

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

**BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

Year Ended April 30, 2015

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

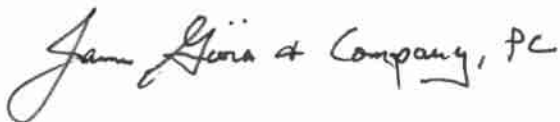
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the major governmental fund budgetary comparison information on page 35, and the Schedule of Funding Progress on page 37 be presented to supplement the 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 on pages 39 and 40 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 on pages 42 through 46, the proprietary fund comparison of expenditures with appropriations on pages 47 through 48, and the other schedules on pages 49 and 50 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.



Crystal Lake, Illinois
September 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

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, 2015. 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 \$45,311,491 (net position). Of this amount, \$5,041,508 (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 \$144,047 during the recent year compared to a decrease of \$776,916 during the preceding year. The changes in net position were after deducting depreciation of plant and equipment, in the amount of \$1,487,940 for the recent year and \$1,534,000 for the preceding year.
- The District issued general obligation bonds (alternate revenue source), totaling \$3,430,000, in November 2014. Proceeds of the bonds are being spent to construct a new biosolids treatment facility, which is expected to be completed in the fiscal year ending April 30, 2016. To help finance the construction of the facility, the District also added a \$2 per month surcharge to customers' bills.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

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

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

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

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

Fund Financial Statements

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

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

Proprietary Funds. The District's proprietary fund is also reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District maintains one proprietary fund, named the "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.

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.

Supplementary Information and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comprised of a budgetary comparison schedule for the District's major governmental fund, 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. Other information provided includes budgetary comparison schedules for the non-major governmental funds, a comparison of expenditures and

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position increased by approximately \$144,000 compared to a year ago. Net position at April 30, 2015 was \$45,311,491 and at April 30, 2014, it was \$45,167,444. Although the District posted an increase in its combined net position, the approximately \$144,000 increase represents an increase of only one percent. Combined net position remained relatively the same. This is in contrast to the previous year, during which combined net position decreased by approximately \$777,000.

The components of the District's combined net position provide insight into the modest overall increase during the year ended April 30, 2015. 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 increased by approximately \$114,000, while its net position from business-type activities increased by approximately \$30,000. The \$114,000 increase in net position of governmental activities is reflected in the approximately \$145,000 increase in cash balances maintained by the District's governmental funds.

Although the District's overall net position in its business-type activities increased by only \$30,000, its two components, net position invested in capital assets and unrestricted net position, changed significantly compared to the preceding year. Net position invested in capital assets decreased by approximately \$800,000, whereas unrestricted net position increased by approximately \$830,000.

The District's net position invested in capital assets reflects its investment in the infrastructure of the sewerage system itself and comprises over 88% of total net position. Its net \$800,000 decrease is attributable to its depreciation during the year (approximately \$1,500,000) in excess of its capital improvements (approximately \$1,350,000) and the utilization of approximately \$650,000 of proceeds from bonds issued during the year to finance the capital improvements.

The approximately \$830,000 increase in unrestricted net position of the District's business-type activities is a result of the District's sewerage operations. The District's cash in its business-type activities increased by approximately \$1,000,000, its accounts receivable increased by approximately \$60,000, and its accounts payable increased by approximately \$240,000; producing a net increase in its most significant components of working capital of approximately \$820,000 (\$1,000,000 plus \$60,000 less \$240,000). Connection charges received during the year, totaling approximately \$400,000, contributed to the \$830,000 increase in net position, as did the institution of the \$2 per month biosolids management surcharge added to customer bills effective July 1, 2014.

The District's long-term liabilities increased by approximately \$3,400,000 during the year, from the issuance of new bonds. The new bonds are general obligation bonds (alternate revenue source). The purpose of the bonds is to finance the construction of a new facility to treat and manage biosolids waste. District management believes that, once construction is completed, the new facility will save the District money by reducing the costs of sludge management. Construction of the new facility is expected to be completed during the fiscal year ending April 30, 2016. At April 30, 2015, approximately \$2,700,000 of the proceeds from the issuance of the new bonds remained unspent, and is reported as "restricted" in the District's financial statements.

**LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015**

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	
	2014	2015	2014	2015	2014	2015
Capital assets	\$ -	\$ -	\$ 42,424,192	\$ 42,275,155	\$ 42,424,192	\$ 42,275,155
Cash	953,690	1,099,101	2,762,325	3,752,874	3,716,015	4,851,975
Restricted cash	-	-	-	2,735,745	-	2,735,745
Other assets	650,841	640,965	860,393	1,198,088	1,511,234	1,839,053
Total Assets	<u>1,604,531</u>	<u>1,740,066</u>	<u>46,046,910</u>	<u>49,961,862</u>	<u>47,651,441</u>	<u>51,701,928</u>
Current liabilities	6,379	16,984	331,081	613,183	337,460	630,167
Long-term liabilities	-	-	1,566,907	4,951,079	1,566,907	4,951,079
Total liabilities	<u>6,379</u>	<u>16,984</u>	<u>1,897,988</u>	<u>5,564,262</u>	<u>1,904,367</u>	<u>5,581,246</u>
Deferred inflows of resources	<u>579,630</u>	<u>590,201</u>	<u>-</u>	<u>218,990</u>	<u>579,630</u>	<u>809,191</u>
Net Position						
Invested in capital assets	-	-	40,767,285	39,969,821	40,767,285	39,969,821
Restricted	252,265	300,162	-	-	252,265	300,162
Unrestricted	<u>766,257</u>	<u>832,719</u>	<u>3,381,637</u>	<u>4,208,789</u>	<u>4,147,894</u>	<u>5,041,508</u>
Total Net Position	<u>\$ 1,018,522</u>	<u>\$ 1,132,881</u>	<u>\$ 44,148,922</u>	<u>\$ 44,178,610</u>	<u>\$ 45,167,444</u>	<u>\$ 45,311,491</u>

As of both April 30, 2015 and 2014, 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

As previously noted, during the year ended April 30, 2015, the District's net position of its governmental activities increased by approximately \$114,000. During the year ended April 30, 2014, the District's net position of its governmental activities increased by approximately \$60,000. The increase each year stems from the District's anticipated future expenses for changes in personnel and for waste water treatment expenses.

The most recent year's increase stems from the excess of the District's governmental activities revenues over its expenditures. During the year ended April 30, 2015, changes in personnel reduced governmental activities expenditures for wages and pension benefits by approximately \$34,000 compared to the preceding year.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

Property taxes account for nearly all (over 99%) of the District's governmental activities revenue. Total property taxes revenue amounted to \$579,332 for the fiscal year ended April 30, 2015. This represents a slight increase from the previous year, in the amount of \$10,617, or approximately 1.9%, due to an allowable tax rate increase, which was offset by tax base shrinkage.

Business-type Activities

Operating revenues of the District's business-type activities increased by approximately \$240,000 compared to the prior year or by approximately 6%. The increase is primarily attributable to a new biosolids management surcharge of \$2 per month, which was added to customer bills beginning with the month of July 2014. Proceeds from the biosolids management surcharge have been earmarked for the construction and financing of the new biosolids management facility.

The expenses of plant operations decreased during the year ended April 30, 2015 by approximately \$310,000. The net decrease resulted from a combination of increases and decreases. The largest decrease was for engineering expenses, which fell by more than \$275,000, due to the capitalization of engineering expenditures for the new biosolids management facility in the year ended April 30, 2015. Sludge management expense decreased by approximately \$77,000 due to a decrease in the volume of dewatering required by the District.

Administrative expenses decreased by approximately \$27,000 compared to the prior year. During the year ended April 30, 2014, administrative expenses included a larger charge to the District's allowance for doubtful accounts than they did during the most recent fiscal year (\$130,000 in the year ended April 30, 2014 and \$50,000 in the year ended April 30, 2015). 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 \$1,100,000 at April 30, 2015 and approximately \$860,000 at April 30, 2014. A significant portion of the increase in overall accounts receivable was from penalties and collection charges on delinquent accounts.

In addition to charging penalties, the District actively pursues collection of its delinquent customer accounts. 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. During the year ended April 30, 2015, the District reached agreements with the municipalities who provide water service within the District's boundaries, whereby those municipalities would assist in collection activities with the District by turning off water service to unresponsive delinquent customers.

Personnel costs of the District's business –type activities rose during the year ended April 30, 2015 by approximately \$45,000 or by approximately 10% 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 increased by only \$14,000 or approximately 2.3%.

During the year ended April 30, 2015, the District's District Manager retired after more than thirty years of service. The District's Assistant District Manager was promoted to the District Manager position, and the District's part-time Assistant to the Manager was promoted to Assistant District Manager.

Other nonoperating expenses during the year ended April 30, 2015 include approximately \$100,000 for the issuance costs associated with the new bonds.

Capital contributions totaled approximately \$440,000 during the year ended April 30, 2015 compared to approximately \$74,000 during the year ended April 30, 2014. Capital contributions received during the year ended April 30, 2015 consisted primarily of fees from users connecting to the sewerage system, more than 80% of which were from the Villas of Lake In The Hills development.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

The following table provides a summary of the District's operations for the year ended April 30, 2015 with comparative totals for the year ended April 30, 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Operating revenue	\$ -	\$ -	\$ 3,701,769	\$ 3,940,033	\$ 3,701,769	\$ 3,940,033
Taxes	570,256	581,434	-	-	570,256	581,434
Other income	1,098	1,151	3,894	5,038	4,992	6,189
	<u>571,354</u>	<u>582,585</u>	<u>3,705,663</u>	<u>3,945,071</u>	<u>4,277,017</u>	<u>4,527,656</u>
Plant operations	-	-	1,885,126	1,811,577	1,885,126	1,811,577
Depreciation	-	-	1,534,000	1,487,940	1,534,000	1,487,940
Personnel	168,857	137,910	460,226	505,454	629,083	643,364
Administrative	11,934	14,446	392,552	365,495	404,486	379,941
Other	329,730	315,870	345,693	186,454	675,423	502,324
	<u>510,521</u>	<u>468,226</u>	<u>4,617,597</u>	<u>4,356,920</u>	<u>5,128,118</u>	<u>4,825,146</u>
Change in net assets						
before contributions	60,833	114,359	(911,934)	(411,849)	(851,101)	(297,490)
Capital contributions	-	-	74,185	441,537	74,185	441,537
Change in net position	<u>\$ 60,833</u>	<u>\$ 114,359</u>	<u>\$ (837,749)</u>	<u>\$ 29,688</u>	<u>\$ (776,916)</u>	<u>\$ 144,047</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 \$1,076,703. Of this total, \$243,984 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 \$832,719 is unassigned and can be used for any lawful purpose.

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.

LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015

The Sewerage Fund is by far the largest fund of the District. Its net position amounted to \$44,178,610 at April 30, 2015, or approximately 97% of the District's total net position.

Operating revenues of the Sewerage Fund totaled \$3,940,033 for the current fiscal year. The proprietary fund's revenues were comprised of sewer services revenues and penalties and collection charges. Overall, total revenues for the Sewerage Fund increased by \$238,264 compared to the prior year. As previously mentioned, the District began collecting a \$2 monthly biosolids management surcharge from its customers in July 2014.

The Sewerage Fund generated a net loss for the fiscal year, in the amount of \$411,849. Included in its expenses was depreciation, in the amount of \$1,487,940. Operations before depreciation generated a positive net operating income, in the amount of \$1,237,155.

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 \$13,800. As reported in the budgetary comparison schedule, the fund balance actually increased (on a budgetary basis), by the amount of \$71,495. 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, 2015, was \$39,916,534. This investment represents approximately 88% of the District's total net position.

During the year ended April 30, 2015, the District completed its improvement project to the collection system at Oak Street and Burr Street. Total costs incurred with respect to the project were approximately \$327,000.

The District also began the construction of a new biosolids waste treatment facility. Total costs incurred before April 30, 2015 with respect to the biosolids waste treatment facility were approximately \$1,220,000. These costs are reported as Construction in Progress in the District's financial statements. The new facility will include a digester and a gravity belt thickener for sludge thickening, as well as a building to house the sludge thickening process.

The sludge thickening process is scheduled to be on line in September 2015 and is expected to save the District significant sludge management costs in the future by delivering a thicker sludge to the sludge belt press.

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

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

**LAKE IN THE HILLS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2015**

waste treatment facility. The bonds mature May 1, 2015 through May 1, 2039. Bonds maturing on or after 2025 are subject to redemption prior to maturity.

In addition to the new 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. The debt certificates mature May 1, 2015 through May 1, 2027. Certificates maturing on or after 2019 are subject to maturity prior to redemption. At April 30, 2015, the balance of the Certificates remaining to be paid was \$1,535,000.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

For its fiscal year ending April 30, 2016, 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 7, 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, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,099,101	\$ 3,752,874	\$ 4,851,975
Property taxes receivable	590,201	218,990	809,191
Accounts receivable, net	-	794,363	794,363
Interfund balances	(5,414)	5,414	-
Deposits with debt paying agents	-	179,321	179,321
Prepaid insurance	56,178	-	56,178
Restricted cash - unspent capital debt proceeds	-	2,735,745	2,735,745
Land and construction in progress	-	1,666,076	1,666,076
Capital assets being depreciated (net of accumulated depreciation)	-	40,609,079	40,609,079
TOTAL ASSETS	1,740,066	49,961,862	51,701,928
LIABILITIES			
Accounts payable	15,230	411,326	426,556
Accrued compensated absences	1,754	18,939	20,693
Accrued interest	-	89,321	89,321
Developer deposits	-	3,597	3,597
Long-term liabilities:			
Due within one year			
Bonds and debt certificates payable	-	90,000	90,000
Due in more than one year			
Bonds and debt certificates payable	-	4,875,000	4,875,000
Unamortized debt issuance premium, net	-	76,079	76,079
TOTAL LIABILITIES	16,984	5,564,262	5,581,246
DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	590,201	218,990	809,191
TOTAL DEFERRED INFLOWS OF RESOURCES	590,201	218,990	809,191
NET POSITION			
Net investment in capital assets	-	39,969,821	39,969,821
Restricted for:			
Audit expenses	1,602	-	1,602
Chlorination, disinfection, and treatment	57,166	-	57,166
Pension contributions	133,500	-	133,500
Public liability insurance	74,034	-	74,034
Social security contributions	33,860	-	33,860
Unrestricted	832,719	4,208,789	5,041,508
TOTAL NET POSITION	\$ 1,132,881	\$ 44,178,610	\$ 45,311,491

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF ACTIVITIES
Year Ended April 30, 2015

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS						
Primary Government						
GOVERNMENTAL ACTIVITIES						
Administration	\$ 468,226	\$ -	\$ -	\$ (468,226)	\$ -	\$ (468,226)
BUSINESS-TYPE ACTIVITIES						
Sewerage services	4,290,636	3,940,033	441,537	-	90,934	90,934
Debt service	66,284	-	-	-	(66,284)	(66,284)
Total Primary Government	<u>4,825,146</u>	<u>3,940,033</u>	<u>441,537</u>	<u>(468,226)</u>	<u>24,650</u>	<u>(443,576)</u>
GENERAL REVENUES						
Property taxes				579,332	-	579,332
Personal property replacement tax				2,102	-	2,102
Unrestricted investment earnings				1,151	5,038	6,189
TOTAL GENERAL REVENUES				<u>582,585</u>	<u>5,038</u>	<u>587,623</u>
CHANGE IN NET POSITION				114,359	29,688	144,047
NET POSITION						
BEGINNING				<u>1,018,522</u>	<u>44,148,922</u>	<u>45,167,444</u>
ENDING NET POSITION				<u>\$ 1,132,881</u>	<u>\$ 44,178,610</u>	<u>\$ 45,311,491</u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 April 30, 2015

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash	\$ 855,117	\$ 243,984	\$ 1,099,101
Property taxes receivable	273,352	316,849	590,201
TOTAL ASSETS	<u>\$ 1,128,469</u>	<u>\$ 560,833</u>	<u>\$ 1,689,302</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 15,230	\$ -	\$ 15,230
Accrued compensated absences	1,754	-	1,754
Due to other funds	5,414	-	5,414
Total Liabilities	<u>22,398</u>	<u>-</u>	<u>22,398</u>
 DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	273,352	316,849	590,201
Total Deferred Inflows of Resources	<u>273,352</u>	<u>316,849</u>	<u>590,201</u>
 FUND BALANCES			
Restricted for:			
Audit expenses	-	1,602	1,602
Chlorination, disinfection, and treatment	-	57,166	57,166
Pension contributions	-	133,500	133,500
Public liability insurance	-	17,856	17,856
Social security contributions	-	33,860	33,860
Unassigned	832,719	-	832,719
Total Fund Balances	<u>832,719</u>	<u>243,984</u>	<u>1,076,703</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,128,469</u>	<u>\$ 560,833</u>	<u>\$ 1,689,302</u>
Fund balance			\$ 1,076,703
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.			<u>56,178</u>
Net position of governmental activities			<u>\$ 1,132,881</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, 2015

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 291,070	\$ 288,262	\$ 579,332
Personal property replacement tax	2,102	-	2,102
Interest income	1,151	-	1,151
TOTAL REVENUES	294,323	288,262	582,585
EXPENDITURES			
Personnel services and salary	137,910	-	137,910
Contractual services	37,844	20,250	58,094
Administrative expenses	14,446	-	14,446
Operating expenses	37,661	-	37,661
Contingency and miscellaneous expenses	-	-	-
Chlorination, disinfection, and treatment	-	-	-
Pension contributions	-	63,991	63,991
Public liability insurance	-	91,182	91,182
Social security contributions	-	46,425	46,425
TOTAL EXPENDITURES	227,861	221,848	449,709
EXCESS OF REVENUES OVER EXPENDITURES	66,462	66,414	132,876
FUND BALANCES			
BEGINNING	766,257	177,570	
ENDING	\$ 832,719	\$ 243,984	

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. (18,517)

Change in net position of governmental activities \$ 114,359

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
April 30, 2015

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 3,752,874
Accounts receivable, net of \$330,000 allowance for doubtful accounts	794,363
Property taxes receivable	218,990
Due from general fund	5,414
Deposits with debt paying agents	179,321
Total Current Assets	<u>4,950,962</u>
NONCURRENT ASSETS	
Restricted cash - unspent capital debt proceeds	2,735,745
Land and construction in progress	1,666,076
Capital assets being depreciated (net of accumulated depreciation)	40,609,079
Total Noncurrent Assets	<u>45,010,900</u>
TOTAL ASSETS	<u>49,961,862</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	411,326
Current portion of bonds and debt certificates payable	90,000
Accrued compensated absences	18,939
Accrued interest	89,321
Developer deposits	3,597
Total Current Liabilities	<u>613,183</u>
NONCURRENT LIABILITIES	
Bonds and debt certificates payable, net of current portion	4,875,000
Unamortized debt issuance premium, net of accretion	76,079
Total Noncurrent Liabilities	<u>4,951,079</u>
TOTAL LIABILITIES	<u>5,564,262</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned property tax revenue	218,990
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>218,990</u>
NET POSITION	
Invested in capital assets, net of related debt	39,969,821
Unrestricted	4,208,789
TOTAL NET POSITION	<u>\$ 44,178,610</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, 2015

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
OPERATING REVENUES	
Sewer services	\$ 3,674,823
Penalties and collection charges	265,210
TOTAL OPERATING REVENUES	<u>3,940,033</u>
OPERATING EXPENSES	
Personnel services	505,454
Administrative expenses	365,495
Operation and maintenance of plant	1,811,577
Capital improvements	20,352
Contingent expenses	-
TOTAL OPERATING EXPENSES	<u>2,702,878</u>
OPERATING INCOME BEFORE DEPRECIATION	1,237,155
DEPRECIATION	<u>1,487,940</u>
OPERATING LOSS	<u>(250,785)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,038
Debt certificates premium amortization	2,454
Debt issuance costs	(99,818)
Interest expense and agent fees	(68,738)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(161,064)</u>
LOSS BEFORE CONTRIBUTIONS	(411,849)
CAPITAL CONTRIBUTIONS	<u>441,537</u>
CHANGE IN NET POSITION	<u>29,688</u>
BEGINNING TOTAL NET POSITION	
Beginning total net position as previously reported	<u>44,148,922</u>
ENDING TOTAL NET POSITION	<u><u>\$ 44,178,610</u></u>

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended April 30, 2015

	<u>ENTERPRISE FUND SEWERAGE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,821,954
Payments to suppliers	(1,900,408)
Payments to employees	(496,739)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,424,807</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	3,430,000
Contributed capital - connection fees	375,037
Bond issuance discount	47,639
Developer deposits refunded	(4,255)
Capital debt principal deposited with paying agent	(90,000)
Capital debt issuance costs	(99,818)
Capital debt interest paid and administration fees	(68,738)
Purchases of capital assets	(1,293,416)
Unspent capital debt proceeds	(2,735,745)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(439,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from cash and cash equivalents	<u>5,038</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,038</u>
NET INCREASE IN CASH	990,549
CASH, at beginning of year	<u>2,762,325</u>
CASH, at end of year	<u><u>\$ 3,752,874</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING LOSS	\$ (250,785)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Bad debt expense	55,030
Depreciation	1,487,940
CHANGE IN ASSETS AND LIABILITIES	
Accounts receivable	(118,079)
Due from general fund	(1,929)
Accounts payable	241,495
Accrued compensated absences	11,291
Customer deposits	(156)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,424,807</u></u>
NONCASH CAPITAL FINANCING ACTIVITIES	
Capital assets of \$46,500 were acquired through contributions from developers.	

See accompanying notes to basic financial statements.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

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, 2015

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, 2015

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, 2015

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 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 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 \$330,000 at April 30, 2015.

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.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Based on these criteria, there was no impairment of the District’s capital assets during the fiscal year ended April 30, 2015.

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 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 carry over 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 six weeks of annual vacation depending on their length of service. Up to five vacation days not used by the end of the calendar year may carry over to the next calendar year.

8. Long-term Obligations

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

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Property Tax Calendar and Revenues

The District establishes a legal right to the property tax assessments upon the enactment of a tax levy ordinance by the District's Board of Trustees each year in August. The tax levy applies to all taxable real property located in the District. The lien date for property taxes levied by the District is January 1 of each year. The District's property taxes are included on the bills issued by McHenry County, generally, in April or May. Payments of property taxes are due in June and September each year. The County collects the property tax payments and remits them to the District periodically. At April 30, 2015, there were no significant unremitted taxes from the County.

Since the calendar year 2014 property tax is levied to finance the operations of fiscal year 2016, the calendar year 2014 property tax levy is recorded as a receivable and a deferred inflow of resources as of April 30, 2015. The calendar year 2013 property tax levy is recorded as revenue by the District in accordance with the applicable measurement focus and basis of accounting for fiscal year 2015.

The 2015 property tax levy, which attached as an enforceable lien on property on January 1, 2015 has not been recorded as a receivable as of April 30, 2015, as the tax has not yet been levied by the District and, therefore, the levy is not measurable as of April 30, 2015.

10. Defining Operating Revenues and Expenses

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

11. Government-wide and Proprietary Fund Net Position

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

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

12. Governmental Fund Balances

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

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

13. Use of Restricted Resources

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

14. Estimates

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

15. Subsequent Events

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

NOTE 2 – BUDGETARY PROCESS

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

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

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 2 – BUDGETARY PROCESS (Continued)

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

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

NOTE 3 - CASH

The District maintains various individual and commingled cash accounts that are available for use by the various funds. Each fund type’s portion of the cash accounts is displayed on the combined statement of assets and liabilities as “cash” or as “restricted cash – unspent capital debt proceeds.”

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

As of April 30, 2015, the District had total deposits with a book balance of \$7,587,720 and a bank balance of \$7,580,083. At year end, the carrying amounts of the District’s cash consisted of the following:

	<u>Governmental Funds</u>	<u>Sewerage Fund</u>	<u>Total</u>
CASH AND EQUIVALENTS			
Project Fund Account	\$ -	\$ 2,735,745	\$ 2,735,745
Operations and Maintenance Account	-	755,028	755,028
Bond and Interest Account	-	76,852	76,852
Certificate Account	-	45,340	45,340
Depreciation Account	-	1,083,799	1,083,799
Other Bank Accounts	1,099,101	1,791,455	2,890,556
Cash on Hand	<u>-</u>	<u>400</u>	<u>400</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 1,099,101</u>	<u>\$ 6,488,619</u>	<u>\$ 7,587,720</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, 2015.

<u>Security Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Fair Value</u>
Federal Home Loan Banks Bonds	03/08/2019	1.875%	\$ <u>6,554,347</u>
Total			<u>\$ 6,554,347</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

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, 2015.

Beginning of Year	\$ 280,000
Provisions	55,030
Write-offs	<u>(5,030)</u>
End of Year	\$ 330,000

NOTE 5 - ENTERPRISE FUND – CAPITAL ASSETS

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

	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>April 30, 2015</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Cost:				
Land	\$ 446,489	\$ -	\$ -	\$ 446,489
Construction in progress	<u>274,265</u>	<u>1,219,587</u>	<u>274,265</u>	<u>1,219,587</u>
Total	<u>\$ 720,754</u>	<u>\$ 1,219,587</u>	<u>\$ 274,265</u>	<u>\$ 1,666,076</u>
 CAPITAL ASSETS BEING DEPRECIATED				
Cost:				
Plant and lift stations	\$ 34,281,397	\$ -	\$ -	\$ 34,281,397
Sewer trunkline	21,693,695	373,297	-	22,066,992
Equipment	3,368,339	20,284	-	3,388,623
Administration building	1,298,177	-	-	1,298,177
Vehicles	607,216	-	-	607,216
Office furniture & equipment	<u>58,545</u>	<u>-</u>	<u>-</u>	<u>58,545</u>
Total	<u>61,307,369</u>	<u>393,581</u>	<u>-</u>	<u>61,700,950</u>
Depreciation:				
Plant and lift stations	(9,883,016)	(917,435)	-	(10,800,451)
Sewer trunkline	(6,701,362)	(427,793)	-	(7,129,155)
Equipment	(2,185,403)	(95,359)	-	(2,280,762)
Administration building	(192,706)	(32,455)	-	(225,161)
Vehicles	(593,471)	(12,403)	-	(605,874)
Office furniture & equipment	<u>(47,973)</u>	<u>(2,495)</u>	<u>-</u>	<u>(50,468)</u>
Total	<u>(19,603,931)</u>	<u>(1,487,940)</u>	<u>-</u>	<u>(21,091,871)</u>
Capital Assets Being Depreciated, Net	<u>\$ 41,703,438</u>	<u>\$(1,094,359)</u>	<u>\$ -</u>	<u>\$ 40,609,079</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 6 - LONG-TERM DEBT

Outstanding debt -

At April 30, 2015, long-term debt consisted of the following individual issues:

	<u>PROPRIETARY FUND</u> <u>SEWERAGE FUND</u>
<i>Debt Certificates, Series 2008, dated February 6, 2008.</i> Amount of original issue \$2,000,000. For the purpose of constructing improvements to the District's sanitary sewerage system. The outstanding certificates carry interest rates of 3.700% to 4.875% and mature May 1, 2015 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity.	\$ 1,535,000
<i>General Obligation Bonds (Alternate Revenue Source), Series 2014A, dated November 13, 2014.</i> Amount of original issue \$3,430,000. For the purpose of financing capital projects within the District, including, but not limited to, the construction of a waste treatment facility. The outstanding bonds carry interest rates of 2.000% to 4.000% and mature May 1, 2015 through May 1, 2039. The bonds maturing on or after 2025 are subject to redemption prior to maturity.	<u>3,430,000</u>
Total	4,965,000
Current portion	<u>90,000</u>
Noncurrent	<u>\$ 4,875,000</u>

Changes in outstanding debt –

	<u>Balance at</u> <u>May 1, 2014</u>	<u>Accrued</u>	<u>Used</u>	<u>Balance at</u> <u>April 30,</u> <u>2015</u>
Accrued Compensated Absences	\$ <u>8,480</u>	\$ <u>47,597</u>	\$ <u>(35,384)</u>	\$ <u>20,693</u>

	<u>Balance at</u> <u>May 1, 2014</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance at</u> <u>April 30,</u> <u>2015</u>
Debt Certificates, Series 2008	\$ 1,625,000	\$ -	\$ (90,000)	\$ 1,535,000
General Obligation Bonds (Alternate Revenue Source), Series 2014A	<u>-</u>	<u>3,430,000</u>	<u>-</u>	<u>3,430,000</u>
Total	<u>\$ 1,625,000</u>	<u>\$ 3,430,000</u>	<u>\$ (90,000)</u>	<u>\$ 4,965,000</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

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, 2015, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$90,000	\$180,809	\$270,809
2017	200,000	180,125	380,125
2018	200,000	174,425	374,425
2019	205,000	168,278	373,278
2020	210,000	161,109	371,109
2021 - 2025	1,180,000	677,334	1,857,334
2026 – 2030	1,110,000	428,753	1,538,753
2031 – 2035	800,000	270,500	1,070,500
2036 - 2040	<u>970,000</u>	<u>100,000</u>	<u>1,070,000</u>
Total	<u>\$ 4,965,000</u>	<u>\$ 2,341,333</u>	<u>\$ 7,306,333</u>

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

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 2014 was 11.05 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 2014 was \$64,355.

Three-Year Trend Information for the Regular Plan

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2014	64,355	100%	\$0
12/31/2013	67,512	100%	0
12/31/2012	59,885	100%	0

The required contribution for 2014 was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 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, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 32.26 percent funded. The actuarial accrued liability for benefits was \$1,138,715 and the actuarial value of assets was \$367,323, resulting in an underfunded actuarial accrued liability (UAAL) of \$771,392. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$582,394 and the ratio of the UAAL to the covered payroll was 132 percent.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

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 – INTERFUND BALANCES

Interfund balances at April 30, 2015 for reimbursement of payroll and 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>5,414</u>
Total	\$ <u><u>5,414</u></u>

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 contributed \$10,000 to the plan during the year ended April 30, 2015.

NOTE 10 – RISK MANAGEMENT

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

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

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended April 30, 2015

NOTE 11 – 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 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

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

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

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

Statement 72, Fair Value Measurement and Application.

Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68.

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, 2015 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, 2016. On May 1, 2015, the District's estimated net pension liability was \$684,235.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended April 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 291,000	\$ 291,000	\$ 291,070	\$ 70
Personal property replacement tax	-	-	2,102	2,102
Interest income	1,000	1,000	1,151	151
TOTAL REVENUES	<u>292,000</u>	<u>292,000</u>	<u>294,323</u>	<u>2,323</u>
EXPENDITURES				
PERSONNEL SERVICES AND SALARY EXPENSE				
Salaries of trustees, manager, finance director and finance assistant	150,000	150,000	136,987	13,013
Total personnel services and salary expense	<u>150,000</u>	<u>150,000</u>	<u>136,987</u>	<u>13,013</u>
CONTRACTUAL SERVICES				
Professional engineering	24,000	32,000	22,986	9,014
Legal services	15,000	15,000	12,508	2,492
Other professional services	10,000	2,000	1,250	750
Total contractual services	<u>49,000</u>	<u>49,000</u>	<u>36,744</u>	<u>12,256</u>
ADMINISTRATIVE EXPENSES				
Printing and publications	2,000	4,000	2,217	1,783
Office supplies and equipment	6,000	4,000	2,498	1,502
Postage	2,000	2,000	1,570	430
Treasurer's bond	3,000	3,000	3,000	-
Community affairs	2,000	2,000	424	1,576
Memberships and dues	5,000	5,000	3,904	1,096
Total administrative expenses	<u>20,000</u>	<u>20,000</u>	<u>13,613</u>	<u>6,387</u>
OPERATING EXPENSES				
Building and grounds upkeep	15,000	15,000	8,130	6,870
Utilities	50,000	50,000	22,080	27,920
JULIE	1,800	1,800	-	1,800
Training and education	2,000	2,000	375	1,625
Travel expenses	2,000	2,000	-	2,000
Computer hardware, software & support	15,000	15,000	4,899	10,101
Total operating expense	<u>85,800</u>	<u>85,800</u>	<u>35,484</u>	<u>50,316</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>305,800</u>	<u>305,800</u>	<u>222,828</u>	<u>82,972</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (13,800)</u>	<u>\$ (13,800)</u>	71,495	<u>\$ 85,295</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR			<u>763,173</u>	
END OF YEAR			<u>\$ 834,668</u>	
BUDGET-TO-ACTUAL RECONCILIATION				
BUDGETARY BASIS			\$ 71,495	
Expenditure accruals			<u>(5,033)</u>	
GAAP BASIS			<u>\$ 66,462</u>	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended April 30, 2015

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, 2015, 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, 2015

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)
12/31/2014	367,323	1,138,715	771,392	32.26%	582,394	132.45%
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%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$553,303. On a market basis, the funded ratio would be 48.59%.

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.

SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 April 30, 2015

SCHEDULE 2

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
ASSETS						
Cash	\$ 243,984	\$ 1,602	\$ 57,166	\$ 133,500	\$ 17,856	\$ 33,860
Property taxes receivable	316,849	18,849	-	114,141	136,352	47,507
TOTAL ASSETS	\$ 560,833	\$ 20,451	\$ 57,166	\$ 247,641	\$ 154,208	\$ 81,367
 DEFERRED INFLOWS OF RESOURCES						
Unearned property tax revenue	\$ 316,849	\$ 18,849	\$ -	\$ 114,141	\$ 136,352	\$ 47,507
TOTAL DEFERRED INFLOWS OF RESOURCES	316,849	18,849	-	114,141	136,352	47,507
 FUND BALANCES						
Fund Balances	243,984	1,602	57,166	133,500	17,856	33,860
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 560,833	\$ 20,451	\$ 57,166	\$ 247,641	\$ 154,208	\$ 81,367

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, 2015

SCHEDULE 3

	Total	Audit Fund	Chlorination Fund	IMRF Fund	Public Liability Insurance Fund	Social Security Fund
REVENUES						
Property taxes	\$ 288,262	\$ 19,503	\$ -	\$ 121,293	\$ 100,864	\$ 46,602
EXPENDITURES						
Auditing expense and fee	20,250	20,250	-	-	-	-
Chlorination, disinfection, and treatment	-	-	-	-	-	-
Pension contributions	63,991	-	-	63,991	-	-
Public liability insurance	91,182	-	-	-	91,182	-
Social security contributions	46,425	-	-	-	-	46,425
TOTAL EXPENDITURES	221,848	20,250	-	63,991	91,182	46,425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	66,414	(747)	-	57,302	9,682	177
FUND BALANCES						
Beginning of year	177,570	2,349	57,166	76,198	8,174	33,683
FUND BALANCES, end of year	\$ 243,984	\$ 1,602	\$ 57,166	\$ 133,500	\$ 17,856	\$ 33,860

See independent auditor's report.

OTHER INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - AUDIT FUND
 Year Ended April 30, 2015

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 19,500	\$ 19,503	\$ 3
 EXPENDITURES			
Auditing expense and fee	25,000	20,250	4,750
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,500)	(747)	\$ 4,753
 BUDGETARY FUND BALANCE			
Beginning of year		2,349	
END OF YEAR		\$ 1,602	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHLORINATION FUND
 Year Ended April 30, 2015

	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, 2015

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 121,000	\$ 121,293	\$ 293
 EXPENDITURES			
Pension contributions by employer	130,000	63,991	66,009
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (9,000)	57,302	\$ 66,302
 BUDGETARY FUND BALANCE			
Beginning of year		76,198	
END OF YEAR		\$ 133,500	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
 BUDGETARY COMPARISON SCHEDULE - PUBLIC LIABILITY INSURANCE FUND
 Year Ended April 30, 2015

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 100,900	\$ 100,864	\$ (36)
EXPENDITURES			
Workers Compensation	28,000	14,399	13,601
Property	55,000	17,896	37,104
Vehicles	18,000	15,135	2,865
General liability	100,000	38,865	61,135
TOTAL EXPENDITURES	201,000	86,295	114,705
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (100,100)	14,569	\$ 114,669
BUDGETARY FUND BALANCE			
Beginning of year		8,174	
END OF YEAR		\$ 22,743	
BUDGET-TO-ACTUAL RECONCILIATION			
BUDGETARY BASIS		\$ 14,569	
Expenditure accruals		(4,887)	
GAAP BASIS		\$ 9,682	

See accompanying notes to budgetary comparison schedules.

LAKE IN THE HILLS SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - SOCIAL SECURITY FUND
 Year Ended April 30, 2015

	BUDGETED AMOUNTS Original and Final	ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE Positive (Negative)
REVENUES			
Property taxes	\$ 46,600	\$ 46,602	\$ 2
EXPENDITURES			
Social security contributions	55,000	46,425	8,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (8,400)	177	\$ 8,577
BUDGETARY FUND BALANCE			
Beginning of year		33,683	
END OF YEAR		\$ 33,860	

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, 2015

	Cash Basis (Non-GAAP)		Accrual Basis Expenses
	Appropriations	Actual	
PERSONNEL SERVICES			
District personnel salaries	\$ 620,000	\$ 486,739	\$ 495,454
District personnel retirement	10,000	10,000	10,000
TOTAL PERSONNEL SERVICES	630,000	496,739	505,454
ADMINISTRATIVE EXPENSES			
Telephone	3,000	2,319	2,382
Postage	18,500	18,957	18,915
Printing and publications	4,000	2,414	2,414
Office supplies	5,000	4,710	5,353
Billing and collection expenses	92,000	94,942	145,642
Professional services	5,000	2,786	2,786
Training, travel and education	3,000	2,095	2,095
Computer hardware, software and support	30,000	21,873	21,842
Community affairs	2,000	225	225
Medical and life insurance	158,000	154,813	163,841
TOTAL ADMINISTRATIVE EXPENSES	320,500	305,134	365,495
OPERATION AND MAINTENANCE OF PLANT			
Operating supplies	50,000	47,730	46,434
Maintenance and repair (plant)	120,000	100,890	86,204
Maintenance and repair (collection system)	70,000	20,238	22,289
Utilities and energy	310,000	271,923	273,563
Grounds upkeep	30,000	22,625	25,345
Gasoline and oil	22,000	20,912	21,046
Computer and support services	3,000	1,879	1,879
Emergency communications	40,000	34,306	34,711
Sludge management	1,600,000	1,200,302	1,261,361
Professional services	23,000	14,585	15,750
Residential reimbursement	10,000	5,000	5,000
Compliance requirements and permits	20,000	17,995	17,995
GIS	2,000	-	-
TOTAL OPERATION AND MAINTENANCE OF PLANT	2,300,000	1,758,385	1,811,577

See independent auditor's report.

LAKE IN THE HILLS SANITARY DISTRICT
PROPRIETARY FUND
SEWERAGE FUND
COMPARISON OF EXPENDITURES WITH APPROPRIATIONS
 Year Ended April 30, 2015

	<u>Cash Basis (Non-GAAP)</u>		Accrual Basis Expenses
	<u>Appropriations</u>	<u>Actual</u>	
CAPITAL IMPROVEMENTS			
New construction	3,100,000	355,625	510,177
Plant equipment	50,000	20,284	20,284
Collection system	50,000	47,967	47,967
Vehicles	2,000	-	-
Legal expense	5,000	2,888	2,888
Engineering expense	598,000	651,570	678,151
Bond, finance consulting expense	5,000	-	-
	<u>3,810,000</u>	<u>1,078,334</u>	<u>1,259,467</u>
TOTAL CAPITAL IMPROVEMENTS			
	<u>3,810,000</u>	<u>1,078,334</u>	<u>1,259,467</u>
BOND TRANSFERS			
Bond Interest	-	-	55,527
Debt certificates principal	90,000	90,000	-
Debt certificates interest	70,000	67,588	67,588
Administration fee	3,500	1,150	1,150
	<u>163,500</u>	<u>158,738</u>	<u>124,265</u>
TOTAL BOND TRANSFERS			
	<u>163,500</u>	<u>158,738</u>	<u>124,265</u>
CONTINGENCY AND MISCELLANEOUS			
Contingency and miscellaneous expenses	2,500	-	-
	<u>2,500</u>	<u>-</u>	<u>-</u>
TOTAL CONTINGENT EXPENSES			
	<u>2,500</u>	<u>-</u>	<u>-</u>
TOTAL OPERATIONS AND MAINTENANCE FUND EXPENDITURES	<u>\$ 7,226,500</u>	<u>\$ 3,797,330</u>	4,066,258
LESS CAPITALIZED EXPENDITURES			<u>1,294,642</u>
TOTAL OPERATING EXPENSES INCLUDING INTEREST			<u>\$ 2,771,616</u>

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

SCHEDULE 10

TAX LEVY YEAR	2012			2013			2014		
ASSESSED VALUATION	\$684,133,380			\$638,710,610			\$616,978,260		
TAX EXTENSIONS									
Fund	Rate	% of Total	Extension	Rate	% of Total	Extension	Rate	% of Total	Extension
GENERAL	0.039500	47.49	\$ 270,233	0.045595	50.24	\$ 291,220	0.044305	33.78	\$ 273,352
CHLORINATION	-	-	-	-	-	-	-	-	-
LIABILITY INSURANCE	0.021190	25.47	144,968	0.015800	17.41	100,916	0.022100	16.85	136,352
SOCIAL SECURITY	0.007300	8.78	49,942	0.007300	8.04	46,626	0.007700	5.87	47,508
IMRF	0.012135	14.59	83,019	0.019000	20.94	121,355	0.018500	14.11	114,141
AUDIT	0.003055	3.67	20,900	0.003055	3.37	19,513	0.003055	2.33	18,849
BONDS & INTEREST	-	-	-	-	-	-	0.035494	27.06	218,990
	0.083180	100.00	\$ 569,062	0.090750	100.00	\$ 579,630	0.131154	100.00	\$ 809,192

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

ASSESSED VALUATION at December 31, 2014	\$ 616,978,260
GENERAL OBLIGATION DEBT LIMIT (5.75% OF \$616,978,260)	\$ 35,476,250
DEBT APPLICABLE TO THE GENERAL OBLIGATION DEBT LIMIT (Does not include Alternate Revenue Source Debt)	
Debt Certificates, Series 2008	<u>(1,535,000)</u>
UNUSED GENERAL OBLIGATION DEBT LIMIT	\$ 33,941,250
DIRECT GENERAL OBLIGATION DEBT	
General Obligation Bonds (Alternate Revenue Source), Series 2014A	<u>\$ 3,430,000</u>

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