

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

**BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

Year Ended April 30, 2014

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, 2014, 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.

Opinion

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Lake In The Hills Sanitary District adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective May 1, 2013. My opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the budgetary comparison information on pages 31 through 36, and the Schedule of Funding Progress on page 38 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 management's discussion and analysis 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 management's discussion and analysis because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


The budgetary comparison information and the Schedule of Funding Progress are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison information and the Schedule of Funding Progress 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 combining and individual nonmajor fund financial statements on pages 40 through 43 and the other schedules on pages 44 and 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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.

The other schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.



Crystal Lake, Illinois
September 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

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, 2014. Please review it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Lake In The Hills Sanitary District exceeded its liabilities at the close of the most recent fiscal year by the amount of \$45,167,444 (net position). Of this amount, \$4,147,894 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors, in accordance with the District's fund designation and fiscal policies.
- The District's net position decreased by \$776,916 during the recent year compared to a decrease of \$504,112 during the preceding year. The decreases were after deducting depreciation of plant and equipment, in the amount of \$1,534,000 for the recent year and \$1,535,161 for the preceding year.
- The District continued payments of its debt certificates, which were issued in February 2008 with an original issue amount of \$2,000,000. The purpose of the certificates was to fund the remaining costs necessary to complete its construction project. The District paid down \$85,000 of its debt certificates' principal. At the close of the fiscal year, \$1,625,000 of the outstanding debt certificates remained.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

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

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

- Governmental activities – The District's administrative activities are reported here. Property taxes finance most of these activities.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

- Business-type activities – The District charges a fee to customers to help it cover the cost of its sewerage system. Operations and maintenance of the sewerage system are reported here, as well as construction and oversight of improvements to the system.

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

Additional supplementary information includes the combining and individual statements referred to earlier in connection with the District's non-major governmental funds, a comparison of expenditures and appropriations for the District's proprietary fund, a comparison schedule of tax extensions for each of the past three years, and a statement of the District's legal debt margin.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position decreased by approximately \$780,000 compared to a year ago. Net position at April 30, 2014 was \$45,167,444 and at April 30, 2013, it was \$45,944,360. The District's combined net position decreased by approximately \$500,000 during the previous year.

The components of the District's net position provide insight into the overall decrease. One component – net position invested in capital assets – decreased by approximately \$1,120,000. The District's net position invested in capital assets reflects its investment in the infrastructure of the sewerage system itself and comprises over 90% of total net position. Its net decrease is attributable to its depreciation during the year (approximately \$1,530,000) in excess of its capital improvements (approximately \$320,000) and payment of its debt (approximately \$90,000).

Meanwhile, another component of net position – unrestricted net position – increased by approximately \$300,000. The increase in unrestricted net position is a result of the District's sewerage operations. Likewise, the District's cash increased (by approximately \$360,000) due primarily from the District's sewerage operations.

The District's long-term liabilities decreased by approximately \$90,000, primarily from payment of its debt certificates.

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

Lake In The Hills Sanitary District Net Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Capital assets	\$ -	\$ -	\$ 43,637,557	\$ 42,424,192	\$ 43,637,557	\$ 42,424,192
Cash	919,870	953,690	2,437,297	2,762,325	3,357,167	3,716,015
Other assets	622,410	650,841	909,885	860,393	1,532,295	1,511,234
Total Assets	1,542,280	1,604,531	46,984,739	46,046,910	48,527,019	47,651,441
Current liabilities	15,528	6,379	338,706	331,081	354,234	337,460
Long-term liabilities	-	-	1,659,362	1,566,907	1,659,362	1,566,907
Total liabilities	15,528	6,379	1,998,068	1,897,988	2,013,596	1,904,367
Deferred inflows of resources	569,063	579,630	-	-	569,063	579,630
Net Position						
Invested in capital assets	-	-	41,893,195	40,767,285	41,893,195	40,767,285
Restricted	210,044	252,265	-	-	210,044	252,265
Unrestricted	747,645	766,257	3,093,476	3,381,637	3,841,121	4,147,894
Total Net Position	\$ 957,689	\$ 1,018,522	\$ 44,986,671	\$ 44,148,922	\$ 45,944,360	\$ 45,167,444

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

As of both April 30, 2014 and 2013, the District is able to report positive balances in all three categories of net position, for the government as a whole, as well for its separate governmental and business-type activities.

Governmental Activities

The District's governmental activities increased its net position by the amount of \$60,833. Approximately \$40,000 of the increase represents the excess of the District's tax revenues over its expenses supported by those tax revenues. Approximately \$20,000 of the increase represents the change in prepaid insurance premiums, primarily for the District's pollution insurance, which was paid during the year ended April 30, 2014 and has a three-year term.

Property taxes account for nearly all (over 99%) of the District's governmental activities revenue. Total property taxes revenue amounted to \$568,715 for the fiscal year ended April 30, 2014. This represents a slight increase from the previous year, in the amount of \$17,885, or approximately 3.2%, due to an allowable tax rate increase, which was offset by tax base shrinkage.

Business-type Activities

The District's operating revenue increased by approximately \$250,000 or approximately 7% during the year ended April 30, 2014. The increase is primarily attributable to a sewerage services rate increase of approximately 6%, which was effective January 1, 2013.

The expenses of plant operations decreased during the year ended April 30, 2014 by approximately \$370,000. The net decrease resulted from a combination of increases and decreases. The largest decrease was for sludge management expenses, which fell by more than \$400,000, due to a decrease in the volume of dewatering required by the District. During the year ended April 30, 2013, sludge management expenses rose by approximately \$480,000 compared to the prior year ended April 30, 2012.

Administrative expenses rose compared to the prior year due to a \$130,000 charge to the District's allowance for doubtful accounts. The charge is based on a percentage of past due sewerage bills. District accounts receivable, prior to reduction for an allowance for doubtful accounts, were approximately \$860,000 at April 30, 2014 and approximately \$720,000 at April 30, 2013. A significant portion of the increase in overall accounts receivable was from penalties and collection charges on delinquent accounts.

District other expenses consist mostly of engineering fees. During the year ended April 30, 2014, the District incurred additional engineering fees with respect to its sewer gas emissions, its bio-solids management, and the feasibility of a sludge management facility.

Capital contributions totaled approximately \$74,000 during the year ended April 30, 2014 compared to approximately \$580,000 during the year ended April 30, 2013. Capital contributions received during the year ended April 30, 2014 consisted primarily of fees from users tapping on to the sewerage system, almost all of which were from the Boulder Ridge development. During the year ended April 30, 2013, capital contributions included not only fees from users tapping on to the sewerage system, but also included a reduction in the District's liability for downstream charges, of approximately \$530,000, due to agreements which had expired during the year.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

The following table provides a summary of the District's operations for the year ended April 30, 2014 with comparative totals for the year ended April 30, 2013.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Operating revenue	\$ -	\$ -	\$ 3,448,178	\$ 3,701,769	\$ 3,448,178	\$ 3,701,769
Taxes	552,441	570,256	-	-	552,441	570,256
Other income	1,019	1,098	7,024	3,894	8,043	4,992
	<u>553,460</u>	<u>571,354</u>	<u>3,455,202</u>	<u>3,705,663</u>	<u>4,008,662</u>	<u>4,277,017</u>
Plant operations	-	-	2,252,017	1,885,126	2,252,017	1,885,126
Depreciation	-	-	1,535,161	1,534,000	1,535,161	1,534,000
Personnel	178,997	168,857	456,620	460,226	635,617	629,083
Administrative	14,783	11,934	251,741	392,552	266,524	404,486
Other	307,502	329,730	96,943	345,693	404,445	675,423
	<u>501,282</u>	<u>510,521</u>	<u>4,592,482</u>	<u>4,617,597</u>	<u>5,093,764</u>	<u>5,128,118</u>
Change in net assets before contributions	52,178	60,833	(1,137,280)	(911,934)	(1,085,102)	(851,101)
Capital contributions	<u>-</u>	<u>-</u>	<u>580,990</u>	<u>74,185</u>	<u>580,990</u>	<u>74,185</u>
Change in net position	<u>\$ 52,178</u>	<u>\$ 60,833</u>	<u>\$ (556,290)</u>	<u>\$ (837,749)</u>	<u>\$ (504,112)</u>	<u>\$ (776,916)</u>

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 \$943,827. Of this total, \$177,570 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 \$766,257 is unassigned and can be used for any lawful purpose.

Proprietary Fund

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

The Operations and Maintenance Fund is by far the largest fund of the District. Its net position amounted to \$44,148,922 at April 30, 2014, or approximately 98% of the District's total net position.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

Operating revenues of the Operations and Maintenance Fund totaled \$3,701,769 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 Operations and Maintenance Fund increased by \$253,587 compared to the prior year. As previously mentioned, the District raised residential sewerage customer rates by approximately 6%, effective January 1, 2013. The District bills quarterly for its sewer services. The increased rates were in effect throughout the year ended April 30, 2014; whereas the increased rates were in effect for just one quarter during the preceding year.

The Operations and Maintenance Fund generated a net loss for the fiscal year, in the amount of \$911,934. Included in its expenses was depreciation, in the amount of \$1,534,000. Operations before depreciation generated a positive net operating income, in the amount of \$687,256.

BUDGETARY HIGHLIGHTS

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

In the General Fund, the District budgeted for a net decrease in the fund balance (on a budgetary basis), in the amount of \$46,468. As reported in the budgetary comparison schedule, the fund balance actually increased (on a budgetary basis), by the amount of \$9,469. 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, 2014, was \$40,767,285. This investment represents over 90% of the District's total net position.

During the year ended April 30, 2014, the District began an improvement project to the collection system at Oak Street and Burr Street. Total costs incurred before the end of the year were \$274,265. The project was completed in June 2014, at a total cost of approximately \$320,000.

Debt Administration

During the year, the District had only one issue of long-term debt outstanding; Debt Certificates, Series 2008, dated February 6, 2008. The proceeds of the Debt Certificates, approximately \$2,000,000, were used to pay for part of the construction costs of the expansion of the District's wastewater treatment plant and improvements to its facilities. The certificates mature May 1, 2014 through May 1, 2027. Certificates maturing on or after 2019 are subject to maturity prior to redemption. At April 30, 2014, the balance of the Certificates remaining to be paid was \$1,625,000.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has begun the process of rerating its plant treatment capacity to 4.9 million gallons per day. Currently, the District's plant has a rating for a treatment capacity of 4.5 million gallons per day.

On June 12, 2014, the District Board of Trustees approved the issuance of General Obligation Bonds (Alternate Revenue Source) in an aggregate principal amount not to exceed \$3,900,000. Proceeds from the bonds will be used to construct a sludge management facility. The facility will include a digester and a sludge thickening process, as

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2014

well as a building to house the sludge thickening process. The District also approved a \$2 per month bio-solids fee to be added to residents' sewer services invoices.

For its fiscal year ending April 30, 2015, as the result of a new accounting pronouncement, the District's financial statements will report the unfunded accumulated actuarial liability for its pension plan, discussed in Note 6, as a liability in both its government-wide and fund-level financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
April 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 953,690	\$ 2,762,325	\$ 3,716,015
Property taxes receivable	579,630	-	579,630
Accounts receivable, net	-	731,315	731,315
Interfund balances	(3,484)	3,484	-
Deposit with debt certificate paying agent	-	125,594	125,594
Prepaid insurance	74,695	-	74,695
Land and construction in progress	-	720,754	720,754
Capital assets being depreciated (net of accumulated depreciation)	-	41,703,438	41,703,438
TOTAL ASSETS	1,604,531	46,046,910	47,651,441
LIABILITIES			
Accounts payable	5,547	169,831	175,378
Accrued compensated absences	832	7,648	8,480
Accrued interest	-	35,594	35,594
Customer deposits	-	156	156
Developer deposits	-	27,852	27,852
Long-term liabilities:			
Due within one year			
Debt certificates payable	-	90,000	90,000
Due in more than one year			
Debt certificates payable	-	1,535,000	1,535,000
Unamortized debt issuance premium, net	-	31,907	31,907
TOTAL LIABILITIES	6,379	1,897,988	1,904,367
DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	579,630	-	579,630
TOTAL DEFERRED INFLOWS OF RESOURCES	579,630	-	579,630
NET POSITION			
Net investment in capital assets	-	40,767,285	40,767,285
Restricted for:			
Audit expenses	2,349	-	2,349
Chlorination, disinfection, and treatment	57,166	-	57,166
Pension contributions	76,198	-	76,198
Public liability insurance	82,869	-	82,869
Social security contributions	33,683	-	33,683
Unrestricted	766,257	3,381,637	4,147,894
TOTAL NET POSITION	\$ 1,018,522	\$ 44,148,922	\$ 45,167,444

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF ACTIVITIES
Year Ended April 30, 2014

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
FUNCTIONS/PROGRAMS						
Primary Government						
GOVERNMENTAL ACTIVITIES						
Administration	\$ 510,521	\$ -	\$ -	\$ (510,521)	\$ -	\$ (510,521)
BUSINESS-TYPE ACTIVITIES						
Sewerage services	4,548,513	3,701,769	74,185	-	(772,559)	(772,559)
Debt service	69,084	-	-	-	(69,084)	(69,084)
Total Primary Government	<u>5,128,118</u>	<u>3,701,769</u>	<u>74,185</u>	<u>(510,521)</u>	<u>(841,643)</u>	<u>(1,352,164)</u>
GENERAL REVENUES						
Property taxes				568,715	-	568,715
Personal property replacement tax				1,541	-	1,541
Unrestricted investment earnings				1,098	3,894	4,992
TOTAL GENERAL REVENUES				<u>571,354</u>	<u>3,894</u>	<u>575,248</u>
CHANGE IN NET POSITION				<u>60,833</u>	<u>(837,749)</u>	<u>(776,916)</u>
NET POSITION						
BEGINNING NET POSITION						
As previously reported				957,689	45,020,635	45,978,324
Prior period adjustment -						
Change in accounting principle				-	(33,964)	(33,964)
BEGINNING NET POSITION AS ADJUSTED				<u>957,689</u>	<u>44,986,671</u>	<u>45,944,360</u>
ENDING NET POSITION				<u>\$ 1,018,522</u>	<u>\$ 44,148,922</u>	<u>\$ 45,167,444</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2014

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 776,120	\$ 177,570	\$ 953,690
Property taxes receivable	291,220	288,410	579,630
	TOTAL ASSETS	\$ 465,980	\$ 1,533,320
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,547	\$ -	\$ 5,547
Accrued compensated absences	832	-	832
Due to other funds	3,484	-	3,484
Total Liabilities	9,863	-	9,863
 DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	291,220	288,410	579,630
Total Deferred Inflows of Resources	291,220	288,410	579,630
 FUND BALANCES			
Restricted for:			
Audit expenses	-	2,349	2,349
Chlorination, disinfection, and treatment	-	57,166	57,166
Pension contributions	-	76,198	76,198
Public liability insurance	-	8,174	8,174
Social security contributions	-	33,683	33,683
Unassigned	766,257	-	766,257
Total Fund Balances	766,257	177,570	943,827
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	\$ 1,067,340	\$ 465,980	

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.

74,695

Net position of governmental activities

\$ 1,018,522

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, 2014

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 270,068	\$ 298,647	\$ 568,715
Personal property replacement tax	1,541	-	1,541
Interest income	1,098	-	1,098
TOTAL REVENUES	<u>272,707</u>	<u>298,647</u>	<u>571,354</u>
EXPENDITURES			
Personnel services and salary	168,857	-	168,857
Contractual services	38,521	22,750	61,271
Administrative expenses	11,934	-	11,934
Operating expenses	34,783	-	34,783
Contingency and miscellaneous expenses	-	-	-
Chlorination, disinfection, and treatment	-	-	-
Pension contributions	-	66,974	66,974
Public liability insurance	-	137,236	137,236
Social security contributions	-	48,399	48,399
TOTAL EXPENDITURES	<u>254,095</u>	<u>275,359</u>	<u>529,454</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,612	23,288	41,900
FUND BALANCES			
BEGINNING	<u>747,645</u>	<u>154,282</u>	
ENDING	<u>\$ 766,257</u>	<u>\$ 177,570</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.

18,933

Change in net position of governmental activities

\$ 60,833

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
April 30, 2014

	<u>ENTERPRISE FUND OPERATIONS & MAINTENANCE</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 2,762,325
Accounts receivable, net of \$280,000 allowance for doubtful accounts	731,315
Due from general fund	3,484
Deposit with debt certificate paying agent	125,594
Total Current Assets	<u>3,622,718</u>
NONCURRENT ASSETS	
Land and construction in progress	720,754
Capital assets being depreciated (net of accumulated depreciation)	41,703,438
Total Noncurrent Assets	<u>42,424,192</u>
TOTAL ASSETS	<u>46,046,910</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	169,831
Current portion of debt certificates payable	90,000
Accrued compensated absences	7,648
Accrued interest	35,594
Customer deposits	156
Developer deposits	27,852
Total Current Liabilities	<u>331,081</u>
NONCURRENT LIABILITIES	
Debt certificates payable, net of current portion	1,535,000
Unamortized debt issuance premium, net of accretion	31,907
Total Noncurrent Liabilities	<u>1,566,907</u>
TOTAL LIABILITIES	<u>1,897,988</u>
NET POSITION	
Invested in capital assets, net of related debt	40,767,285
Unrestricted	3,381,637
TOTAL NET POSITION	<u>\$ 44,148,922</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended April 30, 2014

	<u>ENTERPRISE FUND OPERATIONS & MAINTENANCE</u>
OPERATING REVENUES	
Sewer services	\$ 3,453,333
Penalties and collection charges	248,436
TOTAL OPERATING REVENUES	<u>3,701,769</u>
OPERATING EXPENSES	
Personnel services	460,226
Administrative expenses	392,552
Operation and maintenance of plant	1,885,126
Capital improvements	276,609
Contingent expenses	-
TOTAL OPERATING EXPENSES	<u>3,014,513</u>
 OPERATING INCOME BEFORE DEPRECIATION	 687,256
DEPRECIATION	<u>1,534,000</u>
 OPERATING LOSS	 <u>(846,744)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,894
Debt certificates premium amortization	2,454
Interest expense and agent fees	(71,538)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(65,190)</u>
 LOSS BEFORE CONTRIBUTIONS	 (911,934)
CAPITAL CONTRIBUTIONS	<u>74,185</u>
 CHANGE IN NET POSITION	 <u>(837,749)</u>
BEGINNING TOTAL NET POSITION	
Beginning total net position as previously reported	45,020,635
Prior period adjustment - Change in accounting principle	(33,964)
BEGINNING TOTAL NET POSITON AS ADJUSTED	<u>44,986,671</u>
 ENDING TOTAL NET POSITION	 <u>\$ 44,148,922</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended April 30, 2014

	<u>ENTERPRISE FUND OPERATIONS & MAINTENANCE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,625,447
Payments to suppliers	(2,424,169)
Payments to employees	(462,358)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>738,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributed capital - connection fees	74,185
Developer deposits received	2,000
Developer deposits refunded	(11,798)
Interest paid and administration fee	(71,538)
Debt certificate principal deposited with paying agent	(90,000)
Purchases of capital assets	(320,635)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(417,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from cash and cash equivalents	3,894
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,894</u>
NET INCREASE IN CASH	325,028
CASH, at beginning of year	<u>2,437,297</u>
CASH, at end of year	<u>\$ 2,762,325</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING LOSS	\$ (846,744)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Bad debt expense	134,450
Depreciation	1,534,000
CHANGE IN ASSETS AND LIABILITIES	
Accounts receivable	(80,484)
Due from general fund	(1,069)
Accounts payable	4,242
Accrued compensated absences	(5,475)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 738,920</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

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, 2014

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, 2014

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

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, 2014

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. Accounts Receivable

Accounts receivable are reported by the Proprietary Fund net of an allowance for doubtful accounts, in the amount of \$280,000 at April 30, 2014. 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. 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.

3. Interfund Receivables

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

4. Capital Assets

Capital assets purchased by the District are recorded at cost. Donated fixed assets are stated at their fair market value on the date donated. Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000 and an estimated useful life of more than one year. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend asset lives are not capitalized.

Depreciation is provided using the straight-line method over estimated useful lives, as follows:

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

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Impairment

Impairment losses are recorded whenever there has been a significant, unexpected decline in the service utility of a capital asset. The events or circumstances which lead to impairments are not considered normal and ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used to provide service. Common indicators of potential impairment include – evidence of physical damage (above normal wear and tear) where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technology factors; other evidence of obsolescence, changes in the manner or duration or use of capital assets; and construction stoppage due to lack of funding. Based on these criteria, there was no impairment of the District's capital assets during the fiscal year ended April 30, 2014.

6. Deferred Inflows of Resources

The District reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and fund level statements of net position and balance sheets. This separate financial statement element reflects increases in net assets that apply to future periods. The District's governmental funds report property taxes levied for future periods as deferred inflows of resources.

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

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. Debt certificates payable are reported net of their associated premium.

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, 2014, there were no significant unremitted taxes from the County.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Since the calendar year 2013 property tax is levied to finance the operations of fiscal year 2015, the calendar year 2013 property tax levy is recorded as a receivable and a deferred inflow of resources as of April 30, 2014. The calendar year 2012 property tax levy is recorded as revenue by the District in accordance with the applicable measurement focus and basis of accounting for fiscal year 2014.

The 2014 property tax levy, which attached as an enforceable lien on property on January 1, 2014 has not been recorded as a receivable as of April 30, 2014, as the tax has not yet been levied by the District and, therefore, the levy is not measurable as of April 30, 2014.

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 Operations and Maintenance Fund consists of charges for services and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

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 restricted by the enabling legislation.
- c. Unrestricted - all other net position is reported in this category.

12. Governmental Fund Balances

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

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of constraints established by parties outside of the District or through enabling legislation.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action established by the Board of Trustees.
- d. Assigned – Amounts that are designated by constraints established by the intent expressed by the governing body or designated by the governing body.
- e. Unassigned – All amounts not included in other spendable classifications.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Use of Restricted Resources

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

14. Estimates

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

15. Subsequent Events

Management has reviewed transactions and events occurring subsequent to the balance sheet date through the date of the accompanying independent auditor's report on the financial statements, which is the date that such statements were available for release. The financial statements include all events and/or transactions (including estimates) required to be recognized in accordance with the financial reporting framework utilized herein.

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.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

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."

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

As of April 30, 2014, the District had total deposits with a book balance of \$3,716,015 and a bank balance of \$3,711,585. At year end, the carrying amounts of the District's cash consisted of the following:

	<u>Governmental Funds</u>	<u>Operations and Maintenance Fund</u>	<u>Total</u>
CASH AND EQUIVALENTS			
Checking and Money Market Accounts	\$ 953,690	\$ 2,737,441	\$ 3,691,131
Pooled Money Market Accounts	-	24,484	24,484
Cash on Hand	<u>-</u>	<u>400</u>	<u>400</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 953,690</u>	<u>\$ 2,762,325</u>	<u>\$ 3,716,015</u>

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

The following is a summary of pledged collateral securities at April 30, 2014.

<u>Security Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Fair Value</u>
Federal Farm Credit Banks Bonds	09/22/2014	3.000%	\$ 354,083
Federal Home Loan Mtg Corp Bonds	05/25/2018	2.699%	518,122
Federal Home Loan Banks Bonds	03/08/2019	1.875%	<u>1,420,698</u>
Total			<u>\$ 2,292,903</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 4 - ENTERPRISE FUND – CAPITAL ASSETS

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

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>April 30, 2014</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Cost:				
Land	\$ 446,489	\$ -	\$ -	\$ 446,489
Construction in progress	<u>-</u>	<u>274,265</u>	<u>-</u>	<u>274,265</u>
Total	<u>\$ 446,489</u>	<u>\$ 274,265</u>	<u>\$ -</u>	<u>\$ 720,754</u>
 CAPITAL ASSETS BEING DEPRECIATED				
Cost:				
Plant and lift stations	\$ 34,281,397	\$ -	\$ -	\$ 34,281,397
Sewer trunkline	21,693,695	-	-	21,693,695
Equipment	3,338,968	29,371	-	3,368,339
Administration building	1,284,303	13,874	-	1,298,177
Vehicles	607,216	-	-	607,216
Office furniture & equipment	<u>55,420</u>	<u>,3,125</u>	<u>-</u>	<u>58,545</u>
Total	<u>61,260,999</u>	<u>46,370</u>	<u>-</u>	<u>61,307,369</u>
Depreciation:				
Plant and lift stations	(8,963,759)	(919,257)	-	(9,883,016)
Sewer trunkline	(6,280,335)	(421,027)	-	(6,701,362)
Equipment	(2,091,955)	(93,448)	-	(2,185,403)
Administration building	(160,540)	(32,166)	-	(192,706)
Vehicles	(527,603)	(65,868)	-	(593,471)
Office furniture & equipment	<u>(45,739)</u>	<u>(2,234)</u>	<u>-</u>	<u>(47,973)</u>
Total	<u>(18,069,931)</u>	<u>(1,534,000)</u>	<u>-</u>	<u>(19,603,931)</u>
Capital Assets Being Depreciated, Net	<u>\$ 43,191,068</u>	<u>\$(1,487,630)</u>	<u>\$ -</u>	<u>\$ 41,703,438</u>

NOTE 5 – INTERFUND BALANCES

Interfund balances at April 30, 2014 for reimbursement of payroll taxes to be repaid in the following month consisted of the following.

<u>Due To (From)</u>	<u>Due (to) from General Fund</u>
Enterprise Fund	\$ <u>3,484</u>
Total	\$ <u>3,484</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 6 - LONG-TERM DEBT

Outstanding debt -

At April 30, 2014, long-term debt consisted of the following individual issue:

	PROPRIETARY FUND TYPE <u>OPERATIONS AND MAINTENANCE FUND</u>
<i>Debt Certificates, Series 2008, dated February 6, 2008.</i> Amount of original issue \$2,000,000. For the purpose of constructing improvements to the District's sanitary sewerage system. The outstanding certificates carry interest rates of 3.750% to 4.875% and mature May 1, 2014 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity.	<u>\$ 1,625,000</u>
Total	\$ 1,625,000
Current portion	<u>90,000</u>
Noncurrent	<u>\$ 1,535,000</u>

Changes in outstanding debt –

	<u>Balance at</u> <u>May 1, 2013</u>	<u>Accrued</u>	<u>Used</u>	<u>Balance at</u> <u>April 30,</u> <u>2014</u>
Accrued Compensated Absences	<u>\$ 23,128</u>	<u>\$ 40,483</u>	<u>\$ (55,131)</u>	<u>\$ 8,480</u>
	<u>Balance at</u> <u>May 1, 2013</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance at</u> <u>April 30,</u> <u>2014</u>
Debt Certificates, Series 2008	<u>\$ 1,710,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 1,625,000</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

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.

Debt service requirements to maturity –

The annual debt service requirements to maturity for all long-term debt, as of April 30, 2014, are as follows:

Year Ending April 30	Principal	Interest	Total
2015	\$90,000	\$69,388	\$159,388
2016	90,000	65,788	155,788
2017	100,000	62,138	162,138
2018	100,000	58,438	158,438
2019	105,000	54,291	159,291
2020 - 2024	575,000	198,963	773,963
2025 - 2028	565,000	55,641	620,641
Total	<u>\$ 1,625,000</u>	<u>\$ 564,647</u>	<u>\$ 2,189,647</u>

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 plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, District Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2013 was 11.11 percent. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2013 was \$67,512.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2013	67,512	100%	\$0
12/31/2012	59,885	100%	0
12/31/2011	56,184	95%	0

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of District Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 86.38 percent funded. The actuarial accrued liability for benefits was \$1,825,853 and the actuarial value of assets was \$1,577,177, resulting in an underfunded actuarial accrued liability (UAAL) of \$248,676. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$607,666 and the ratio of the UAAL to the covered payroll was 41 percent.

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

NOTE 8 – 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, 2014.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 9 – 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 and life insurance coverage for its employees. Payments of medical and life insurance premiums are recorded in the Enterprise Fund.

NOTE 10 – 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.

During the year ended April 30, 2014, the District adopted the applicable provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculation and limiting the use of the term “deferred” in financial statement presentations.

The format of the affected government-wide and fund financial statements, and the categories contained in the affected statements, have been changed and restated as required.

The amount of the restatement was related entirely to the elimination of the carrying amount of unamortized debt certificate issuance costs. Based on the new pronouncement, the total cost of the debt certificate issuance costs would have been recognized as an expense in the year in which originally incurred.

The restatement of net position as of the beginning of the fiscal year is shown on both of the government-wide Statement of Activities and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position. The effect of the restatement was to reduce beginning net position by the amount of \$33,964, which represents the balance of the unamortized debt certificate issuance costs.

During the year ended April 30, 2014, the District also adopted the applicable provisions of GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 66 did not have any material effect on the District in the current year.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2014

NOTE 10 – IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

The GASB has issued the following statements which will potentially be applicable to the District in the future.

Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*
Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
Statement 69, *Government Combinations and Disposals of Government Operations*
Statement 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement 27*
Statement 67, *Accounting and Reporting for Pensions – an amendment of GASB Statement 25*

Those new pronouncements not yet in effect as of April 30, 2014 as listed above, are not expected to have any significant impact on the District's financial position or results of operations, other than Statement No. 68, which will result in the unfunded accumulated actuarial liability discussed in Note 6 above being recorded as a liability in both the government-wide and fund level financial statements. GASB Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This statement will be effective for the District beginning with its year ending April 30, 2015.

NOTE 11 – SUBSEQUENT EVENTS

On June 12, 2014, the District Board of Trustees approved an ordinance authorizing the issuance of General Obligation Bonds (Alternate Revenue Source), in an aggregate principal amount not to exceed \$3,900,000. The purpose of the bonds is to finance the costs of certain capital projects within the District, including construction of a new waste treatment facility.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended April 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 270,232	\$ 270,232	\$ 270,068	\$ (164)
Personal property replacement tax	-	-	1,541	1,541
Interest income	1,000	1,000	1,098	98
TOTAL REVENUES	<u>271,232</u>	<u>271,232</u>	<u>272,707</u>	<u>1,475</u>
EXPENDITURES				
PERSONNEL SERVICES AND SALARY EXPENSE				
Salaries of trustees, manager, finance director and finance assistant	180,000	180,000	178,030	1,970
Total personnel services and salary expense	<u>180,000</u>	<u>180,000</u>	<u>178,030</u>	<u>1,970</u>
CONTRACTUAL SERVICES				
Professional engineering	15,000	23,000	22,974	26
Legal services	15,000	15,000	12,197	2,803
Other professional services	10,000	2,000	1,437	563
Total contractual services	<u>40,000</u>	<u>40,000</u>	<u>36,608</u>	<u>3,392</u>
ADMINISTRATIVE EXPENSES				
Printing and publications	1,000	1,000	738	262
Office supplies and equipment	4,000	6,000	5,838	162
Postage	2,000	2,000	1,361	639
Treasurer's bond	5,000	5,000	-	5,000
Community affairs	3,000	1,000	166	834
Memberships and dues	5,000	5,000	3,974	1,026
Total administrative expenses	<u>20,000</u>	<u>20,000</u>	<u>12,077</u>	<u>7,923</u>
OPERATING EXPENSES				
Building and grounds upkeep	10,000	10,000	6,660	3,340
Utilities	50,000	50,000	26,315	23,685
JULIE	1,700	1,700	1,529	171
Training and education	2,500	2,500	-	2,500
Travel expenses	2,500	2,500	-	2,500
Computer hardware, software & support	10,000	10,000	2,025	7,975
Total operating expense	<u>76,700</u>	<u>76,700</u>	<u>36,529</u>	<u>40,171</u>
CONTINGENCY & MISCELLANEOUS EXPENSES				
Contingency and miscellaneous expenses	1,000	1,000	-	1,000
Total contingency and miscellaneous expenses	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
TOTAL EXPENDITURES	<u>317,700</u>	<u>317,700</u>	<u>263,244</u>	<u>54,456</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (46,468)</u>	<u>\$ (46,468)</u>	9,463	<u>\$ 55,931</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR			<u>763,173</u>	
END OF YEAR			<u>\$ 772,636</u>	
BUDGET-TO-ACTUAL RECONCILIATION				
BUDGETARY BASIS			\$ 9,463	
Expenditure accruals			<u>9,149</u>	
GAAP BASIS			<u>\$ 18,612</u>	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - AUDIT FUND
 Year Ended April 30, 2014

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 20,900	\$ 20,887	\$ (13)
 EXPENDITURES			
Auditing expense and fee	24,000	22,750	1,250
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (3,100)	(1,863)	\$ 1,237
 BUDGETARY FUND BALANCE			
Beginning of year		4,212	
END OF YEAR		\$ 2,349	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHLORINATION FUND
 Year Ended April 30, 2014

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ -	\$ -	\$ -
EXPENDITURES			
Chlorination, disinfection and treatment	2,000	-	2,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,000)	-	\$ 2,000
BUDGETARY FUND BALANCE			
Beginning of year		57,166	
END OF YEAR		\$ 57,166	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - IMRF FUND
 Year Ended April 30, 2014

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 83,000	\$ 82,969	\$ (31)
EXPENDITURES			
Pension contributions by employer	125,000	66,974	58,026
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (42,000)	15,995	\$ 57,995
BUDGETARY FUND BALANCE			
Beginning of year		60,203	
END OF YEAR		\$ 76,198	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
 BUDGETARY COMPARISON SCHEDULE - PUBLIC LIABILITY INSURANCE FUND
 Year Ended April 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 144,967	\$ 144,967	\$ 144,880	\$ (87)
EXPENDITURES				
Workers Compensation	28,000	28,000	20,395	7,605
Property	40,000	50,000	47,310	2,690
Vehicles	20,000	20,000	12,096	7,904
General liability	110,000	100,000	57,435	42,565
TOTAL EXPENDITURES	198,000	198,000	137,236	60,764
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (53,033)	\$ (53,033)	7,644	\$ 60,677
BUDGETARY FUND BALANCE				
Beginning of year			530	
END OF YEAR			\$ 8,174	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - SOCIAL SECURITY FUND
 Year Ended April 30, 2014

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 49,941	\$ 49,911	\$ (30)
EXPENDITURES			
Social security contributions	55,000	48,399	6,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,059)	1,512	\$ 6,571
BUDGETARY FUND BALANCE			
Beginning of year		32,171	
END OF YEAR		\$ 33,683	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended April 30, 2014

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, 2014, expenditures did not exceed appropriations in any of the District's governmental funds. None of the District's funds had deficit balances at the end of the year.

LAKE IN THE HILLS SANITARY DISTRICT
IMRF SCHEDULE OF FUNDING PROGRESS
Year Ended April 30, 2014

ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) /c)
12/31/2013	1,577,177	1,825,853	248,676	86.38%	607,666	40.92%
12/31/2012	1,377,927	1,632,866	254,939	84.39%	580,281	43.93%
12/31/2011	1,216,171	1,468,930	252,759	82.79%	559,048	45.21%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,756,237. On a market value basis, the funded ratio would be 96.19%.

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

OTHER SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 April 30, 2014

SCHEDULE 7

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
ASSETS						
Cash	\$ 177,570	\$ 2,349	\$ 57,166	\$ 76,198	\$ 8,174	\$ 33,683
Property taxes receivable	288,410	19,513	-	121,355	100,916	46,626
TOTAL ASSETS	465,980	21,862	57,166	197,553	109,090	80,309
 LIABILITIES						
Deferred property taxes revenue	288,410	19,513	-	121,355	100,916	46,626
TOTAL LIABILITIES	288,410	19,513	-	121,355	100,916	46,626
 FUND BALANCES						
Fund Balances	177,570	2,349	57,166	76,198	8,174	33,683
TOTAL LIABILITIES AND SANITARY DISTRICT EQUITY	\$ 465,980	\$ 21,862	\$ 57,166	\$ 197,553	\$ 109,090	\$ 80,309

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, 2014

SCHEDULE 8

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
REVENUES						
Property taxes	\$ 298,647	\$ 20,887	\$ -	\$ 82,969	\$ 144,880	\$ 49,911
EXPENDITURES						
Auditing expense and fee	22,750	22,750	-	-	-	-
Chlorination, disinfection, and treatment	-	-	-	-	-	-
Pension contributions	66,974	-	-	66,974	-	-
Public liability insurance	137,236	-	-	-	137,236	-
Social security contributions	48,399	-	-	-	-	48,399
TOTAL EXPENDITURES	275,359	22,750	-	66,974	137,236	48,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,288	(1,863)	-	15,995	7,644	1,512
FUND BALANCES						
Beginning of year	154,282	4,212	57,166	60,203	530	32,171
FUND BALANCES, end of year	\$ 177,570	\$ 2,349	\$ 57,166	\$ 76,198	\$ 8,174	\$ 33,683

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND TYPE
OPERATIONS & MAINTENANCE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
Year Ended April 30, 2014

	<u>Cash Basis (Non-GAAP)</u>		Accrual
	<u>Appropriations</u>	<u>Actual</u>	Basis <u>Expenses</u>
PERSONNEL SERVICES			
District personnel salaries	\$ 600,000	\$ 462,358	\$ 460,226
TOTAL PERSONNEL SERVICES	<u>600,000</u>	<u>462,358</u>	<u>460,226</u>
ADMINISTRATIVE EXPENSES			
Telephone	4,000	1,929	1,933
Postage	18,500	18,344	18,386
Printing and publications	2,000	1,541	1,297
Office supplies	4,000	4,966	3,955
Billing and collection expenses	100,000	84,310	214,310
Professional services	5,000	2,237	2,237
Training, travel and education	10,000	2,858	2,858
Computer hardware, software and support	30,000	24,934	24,095
Community affairs	2,500	146	146
Medical and life insurance	130,000	123,335	123,335
TOTAL ADMINISTRATIVE EXPENSES	<u>306,000</u>	<u>264,600</u>	<u>392,552</u>
OPERATION AND MAINTENANCE OF PLANT			
Operating supplies	50,000	33,808	35,103
Maintenance and repair (plant)	100,000	83,882	102,056
Maintenance and repair (collection systems)	100,000	72,424	74,182
Utilities and energy	325,000	246,786	246,854
Grounds upkeep	15,000	13,623	13,993
Gasoline and oil	24,000	18,978	19,074
Computer and support services	3,000	1,090	1,090
Emergency communications	25,000	29,686	30,213
Sludge management	1,600,000	1,383,789	1,337,889
Professional services	15,000	6,709	6,587
Residential reimbursement	10,000	10,216	500
Compliance requirements and permits	20,000	17,585	17,585
GIS	10,000	-	-
TOTAL OPERATION AND MAINTENANCE OF PLANT	<u>2,297,000</u>	<u>1,918,576</u>	<u>1,885,126</u>

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND
OPERATIONS & MAINTENANCE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
 Year Ended April 30, 2014

	Cash Basis (Non-GAAP)		Accrual
	Appropriations	Actual	Basis Expenses
CAPITAL IMPROVEMENTS			
New construction	50,000	23,444	23,444
Plant equipment	60,000	46,173	46,173
Collection system	200,000	231,307	231,307
Vehicles	20,000	-	-
Legal expense	5,000	-	-
Engineering expense	80,000	260,190	296,320
Bond, finance consulting expense	2,500	-	-
	417,500	561,114	597,244
 TOTAL CAPITAL IMPROVEMENTS			
 BOND TRANSFERS			
Debt certificates principal	85,000	90,000	-
Debt certificates interest	80,000	71,188	71,188
Administration fee	1,500	350	350
	166,500	161,538	71,538
 TOTAL BOND TRANSFERS			
 CONTINGENCY AND MISCELLANEOUS			
Contingency and miscellaneous expenses	2,500	-	-
	2,500	-	-
 TOTAL CONTINGENT EXPENSES			
 TOTAL OPERATIONS AND MAINTENANCE FUND EXPENDITURES	\$ 3,789,500	\$ 3,368,186	3,406,686
 LESS CAPITALIZED EXPENDITURES			320,635
 TOTAL OPERATING EXPENSES INCLUDING INTEREST			\$ 3,086,051

See independent auditor's report.

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

SCHEDULE 10

TAX LEVY YEAR	2011			2012			2013		
ASSESSED VALUATION	\$785,318,994			\$684,133,380			\$638,710,610		
TAX EXTENSIONS									
Fund	Rate	% of Total	Extension	Rate	% of Total	Extension	Rate	% of Total	Extension
GENERAL	0.040467	57.66	\$ 317,795	0.039500	47.49	\$ 270,233	0.045595	50.24	\$ 291,220
CHLORINATION	-	-	-	-	-	-	-	-	-
LIABILITY INSURANCE	0.013169	18.76	103,419	0.021190	25.47	144,968	0.015800	17.41	100,916
SOCIAL SECURITY	0.006113	8.71	48,006	0.007300	8.78	49,942	0.007300	8.04	46,626
IMRF	0.007386	10.52	58,004	0.012135	14.59	83,019	0.019000	20.94	121,355
AUDIT	0.003055	4.35	23,991	0.003055	3.67	20,900	0.003055	3.37	19,513
	0.070190	100.00	\$ 551,215	0.083180	100.00	\$ 569,062	0.090750	100.00	\$ 579,630

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF LEGAL DEBT MARGIN

ASSESSED VALUATION at December 31, 2013	<u>\$ 638,710,610</u>
LEGAL DEBT LIMIT (5.75% OF \$638,710,610)	\$ 36,725,860
DEBT APPLICABLE TO THE LEGAL DEBT LIMIT Debt Certificates, Series 2008	<u>(1,625,000)</u>
LEGAL DEBT MARGIN	<u>\$ 35,100,860</u>

See independent auditor's report.