

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

**BASIC FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION**

Year Ended April 30, 2017

# LAKE IN THE HILLS SANITARY DISTRICT

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## JAMES GIOIA & COMPANY, P.C.

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT

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

#### **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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

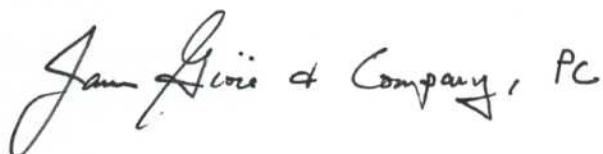
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major governmental fund budgetary comparison schedule, the notes to budgetary comparison schedules, the Schedule of Changes in the Net Pension Liability and Related Ratios, 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.

A handwritten signature in black ink that reads "Jan Givis & Company, PC". The signature is fluid and cursive, with "Jan Givis" on the top line and "& Company, PC" on the bottom line.

Crystal Lake, Illinois  
September 14, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

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, 2017. 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 \$45,652,726 (net position). Of this amount, \$6,215,909 (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 increased by \$457,877 during the recent year compared to a decrease of \$116,642 during the preceding year. The changes in net position were after deducting depreciation of plant and equipment, in the amount of \$1,626,872 for the recent year and \$1,524,812 for the preceding year.
- During the preceding year ended April 30, 2016, 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 \$964,763 at the end of its most recent year and \$932,199 at the end of the preceding year.
- In late 2016, the District completed construction of a new digester, at a cost of approximately \$1.7 million. The digester is part of a new biosolids treatment facility, which was placed in service during the preceding year. The components of the biosolids treatment facility were financed by the issuance of general obligation bonds (alternate revenue source), totaling \$3,430,000, in November 2014.
- The expenses of the sewerage plant operations decreased during the year ended April 30, 2017 by approximately \$200,000 and during the preceding year ended April 30, 2016 by nearly \$500,000. The decreases were primarily attributable to a decrease in sludge management expense; the District's largest operating cost, which was the result of the District's processing sludge using the new biosolids management facility.

## **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 information** 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

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

financial statements. The **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 17 and 18 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

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Year Ended April 30, 2017

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 19 and 20 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 21 through 23 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 24 through 41 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 increased by approximately \$458,000 compared to a year ago. The District's net position at April 30, 2017 was \$45,652,726 and at April 30, 2016, it was \$45,194,849. As a percentage, the increase in net position was approximately one percent.

The components of the District's combined net position provide insight into the overall increase during the year ended April 30, 2017. 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 remained relatively the same as the preceding year, increasing by approximately \$5,000, while its net position from business-type activities increased by approximately \$452,000.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

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	
	2016	2017	2016	2017	2016	2017
<b>Assets</b>						
Cash	\$ 1,192,973	\$ 1,229,530	\$ 5,134,071	\$ 5,320,128	\$ 6,327,044	\$ 6,549,658
Other current assets	639,689	668,115	870,879	976,430	1,510,568	1,644,545
Capital assets	-	-	43,705,604	43,367,404	43,705,604	43,367,404
Other noncurrent assets	-	-	289,369	427,527	289,369	427,527
Total Assets	<u>1,832,662</u>	<u>1,897,645</u>	<u>49,999,923</u>	<u>50,091,489</u>	<u>51,832,585</u>	<u>51,989,134</u>
<b>Deferred outflows of resources</b>						
Pension-related Items	<u>296,524</u>	<u>293,872</u>	<u>-</u>	<u>-</u>	<u>296,524</u>	<u>293,872</u>
<b>Liabilities</b>						
Current liabilities	15,564	21,642	642,338	485,952	657,902	507,594
Long-term liabilities	932,199	964,763	4,746,597	4,542,115	5,678,796	5,506,878
Total Liabilities	<u>947,763</u>	<u>986,405</u>	<u>5,388,935</u>	<u>5,028,067</u>	<u>6,336,698</u>	<u>6,014,472</u>
<b>Deferred inflows of resources</b>						
Pension-related Items	-	11,760	-	-	-	11,760
Unearned property tax revenue	<u>597,562</u>	<u>604,048</u>	<u>-</u>	<u>-</u>	<u>597,562</u>	<u>604,048</u>
Total Deferred Inflows	<u>597,562</u>	<u>615,808</u>	<u>-</u>	<u>-</u>	<u>597,562</u>	<u>615,808</u>
<b>Net Position</b>						
Invested in capital assets	-	-	39,128,534	39,180,652	39,128,534	39,180,652
Restricted	198,774	256,165	-	-	198,774	256,165
Unrestricted	<u>385,087</u>	<u>333,139</u>	<u>5,482,454</u>	<u>5,882,770</u>	<u>5,867,541</u>	<u>6,215,909</u>
Total Net Position	<u>\$ 583,861</u>	<u>\$ 589,304</u>	<u>\$ 44,610,988</u>	<u>\$ 45,063,422</u>	<u>\$ 45,194,849</u>	<u>\$ 45,652,726</u>

As of both April 30, 2017 and 2016, 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, 2017

The following table provides a summary of the District's operations for the year ended April 30, 2017 with comparative totals for the year ended April 30, 2016.

**Lake In The Hills Sanitary District Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
<b>Revenues</b>						
Operating revenue	\$ -	\$ -	\$ 4,005,843	\$ 3,954,508	\$ 4,005,843	\$ 3,954,508
Taxes	591,346	598,458	218,738	-	810,084	598,458
Capital contributions	-	-	94,149	176,800	94,149	176,800
Other income	1,185	3,948	8,309	15,624	9,494	19,572
Total revenues	<u>592,531</u>	<u>602,406</u>	<u>4,327,039</u>	<u>4,146,932</u>	<u>4,919,570</u>	<u>4,749,338</u>
<b>Expenses</b>						
Plant operations	-	-	1,354,854	1,141,467	1,354,854	1,141,467
Depreciation	-	-	1,524,812	1,626,872	1,524,812	1,626,872
Personnel	150,545	159,701	484,857	465,619	635,402	625,320
Administrative	19,184	15,486	349,785	283,150	368,969	298,636
Interest on long-term debt	-	-	180,343	174,643	180,343	174,643
Other expenses	<u>302,609</u>	<u>421,776</u>	<u>10</u>	<u>2,747</u>	<u>302,619</u>	<u>424,523</u>
Total expenses	<u>472,338</u>	<u>596,963</u>	<u>3,894,661</u>	<u>3,694,498</u>	<u>4,366,999</u>	<u>4,291,461</u>
Changes in net position	<u>120,193</u>	<u>5,443</u>	<u>432,378</u>	<u>452,434</u>	<u>552,571</u>	<u>457,877</u>
Net position – beginning of year (as previously stated)	1,132,881	583,861	44,178,610	44,610,988	45,311,491	45,194,849
Restatement	<u>(669,213)</u>	-	-	-	<u>(669,213)</u>	-
Net position - beginning of year (as restated for GASBS 68)	<u>463,668</u>	<u>583,861</u>	<u>44,178,610</u>	<u>44,610,988</u>	<u>44,642,278</u>	<u>45,194,849</u>
Net position - end of year	<u>\$ 583,861</u>	<u>\$ 589,304</u>	<u>\$ 44,610,988</u>	<u>\$ 45,063,422</u>	<u>\$ 45,194,849</u>	<u>\$45,652,726</u>

### **Governmental Activities**

As previously noted, during the year ended April 30, 2017, the District's net position of its governmental activities remained relatively the same as the preceding year, increasing by approximately \$5,000. Whereas during the preceding year ended April 30, 2016, the District's net position of its governmental activities decreased by approximately \$549,000.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

The decrease during the preceding year ended April 30, 2016, stemmed primarily from the implementation of two new accounting standards that year, 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 two accounting standards were effective for the District's year ended April 30, 2016. They required the reporting of three new items in the District's Statement of Net Position, which had not been required previously.

The three new items were deferred outflows of resources, deferred inflows of resources, and a net pension liability. The net effect of these items on the Statement of Position required the District to restate its beginning balance for the preceding year ended April 30, 2016. The restatement resulted in an approximately \$669,000 decrease in the District's net position of its governmental activities, as is shown on the preceding page.

Without the effect of the adoption of the two new accounting standards during the preceding year ended April 30, 2016, the District's net position of its governmental activities increased by approximately \$120,000. During the most recent year ended April 30, 2017, the net position increased by approximately \$5,000. The \$115,000 change in result is due primarily to increased pension expense.

Pension expense included in the government-wide Statement of Activities increased by approximately \$108,000 compared to the preceding year. The District maintains a defined benefit pension plan managed by the Illinois Municipal Retirement Fund (IMRF). Please see Note 7 for information about the defined benefit retirement plan. For purposes of the government-wide financial statements, pension expense contains four components; pension contributions paid directly to IMRF, the change in deferred outflows of resources, the change in deferred inflows of resources, and the change in net pension liability.

Pension contributions paid to IMRF totaled \$113,096 during the most recent year ended April 30, 2017. Pension contributions paid to IMRF totaled \$85,745 during the preceding year. Thus, contributions paid to the plan increased by approximately \$27,000 or approximately 32 percent. The contribution rate is determined annually by the IMRF based on actuarial methods and assumptions. The District's annual contribution rate for the calendar year 2015 was 10.88 percent, for the calendar year 2016 it increased to 18.54 percent, and for the calendar year 2017 it increased again to 20.64 percent.

Deferred outflows of resources with respect to the pension plan remained approximately the same as the preceding year; \$296,524 at April 30, 2016 compared to \$293,872 at April 30, 2017. However, total deferred inflows of resources increased from zero to \$11,760 at April 30, 2017. The deferred inflows of resources stemmed from changes in assumptions used in the actuarial determinations. Net pension liability increased by approximately \$33,000; from \$932,199 at April 30, 2016 to \$964,763 at April 30, 2017. Net pension liability is calculated by the IMRF using actuarial methods and assumptions.

The total effect of the change in deferred inflows of resources, deferred outflows of resources, and net pension liability was an approximately \$47,000 increase to pension expense during the year ended April 30, 2017. The total effect during the preceding year ended April 30, 2016 was an approximately \$34,000 net decrease to pension expense. The combined increase and decrease produce an approximately \$81,000 increase to pension expense from deferred inflows and outflows of resources and net pension liability, when comparing the current and preceding years. And when adding the approximately \$27,000 increase in pension contributions paid to IMRF, the total increase in pension expense is approximately \$108,000.

Property taxes account for nearly all (over 99%) of the District's governmental activities revenue. Total property taxes revenue amounted to \$596,543 for the fiscal year ended April 30, 2017. This represents a slight increase from the previous year, in the amount of \$7,020, or approximately 1.2%. Even though the District's tax rate decreased during the year, the District's assessed tax base grew.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

Cash from governmental activities increased during the year ended April 30, 2017 by approximately \$37,000. The increase in cash is primarily a result of the approximately \$30,000 excess of governmental revenues over its expenditures.

**Business-type Activities**

During the year ended April 30, 2017, the District's net position from business-type activities increased by approximately \$452,000. 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 87% of total net position. Net position invested in capital assets increased by approximately \$52,000 during the year ended April 30, 2017. The net increase is the net result of several factors. Most notably, during the year, the District spent approximately \$1.3 million towards the purchase of fixed assets (an increase to net position), which included the completion of the new digester. Depreciation of fixed assets totaled approximately \$1.6 million during the year (a net decrease to net position). Also, the District contributed approximately \$177,000 to the sinking fund to be used to redeem a portion of the bonds issued in 2014 (an increase in net position) and deposited \$200,000 of its debt payments due May 1, 2017 with debt paying agents (another increase).

The District's unrestricted net position increased by approximately \$400,000 during the year ended April 30, 2017 from approximately \$5.5 million at April 30, 2016 to approximately \$5.9 million at April 30, 2017. The increase is attributable to the operations of the sewerage system. During the year ended April 30, 2017, net operating income before depreciation totaled approximately \$2.1 million. During the preceding year ended April 30, 2016, net operating income before depreciation was approximately \$1.8 million, or approximately \$300,000 less than the most recent year.

The biggest contributor to the increased net operating income was a reduction in sludge management expense. Sludge management expense totaled approximately \$410,000 for the most recent year ended April 30, 2017 and approximately \$750,000 for the preceding year ended April 30, 2016; a decrease in sludge management expense of approximately \$340,000. Going back one year further, sludge management expense totaled approximately \$1,200,000 for the year ended April 30, 2015.

The decrease in sludge management expense is due to the District's thickening sludge using the new biosolids management facility, which was placed into service over the course of the past two years. The biosolids management facility cost approximately \$5 million to construct and was paid for in part by \$3.4 million general obligation bonds (alternate revenue source) issued in 2014. For the five years prior to the implementation of the biosolids facility, sludge management expense averaged approximately \$1.4 million per year. It was the District's largest expense, other than depreciation. During the most recent year ended April 30, 2017, the District spent approximately \$410,000 for sludge management, almost \$1 million less than the average cost per year preceding the initial stages of the implementation of the new biosolids management facility.

The District's cash in its business-type activities increased by approximately \$190,000, its accounts receivable decreased by approximately \$80,000, and its accounts payable decreased by approximately \$160,000; producing a net increase in its most significant components of working capital of approximately \$270,000 (\$190,000 less \$80,000 plus \$160,000).

Accounts and notes receivable due from sewerage customers totaled approximately \$869,000 at April 30, 2017, and were approximately \$658,00 after reduction by an allowance for doubtful accounts of \$211,000. One year earlier, at April 30, 2016, accounts and notes receivable totaled approximately \$1,090,000; \$790,000 after reduction by a \$300,000 allowance for doubtful accounts.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

The \$869,000 total accounts and notes receivable at April 30, 2017 represents the lowest year-end balance of uncollected accounts and notes receivable since April 30, 2011. Since the economic recession of 2008 - 2009, the District's uncollected accounts receivable grew year-after-year. The District instituted several new measures to attempt to improve collections, including the availability of online payments, ACH payments, and enforcement of liens from sales of properties. In March 2015, the District entered into agreements with the two villages and the city within which its residents reside to shut-off water service after certain other collection attempts had failed. Since the implementation of the water shut-off policy, the District's has improved its collections of delinquent customer accounts and notes receivable, and thereby reduced the balances reported at April 30, 2017.

The District's current assets, other than cash, for its business-type activities, increased by approximately \$105,000 during the most recent year. In March 2017, the District deposited \$100,000 into an escrow account for the purchase of 13.88 acres of vacant land. In July 2017, the District's Board of Trustees voted to rescind the purchase.

At April 30, 2017, the District's noncurrent assets consist of approximately \$355,000 restricted cash for its long-term debt sinking fund and approximately \$72,000 of the noncurrent portion of notes receivable from customers, who have entered into payment plans with the District with terms in excess of one year. At the end of the preceding year, the long-term debt sinking fund amounted to approximately \$178,000 and the noncurrent portion of notes receivable amounted to approximately \$111,000.

Current liabilities of the District's business-type activities decreased by approximately \$156,000 from approximately \$642,000 to \$486,000 during the most recent fiscal year. The decrease was almost entirely attributable to an approximately \$156,000 decrease in accounts payable from approximately \$330,000 to \$174,000.

Long-term liabilities decreased during the year by approximately \$200,000 as a result of the payments of the District's long-term debt. At April 30, 2017, the District had two issues of long-term debt outstanding, debt certificates issued in 2008 and general obligation bonds (alternative revenue source) issued in 2014.

Operating revenues of the District's business-type activities decreased by approximately \$51,000 compared to the prior year or by approximately 1%. Although charges for sewer services increased by approximately \$41,000; penalties and collection charges decreased by approximately \$92,000. The decrease in penalty and collection charges is attributable to the improved collections of delinquent customer accounts and the consequent reduction of the penalties and collection charges which are based on those accounts.

During the year ended April 30, 2016, the District received approximately \$219,000 of property tax revenue to pay the debt service on the bonds issued in November 2014. During the most recent year ended April 30, 2017, the District abated the property taxes designated to pay the debt service.

Personnel costs of the District's business-type activities fell during the year ended April 30, 2017 by approximately \$19,000 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 approximately \$10,000 or approximately 1.6%.

Capital contributions, in the form of connection fees, totaled approximately \$177,000 during the year. During the preceding year ended April 30, 2016, the District's connection fees totaled approximately \$94,000. The fees come from new users tapping on to the District's sewerage system.

**LAKE IN THE HILLS SANITARY DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended April 30, 2017

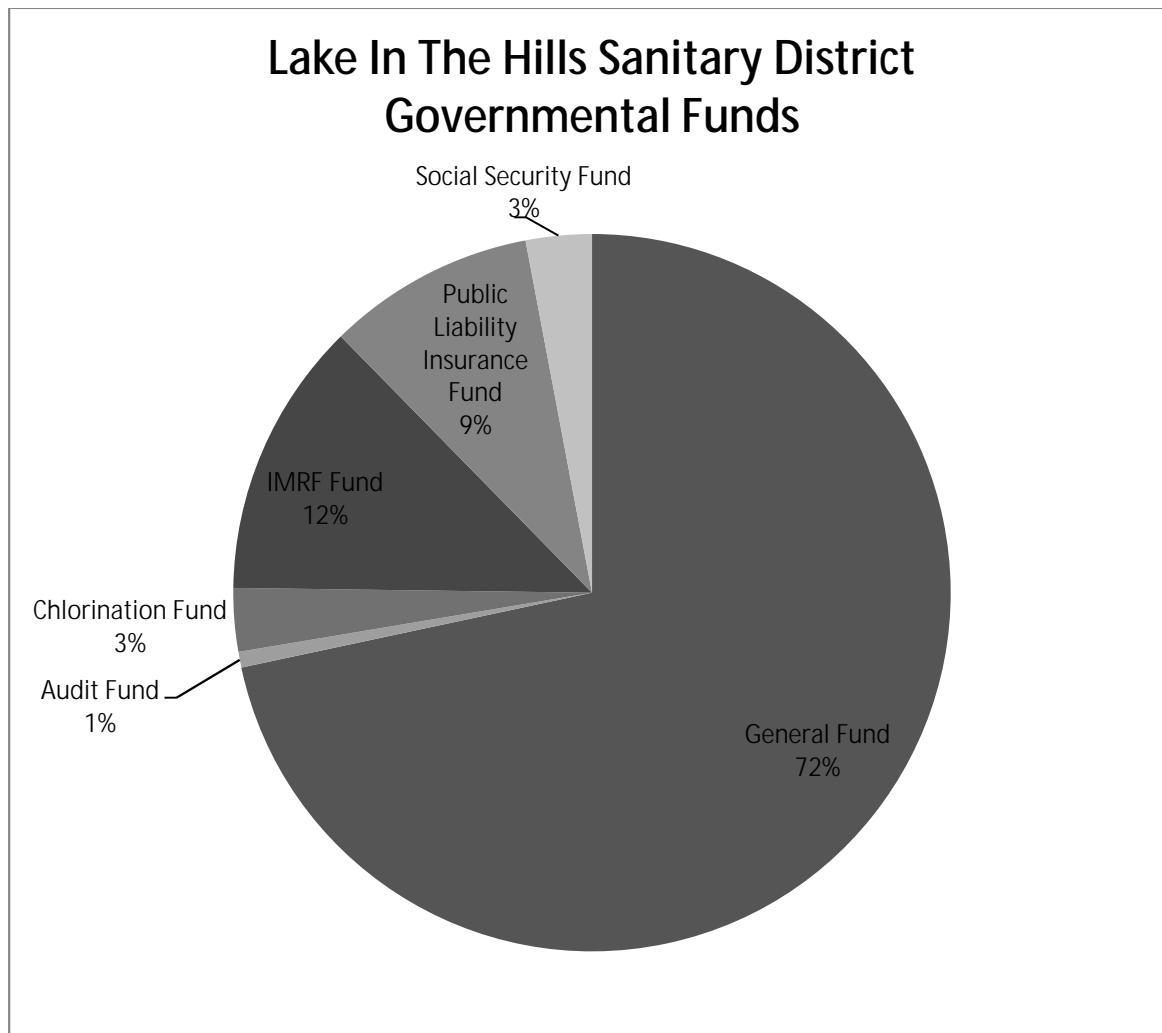
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**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 \$1,207,888. Of this total, \$342,425 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 \$865,463 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.



**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

The General Fund is the largest of the District's governmental funds. Its fund balance amounted to \$865,463 at April 30, 2017. 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.

The General Fund experienced an increase in fund balance of \$6,466 during the year ended April 30, 2017 or approximately 1%. General Fund property taxes decreased by \$16,021 compared to the prior year or by 6%. General Fund expenses increased by \$6,646 with the largest increase in Contractual Services, which grew by \$11,067.

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 decreased by \$11,438 during the year ended April 30, 2017.

### **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 \$45,063,422 at April 30, 2017, or approximately 99% of the District's total net position.

Operating revenues of the Sewerage Fund totaled \$3,954,508 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 decreased by \$51,335 compared to the prior year. As previously mentioned, improved collections of delinquent customer accounts receivable reduced penalties and collection charges by approximately \$92,000 compared to the prior year resulting in the decrease to total operating revenues.

The Sewerage Fund generated a net operating income for the fiscal year, in the amount of \$434,653. Included in its expenses was depreciation, in the amount of \$1,626,872. Sewerage operations generated a net operating income before depreciation, in the amount of \$2,061,525.

### **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 \$51,150. As reported in the budgetary comparison schedule, the fund balance actually increased (on a budgetary basis), by the amount of \$11,306. 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, 2017, was \$39,180,652. This investment represents approximately 86% of the District's total government-wide net position.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

During the year ended April 30, 2017, the District completed construction of a digester; a component of the District's new biosolids waste treatment system. Total costs incurred with respect to the digester were approximately \$1.7 million. The digester was placed in service in late 2016.

The new biosolids waste treatment system is expected to save the District significant sludge management costs by delivering a thicker sludge to the sludge belt press. As previously mentioned, for the five years prior to the implementation of the biosolids facility, sludge management expense averaged approximately \$1.4 million per year. During the most recent year, the District's sludge management expense was approximately \$400,000; approximately \$1 million less than the average for the five years preceding the new facility.

At the end of the most recent fiscal year, the District was in the process of coating its clarifier and tank. The District expects to complete the coating project in late 2017.

For more detailed information on the District's capital assets, see Note 5 in the Notes to Basic Financial Statements on page 33.

#### **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, 2017 through May 1, 2039. Bonds maturing on or after 2025 are subject to redemption prior to maturity. At April 30, 2017, the balance of the Bonds remaining to be paid was \$3,330,000.

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, 2017 through May 1, 2027. Certificates maturing on or after 2019 are subject to maturity prior to redemption. At April 30, 2017, the balance of the Certificates remaining to be paid was \$1,345,000.

For more detailed information on the District's long-term obligations, see Note 6 in the Notes to Basic Financial Statements on page 34.

#### **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, 2018, 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 approximately one-half percent from a rate of approximately 0.094 of taxable value to a rate of approximately 0.089 of taxable value.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended April 30, 2017

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.

In March 2017, the District deposited \$100,000 earnest money to purchase 13.88 acres of vacant land south of the District. In April 2017, the District annexed a segment of land leading up to the vacant land it planned to purchase. At its July 2017 meeting, the District's Board of Trustees voted to rescind the purchase of the vacant land and to rescind the annexation agreement.

**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, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$ 1,229,530	\$ 5,320,128	\$ 6,549,658
Property taxes receivable	604,048	-	604,048
Accounts receivable, net	-	545,883	545,883
Current portion of notes receivable	-	40,371	40,371
Other receivables	-	1,538	1,538
Deposits with debt paying agents	-	288,638	288,638
Escrow deposit for purchase of land	-	100,000	100,000
Prepaid insurance	64,067	-	64,067
Restricted cash - long-term debt sinking fund	-	355,363	355,363
Notes receivable - noncurrent portion	-	72,164	72,164
Land and construction in progress	-	512,079	512,079
Capital assets being depreciated (net of accumulated depreciation)	-	42,855,325	42,855,325
<b>TOTAL ASSETS</b>	<b>1,897,645</b>	<b>50,091,489</b>	<b>51,989,134</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related items	293,872	-	293,872
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>293,872</b>	<b>-</b>	<b>293,872</b>
<b>LIABILITIES</b>			
Accounts payable	17,976	174,718	192,694
Accrued compensated absences	3,666	20,430	24,096
Accrued interest	-	88,638	88,638
Developer deposits	-	2,166	2,166
Net pension liability	964,763	-	964,763
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	-	4,475,000	4,475,000
Unamortized debt issuance premium, net	-	67,115	67,115
<b>TOTAL LIABILITIES</b>	<b>986,405</b>	<b>5,028,067</b>	<b>6,014,472</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related items	11,760	-	11,760
Unearned property tax revenue	604,048	-	604,048
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>615,808</b>	<b>-</b>	<b>615,808</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	39,180,652	39,180,652
Restricted for:			
Audit expenses	8,515	-	8,515
Chlorination, disinfection, and treatment	34,527	-	34,527
Public liability insurance	177,199	-	177,199
Social security contributions	35,924	-	35,924
Unrestricted	333,139	5,882,770	6,215,909
<b>TOTAL NET POSITION</b>	<b>\$ 589,304</b>	<b>\$ 45,063,422</b>	<b>\$ 45,652,726</b>

See accompanying notes to basic financial statements.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended April 30, 2017

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>PROGRAM REVENUES</b>		<b>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</b>		
		<b>CHARGES FOR SERVICES</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>Primary Government</b>						
GOVERNMENTAL ACTIVITIES						
General government	\$ 596,963	\$ -	\$ -	\$ (596,963)	\$ -	\$ (596,963)
BUSINESS-TYPE ACTIVITIES						
Sewerage services	3,519,855	3,954,508	176,800	-	611,453	611,453
Debt service	174,643	-	-	-	(174,643)	(174,643)
Total Primary Government	<u>4,291,461</u>	<u>3,954,508</u>	<u>176,800</u>	<u>(596,963)</u>	<u>436,810</u>	<u>(160,153)</u>
<b>GENERAL REVENUES</b>						
Property taxes				596,543	-	596,543
Gain from sale of equipment				-	4,700	4,700
Personal property replacement tax				1,915	-	1,915
Safety grant				1,899	-	1,899
Unrestricted investment earnings				2,049	10,924	12,973
TOTAL GENERAL REVENUES				<u>602,406</u>	<u>15,624</u>	<u>618,030</u>
CHANGE IN NET POSITION				5,443	452,434	457,877
<b>NET POSITION</b>						
BEGINNING				<u>583,861</u>	<u>44,610,988</u>	<u>45,194,849</u>
ENDING NET POSITION				<u>\$ 589,304</u>	<u>\$ 45,063,422</u>	<u>\$ 45,652,726</u>

See accompanying notes to basic financial statements.

## LAKE IN THE HILLS SANITARY DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2017

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash	\$ 887,105	\$ 342,425	\$ 1,229,530
Property taxes receivable	<u>273,063</u>	<u>330,985</u>	<u>604,048</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,160,168</b>	<b>\$ 673,410</b>	<b>\$ 1,833,578</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 17,976	\$ -	\$ 17,976
Accrued compensated absences	<u>3,666</u>	<u>-</u>	<u>3,666</u>
<b>Total Liabilities</b>	<b><u>21,642</u></b>	<b><u>-</u></b>	<b><u>21,642</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned property tax revenue	273,063	330,985	604,048
<b>Total Deferred Inflows of Resources</b>	<b>273,063</b>	<b>330,985</b>	<b>604,048</b>
<b>FUND BALANCES</b>			
Restricted for:			
Audit expenses	-	8,515	8,515
Chlorination, disinfection, and treatment	-	34,527	34,527
Pension contributions	-	150,327	150,327
Public liability insurance	-	113,132	113,132
Social security contributions	-	35,924	35,924
Unassigned	<u>865,463</u>	<u>-</u>	<u>865,463</u>
<b>Total Fund Balances</b>	<b><u>865,463</u></b>	<b><u>342,425</u></b>	<b><u>1,207,888</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,160,168</u></b>	<b><u>\$ 673,410</u></b>	<b><u>\$ 1,833,578</u></b>
Fund balance			\$ 1,207,888
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.			64,067
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.			(964,763)
In addition to the net pension liability, associated deferred inflows of resources and deferred outflows of resources related to pensions are reported in the statement of net position.			
Deferred outflows			293,872
Deferred inflows			<u>(11,760)</u>
Net position of governmental activities			<u>\$ 589,304</u>

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, 2017

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Property taxes	\$ 257,017	\$ 339,526	\$ 596,543
Interest income	2,049	-	2,049
Personal property replacement tax	1,915	-	1,915
Miscellaneous	1,899	-	1,899
<b>TOTAL REVENUES</b>	<b>262,880</b>	<b>339,526</b>	<b>602,406</b>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government			
Personnel services and salary	159,701	-	159,701
Contractual services	49,300	16,250	65,550
Administrative expenditures	15,486	-	15,486
Operating expenditures	31,927	-	31,927
Chlorination, disinfection, and treatment	-	24,016	24,016
Pension contributions	-	113,096	113,096
Public liability insurance	-	115,218	115,218
Social security contributions	-	46,933	46,933
<b>TOTAL EXPENDITURES</b>	<b>256,414</b>	<b>315,513</b>	<b>571,927</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>6,466</b>	<b>24,013</b>	<b>30,479</b>
<b>FUND BALANCES</b>			
BEGINNING	<u>858,997</u>	<u>318,412</u>	
ENDING	<u>\$ 865,463</u>	<u>\$ 342,425</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.			21,940
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			(32,564)
Change in deferred outflows of resources - pension-related items			(2,652)
Change in deferred inflows of resources - pension-related items			<u>(11,760)</u>
Change in net position of governmental activities			<u>\$ 5,443</u>

See accompanying notes to basic financial statements.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
April 30, 2017

	ENTERPRISE FUND SEWERAGE FUND
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 5,320,128
Accounts receivable, net of \$211,000 allowance for doubtful accounts	545,883
Current portion of notes receivable	40,371
Other receivables	1,538
Deposits with debt paying agents	288,638
Escrow deposit for purchase of land	100,000
Total Current Assets	6,296,558
<b>NONCURRENT ASSETS</b>	
Restricted cash - long-term debt sinking fund	355,363
Notes receivable - noncurrent portion	72,164
Land and construction in progress	512,079
Capital assets being depreciated (net of accumulated depreciation)	42,855,325
Total Noncurrent Assets	43,794,931
	50,091,489
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	174,718
Current portion of bonds and debt certificates payable	200,000
Accrued compensated absences	20,430
Accrued interest	88,638
Developer deposits	2,166
Total Current Liabilities	485,952
<b>NONCURRENT LIABILITIES</b>	
Bonds and debt certificates payable, net of current portion	4,475,000
Unamortized debt issuance premium, net of accretion	67,115
Total Noncurrent Liabilities	4,542,115
	5,028,067
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	39,180,652
Unrestricted	5,882,770
	\$ 45,063,422

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, 2017

	ENTERPRISE FUND SEWERAGE FUND
<b>OPERATING REVENUES</b>	
Sewer services	\$ 3,793,461
Penalties and collection charges	161,047
<b>TOTAL OPERATING REVENUES</b>	<b>3,954,508</b>
<b>OPERATING EXPENSES</b>	
Personnel services	465,619
Administrative expenses	283,150
Operation and maintenance of plant	1,141,467
Contingent expenses	2,747
Depreciation	1,626,872
<b>TOTAL OPERATING EXPENSES</b>	<b>3,519,855</b>
OPERATING INCOME	434,653
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	10,924
Gain from sale of equipment	4,700
Debt premium amortization	4,482
Interest expense and agent fees	(179,125)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(159,019)</b>
INCOME BEFORE CONTRIBUTIONS	275,634
<b>CAPITAL CONTRIBUTIONS</b>	176,800
CHANGE IN NET POSITION	452,434
<b>NET POSITION - BEGINNING OF YEAR</b>	44,610,988
<b>NET POSITION - END OF YEAR</b>	<b>\$ 45,063,422</b>

See accompanying notes to basic financial statements.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended April 30, 2017

	ENTERPRISE FUND SEWERAGE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,825,938
Insurance reimbursement for power outage	113,061
Payments to suppliers	(1,317,056)
Payments to employees	(465,129)
Equipment repairs caused by power outage	(118,061)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,038,753</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributed capital - connection fees	176,800
Proceeds from sale of equipment	4,700
Escrow deposit for purchase of land	(100,000)
Capital debt interest paid and administration fees	(179,125)
Capital debt principal paid	(300,000)
Purchases of capital assets	(1,288,673)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,686,298)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	10,924
Sinking fund reserve deposits	(177,322)
NET CASH USED BY INVESTING ACTIVITIES	<u>(166,398)</u>
NET INCREASE IN CASH	186,057
<b>CASH, at beginning of year</b>	<u>5,134,071</u>
<b>CASH, AT END OF YEAR</b>	<u>\$ 5,320,128</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
OPERATING INCOME	\$ 434,653
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	1,626,872
CHANGE IN ASSETS AND LIABILITIES	
Accounts and notes receivable	131,078
Other receivables	(313)
Accounts payable	(155,634)
Accrued compensated absences	2,097
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,038,753</u>

See accompanying notes to basic financial statements.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**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, 2017

### **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, 2017

**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, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. 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 \$211,000 at April 30, 2017.

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.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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

**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. During the fiscal year ended April 30, 2017, the District incurred an impairment loss caused by a power outage, which was covered by insurance. There were no other impairments of the District's capital assets during the fiscal year.

**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 funds).

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: pension-related items (governmental funds) and unearned property tax revenue (governmental funds).

## **LAKE IN THE HILLS SANITARY DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

Year Ended April 30, 2017

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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.

#### **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, 2017, there were no significant unremitted taxes from the County.

Since the calendar year 2016 property tax is levied to finance the operations of fiscal year 2018, the calendar year 2016 property tax levy is recorded as a receivable and a deferred inflow of resources as of April 30, 2017. The calendar year 2015 property tax levy is recorded as revenue by the District in accordance with the applicable measurement focus and basis of accounting for fiscal year 2017.

The 2017 property tax levy, which attached as an enforceable lien on property on January 1, 2017 has not been recorded as a receivable as of April 30, 2017, as the tax has not yet been levied by the District and, therefore, the levy is not measurable as of April 30, 2017.

#### **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.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. At April 30, 2017, all of the amounts reported as restricted net position in the government-wide net position are from voted property tax levies not for General Fund operations.
- 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:

- 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. Unsassigned – 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.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, other than the subsequent event described in Note 12, 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.

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.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 3 – CASH (continued)**

As of April 30, 2017, the District had total deposits with a book balance of \$6,905,021 and a bank balance of \$6,914,954. At year end, the carrying amounts of the District's cash consisted of the following:

	Governmental Funds	Sewerage Fund	Total
<b>CASH AND EQUIVALENTS</b>			
Long-term Debt Sinking Fund Account	\$ -	\$ 355,363	\$ 355,363
Operations and Maintenance Account	- -	601,285	601,285
Bond and Interest Account	- -	445,864	445,864
Certificate Account	- -	35,581	35,581
Depreciation Account	- -	1,439,040	1,439,040
Other Bank Accounts	1,229,530	2,797,958	4,027,488
Cash on Hand	<u>-</u>	<u>400</u>	<u>400</u>
<b>TOTAL CASH AND EQUIVALENTS</b>	<b><u>\$1,229,530</u></b>	<b><u>\$ 5,675,491</u></b>	<b><u>\$ 6,905,021</u></b>

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, 2017.

<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%	\$ 4,458,642
Total			<u>\$ 4,458,642</u>

**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, 2017.

Beginning of Year	\$ 300,000
Bad debt recoveries	(24,348)
Write-offs	<u>(64,652)</u>
End of Year	<u>\$ 211,000</u>

**LAKE IN THE HILLS SANITARY DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended April 30, 2017

**NOTE 5 - ENTERPRISE FUND – CAPITAL ASSETS**

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

	Balance May 1, 2016	Additions	Dispositions	Balance April 30, 2017
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Cost:				
Land	\$ 446,489	\$ -	\$ -	\$ 446,489
Construction in progress	<u>1,109,631</u>	<u>65,590</u>	<u>1,109,631</u>	<u>65,590</u>
Total	<u>\$ 1,556,120</u>	<u>\$ 65,590</u>	<u>\$ 1,109,631</u>	<u>\$ 512,079</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Cost:				
Plant and lift stations	\$ 37,295,943	\$ 2,231,866	\$ -	\$ 39,527,809
Sewer trunkline	22,066,992	-	-	22,066,992
Equipment	3,409,106	39,790	-	3,448,896
Administration building	1,298,177	-	-	1,298,177
Vehicles	637,404	61,057	28,151	670,310
Office furniture & equipment	<u>58,545</u>	<u>-</u>	<u>-</u>	<u>58,545</u>
Total	<u>64,766,167</u>	<u>2,332,713</u>	<u>28,151</u>	<u>67,070,729</u>
Depreciation:				
Plant and lift stations	(11,769,626)	(1,062,263)	-	(12,831,889)
Sewer trunkline	(7,557,648)	(428,493)	-	(7,986,141)
Equipment	(2,371,614)	(87,964)	-	(2,459,578)
Administration building	(257,616)	(32,455)	-	(290,071)
Vehicles	(607,216)	(13,535)	(28,151)	(592,600)
Office furniture & equipment	<u>(52,963)</u>	<u>(2,162)</u>	<u>-</u>	<u>(55,125)</u>
Total	<u>(22,616,683)</u>	<u>(1,626,872)</u>	<u>(28,151)</u>	<u>(24,215,404)</u>
Capital Assets Being Depreciated, Net	<u>\$ 42,149,484</u>	<u>\$ 705,841</u>	<u>\$ -</u>	<u>\$ 42,855,325</u>

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

## **NOTE 6 - LONG-TERM DEBT**

## **Outstanding debt -**

At April 30, 2017, long-term debt consisted of the following individual issues:

PROPRIETARY FUND  
SEWERAGE FUND

*Debt Certificates, Series 2008, dated February 6, 2008.* 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, 2017 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity.

\$ 1,345,000

*General Obligation Bonds (Alternate Revenue Source), Series 2014A, dated November 13, 2014.* 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, 2017 through May 1, 2039. The bonds maturing on or after 2025 are subject to redemption prior to maturity.

3,330,000

Total

4,675,000

Current portion

200,000

Noncurrent

\$ 4,475,000

### **Changes in outstanding debt –**

	<u>Balance at May 1, 2016</u>	<u>Accrued</u>	<u>Used</u>	<u>Balance at April 30, 2017</u>
Accrued Compensated Absences	\$ 21,928	\$ 42,236	\$ (40,068)	\$ 24,096
	<u>Balance at May 1, 2016</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at April 30, 2017</u>
Debt Certificates, Series 2008	\$ 1,445,000	\$ -	\$ (100,000)	\$ 1,345,000
General Obligation Bonds (Alternate Revenue Source), Series 2014A	3,430,000	-	(100,000)	3,330,000
Total	\$ 4,875,000	\$ -	\$ (200,000)	\$ 4,675,000

**LAKE IN THE HILLS SANITARY DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended April 30, 2017

**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, 2017, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	225,000	144,959	369,959
2023 - 2027	1,275,000	579,341	1,854,341
2028 - 2032	875,000	354,487	1,229,487
2033 - 2037	860,000	207,719	1,067,719
2038 - 2040	<u>605,000</u>	<u>36,900</u>	<u>641,900</u>
Total	<u>\$ 4,675,000</u>	<u>\$ 1,980,399</u>	<u>\$ 6,655,399</u>

## LAKE IN THE HILLS SANITARY DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended April 30, 2017

#### 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](http://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, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	11
	22

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**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 2016 was 18.54 percent. For the fiscal year ended April 30, 2017, the District contributed \$113,096 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 IMRF's 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, 2016. 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, 2016:

- 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 7.50%.
- 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 as of December 31, 2016.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

Asset Class	Portfolio Target Percentage	Long-term Expected Real Rate of Return
Domestic equity	38%	6.85%
International equity	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternative investments	9%	2.65-7.35%
Cash equivalents	1%	2.25%
	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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 3.78%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 3,013,825	\$ 2,081,626	\$ 932,199
<b>Changes for the year:</b>			
Service cost	69,512	-	69,512
Interest on the total pension liability	222,115	-	222,115
Changes of benefit terms	-	-	-
Differences between expected and actual experience	45,934	-	45,934
Changes of assumptions	(13,932)	-	(13,932)
Contributions - District	-	111,249	(111,249)
Contributions - employees	-	40,264	(40,264)
Net investment income	-	142,802	(142,802)
Benefit payments, including refunds of employee contributions	(150,295)	(150,295)	-
Other (net transfer)	-	(3,250)	3,250
Net changes	173,334	140,770	32,564
Balances at December 31, 2016	<u>\$ 3,187,159</u>	<u>\$ 2,222,396</u>	<u>\$ 964,763</u>

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**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 7.50%, 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.

	Current Discount		
	1% Lower 6.50%	Rate 7.50%	1% Higher 8.50%
Net pension liability	\$ 1,470,011	\$ 964,763	\$ 557,140

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

For the year ended April 30, 2017, the District recognized pension expense of \$160,071. At April 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Differences between expected and actual experience	\$ 158,210	\$ -
Changes of assumptions	-	11,760
Net difference between projected and actual earnings on pension plan investments	96,828	-
Total deferred amounts to be recognized in pension expense in future periods	255,038	11,760
<b>Pension Contributions Made Subsequent to the Measurement Date</b>		
	38,834	-
<b>Total Deferred Amounts Related to Pensions</b>		
	<u>\$ 293,872</u>	<u>\$ 11,760</u>

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	\$ 61,504	\$ -
2018	61,504	-
2019	61,505	-
2020	32,759	-
2021	23,938	-
Thereafter	2,068	-
Total	<u>\$ 243,278</u>	<u>\$ -</u>

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 8 – INTERFUND BALANCES**

The District had no interfund balances outstanding as of April 30, 2017.

**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, 2017.

**NOTE 10 – IMPAIRMENT LOSS AND INSURANCE REIMBURSEMENT**

On June 26, 2016, the District experienced a power outage, caused by a short to the ground fault of the main electrical feed into the District's treatment plant. The power outage damaged several variable frequency drives, which control the motors in the plant. The outage also damaged lighting fixtures and other pieces of equipment. No customers of the District were adversely affected as a result of the District's power outage. The District incurred repair costs attributable to the power outage totaling \$118,061, of which \$113,061 was reimbursed by the District's insurance carrier. The net repair cost of \$5,000 is included in Operation and Maintenance of Plant expense.

**NOTE 11 – 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 12 – SUBSEQUENT EVENT**

In March 2017, the District deposited \$100,000 earnest money to purchase 13.88 acres of vacant land south of the District. The deposit is reported in the Statement of Net Position as escrow deposit for the purchase of land. In April 2017, the District annexed a segment of land leading up to the vacant land it planned to purchase.

At its July 2017 meeting, the District's Board of Trustees voted to rescind the purchase of the vacant land and to rescind the annexation agreement. Although the outcomes of the consequences of the rescissions are not presently determinable, the resolution of these matters could have a material adverse effect on the financial condition of the District.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended April 30, 2017

**NOTE 13 – 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 87, *Leases*.
- Statement 86, *Certain Debt Extinguishment Issues*.
- Statement 85, *Omnibus 2017*.
- Statement 84, *Fiduciary Activities*.
- Statement 83, *Certain Asset Retirement Obligations*.
- 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Those new pronouncements not yet in effect as of April 30, 2017 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, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property taxes	\$ 273,350	\$ 273,350	\$ 257,017	\$ (16,333)
Interest income	1,000	1,000	2,049	1,049
Personal property replacement tax	-	-	1,915	1,915
Safety grant	-	-	1,899	1,899
<b>TOTAL REVENUES</b>	<b>274,350</b>	<b>274,350</b>	<b>262,880</b>	<b>(11,470)</b>
<b>EXPENDITURES</b>				
<b>PERSONNEL SERVICES AND SALARY EXPENSE</b>				
Salaries of trustees, manager, finance director and finance assistant	163,000	163,000	159,629	3,371
Total personnel services and salary expense	<u>163,000</u>	<u>163,000</u>	<u>159,629</u>	<u>3,371</u>
<b>CONTRACTUAL SERVICES</b>				
Professional engineering	35,000	35,000	34,452	548
Legal services	15,000	15,000	8,081	6,919
Other professional services	5,000	5,000	-	5,000
<b>Total contractual services</b>	<b>55,000</b>	<b>55,000</b>	<b>42,533</b>	<b>12,467</b>
<b>ADMINISTRATIVE EXPENSES</b>				
Printing and publications	4,000	4,000	3,918	82
Office supplies and equipment	5,000	5,000	1,712	3,288
Postage	2,500	2,500	642	1,858
Treasurer's bond	3,500	3,500	3,000	500
Community affairs	2,000	2,000	1,946	54
Memberships and dues	5,000	5,000	4,767	233
<b>Total administrative expenses</b>	<b>22,000</b>	<b>22,000</b>	<b>15,985</b>	<b>6,015</b>
<b>OPERATING EXPENSES</b>				
Building and grounds upkeep	15,000	15,000	9,774	5,226
Utilities	50,000	50,000	15,004	34,996
JULIE	2,500	2,500	1,627	873
Training and education	2,000	2,000	529	1,471
Travel expenses	2,000	2,000	1,955	45
Computer hardware, software & support	12,000	12,000	4,538	7,462
<b>Total operating expense</b>	<b>83,500</b>	<b>83,500</b>	<b>33,427</b>	<b>50,073</b>
<b>CONTINGENCY &amp; MISCELLANEOUS EXPENSES</b>				
Contingency and miscellaneous expenses	2,000	2,000	-	2,000
<b>Total contingency and miscellaneous expenses</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
<b>TOTAL EXPENDITURES</b>	<b>325,500</b>	<b>325,500</b>	<b>251,574</b>	<b>73,926</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (51,150)</b>	<b>\$ (51,150)</b>	<b>11,306</b>	<b>\$ 62,456</b>
<b>BUDGETARY FUND BALANCE</b>				
BEGINNING OF YEAR			874,264	
END OF YEAR			<u>\$ 885,570</u>	
<b>BUDGET-TO-ACTUAL RECONCILIATION</b>				
BUDGETARY BASIS			\$ 11,306	
Expenditure accruals			(4,840)	
GAAP BASIS			<u>\$ 6,466</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, 2017

**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, 2017, expenditures did not materially 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.

## SCHEDULE 2

**LAKE IN THE HILLS SANITARY DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
Last Two Calendar Years

	Calendar Year 2016	Calendar Year 2015
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 69,512	\$ 61,533
Interest on the total pension liability	222,115	200,087
Changes of benefit terms	-	-
Difference between expected and actual experience of the total pension liability	45,934	169,681
Changes of assumptions	(13,932)	-
Benefit payments, including refunds of employee contributions	(150,295)	(130,507)
Net change in total pension liability	173,334	300,794
Total pension liability - beginning	<u>3,013,825</u>	<u>2,713,031</u>
Total pension liability - ending	<u>\$ 3,187,159</u>	<u>\$ 3,013,825</u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - District	\$ 111,249	\$ 63,778
Contributions - employees	40,264	26,379
Net investment income	142,802	10,043
Benefit payments, including refunds of employee contributions	(150,295)	(130,507)
Other (net transfer)	(3,250)	83,137
Net change in plan fiduciary net position	140,770	52,830
Plan fiduciary net position - beginning	<u>2,081,626</u>	<u>2,028,796</u>
Plan fiduciary net position - ending	<u>\$ 2,222,396</u>	<u>\$ 2,081,626</u>
<b>NET PENSION LIABILITY</b>	<u>\$ 964,763</u>	<u>\$ 932,199</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>69.73%</u>	<u>69.07%</u>
<b>COVERED VALUATION PAYROLL</b>	<u>\$ 600,051</u>	<u>\$ 586,199</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED VALUATION PAYROLL</b>	<u>160.78%</u>	<u>159.02%</u>

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**  
Last Two Calendar Years

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%
2016	111,249	111,249	-	600,051	18.54%

**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:	27-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:	3.50%
Salary Increases:	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Investment Rate of Return:	3.75% to 14.50% 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 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Other Information:	RP-2014 Blue Collar Health Annuity Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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.
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, 2017

**SCHEDULE 4**

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
<b>ASSETS</b>						
Cash	\$ 342,425	\$ 8,515	\$ 34,527	\$ 150,327	\$ 113,132	\$ 35,924
Property taxes receivable	<u>330,985</u>	<u>18,313</u>	<u>18,991</u>	<u>100,381</u>	<u>149,214</u>	<u>44,086</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 673,410</u></b>	<b><u>\$ 26,828</u></b>	<b><u>\$ 53,518</u></b>	<b><u>\$ 250,708</u></b>	<b><u>\$ 262,346</u></b>	<b><u>\$ 80,010</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned property tax revenue	\$ 330,985	\$ 18,313	\$ 18,991	\$ 100,381	\$ 149,214	\$ 44,086
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>330,985</b>	<b>18,313</b>	<b>18,991</b>	<b>100,381</b>	<b>149,214</b>	<b>44,086</b>
<b>FUND BALANCES</b>						
Fund Balances	<u>342,425</u>	<u>8,515</u>	<u>34,527</u>	<u>150,327</u>	<u>113,132</u>	<u>35,924</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 673,410</u></b>	<b><u>\$ 26,828</u></b>	<b><u>\$ 53,518</u></b>	<b><u>\$ 250,708</u></b>	<b><u>\$ 262,346</u></b>	<b><u>\$ 80,010</u></b>

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, 2017

**SCHEDULE 5**

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
<b>REVENUES</b>						
Property taxes	\$ 339,526	\$ 19,836	\$ 12,708	\$ 101,658	\$ 155,664	\$ 49,660
<b>EXPENDITURES</b>						
Auditing expense and fee	16,250	16,250	-	-	-	-
Chlorination, disinfection, and treatment	24,016	-	24,016	-	-	-
Pension contributions	113,096	-	-	113,096	-	-
Public liability insurance	115,218	-	-	-	115,218	-
Social security contributions	46,933	-	-	-	-	46,933
<b>TOTAL EXPENDITURES</b>	<b>315,513</b>	<b>16,250</b>	<b>24,016</b>	<b>113,096</b>	<b>115,218</b>	<b>46,933</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,013</b>	<b>3,586</b>	<b>(11,308)</b>	<b>(11,438)</b>	<b>40,446</b>	<b>2,727</b>
<b>FUND BALANCES</b>						
Beginning of year	318,412	4,929	45,835	161,765	72,686	33,197
<b>FUND BALANCES, end of year</b>	<b>\$ 342,425</b>	<b>\$ 8,515</b>	<b>\$ 34,527</b>	<b>\$ 150,327</b>	<b>\$ 113,132</b>	<b>\$ 35,924</b>

See independent auditor's report.

**OTHER INFORMATION**

**LAKE IN THE HILLS SANITARY DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - AUDIT FUND**  
Year Ended April 30, 2017

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 18,800	\$ 19,836	\$ 1,036
<b>EXPENDITURES</b>			
Auditing expense and fee	<u>20,000</u>	<u>16,250</u>	<u>3,750</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (1,200)</u>	3,586	<u>\$ 4,786</u>
<b>BUDGETARY FUND BALANCE</b>			
Beginning of year		<u>4,929</u>	
<b>END OF YEAR</b>	<u>\$ 8,515</u>		

See accompanying notes to budgetary comparison schedules.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - CHLORINATION FUND**  
Year Ended April 30, 2017

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ -	\$ 12,708	\$ 12,708
<b>EXPENDITURES</b>			
Chlorination, disinfection and treatment	<u>24,000</u>	<u>24,016</u>	<u>(16)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><u>\$ (24,000)</u></u>	<u><u>(11,308)</u></u>	<u><u>\$ 12,692</u></u>
<b>BUDGETARY FUND BALANCE</b>			
Beginning of year		<u>45,835</u>	
END OF YEAR		<u><u>\$ 34,527</u></u>	

See accompanying notes to budgetary comparison schedules.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - IMRF FUND**  
Year Ended April 30, 2017

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 114,000	\$ 101,658	\$ (12,342)
<b>EXPENDITURES</b>			
Pension contributions by employer	<u>122,000</u>	<u>113,096</u>	<u>8,904</u>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>\$ (8,000)</u>	 <u>(11,438)</u>	 <u>\$ (3,438)</u>
 <b>BUDGETARY FUND BALANCE</b>			
Beginning of year		<u>161,765</u>	
END OF YEAR		<u>\$ 150,327</u>	

See accompanying notes to budgetary comparison schedules.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - PUBLIC LIABILITY INSURANCE FUND**  
Year Ended April 30, 2017

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 136,350	\$ 155,664	\$ 19,314
<b>EXPENDITURES</b>			
Workers Compensation	28,000	17,270	10,730
Property	54,000	33,675	20,325
Vehicles	20,000	10,215	9,785
General liability	100,000	53,537	46,463
Administration fee	800	521	279
<b>TOTAL EXPENDITURES</b>	<b>202,800</b>	<b>115,218</b>	<b>87,582</b>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <b>\$ (66,450)</b>	 <b>40,446</b>	 <b>\$ 106,896</b>
 <b>BUDGETARY FUND BALANCE</b>			
Beginning of year		<u>72,686</u>	
 <b>END OF YEAR</b>		 <b>\$ 113,132</b>	
 <b>BUDGET-TO-ACTUAL RECONCILIATION</b>			
BUDGETARY BASIS	\$ 40,446		
Expenditure accruals	<u>21,940</u>		
 <b>GAAP BASIS</b>		 <b>\$ 62,386</b>	

See accompanying notes to budgetary comparison schedules.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SECURITY FUND**  
Year Ended April 30, 2017

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 47,500	\$ 49,660	\$ 2,160
<b>EXPENDITURES</b>			
Social security contributions	<u>57,000</u>	<u>46,933</u>	<u>10,067</u>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>\$ (9,500)</u>	 2,727	 <u>\$ 12,227</u>
 <b>BUDGETARY FUND BALANCE</b>			
Beginning of year		<u>33,197</u>	
 <b>END OF YEAR</b>	 <u>\$ 35,924</u>		

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, 2017

	Cash Basis (Non-GAAP)		Accrual Basis Expenses
	Appropriations	Actual	
<b>PERSONNEL SERVICES</b>			
District personnel salaries	\$ 580,000	\$ 465,129	\$ 465,619
Unemployment compensation	6,000	-	-
<b>TOTAL PERSONNEL SERVICES</b>	<b>586,000</b>	<b>465,129</b>	<b>465,619</b>
<b>ADMINISTRATIVE EXPENSES</b>			
Telephone	3,500	2,740	2,740
Postage	20,000	19,650	19,365
Printing and publications	3,000	254	254
Office supplies	8,000	7,805	8,304
Billing and collection expenses	70,500	69,517	44,414
Professional services	5,000	10,199	10,199
Training, travel and education	5,000	3,497	3,497
Computer hardware, software and support	18,500	18,029	18,534
Community affairs	2,000	1,707	1,707
Medical and life insurance	194,500	174,136	174,136
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>330,000</b>	<b>307,534</b>	<b>283,150</b>
<b>OPERATION AND MAINTENANCE OF PLANT</b>			
Operating supplies	52,000	51,769	51,349
Maintenance and repair (plant)	128,000	111,028	131,868
Maintenance and repair (collection system)	98,500	39,960	36,452
Utilities and energy	374,500	374,162	376,113
Grounds upkeep	30,000	23,953	25,073
Gasoline and oil	16,000	11,798	12,319
Computer and support services	3,000	-	-
Emergency communications	46,500	46,320	46,970
Sludge management	580,400	422,160	411,367
Professional services	27,500	21,066	27,356
Residential reimbursement	10,000	-	-
Compliance requirements and permits	22,600	22,600	22,600
GIS	9,750	-	-
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT</b>	<b>1,398,750</b>	<b>1,124,816</b>	<b>1,141,467</b>

See independent auditor's report.

**LAKE IN THE HILLS SANITARY DISTRICT**  
**PROPRIETARY FUND**  
**SEWERAGE FUND**  
**COMPARISON OF EXPENDITURES WITH APPROPRIATIONS**  
Year Ended April 30, 2017

	Cash Basis (Non-GAAP)		Accrual Basis Expenses
	Appropriations	Actual	
<b>CAPITAL IMPROVEMENTS</b>			
New construction	1,798,500	1,096,726	918,111
Plant equipment	40,000	26,986	39,790
Collection system	150,000	16,859	16,859
Vehicles	61,500	61,057	61,057
Legal expense	5,000	-	-
Engineering expense	350,000	257,664	252,856
Bond, finance consulting expense	<u>1,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b><u>2,406,000</u></b>	<b><u>1,459,292</u></b>	<b><u>1,288,673</u></b>
<b>BOND TRANSFERS</b>			
2008 Debt certificates principal	200,000	200,000	-
2008 Debt certificates interest	64,000	60,288	60,288
Administration fee	3,500	750	750
2014 Bonds principal	100,000	100,000	-
2014 Bonds interest	118,000	116,987	116,987
Administration fee	<u>3,500</u>	<u>1,100</u>	<u>1,100</u>
<b>TOTAL BOND TRANSFERS</b>	<b><u>489,000</u></b>	<b><u>479,125</u></b>	<b><u>179,125</u></b>
<b>CONTINGENCY AND MISCELLANEOUS</b>			
Contingency and miscellaneous expenses	<u>2,750</u>	<u>2,747</u>	<u>2,747</u>
<b>TOTAL CONTINGENT EXPENSES</b>	<b><u>2,750</u></b>	<b><u>2,747</u></b>	<b><u>2,747</u></b>
<b>TOTAL OPERATIONS AND MAINTENANCE FUND EXPENDITURES</b>	<b>\$ <u>5,212,500</u></b>	<b>\$ <u>3,838,643</u></b>	<b>3,360,781</b>
<b>LESS CAPITALIZED EXPENDITURES</b>			<b><u>1,288,673</u></b>
<b>TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION AND INCLUDING INTEREST</b>			<b><u>\$ 2,072,108</u></b>

See independent auditor's report.

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

SCHEDULE 12

<b>TAX LEVY YEAR</b>	2014			2015			2016				
	<b>ASSESSED VALUATION</b>			<b>\$616,978,260</b>			<b>\$636,448,576</b>			<b>\$678,248,528</b>	
<b>TAX EXTENSIONS</b>	<b>Fund</b>	<b>Rate</b>	<b>% of Total</b>	<b>Extension</b>	<b>Rate</b>	<b>% of Total</b>	<b>Extension</b>	<b>Rate</b>	<b>% of Total</b>	<b>Extension</b>	
GENERAL		0.044305	33.78	\$ 273,352	0.040452	43.08	\$ 257,456	0.040260	45.21	\$ 273,063	
CHLORINATION		-	-	-	0.002000	2.13	12,729	0.002800	3.14	18,991	
LIABILITY INSURANCE		0.022100	16.85	136,352	0.024500	26.09	155,930	0.022000	24.70	149,214	
SOCIAL SECURITY		0.007700	5.87	47,508	0.007816	8.33	49,745	0.006500	7.30	44,086	
IMRF		0.018500	14.11	114,141	0.016000	17.04	101,832	0.014800	16.62	100,381	
AUDIT		0.003055	2.33	18,849	0.003122	3.33	19,870	0.002700	3.03	18,313	
BONDS & INTEREST		<u>0.035494</u>	<u>27.06</u>	<u>218,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
		<u><b>0.131154</b></u>	<u><b>100.00</b></u>	<u><b>\$ 809,192</b></u>	<u><b>0.093890</b></u>	<u><b>100.00</b></u>	<u><b>\$ 597,562</b></u>	<u><b>0.089060</b></u>	<u><b>100.00</b></u>	<u><b>\$ 604,048</b></u>	

See independent auditor's report.

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

<b>ASSESSED VALUATION at December 31, 2016</b>	<b>\$ <u>678,248,528</u></b>
<b>GENERAL OBLIGATION DEBT LIMIT (5.75% OF \$678,248,528)</b>	<b>\$ 38,999,290</b>
DEBT APPLICABLE TO THE GENERAL OBLIGATION DEBT LIMIT (Does not include Alternate Revenue Source Debt)	
Debt Certificates, Series 2008	<u>(1,345,000)</u>
<b>UNUSED GENERAL OBLIGATION DEBT LIMIT</b>	<b>\$ <u>37,654,290</u></b>
<b>DIRECT GENERAL OBLIGATION DEBT</b>	
General Obligation Bonds (Alternate Revenue Source), Series 2014A	<u>\$ 3,330,000</u>

See independent auditor's report.