778	(63,778)
Contributions - employees	-	26,379	(26,379)
Net investment income	-	10,043	(10,043)
Benefit payments, including refunds of employee contributions	(130,507)	(130,507)	-
Other (net transfer)	-	83,137	(83,137)
	300,794	52,830	247,964
Net changes			
Balances at December 31, 2015	\$ 3,013,825	\$ 2,081,626	\$ 932,199

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan’s net pension liability, calculated using a single discount rate of 7.47%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Lower 6.47%	Current Discount 7.47%	1% Higher 8.47%
Net pension liability	\$ 1,415,831	\$ 932,199	\$ 542,388

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016, the District recognized pension expense of \$52,206. At April 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 144,559	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	114,977	-
Total deferred amounts to be recognized in pension expense in future periods	259,536	-
Pension Contributions Made Subsequent to the Measurement Date	36,988	-
Total Deferred Amounts Related to Pensions	\$ 296,524	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending April 30	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2017	\$ 53,866	\$ -
2018	53,866	-
2019	53,866	-
2020	53,867	-
2021	25,122	-
Thereafter	18,949	-
Total	\$ 259,536	\$ -

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 8 – INTERFUND BALANCES

The District had no interfund balances outstanding as of April 30, 2016.

NOTE 9 – 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 made no contributions to the plan during the year ended April 30, 2016.

NOTE 10 – RISK MANAGEMENT

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, dental, vision, and life insurance coverage for its employees. Payments of medical, dental, vision, and life insurance premiums are recorded in the Enterprise Fund.

Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the previous year.

NOTE 11 – RESTATEMENT OF BEGINNING NET POSITION

In connection with the implementation of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,” and GASB No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,” the District has made the following adjustment. On the government-wide statement of net position, beginning net position has been restated, by the amount of \$669,213, to reflect the beginning net pension liability and the deferred outflows of resources related to contributions made subsequent to the measurement date of the beginning net pension liability, but prior to the start of the District’s fiscal year.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 12 – IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The District has adopted all current GASB pronouncements which are applicable to its financial statement stewardship. 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 in the future.

Statement 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.*

Statement 81, *Irrevocable Split-Interest Agreements.*

Statement 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*

Statement 79, *Certain External Investment Pools and Pool Participants.*

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*

Statement 77, *Tax Abatement Disclosures.*

Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

Statement 72, *Fair Value Measurement and Application.*

Those new pronouncements not yet in effect as of April 30, 2016 as listed above, are not expected to have any significant impact on the District's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended April 30, 2016

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 273,350	\$ 273,350	\$ 273,038	\$ (312)
Personal property replacement tax	-	-	1,823	1,823
Interest income	1,000	1,000	1,185	185
TOTAL REVENUES	<u>274,350</u>	<u>274,350</u>	<u>276,046</u>	<u>1,696</u>
EXPENDITURES				
PERSONNEL SERVICES AND SALARY EXPENSE				
Salaries of trustees, manager, finance director and finance assistant	155,000	155,000	148,705	6,295
Total personnel services and salary expense	<u>155,000</u>	<u>155,000</u>	<u>148,705</u>	<u>6,295</u>
CONTRACTUAL SERVICES				
Professional engineering	35,000	35,000	28,230	6,770
Legal services	15,000	15,000	9,075	5,925
Other professional services	10,000	10,000	120	9,880
Total contractual services	<u>60,000</u>	<u>60,000</u>	<u>37,425</u>	<u>22,575</u>
ADMINISTRATIVE EXPENSES				
Printing and publications	4,000	4,000	3,284	716
Office supplies and equipment	7,000	7,000	6,005	995
Postage	2,500	2,500	1,343	1,157
Treasurer's bond	3,500	3,500	3,000	500
Community affairs	2,000	2,000	1,822	178
Memberships and dues	5,000	5,000	4,199	801
Total administrative expenses	<u>24,000</u>	<u>24,000</u>	<u>19,653</u>	<u>4,347</u>
OPERATING EXPENSES				
Building and grounds upkeep	15,000	15,000	13,946	1,054
Utilities	50,000	50,000	15,794	34,206
JULIE	2,000	4,000	4,022	(22)
Training and education	2,000	2,000	984	1,016
Travel expenses	2,000	2,000	132	1,868
Computer hardware, software & support	12,000	10,000	5,252	4,748
Total operating expense	<u>83,000</u>	<u>83,000</u>	<u>40,130</u>	<u>42,870</u>
CONTINGENCY & MISCELLANEOUS EXPENSES				
Contingency and miscellaneous expenses	2,000	2,000	-	2,000
Total contingency and miscellaneous expenses	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
TOTAL EXPENDITURES	<u>324,000</u>	<u>324,000</u>	<u>245,913</u>	<u>78,087</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (49,650)</u>	<u>\$ (49,650)</u>	30,133	<u>\$ 79,783</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR			<u>834,668</u>	
END OF YEAR			<u>\$ 864,801</u>	
BUDGET-TO-ACTUAL RECONCILIATION				
BUDGETARY BASIS			\$ 30,133	
Expenditure accruals			<u>(3,855)</u>	
GAAP BASIS			<u>\$ 26,278</u>	

See independent auditor's report and accompanying notes to required supplementary information.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended April 30, 2016

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, 2016, 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
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
 Year Ended April 30, 2016

	Calendar Year 2015
TOTAL PENSION LIABILITY	
Service cost	\$ 61,533
Interest on the total pension liability	200,087
Difference between expected and actual experience of the total pension liability	169,681
Benefit payments, including refunds of employee contributions	(130,507)
Net change in total pension liability	300,794
Total pension liability - beginning	2,713,031
Total pension liability - ending	\$ 3,013,825
 PLAN FIDUCIARY NET POSITION	
Contributions - District	\$ 63,778
Contributions - employees	26,379
Net investment income	10,043
Benefit payments, including refunds of employee contributions	(130,507)
Other (net transfer)	83,137
Net change in plan fiduciary net position	52,830
Plan fiduciary net position - beginning	2,028,796
Plan fiduciary net position - ending	\$ 2,081,626
 NET PENSION LIABILITY	\$ 932,199
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	69.07%
 COVERED VALUATION PAYROLL	\$ 586,199
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED VALUATION PAYROLL	159.02%

See independent auditor's report and accompanying notes to required supplementary information.

LAKE IN THE HILLS SANITARY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
 Year Ended April 30, 2016

Calendar Year Ended December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 63,778	\$ 63,778	\$ -	\$ 586,199	10.88%

Notes to schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period until remaining period reaches 15 years (then 15-year rolling period).
Asset Valuation Method:	Early Retirement Incentive Plan Liabilities: a period up to 10 years selected by the employer upon adoption of ERI.
Wage Growth:	5-year smoothed market; 20% corridor
Price Inflation:	4.00%
Salary Increases:	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Investment Rate of Return:	4.40% to 16.00% including inflation
Retirement Age:	7.50%
Mortality:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Other Information:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Notes:	There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 April 30, 2016

SCHEDULE 4

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
ASSETS						
Cash	\$ 318,412	\$ 4,929	\$ 45,835	\$ 161,765	\$ 72,686	\$ 33,197
Property taxes receivable	340,106	19,870	12,729	101,832	155,930	49,745
TOTAL ASSETS	\$ 658,518	\$ 24,799	\$ 58,564	\$ 263,597	\$ 228,616	\$ 82,942
 DEFERRED INFLOWS OF RESOURCES						
Unearned property tax revenue	\$ 340,106	\$ 19,870	\$ 12,729	\$ 101,832	\$ 155,930	\$ 49,745
TOTAL DEFERRED INFLOWS OF RESOURCES	340,106	19,870	12,729	101,832	155,930	49,745
 FUND BALANCES						
Fund Balances	318,412	4,929	45,835	161,765	72,686	33,197
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 658,518	\$ 24,799	\$ 58,564	\$ 263,597	\$ 228,616	\$ 82,942

See independent auditor's report.

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, 2016

SCHEDULE 5

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
REVENUES						
Property taxes	\$ 316,485	\$ 18,827	\$ -	\$ 114,010	\$ 136,195	\$ 47,453
EXPENDITURES						
Auditing expense and fee	15,500	15,500	-	-	-	-
Chlorination, disinfection, and treatment	11,331	-	11,331	-	-	-
Pension contributions	85,745	-	-	85,745	-	-
Public liability insurance	81,365	-	-	-	81,365	-
Social security contributions	48,116	-	-	-	-	48,116
TOTAL EXPENDITURES	242,057	15,500	11,331	85,745	81,365	48,116
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,428	3,327	(11,331)	28,265	54,830	(663)
FUND BALANCES						
Beginning of year	243,984	1,602	57,166	133,500	17,856	33,860
FUND BALANCES, end of year	\$ 318,412	\$ 4,929	\$ 45,835	\$ 161,765	\$ 72,686	\$ 33,197

See independent auditor's report.

OTHER INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - AUDIT FUND
 Year Ended April 30, 2016

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 18,800	\$ 18,827	\$ 27
 EXPENDITURES			
Auditing expense and fee	25,000	15,500	9,500
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (6,200)	3,327	\$ 9,527
 BUDGETARY FUND BALANCE			
Beginning of year		1,602	
END OF YEAR		\$ 4,929	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHLORINATION FUND
 Year Ended April 30, 2016

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ -	\$ -	\$ -
EXPENDITURES			
Chlorination, disinfection and treatment	12,000	11,331	669
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (12,000)	(11,331)	\$ 669
BUDGETARY FUND BALANCE			
Beginning of year		57,166	
END OF YEAR		\$ 45,835	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - IMRF FUND
 Year Ended April 30, 2016

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 114,000	\$ 114,010	\$ 10
EXPENDITURES			
Pension contributions by employer	130,000	85,745	44,255
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (16,000)	28,265	\$ 44,265
BUDGETARY FUND BALANCE			
Beginning of year		133,500	
END OF YEAR		\$ 161,765	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - PUBLIC LIABILITY INSURANCE FUND
 Year Ended April 30, 2016

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 136,350	\$ 136,195	\$ (155)
EXPENDITURES			
Workers Compensation	28,000	22,454	5,546
Property	55,000	27,838	27,162
Vehicles	20,000	8,307	11,693
General liability	100,000	27,653	72,347
TOTAL EXPENDITURES	203,000	86,252	116,748
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (66,650)	49,943	\$ 116,593
BUDGETARY FUND BALANCE			
Beginning of year		22,743	
END OF YEAR		\$ 72,686	
BUDGET-TO-ACTUAL RECONCILIATION			
BUDGETARY BASIS		\$ 49,943	
Expenditure accruals		4,887	
GAAP BASIS		\$ 54,830	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - SOCIAL SECURITY FUND
 Year Ended April 30, 2016

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 47,500	\$ 47,453	\$ (47)
EXPENDITURES			
Social security contributions	58,000	48,116	9,884
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (10,500)	(663)	\$ 9,837
BUDGETARY FUND BALANCE			
Beginning of year		33,860	
END OF YEAR		\$ 33,197	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND
SEWERAGE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
Year Ended April 30, 2016

	Cash Basis (Non-GAAP)		Accrual Basis Expenses
	Appropriations	Actual	
PERSONNEL SERVICES			
District personnel salaries	\$ 580,000	\$ 487,065	\$ 484,857
District personnel retirement	10,000	-	-
TOTAL PERSONNEL SERVICES	590,000	487,065	484,857
ADMINISTRATIVE EXPENSES			
Telephone	3,500	2,701	2,705
Postage	20,500	19,370	19,665
Printing and publications	3,000	1,352	1,352
Office supplies	8,000	6,981	6,232
Billing and collection expenses	85,000	71,086	120,183
Professional services	5,000	956	956
Training, travel and education	5,000	1,351	1,351
Computer hardware, software and support	25,000	18,560	18,904
Community affairs	2,000	301	301
Medical and life insurance	180,000	186,664	178,136
TOTAL ADMINISTRATIVE EXPENSES	337,000	309,322	349,785
OPERATION AND MAINTENANCE OF PLANT			
Operating supplies	50,000	40,359	40,514
Maintenance and repair (plant)	120,000	119,584	114,394
Maintenance and repair (collection system)	100,000	17,193	16,750
Utilities and energy	325,000	314,220	319,684
Grounds upkeep	30,000	25,293	22,795
Gasoline and oil	22,000	10,372	8,986
Computer and support services	3,000	100	100
Emergency communications	44,500	43,651	44,039
Sludge management	1,570,500	838,179	747,037
Professional services	30,000	22,809	22,526
Residential reimbursement	10,000	529	529
Compliance requirements and permits	20,000	17,500	17,500
GIS	10,000	-	-
TOTAL OPERATION AND MAINTENANCE OF PLANT	2,335,000	1,449,789	1,354,854

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND
SEWERAGE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
Year Ended April 30, 2016

	<u>Cash Basis (Non-GAAP)</u>		Accrual
	<u>Appropriations</u>	<u>Actual</u>	Basis <u>Expenses</u>
CAPITAL IMPROVEMENTS			
New construction	2,700,000	2,334,987	2,390,431
Plant equipment	50,000	20,483	20,483
Collection system	100,000	-	-
Vehicles	45,000	30,188	30,188
Legal expense	5,000	-	-
Engineering expense	530,000	544,865	514,159
Bond, finance consulting expense	5,000	-	-
	<u>3,435,000</u>	<u>2,930,523</u>	<u>2,955,261</u>
TOTAL CAPITAL IMPROVEMENTS			
	<u>3,435,000</u>	<u>2,930,523</u>	<u>2,955,261</u>
BOND TRANSFERS			
2008 Debt certificates principal	100,000	-	-
2008 Debt certificates interest	64,000	63,988	63,988
Administration fee	3,500	750	750
2014 Bonds principal	100,000	100,000	-
2014 Bonds interest	119,000	118,987	118,987
Administration fee	3,500	1,100	1,100
	<u>390,000</u>	<u>284,825</u>	<u>184,825</u>
TOTAL BOND TRANSFERS			
	<u>390,000</u>	<u>284,825</u>	<u>184,825</u>
CONTINGENCY AND MISCELLANEOUS			
Contingency and miscellaneous expenses	2,500	10	10
	<u>2,500</u>	<u>10</u>	<u>10</u>
TOTAL CONTINGENT EXPENSES			
	<u>2,500</u>	<u>10</u>	<u>10</u>
TOTAL OPERATIONS AND MAINTENANCE FUND EXPENDITURES	<u>\$ 7,089,500</u>	<u>\$ 5,461,534</u>	5,329,592
LESS CAPITALIZED EXPENDITURES			<u>2,955,261</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION AND INCLUDING INTEREST			<u>\$ 2,374,331</u>

See independent auditor's report.

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

SCHEDULE 12

TAX LEVY YEAR	2013			2014			2015		
ASSESSED VALUATION	\$638,710,610			\$616,978,260			\$636,448,576		
TAX EXTENSIONS									
Fund	Rate	% of Total	Extension	Rate	% of Total	Extension	Rate	% of Total	Extension
GENERAL	0.045595	50.24	\$ 291,220	0.044305	33.78	\$ 273,352	0.040452	43.08	\$ 257,456
CHLORINATION	-	-	-	-	-	-	0.002000	2.13	12,729
LIABILITY INSURANCE	0.015800	17.41	100,916	0.022100	16.85	136,352	0.024500	26.09	155,930
SOCIAL SECURITY	0.007300	8.04	46,626	0.007700	5.87	47,508	0.007816	8.33	49,745
IMRF	0.019000	20.94	121,355	0.018500	14.11	114,141	0.016000	17.04	101,832
AUDIT	0.003055	3.37	19,513	0.003055	2.33	18,849	0.003122	3.33	19,870
BONDS & INTEREST	-	-	-	0.035494	27.06	218,990	-	-	-
	0.090750	100.00	\$ 579,630	0.131154	100.00	\$ 809,192	0.093890	100.00	\$ 597,562

See independent auditor's report.

**LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF LEGAL DEBT MARGIN**

ASSESSED VALUATION at December 31, 2015	\$ 636,448,576
GENERAL OBLIGATION DEBT LIMIT (5.75% OF \$636,448,576)	\$ 36,595,793
DEBT APPLICABLE TO THE GENERAL OBLIGATION DEBT LIMIT (Does not include Alternate Revenue Source Debt)	
Debt Certificates, Series 2008	<u>(1,445,000)</u>
UNUSED GENERAL OBLIGATION DEBT LIMIT	\$ 35,150,793
DIRECT GENERAL OBLIGATION DEBT	
General Obligation Bonds (Alternate Revenue Source), Series 2014A	<u>\$ 3,430,000</u>

See independent auditor's report.