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LAKE IN THE HILLS SANITARY DISTRICT, IL

Annual Financial Report
For the Year Ended April 30, 2018

LAKE IN THE HILLS SANITARY DISTRICT
Contents

Year Ended April 30, 2018

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LAKE IN THE HILLS SANITARY DISTRICT

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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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake In The Hills Sanitary District, Illinois as of and for the year ended April 30, 2018, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake In The Hills Sanitary District, Illinois as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

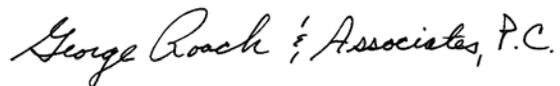
Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Lake In The Hills Sanitary District, Illinois' financial statements as a whole. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.



George Roach & Associates, P.C.
Crystal Lake, Illinois
July 27, 2018

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS -
UNAUDITED

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED YEAR ENDED APRIL 30, 2018

As management of the Lake In The Hills Sanitary District (District), we offer readers of the District's statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended April 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at April 30, 2018 by \$46,068,525 (net position).
- The District's total net position increased by \$415,799. Comprised of \$11,999 from activities and \$403,800 from contributed capital.
- At April 30, 2018, the District's governmental funds reported combined ending fund balances of \$1,277,959, an increase of \$70,071 in comparison with the prior year.
- At April 30, 2018, the fund balance for the General Fund was \$888,889.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position

Accrual Basis presents information on all of the District's assets, deferred outflows along with liabilities, and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

Accrual Basis presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis.

The government-wide financial statements show functions of the District that are principally supported by taxes, fees, and other revenues (governmental activities). The District does conduct functions intended to recover all or a significant portion of their costs through user fees

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

and charges (business-type activities). The governmental activities of the District include providing general governmental administrative services. The District conducts business-type activities by providing wastewater treatment to residences within their planning area.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet – Modified Accrual Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Accrual Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains s individual governmental funds. The General Fund is used to account for funds received from general property taxes and other general revenue, and to account for expenditures made for general District purposes. The Other Special Revenue Funds are used to account for funds received from taxes and fees and to account for expenditures made for specific governmental purposes.

Information is presented separately in the governmental fund Balance Sheet - Modified Accrual Basis and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Accrual Basis for the General Fund and the Special Revenue Fund.

Notes to the financial statements

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

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in meeting its obligation to provide as fully adequate as possible services to all of its residents.

The District adopts an annual budget and appropriation ordinance that includes both the General Fund and the Audit Fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the adopted budget and appropriation ordinance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$46,068,525 at April 30, 2018. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture and equipment, computer equipment, and vehicles); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED YEAR ENDED APRIL 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

| | Lake In The Hills Sanitary District - Net Position | | | | | |
|-----------------------------------|--|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 4/30/2018 | 4/30/2017 | 4/30/2018 | 4/30/2017 | 4/30/2018 | 4/30/2017 |
| Current and Other Assets | \$ 1,904,814 | \$ 1,897,645 | \$ 7,638,311 | \$ 7,236,164 | \$ 9,543,125 | \$ 9,133,809 |
| Capital Assets | - | - | 42,517,890 | 42,855,325 | 42,517,890 | 42,855,325 |
| Total Assets | <u>\$ 1,904,814</u> | <u>\$ 1,897,645</u> | <u>\$ 50,156,201</u> | <u>\$ 50,091,489</u> | <u>\$ 52,061,015</u> | <u>\$ 51,989,134</u> |
| Deferred Outflows | \$ 92,797 | \$ 293,872 | \$ - | \$ - | \$ 92,797 | \$ 293,872 |
| Current and Other Liabilities | \$ 669,220 | \$ 986,405 | \$ 474,791 | \$ 485,952 | \$ 1,144,011 | \$ 1,472,357 |
| Long-Term Liabilities Outstanding | - | - | 4,328,475 | 4,542,115 | 4,328,475 | 4,542,115 |
| Total Liabilities | <u>669,220</u> | <u>986,405</u> | <u>4,803,266</u> | <u>5,028,067</u> | <u>5,472,486</u> | <u>6,014,472</u> |
| Deferred Inflows | 612,801 | 615,808 | - | - | 612,801 | 615,808 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | - | - | 38,047,890 | 39,180,652 | 38,047,890 | 39,180,652 |
| Restricted - Net Position | 389,070 | 256,165 | - | - | 389,070 | 256,165 |
| Unrestricted - Net Position | 326,520 | 333,139 | 7,305,045 | 5,882,770 | 7,631,565 | 6,215,909 |
| Total Net Position | <u>\$ 715,590</u> | <u>\$ 589,304</u> | <u>\$ 45,352,935</u> | <u>\$ 45,063,422</u> | <u>\$ 46,068,525</u> | <u>\$ 45,652,726</u> |

Government-wide activities increased the District's net position by \$11,999. The key elements of the increase are as follows:

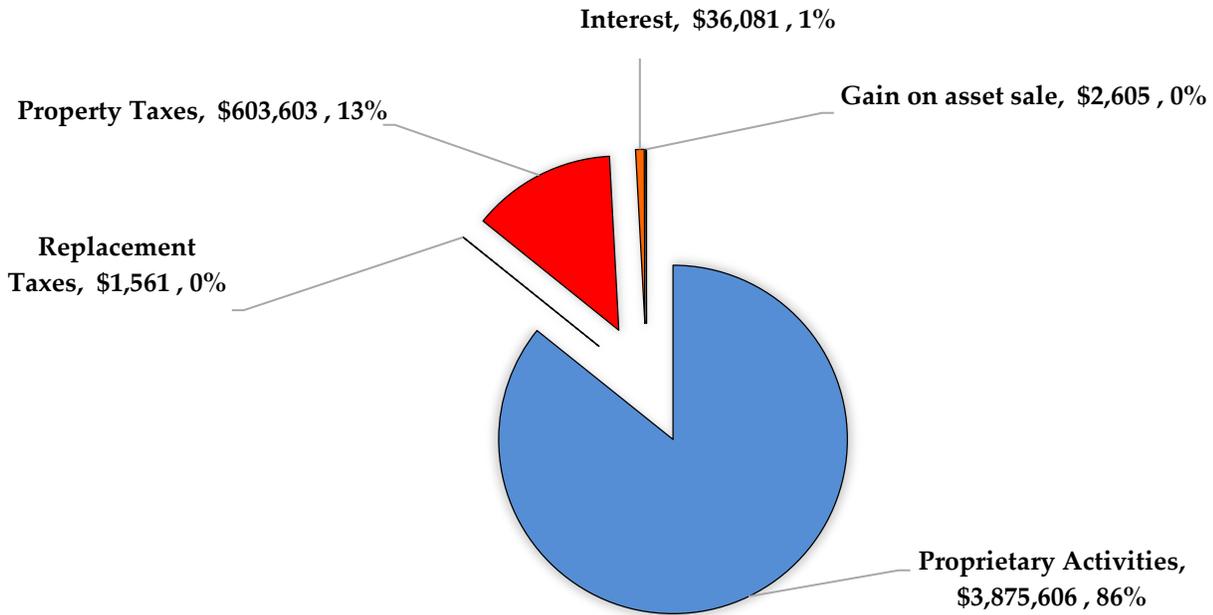
| | Lake In The Hills Sanitary District - Activities and Changes in Net Position | | | | | |
|--|--|-------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 4/30/2018 | 4/30/2017 | 4/30/2018 | 4/30/2017 | 4/30/2018 | 4/30/2017 |
| Program Revenues | | | | | | |
| Charges for Services | \$ - | \$ - | \$ 3,875,606 | \$ 4,131,308 | \$ 3,875,606 | \$ 4,131,308 |
| General Revenues | | | | | | |
| Property Taxes | 603,603 | 596,543 | - | - | 603,603 | 596,543 |
| Personal Property Taxes | 1,561 | 1,915 | - | - | 1,561 | 1,915 |
| Safety grant | - | 1,899 | - | - | - | 1,899 |
| Gain from sale of equipment | - | - | 2,605 | 4,700 | 2,605 | 4,700 |
| Interest | 2,619 | 2,049 | 33,462 | 10,924 | 36,081 | 12,973 |
| Total Revenues | <u>607,783</u> | <u>602,406</u> | <u>3,911,673</u> | <u>4,146,932</u> | <u>4,519,456</u> | <u>4,749,338</u> |
| Expenses | | | | | | |
| General Government | 481,497 | 596,963 | - | - | 481,497 | 596,963 |
| Sewerage services | - | - | 3,857,535 | 3,519,855 | 3,857,535 | 3,519,855 |
| Debt service | - | - | 168,425 | 174,643 | 168,425 | 174,643 |
| Total Expenses | <u>481,497</u> | <u>596,963</u> | <u>4,025,960</u> | <u>3,694,498</u> | <u>4,507,457</u> | <u>4,291,461</u> |
| Increase/(Decrease) in Net Position | 126,286 | 5,443 | (114,287) | 452,434 | 11,999 | 457,877 |
| Net Position - Beginning of Year | 589,304 | 583,861 | 45,063,422 | 44,610,988 | 45,652,726 | 45,194,849 |
| Capital Contributions | - | - | 403,800 | - | 403,800 | - |
| Net Position - End of Year | <u>\$ 715,590</u> | <u>\$ 589,304</u> | <u>\$ 45,352,935</u> | <u>\$ 45,063,422</u> | <u>\$ 46,068,525</u> | <u>\$ 45,652,726</u> |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018

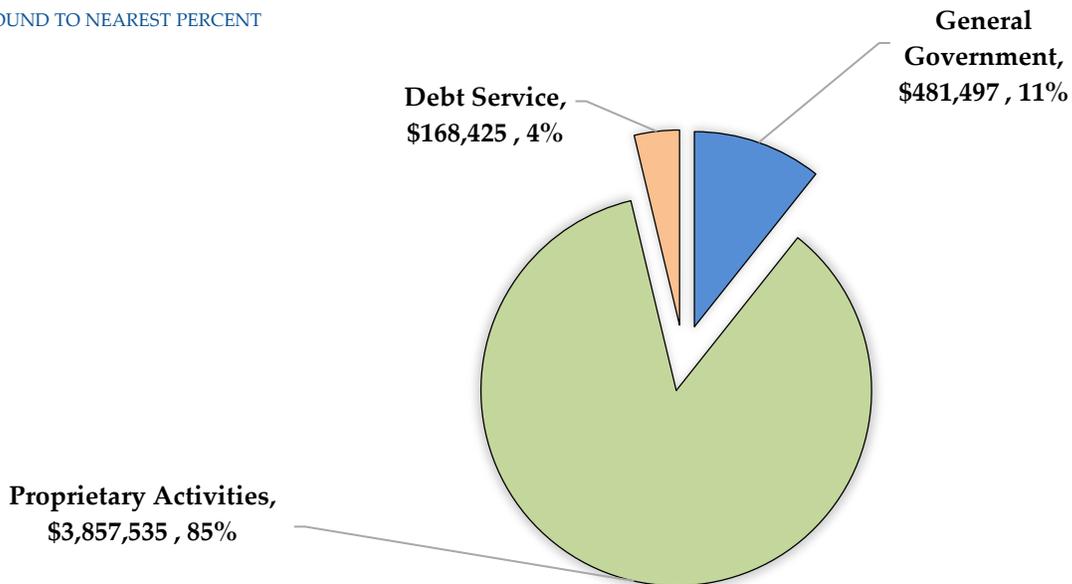
2018 REVENUES

ROUND TO NEAREST PERCENT



2018 EXPENSES

ROUND TO NEAREST PERCENT



LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At April 30, 2018, the District's governmental funds reported combined ending, fund balances of \$1,277,959, an increase of \$70,071 in comparison with the prior year.

General Fund (Corporate Fund)

The focus of the District's General Fund is to provide information on the revenues and expenditures of the funds that the District receives from its corporate property tax levy and from other unrestricted sources such as personal property replacement taxes, and interest on bank deposits, and associated expenditures.

The General Fund balance at April 30, 2018 was \$888,889, which was an increase of \$23,426 during the year ended April 30, 2018.

Other Governmental Funds

The focus of the District's Other Governmental Funds are to provide information on the revenues and expenditures of the funds that the District receives from its property tax levy, interest on bank deposits, and associated expenditures.

The Other Governmental Fund balances at April 30, 2018 were \$389,070, which was an increase of \$46,645 during the year ended April 30, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District amended its original budget and appropriations ordinance for the fiscal year ended April 30, 2018, on April 18, 2018; therefore, the amounts shown as original and final appropriations are adjusted for the amendment.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED YEAR ENDED APRIL 30, 2018

Proprietary funds

The focus of the District's proprietary fund is to provide the same type of information found in the government-wide financial statements, but in more detail.

At April 30, 2018, the District's proprietary fund reported ending net position of \$45,352,935, a decrease of \$114,287 in comparison with the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

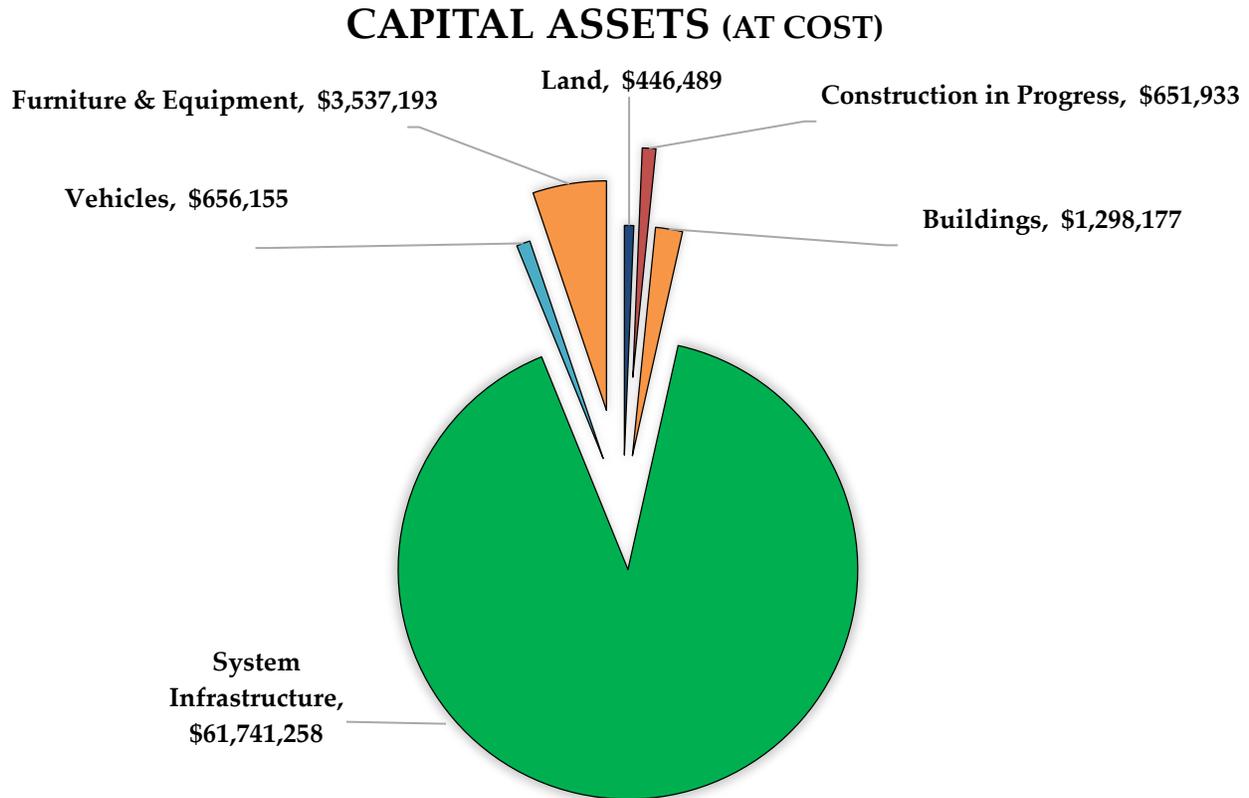
The District's investment in capital assets for its proprietary activities as of April 30, 2018 amounts to \$42,517,889 net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings, furniture and equipment, computer equipment, and vehicles. The total increase in the District's investment in capital assets for the year ended April 30, 2018 was \$748,397 attributable to the purchase of various assets offset by disposals.

Proprietary Fund - Capital Assets

| | Balance | | | Balance |
|--------------------------------|----------------------|---------------------|------------------|-----------------------|
| Fixed Assets | May 1, 2017 | Increases | Decreases | April 30, 2018 |
| Land | \$ 446,489 | \$ - | \$ - | \$ 446,489 |
| Construction in progress | 65,590 | 586,343 | - | 651,933 |
| Plant and lift stations | 39,527,809 | 146,457 | - | 39,674,266 |
| Sewer trunkline | 22,066,992 | - | - | 22,066,992 |
| Equipment | 3,448,896 | 37,047 | 7,295 | 3,478,648 |
| Administration building | 1,298,177 | - | - | 1,298,177 |
| Vehicles | 670,310 | 29,790 | 43,945 | 656,155 |
| Equipment & furniture | 58,545 | - | - | 58,545 |
| Total Fixed Assets | 67,582,808 | 799,637 | 51,240 | 68,331,205 |
| Less: Accumulated Depreciation | 24,215,404 | 1,597,912 | - | 25,813,316 |
| Fixed Assets (Net) | \$ 43,367,404 | \$ (798,275) | \$ 51,240 | 42,517,889 |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018



Long-term debt

At April 30, 2018, the District had two bond issues outstanding consisting of combined current principal due of \$205,000 and long-term due of \$4,328,475. The bond proceeds are being used to fund additional infrastructure and construction projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Trustees of the District considered the following factors in preparing the budget and appropriations ordinance for the District, which was adopted for the 2017-2018 fiscal year:

- The equalized assessed valuation (EAV) for the District for 2016 is \$718,670,206. This represents an increase in EAV of \$40,421,678 in comparison with the prior year.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
 YEAR ENDED APRIL 30, 2018

**ASSESSED VALUATIONS, EXTENDED TAX RATES
 PERCENTAGE ALLOCATIONS, EXTENDED TAX RATES**

| TAX LEVY YEAR | 2017 | 2016 | 2015 |
|---------------------------|----------------|----------------|----------------|
| ASSESSED VALUATION | | | |
| McHenry County | \$ 718,670,206 | \$ 678,248,528 | \$ 636,448,576 |

**TAX RATES AND PERCENTAGE
 ALLOCATIONS BY FUND**

| Funds | Rate | Percentage | Rate | Percentage | Rate | Percentage |
|---------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|
| General Fund | 0.040260 | 46.75 | 0.040260 | 45.21 | 0.040452 | 43.08 |
| Chlorination | 0.002800 | 3.25 | 0.002800 | 3.14 | 0.002000 | 2.13 |
| Liability Insurance | 0.019070 | 22.14 | 0.022000 | 24.70 | 0.024500 | 26.09 |
| Social Security | 0.006500 | 7.55 | 0.006500 | 7.30 | 0.007816 | 8.32 |
| IMRF | 0.014800 | 17.18 | 0.014800 | 16.62 | 0.016000 | 17.04 |
| Audit | 0.002700 | 3.13 | 0.002700 | 3.03 | 0.003122 | 3.33 |
| Totals | 0.086130 | 100.00 | 0.089060 | 100.00 | 0.093890 | 100.00 |

Property Tax Extensions

| Funds | 2017 | 2016 | 2015 |
|---------------------|-------------------|-------------------|-------------------|
| General Fund | \$ 289,337 | \$ 273,063 | \$ 257,456 |
| Chlorination | 20,123 | 18,991 | 12,729 |
| Liability Insurance | 137,050 | 149,214 | 155,930 |
| Social Security | 46,714 | 44,086 | 49,745 |
| IMRF | 106,363 | 100,381 | 101,832 |
| Audit | 19,404 | 18,313 | 19,870 |
| Totals | \$ 618,991 | \$ 604,048 | \$ 597,562 |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

*MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED APRIL 30, 2018*

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Lake In The Hills Sanitary District, 515 Plum St., Lake In The Hills, Illinois 60156.

BASIC FINANCIAL STATEMENTS

LAKE IN THE HILLS SANITARY DISTRICT

Government-wide - Statement of Net Position

April 30, 2018

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash | \$ 1,292,013 | \$ 6,656,652 | \$ 7,948,665 |
| Accounts receivable | - | 590,871 | 590,871 |
| Property tax receivable | 612,801 | - | 612,801 |
| Other deposits | - | 100,000 | 100,000 |
| Deposit with paying agent | - | 290,788 | 290,788 |
| Fixed Assets | - | 42,517,890 | 42,517,890 |
| Total Assets | \$ 1,904,814 | \$ 50,156,201 | \$ 52,061,015 |
| Deferred Outflows - IMRF | | | |
| | \$ 92,797 | \$ - | \$ 92,797 |
| Current Liabilities | | | |
| Accounts payable | \$ 14,054 | \$ 167,910 | \$ 181,964 |
| Accrued payroll | - | 13,927 | 13,927 |
| Accrued interest | - | 85,788 | 85,788 |
| Current portion - revenue bonds | - | 205,000 | 205,000 |
| Developer deposits | - | 2,166 | 2,166 |
| Total Current Liabilities | 14,054 | 474,791 | 488,845 |
| Noncurrent Liabilities | | | |
| Revenue bonds payable | - | 4,265,000 | 4,265,000 |
| Revenue bond discount | - | 63,475 | 63,475 |
| Pension liability - IMRF | 655,166 | - | 655,166 |
| Total Noncurrent Liabilities | 655,166 | 4,328,475 | 4,983,641 |
| Total Liabilities | 669,220 | 4,803,266 | 5,472,486 |
| Deferred Inflow - Property taxes | 612,801 | - | 612,801 |
| Net Position | | | |
| Net Investment in capital assets | - | 38,047,890 | 38,047,890 |
| Restricted | 389,070 | - | 389,070 |
| Unrestricted | 326,520 | 7,305,045 | 7,631,565 |
| Total Net Position | \$ 715,590 | \$ 45,352,935 | \$ 46,068,525 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT

Government-wide - Statement of Activities and Changes in Net Position

Year Ended April 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|---------------------------------------|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals |
| | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 481,497 | \$ - | \$ - | \$ - | \$ 481,497 | \$ - | \$ 481,497 |
| Total Governmental Activities | 481,497 | - | - | - | 481,497 | - | 481,497 |
| Business-Type Activities | | | | | | | |
| Proprietary Activities | 3,857,535 | 3,875,606 | - | - | - | 18,071 | 18,071 |
| Interest and fees on Long-term debt | (168,425) | - | - | - | - | (168,425) | (168,425) |
| Total Business-Type Activities | 3,689,110 | 3,875,606 | - | - | - | (150,354) | (150,354) |
| Total Primary Government | \$ 4,170,607 | \$ 3,875,606 | \$ - | \$ - | 481,497 | (150,354) | 331,143 |
| General Revenues: | | | | | | | |
| | | | | | 603,603 | - | 603,603 |
| | | | | | 1,561 | - | 1,561 |
| | | | | | - | 2,605 | 2,605 |
| | | | | | 2,619 | 33,462 | 36,081 |
| | | | | | 607,783 | 36,067 | 643,850 |
| | | | | | 126,286 | (114,287) | 11,999 |
| | | | | | 589,304 | 45,063,422 | 45,652,726 |
| | | | | | - | 403,800 | 403,800 |
| | | | | | \$ 715,590 | \$ 45,352,935 | \$ 46,068,525 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT*Governmental Funds - Balance Sheet**April 30, 2018*

| | General Fund | Other Governmental Fund | Total Governmental Funds |
|--|-------------------------|--|---|
| Assets | | | |
| Cash | \$ 902,943 | \$ 389,070 | \$ 1,292,013 |
| Property tax receivable | 286,444 | 326,357 | 612,801 |
| Total Assets | \$ 1,189,387 | \$ 715,427 | \$ 1,904,814 |
| Liabilities | | | |
| Accounts payable/accruals | \$ 14,054 | \$ - | \$ 14,054 |
| Total Liabilities | 14,054 | - | 14,054 |
| Deferred Inflows - Property taxes | 286,444 | 326,357 | 612,801 |
| Total Liabilities and Deferred Inflows | 300,498 | 326,357 | 626,855 |
| Fund Balance | | | |
| Non spendable | - | - | - |
| Restricted | - | 389,070 | 389,070 |
| Committed | - | - | - |
| Assigned - capital improvements | - | - | - |
| Unassigned | 888,889 | - | 888,889 |
| Total Fund Balance | 888,889 | 389,070 | 1,277,959 |
| Total Liabilities, Deferred Inflows, and Fund Balance | \$ 1,189,387 | \$ 715,427 | \$ 1,904,814 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT*Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance**Year Ended April 30, 2018*

| | General Funds | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------|---|---|
| Revenues | | | |
| Property taxes | \$ 272,874 | \$ 330,729 | \$ 603,603 |
| Replacement taxes | 1,561 | - | 1,561 |
| Interest | 2,619 | - | 2,619 |
| Total Revenue | 277,054 | 330,729 | 607,783 |
| Expenditures | | | |
| Personal services | 161,881 | - | 161,881 |
| Contractual services | 62,279 | 284,084 | 346,363 |
| Commodities | 29,233 | - | 29,233 |
| Other | 235 | - | 235 |
| Total Expenditures | 253,628 | 284,084 | 537,712 |
| Net Change in Fund Balance | 23,426 | 46,645 | 70,071 |
| Fund Balance | | | |
| Fund balance, Beginning | 865,463 | 342,425 | 1,207,888 |
| Total Fund Balance, Ending | \$ 888,889 | \$ 389,070 | \$ 1,277,959 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT

Governmental Funds -Reconciliations of the Governmental Fund

Balance to Net Position

Year Ended April 30, 2018

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

| | | |
|---|----|----------------|
| Total Fund Balances - Total Governmental Funds | \$ | 1,277,959 |
| Deferred pension outflows/inflows and net pension liabilities are not reported in funds. | | |
| Deferred pension outflows | | 92,797 |
| Net pension liabilities | | (655,166) |
| Total Net Position of Governmental Activities | \$ | <u>715,590</u> |

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**

| | | |
|---|----|----------------|
| Excess (Deficiency) of Revenue Over Expenditures | | |
| Governmental Funds | \$ | 70,071 |
| Change in deferred pension outflows/inflows and net pension liabilities are not reported in funds. | | 56,215 |
| Changes in Net Position Governmental Funds | \$ | <u>126,286</u> |

The accompanying notes are an integral part of these statements.

LAKE IN THE HILLS SANITARY DISTRICT

Proprietary Fund - Statement of Net Position

April 30, 2018

| Assets | |
|---|----------------------|
| Cash | \$ 6,656,652 |
| Sewer billings receivable, net | 590,871 |
| Deposit with paying agent | 290,788 |
| Other deposits | 100,000 |
| Fixed assets (net of accumulated depreciation) | 42,517,890 |
| Total Assets | \$ 50,156,201 |
| Liabilities | |
| Accounts payable/accruals | \$ 167,910 |
| Accrued payroll | 13,927 |
| Accrued interest payable | 85,788 |
| Developer deposit | 2,166 |
| Revenue bonds payable - current portion | 205,000 |
| Revenue bonds payable - long term | 4,265,000 |
| Revenue bonds - long term premium | 63,475 |
| Total Liabilities | 4,803,266 |
| Net Position | |
| Net investment in capital assets | 38,047,890 |
| Unrestricted | 7,305,045 |
| Total Net Position | 45,352,935 |
| Total Liabilities and Net Position | \$ 50,156,201 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT*Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position**Year Ended April 30, 2018*

| | Sewerage Enterprise Fund |
|--|---|
| Revenues | |
| Sewer charges | \$ 3,859,971 |
| Miscellaneous | 15,635 |
| Total Revenues | 3,875,606 |
| Expenses | |
| Personnel | 472,835 |
| Contractual service | 247,957 |
| Commodities | 1,298,773 |
| Other expenditures | 192,459 |
| Total Expenses | 2,212,024 |
| Operating Income Before Depreciation/Amortization | 1,663,582 |
| Less: Depreciation/Amortization | 1,645,511 |
| Operating Income (Loss) | 18,071 |
| Non-Operating Income (Expense) | |
| Interest expense and fees | (168,425) |
| Gain on sale of assets | 2,605 |
| Interest income | 33,462 |
| Total Non-operating Income/(Expense) | (132,358) |
| Net Income (Loss) | (114,287) |
| Net Position | |
| Balance, beginning of year | 45,063,422 |
| Capitalized connection fees | 403,800 |
| Total Net Position | \$ 45,352,935 |

The accompanying notes are an integral part of these financial statements.

LAKE IN THE HILLS SANITARY DISTRICT

Proprietary Fund - Statement of Cash Flows

Year Ended April 30, 2018

| | Sewerage Enterprise Fund |
|---|---|
| Cash Flows from Operating Activities | |
| Cash received from customers and users | \$ 3,790,886 |
| Cash paid to suppliers | (1,603,695) |
| Cash and benefits paid for employees | (472,835) |
| Net Cash Provided by Operating Activities | 1,714,356 |
| Cash Flows from Investing Activities | |
| System additions | (799,637) |
| Net Cash Flows Provided by Investing Activities | (799,637) |
| Cash Flows from Capital and Financing Activities | |
| Interest income | 33,462 |
| Gain from sale of assets | 2,605 |
| Bond interest and fees | (168,425) |
| Bond/note payments, net | (205,000) |
| Net Cash Flows Provided by Capital and Financing Activities | (337,358) |
| Net Increase (Decrease) in Cash | 577,361 |
| Connection Fees Capitalized | 403,800 |
| Cash at Beginning of Year | 5,675,491 |
| Cash at End of Year | \$ 6,656,652 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating income (loss) for the year | \$ 18,071 |
| Depreciation and amortization | 1,645,511 |
| (Increase) decrease in accounts receivable | 69,085 |
| (Increase) decrease in deposits with paying agent | (2,150) |
| Increase (decrease) in accounts payable | (6,808) |
| Increase (decrease) in accrued interest payable | (2,850) |
| Increase (decrease) in deferred compensation | (6,503) |
| Net Cash Provided by Operating Activities | \$ 1,714,356 |

Cash payments for interest made during the year were \$168,425.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC
FINANCIAL STATEMENTS

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake In The Hills Sanitary District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

REPORTING ENTITY

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financial relationships.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the District.

The government reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Sewer O&M Fund is used to account for the treatment of sewerage of the District's citizens. User charges to customers account for substantially all of the revenue of this fund.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH

Many of the District's funds combine their cash in a common cash account included in the general fund where available cash is invested. Interest is earned from commingled checking in the general fund.

For purposes of cash and cash equivalent determination, Lake In The Hills Sanitary District considers all cash, investments, investments in Illinois Funds, and short-term Certificates to be cash equivalents.

INVESTMENTS

Investment balances consist of savings account balances, certificates of deposit, investments in government securities, and shares in the Illinois Funds. Investment cost or amortized cost of investments approximate market value. The funds included in the Pool participate in the earnings of the Pool in proportion to their average balance therein. Should any of these funds have an average deficit in the Pool, they are charged interest accordingly. Currently, the District has no balances classified as investments.

RECEIVABLES AND REVENUE RECOGNITION

Property taxes receivable are recognized at the time they are levied. Property taxes are levied and attached as an enforceable lien on property on January 1 and are payable in two installments on June 1 and September 1 subsequent to the year of levy. The tax levy for 2017 property taxes was adopted August 25, 2017. That portion of the property taxes which are not available for the current year's operations are shown as deferred revenue.

Income from investments, accounts, and unbilled usage receivables are recognized when earned. Licenses and permits, fines and forfeits, fees and refunds, charges for service (other than enterprise funds), miscellaneous and other revenues are recorded as revenue when received in cash, as they are generally not measurable until actually received.

FUND BALANCE CLASSIFICATIONS

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being Nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of April 30, 2018.

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Board or through the District Board delegating this responsibility to the District manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by the board to be used for debt service or in emergency situations.

The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

EQUITY CLASSIFICATIONS USED IN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net position is reported in this category.

NOTE 2 – CASH AND INVESTMENTS

The District's investment policies are governed by state statutes whereby District money must be deposited in FDIC - insured banks located within the state. Permissible investments include demand accounts and certificates of deposits.

The District's pooled and nonpooled deposits are categorized to give an indication of the level of risk assumed by the District at April 30, 2018. The categories are described as follows:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized.

| | Category | | | Bank Balance | Carrying Value |
|------------------------|---------------------|---------------------|-------------|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| Pooled deposits | | | | | |
| Checking/Savings | \$ 3,335,293 | \$ 4,617,678 | \$ - | \$ 7,952,971 | \$ 7,948,665 |
| Totals | <u>\$ 3,335,293</u> | <u>\$ 4,617,678</u> | <u>\$ -</u> | <u>\$ 7,952,971</u> | <u>\$ 7,948,665</u> |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 3 – PROPRIETARY FUND TYPE – PROPERTY AND EQUIPMENT

The property and equipment of the proprietary type fund consists of:

| | Proprietary Fund - Capital Assets | | | |
|--------------------------------|--|---------------------|------------------|-----------------------|
| | Balance | | | Balance |
| Fixed Assets | May 1, 2017 | Increases | Decreases | April 30, 2018 |
| Land | \$ 446,489 | \$ - | \$ - | \$ 446,489 |
| Construction in progress | 65,590 | 586,343 | - | 651,933 |
| Plant and lift stations | 39,527,809 | 146,457 | - | 39,674,266 |
| Sewer trunkline | 22,066,992 | - | - | 22,066,992 |
| Equipment | 3,448,896 | 37,047 | 7,295 | 3,478,648 |
| Administration building | 1,298,177 | - | - | 1,298,177 |
| Vehicles | 670,310 | 29,790 | 43,945 | 656,155 |
| Office furniture & equipment | 58,545 | - | - | 58,545 |
| Total Fixed Assets | 67,582,808 | 799,637 | 51,240 | 68,331,205 |
| Less: Accumulated Depreciation | 24,215,404 | 1,597,912 | - | 25,813,316 |
| Fixed Assets (Net) | \$ 43,367,404 | \$ (798,275) | \$ 51,240 | \$ 42,517,889 |

The aggregate depreciation charged to operations is \$1,597,912.

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT

IMRF PLAN DESCRIPTION

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

BENEFITS PROVIDED –

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT – (CONTINUED)

selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

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

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

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

As of December 31, 2017, the following employees were covered by the benefit terms:

| | IMRF |
|--|-------------|
| Retirees and Beneficiaries currently receiving benefits | 8 |
| Inactive Plan Members entitled to but not yet receiving benefits | 4 |
| Active Plan Members | 10 |
| Total | <u>22</u> |

CONTRIBUTIONS -

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2017 was 20.64%. For the fiscal year ended

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

April 30, 2018, the District contributed \$121,610 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY -

The District's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS -

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return to the

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Portfolio Target Percentage</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--|---|
| Domestic Equity | 38% | 6.85% |
| International Equity | 17% | 6.75% |
| Fixed Income | 27% | 3.00% |
| Real Estate | 8% | 5.75% |
| Alternative Investments | 9% | 2.65-7.35% |
| Cash Equivalentents | <u>1%</u> | 2.25% |
| Total | 100% | |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Executive Summary as of December 31, 2017

| | |
|---|------------|
| Actuarial Valuation Date | 12/31/2017 |
| Measurement Date of the Net Pension Liability | 12/31/2017 |
| Fiscal Year End | 4/30/2018 |

Membership

| | |
|---------------------------------|-------------------|
| Number of | |
| - Retirees and Beneficiaries | 8 |
| - Inactive, Non-Retired Members | 4 |
| - Active Members | 10 |
| - Total | <u>22</u> |
| Covered Valuation Payroll (1) | <u>\$ 589,197</u> |

Net Pension Liability

| | |
|---|------------------|
| Total Pension Liability/(Asset) | \$ 3,216,047 |
| Plan Fiduciary Net Position | <u>2,560,881</u> |
| Net Pension Liability/(Asset) | \$ 655,166 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 79.63% |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 111.20% |

Development of the Single Discount Rate as of December 31, 2017

| | |
|---|-------|
| Long-Term Expected Rate of Investment Return | 7.50% |
| Long-Term Municipal Bond Rate (2) | 3.31% |
| Last year ending December 31 in the 2018 to 2117 projection period for which projected benefit payments are fully funded | 2117 |
| Resulting Single Discount Rate based on the above development | 7.50% |
| Single Discount Rate calculated using December 31, 2016 Measurement Date | 7.50% |

Total Pension Expense/(Income) \$ 148,088

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 125,927 | \$ 3,904 |
| Changes in assumptions | - | 99,191 |
| Net difference between projected and actual earnings on pension plan investments | <u>65,435</u> | <u>181,064</u> |
| Total | <u>\$ 191,362</u> | <u>\$ 284,159</u> |

(1) Does not necessarily represent Covered Employee Payroll as defined in GASB Statement Nos. 67-68.

(2) Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal Go AA Index" as of December 29, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SINGLE DISCOUNT RATE -

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE -

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios - Current Period Calendar Year Ended December 31, 2017

A. Total pension liability

| | |
|--|---------------------|
| 1. Service Cost | \$ 67,952 |
| 2. Interest on the Total Pension Liability | 235,467 |
| 3. Changes of benefit terms | - |
| 4. Difference between expected and actual experience of the Total Pension Liability | (4,651) |
| 5. Changes of assumptions | (106,741) |
| 6. Benefit payments, including refunds of employee contributions | (163,139) |
| 7. Net change in total pension liability | 28,888 |
| 8. Total pension liability – beginning | 3,187,159 |
| 9. Total pension liability – ending | <u>\$ 3,216,047</u> |

B. Plan fiduciary net position

| | |
|---|---------------------|
| 1. Contributions – employer | \$ 121,610 |
| 2. Contributions – employee | 26,514 |
| 3. Net investment income | 391,039 |
| 4. Benefit payments, including refunds of employee contributions | (163,139) |
| 5. Other (Net Transfer) | (37,539) |
| 6. Net change in plan fiduciary net position | 338,485 |
| 7. Plan fiduciary net position – beginning | 2,222,396 |
| 8. Plan fiduciary net position – ending | <u>\$ 2,560,881</u> |

C. Net pension liability/(asset)

\$ 655,166

D. Plan fiduciary net position as a percentage

of the total pension liability 79.63%

E. Covered Valuation payroll

\$ 589,197

F. Net pension liability as a percentage

of covered valuation payroll 111.20%

Sensitivity of Net Pension Liability/(Asset) to the Single discount rate Assumption

| | 1% Decrease 6.50% | Current Single Discount Rate Assumption 7.50% | 1% Increase 8.50% |
|-------------------------------|----------------------|---|----------------------|
| Total Pension Liability | \$ 3,702,942 | \$ 3,216,047 | \$ 2,820,799 |
| Plan Fiduciary Net Position | 2,560,881 | 2,560,881 | 2,560,881 |
| Net Pension Liability/(Asset) | <u>\$ 1,142,061</u> | <u>\$ 655,166</u> | <u>\$ 259,918</u> |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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

For the year ended April 30, 2018, the District recognized pension expense of \$121,610. At April 30, 2018, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Amounts Related to Pensions | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| | <u> </u> | <u> </u> |
| <i>Deferred Amounts to be Recognized in Pensions Expenses in Future Periods</i> | | |
| Differences between expected and actual | \$ 125,927 | \$ 3,904 |
| Changes of assumptions | - | 99,191 |
| Net differences between projected and actual earnings on pension plan investments | <u>65,435</u> | <u>181,064</u> |
| Total Deferred Amounts Related to Pensions | <u><u>\$ 191,362</u></u> | <u><u>\$ 284,159</u></u> |

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

| Year Ending December 31 | Net Deferred Outflows of Resources |
|------------------------------------|---|
| <u> </u> | <u> </u> |
| 2018 | \$ (1,647) |
| 2019 | (1,646) |
| 2020 | (30,392) |
| 2021 | (39,213) |
| 2022 | (15,817) |
| Thereafter | <u>(4,082)</u> |
| Total | <u><u>\$ (92,797)</u></u> |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date: December 31, 2017

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Aggregate Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period until remaining period reaches 10 years (then 10-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years). |
| Asset Valuation Method | 5-Year smoothed market; 20% corridor |
| Wage growth | 3.50% |
| Price Inflation | 2.75% -- approximate; No explicit price inflation assumption is used in this valuation. |
| Salary Increases | 3.75% to 14.50% including inflation |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013. |
| Mortality | For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. |

Other Information:

Notes There were no benefit changes during the year

* Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT (CONCLUDED)

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE TOTAL PENSION LIABILITY

Methods and Assumptions Used to Determine Total Pension Liability:

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Market Value of Assets |
| Price Inflation | 2.75% |
| Salary Increases | 3.75% to 14.50% |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013. |
| Mortality | For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. |
| Other Information: | |
| Notes | There were no benefit changes during the year. |

**Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation.*

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 5 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

No fund had expenditures that exceeded the appropriations.

NOTE 7 – SEWERAGE – GENERAL OBLIGATION (ALTERNATE REVENUE BONDS)

The Sewerage Debt Certificates, Series 2008 dated February 6, 2008 were issued during February 2008 for constructing improvements of the sanitary sewerage system. The debt certificates are collateralized by the net revenue of the Lake In The Hills Sanitary District and will be paid each year beginning May 1, 2008, until retired. The debt certificates carry interest rates ranging from 3.700% to 4.875% and mature May 1, 2017 through May 1, 2027. The certificates maturing on or after 2019 are subject to redemption prior to maturity. The Sewerage General Obligation Bonds, Series 2014A dated November 13, 2014 were issued during November 2014 for capital projects of the District. The bonds are collateralized by the net revenue of the Lake In The Hills Sanitary District and will be paid each year beginning May 1, 2008, until retired. The bonds carry interest rates ranging from 2.000% to 4.000% and mature May 1, 2017 through May 1, 2039. The certificates maturing on or after 2025 are subject to redemption prior to maturity.

Long-term liability activity for the year ended April 30, 2018 was as follows:

| Business-Type Activities: Long-Term Debt | Balance | | | Amounts | |
|--|------------------|-----------|----------------|------------------------|---------------------|
| | May 1, 2017 | Additions | Retirements | Balance April 30, 2018 | Due Within One Year |
| Bond Dated February 6, 2008 | \$ 1,345,000 | \$ - | \$ 100,000 | \$ 1,245,000 | \$ 105,000 |
| Bond Dated November 13, 2014 | 3,330,000 | - | 100,000 | 3,230,000 | 100,000 |
| Total Business-Type Long-Term Debt Obligation | 4,675,000 | - | 200,000 | 4,475,000 | 205,000 |

| Long-term liabilities at April 30, 2018 | Maturity Dates | Interest Rates | Face Amount | Carrying Amounts |
|---|----------------|-----------------|--------------|------------------|
| Business-Type Activities: Long-Term Debt | | | | |
| Bond Dated February 6, 2008 | 5/1/2017 | 3.700% - 4.875% | \$ 2,000,000 | \$ 1,245,000 |
| Bond Dated November 13, 2014 | 5/1/2039 | 2.000% - 4.000% | \$ 3,430,000 | \$ 3,230,000 |

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 7 – SEWERAGE – GENERAL OBLIGATION (ALTERNATE REVENUE BONDS) (CONCLUDED)

Debt service activity with principal and interest payments due in year ended April 30 are as follows:

Long Term Debt Maturity Schedule

| Fiscal Year Ended Due | Bonds Dated February 6, 2008 Outstanding April 30, 2018 | | Bond Dated November 13, 2014 Outstanding April 30, 2018 | | Totals | |
|--------------------------|--|-------------------|--|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 4/30/2019 | 105,000 | 54,291 | 100,000 | 113,988 | 205,000 | 168,279 |
| 4/30/2020 | 105,000 | 49,697 | 105,000 | 111,413 | 210,000 | 161,110 |
| 4/30/2021 | 110,000 | 44,994 | 110,000 | 108,188 | 220,000 | 153,182 |
| 4/30/2022 | 115,000 | 40,072 | 110,000 | 104,888 | 225,000 | 144,960 |
| 4/30/2023 | 120,000 | 34,856 | 115,000 | 101,513 | 235,000 | 136,369 |
| 4/30/2024 | 125,000 | 29,344 | 120,000 | 97,388 | 245,000 | 126,732 |
| 4/30/2025 | 130,000 | 23,606 | 125,000 | 92,488 | 255,000 | 116,094 |
| 4/30/2026 | 140,000 | 17,531 | 125,000 | 87,956 | 265,000 | 105,487 |
| 4/30/2027 | 145,000 | 10,847 | 130,000 | 83,813 | 275,000 | 94,660 |
| 4/30/2028 | 150,000 | 3,656 | 135,000 | 79,506 | 285,000 | 83,162 |
| 4/30/2029 | - | - | 140,000 | 75,038 | 140,000 | 75,038 |
| 4/30/2030 | - | - | 145,000 | 70,406 | 145,000 | 70,406 |
| 4/30/2031-4/30/2040 | - | - | 1,770,000 | 370,503 | 1,770,000 | 370,503 |
| Total Debt | \$ 1,245,000 | \$ 308,894 | \$ 3,230,000 | \$ 1,497,084 | \$ 4,475,000 | \$ 1,805,978 |

NOTE 8 – CONTINGENCIES

The District is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 27, 2018, the date on which the financial statements were available to be issued.

LAKE IN THE HILLS SANITARY DISTRICT, ILLINOIS

Notes to The Basic Financial Statements

Year Ended April 30, 2018

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As of these financial statements, the District has adopted GASB Statement No. 65, which redefined how certain financial statement elements are presented in the statement of financial position. The elements are classified as follows:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources (\$612,801) reported in the governmental funds for unavailable revenues are all from property taxes to be received in the following year.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT

General Fund - Schedule of Revenues, Expenditures Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual |
|--|--------------------|--------------------|-------------------|
| | Original | Final | Amounts |
| Revenues | | | |
| Property taxes | \$ 273,000 | \$ 273,000 | \$ 272,874 |
| Replacement tax | - | - | 1,561 |
| Interest | 1,000 | 1,000 | 2,619 |
| Total Revenues | 274,000 | 274,000 | 277,054 |
| Personnel Services | | | |
| Salaries and payroll taxes | 168,000 | 168,000 | 161,881 |
| Contractual Services | | | |
| Professional engineering | 40,000 | 40,000 | 30,949 |
| Legal services | 15,000 | 15,000 | 16,894 |
| Other professional services | 5,000 | 5,000 | 941 |
| Total Contractual Services | 60,000 | 60,000 | 48,784 |
| Administrative Expenses | | | |
| Printing, publications | 4,000 | 4,000 | 4,183 |
| Office supplies, equipment | 3,000 | 3,000 | 2,146 |
| Postage | 1,000 | 1,000 | 771 |
| Treasurer's bond | 3,500 | 3,500 | 3,000 |
| Community affairs | 2,000 | 2,000 | 271 |
| Membership and dues | 4,500 | 4,500 | 3,124 |
| Total Administrative Exepens | 18,000 | 18,000 | 13,495 |
| Operating Expenses | | | |
| Building and grounds upkeep | 12,000 | 12,000 | 6,556 |
| Utilites | 28,000 | 28,000 | 16,991 |
| J.U.L.I.E. | 2,500 | 2,500 | 2,472 |
| Training and education | 2,000 | 2,000 | 195 |
| Travel expenses | 2,000 | 2,000 | 82 |
| Computer hardware, software & Support | 8,000 | 8,000 | 2,937 |
| Total Operating Expenses | 54,500 | 54,500 | 29,233 |
| Contingency and Miscellaneous Expenses | | | |
| Not otherwise appropriated | 1,000 | 1,000 | 235 |
| Total Congency and Miscellaneous Expenses | 1,000 | 1,000 | 235 |
| Total General Fund | 301,500 | 301,500 | 253,628 |
| Net Change in Fund Balance | \$ (27,500) | \$ (27,500) | 23,426 |
| Fund Balance | | | |
| Fund balance, Beginning | | | 865,463 |
| Total Fund Balance, Ending | | | \$ 888,889 |

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT ILLINOIS

Notes to Required Supplemental Information

Year Ended April 30, 2018

The accounting policies of the District include the preparation of financial statements on the modified accrual basis of accounting. The District prepares its budget on the cash basis of accounting.

Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However; expenditures relating to compensated absences, debt service expenditures, and claims and judgments are recognized only when payment is due.

Appropriation ordinances are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

The District procedures in establishing the appropriation data reflected in the General Fund Financial Statements are presented below:

- Prior to July 15th the District Board receives a proposed appropriation ordinance for the fiscal year commencing on May 1st. The appropriation ordinance includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The appropriation ordinance is legally enacted through passage of an ordinance prior to July 31st.
- The District Treasurer, in conjunction with the Board, is authorized to expend the un-expensed balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
- The original appropriation ordinance was passed on May 11, 2017 and amended on April 18, 2018.
- Formal budgetary integration is not employed as a management control device during the year for any fund.

LAKE IN THE HILLS SANITARY DISTRICT ILLINOIS

Notes to Required Supplemental Information

Year Ended April 30, 2018

- Appropriation comparisons presented in the accompanying financial statements are prepared on the modified accrual and accrual basis of accounting. Governmental funds utilize the modified accrual basis of accounting, and the business type funds use the accrual basis of accounting for both appropriation purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

OTHER SUPPLEMENTARY INFORMATION

LAKE IN THE HILLS SANITARY DISTRICT

Special Revenue Funds - Balance Sheet

April 30, 2018

| | <u>Total</u> | <u>Audit</u> | <u>Chlorination Fund</u> | <u>IMRF Fund</u> | <u>Public Liability Insurance Fund</u> | <u>Social Security Fund</u> |
|--|-------------------|------------------|------------------------------|----------------------|--|-------------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 389,070 | \$ 10,114 | \$ 50,016 | \$ 127,349 | \$ 170,629 | \$ 30,962 |
| Taxes receivable, net of 1% allowance of loss | 326,357 | 19,210 | 19,922 | 105,299 | 135,679 | 46,247 |
| Total Assets | \$ 715,427 | \$ 29,324 | \$ 69,938 | \$ 232,648 | \$ 306,308 | \$ 77,209 |
| Liabilities | | | | | | |
| Accounts payable/accruals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | - | - | - | - | - | - |
| Deferred Inflows | | | | | | |
| Property taxes | 326,357 | 19,210 | 19,922 | 105,299 | 135,679 | 46,247 |
| Fund Balance | | | | | | |
| Fund balance, Ending | 389,070 | 10,114 | 50,016 | 127,349 | 170,629 | 30,962 |
| Total Liabilities and Fund Balance | \$ 715,427 | \$ 29,324 | \$ 69,938 | \$ 232,648 | \$ 306,308 | \$ 77,209 |

LAKE IN THE HILLS SANITARY DISTRICT

Special Revenue Funds - Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended April 30, 2018

| | <u>Total</u> | <u>Audit</u> | <u>Chlorination Fund</u> | <u>IMRF Fund</u> | <u>Public Liability Insurance Fund</u> | <u>Social Security Fund</u> |
|---|-------------------|------------------|------------------------------|----------------------|--|-------------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ 330,729 | \$ 18,299 | \$ 18,976 | \$ 100,303 | \$ 149,099 | \$ 44,052 |
| Total Revenues | <u>330,729</u> | <u>18,299</u> | <u>18,976</u> | <u>100,303</u> | <u>149,099</u> | <u>44,052</u> |
| Expenditures | | | | | | |
| Auditing expense and fee | 16,700 | 16,700 | - | - | - | - |
| Chlorination, disinfection, and treatment | 3,487 | - | 3,487 | - | - | - |
| Pension contributions | 123,281 | - | - | 123,281 | - | - |
| Public liability insurance | 91,602 | - | - | - | 91,602 | - |
| Social Security contributions | 49,014 | - | - | - | - | 49,014 |
| Total Expenditures | <u>284,084</u> | <u>16,700</u> | <u>3,487</u> | <u>123,281</u> | <u>91,602</u> | <u>49,014</u> |
| Net Change in Fund Balance | 46,645 | 1,599 | 15,489 | (22,978) | 57,497 | (4,962) |
| Fund Balance | | | | | | |
| Fund balance, beginning | <u>342,425</u> | <u>8,515</u> | <u>34,527</u> | <u>150,327</u> | <u>113,132</u> | <u>35,924</u> |
| Total Fund Balance, Ending | <u>\$ 389,070</u> | <u>\$ 10,114</u> | <u>\$ 50,016</u> | <u>\$ 127,349</u> | <u>\$ 170,629</u> | <u>\$ 30,962</u> |

LAKE IN THE HILLS SANITARY DISTRICT

Audit Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance

- Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual Amounts |
|-----------------------------------|-------------------|-------------------|---------------------------|
| | Original | Final | |
| Revenues | | | |
| Property taxes | \$ 18,300 | \$ 18,300 | \$ 18,299 |
| Total Revenues | <u>18,300</u> | <u>18,300</u> | <u>18,299</u> |
| Expenditures | | | |
| Auditing expense and fee | <u>20,000</u> | <u>20,000</u> | <u>16,700</u> |
| Net Change in Fund Balance | <u>\$ (1,700)</u> | <u>\$ (1,700)</u> | 1,599 |
| Fund Balance | | | |
| Fund balance, Beginning | | | <u>8,515</u> |
| Total Fund Balance, Ending | | | <u>\$ 10,114</u> |

LAKE IN THE HILLS SANITARY DISTRICT

Chlorination Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance

- Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual Amounts |
|--|-------------------|-------------------|---------------------------|
| | Original | Final | |
| Revenues | | | |
| Property taxes | \$ 19,000 | \$ 19,000 | \$ 18,976 |
| Total Revenues | <u>19,000</u> | <u>19,000</u> | <u>18,976</u> |
| Expenditures | | | |
| Chlorination, disinfection and treatment | <u>24,000</u> | <u>24,000</u> | <u>3,487</u> |
| Net Change in Fund Balance | <u>\$ (5,000)</u> | <u>\$ (5,000)</u> | 15,489 |
| Fund Balance | | | |
| Fund balance, Beginning | | | <u>34,527</u> |
| Total Fund Balance, Ending | | | <u>\$ 50,016</u> |

LAKE IN THE HILLS SANITARY DISTRICT*IMRF Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance**- Budget and Actual**Year Ended April 30, 2018*

| | Budget | | Actual Amounts |
|-----------------------------------|--------------------|--------------------|---------------------------|
| | Original | Final | |
| Revenues | | | |
| Property taxes | \$ 100,400 | \$ 100,400 | \$ 100,303 |
| Total Revenues | <u>100,400</u> | <u>100,400</u> | <u>100,303</u> |
| Expenditures | | | |
| Pension contributions by employer | <u>130,000</u> | <u>130,000</u> | <u>123,281</u> |
| Net Change in Fund Balance | <u>\$ (29,600)</u> | <u>\$ (29,600)</u> | (22,978) |
| Fund Balance | | | |
| Fund balance, Beginning | | | <u>150,327</u> |
| Total Fund Balance, Ending | | | <u>\$ 127,349</u> |

LAKE IN THE HILLS SANITARY DISTRICT*Public Liability Insurance Fund - Schedule of Revenues, Expenditures Changes in Fund Balance**- Budget and Actual**Year Ended April 30, 2018*

| | Budget | | Actual |
|-----------------------------------|-----------------|-----------------|-------------------|
| | Original | Final | Amounts |
| Revenues | | | |
| Property taxes | \$ 149,200 | \$ 149,200 | \$ 149,099 |
| Total Revenues | 149,200 | 149,200 | 149,099 |
| Expenditures | | | |
| Workers compensation | 21,000 | 21,000 | 18,576 |
| Property | 43,000 | 43,000 | 36,671 |
| Vehicles | 15,000 | 15,000 | 11,077 |
| General liability | 70,000 | 70,000 | 25,278 |
| Administration fee | 800 | 800 | - |
| Total Expenditures | 149,800 | 149,800 | 91,602 |
| Net Change in Fund Balance | \$ (600) | \$ (600) | \$ 57,497 |
| Fund Balance | | | |
| Fund balance, Beginning | | | 113,132 |
| Total Fund Balance, Ending | | | \$ 170,629 |

LAKE IN THE HILLS SANITARY DISTRICT

Social Security Fund - Schedule of Revenues, Expenditures Changes in Fund Balance

- Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual |
|-----------------------------------|-------------------|-------------------|-------------------|
| | Original | Final | Amounts |
| Revenues | | | |
| Property taxes | \$ 44,100 | \$ 44,100 | \$ 44,052 |
| Total Revenues | <u>44,100</u> | <u>44,100</u> | <u>44,052</u> |
| Expenditures | | | |
| Social security contributions | <u>50,000</u> | <u>50,000</u> | <u>49,014</u> |
| Net Change in Fund Balance | <u>\$ (5,900)</u> | <u>\$ (5,900)</u> | <u>\$ (4,962)</u> |
| Fund Balance | | | |
| Fund balance, Beginning | | | <u>35,924</u> |
| Total Fund Balance, Ending | | | <u>\$ 30,962</u> |

LAKE IN THE HILLS SANITARY DISTRICT

Proprietary Fund Types - Schedule of Expenditures

- Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual Amounts |
|---|------------------|------------------|-------------------|
| | Original | Final | |
| Personnel Services | | | |
| District personnel salaries | \$ 580,000 | \$ 580,000 | \$ 472,835 |
| Total Personnel Services | 580,000 | 580,000 | 472,835 |
| Administrative Expenses | | | |
| Telephone | 3,000 | 3,000 | 2,958 |
| Postage | 20,000 | 20,000 | 18,669 |
| Printing, publishing | 2,000 | 2,500 | 2,373 |
| Office supplies | 8,000 | 8,000 | 6,213 |
| Billing and collection expense | 80,000 | 80,000 | 13,338 |
| Professional services | 5,000 | 5,000 | 1,611 |
| Training, travel, and education | 5,000 | 5,000 | 220 |
| Computer hardware, software, and support | 20,000 | 20,500 | 19,466 |
| Community affairs | 2,000 | 1,000 | 709 |
| Medical and life insurance | 195,000 | 195,000 | 182,400 |
| Total Administrative Expenses | 340,000 | 340,000 | 247,957 |
| Operation and Maintenance of Plant | | | |
| Operating supplies | 60,000 | 60,000 | 58,595 |
| Maintenance and repair (plant) | 130,000 | 122,000 | 105,067 |
| Maintenance and repair (collection system) | 295,000 | 295,000 | 132,076 |
| Utilities and energy | 378,000 | 386,000 | 385,633 |
| Grounds upkeep | 30,000 | 30,000 | 18,745 |
| Gasoline/oil | 15,000 | 15,000 | 11,480 |
| Computer and support services | 2,000 | 2,000 | 100 |
| Emergency communications | 48,000 | 55,000 | 55,274 |
| Sludge management | 500,000 | 493,000 | 480,671 |
| Professional services | 24,000 | 24,000 | 20,713 |
| Residential reimbursement | 10,000 | 10,000 | - |
| Compliance requirements/permits | 28,000 | 28,000 | 27,895 |
| Contingency and miscellaneous expense | 3,000 | 3,000 | 2,524 |
| GIS | 10,000 | 10,000 | - |
| Total Operation and Maintenance of Plant | 1,533,000 | 1,533,000 | 1,298,773 |

LAKE IN THE HILLS SANITARY DISTRICT

Proprietary Fund Types - Schedule of Expenditures

- Budget and Actual

Year Ended April 30, 2018

| | Budget | | Actual Amounts |
|--|---------------------|---------------------|---------------------|
| | Original | Final | |
| Capital Improvements | | | |
| New construction | \$ 3,000,000 | \$ 3,000,000 | \$ 55,844 |
| Plant equipment | 30,000 | 30,000 | 11,041 |
| Collection system | 280,000 | 280,000 | - |
| Vehicles | 50,000 | 50,000 | - |
| Legal expense | 5,000 | 5,000 | 298 |
| Engineering expense | 375,000 | 375,000 | 125,276 |
| Bond, Finance consulting expense | 1,000 | 1,000 | - |
| Total Capital Improvements | 3,741,000 | 3,741,000 | 192,459 |
| Bond and Interest Account | | | |
| 2008 Debt Certificates, Principal | 100,000 | 105,000 | - |
| 2008 Debt Certificates, Interest | 60,000 | 57,000 | 53,737 |
| Administration fee | 3,500 | 1,500 | 750 |
| 2014 Debt Certificates, Principal | 100,000 | 100,000 | - |
| 2014 Debt Certificates, Interest | 118,000 | 118,000 | 112,838 |
| Administration fee | 3,500 | 3,500 | 1,100 |
| Total Bond and Interest Account | 385,000 | 385,000 | 168,425 |
| Total Expenditures | \$ 6,579,000 | \$ 6,579,000 | \$ 2,380,449 |

LAKE IN THE HILLS SANITARY DISTRICT

Property Tax Extension Rates

Year Ended April 30, 2018

| Tax Levy Year | 2017 | 2016 | 2015 |
|---------------------------|----------------|----------------|----------------|
| Assessed Valuation | \$ 718,670,206 | \$ 678,248,528 | \$ 636,448,576 |

Tax Rates and Percentages - Allocated by Fund

| Lake County | Rate | Percentage | Rate | Percentage | Rate | Percentage |
|---------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| General Fund | 0.040260 | 47.75% | 0.040260 | 45.21% | 0.040452 | 43.08% |
| Chlorination | 0.002800 | 3.25% | 0.002800 | 3.14% | 0.002000 | 2.13% |
| Liability Insurance | 0.019070 | 22.14% | 0.022000 | 24.70% | 0.024500 | 26.09% |
| Social Security | 0.006500 | 7.55% | 0.006500 | 7.30% | 0.007816 | 8.33% |
| IMRF | 0.014800 | 17.18% | 0.014800 | 16.62% | 0.016000 | 17.04% |
| Audit | 0.002700 | 3.13% | 0.002700 | 3.03% | 0.003122 | 3.33% |
| Totals | 0.086130 | 100.00% | 0.089060 | 100.00% | 0.093890 | 100.00% |

LAKE IN THE HILLS SANITARY DISTRICT
Multi-year Schedule of Changes in Net IMRF Pension Liability and Related Ratios
Last 10 Calendar Years
(schedule to be built prospectively from 2014)

| Calendar Year Ending | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---------------------|---------------------|---------------------|------|------|------|------|------|------|------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$ 67,952 | \$ 69,512 | \$ 61,533 | | | | | | | |
| Interest on the Total Pension Liability | 235,467 | 222,115 | 200,087 | | | | | | | |
| Benefit Changes | - | - | - | | | | | | | |
| Difference between Expected and Actual Experience | (4,651) | 45,934 | 169,681 | | | | | | | |
| Assumption Changes | (106,741) | (13,932) | - | | | | | | | |
| Benefit Payments and Refunds | (163,139) | (150,295) | (130,507) | | | | | | | |
| Net Change in Total Pension Liability | 28,888 | 173,334 | 300,794 | | | | | | | |
| Total Pension Liability - Beginning | 3,187,159 | 3,013,825 | 2,713,031 | | | | | | | |
| Total Pension Liability - Ending (a) | \$ 3,216,047 | \$ 3,187,159 | \$ 3,013,825 | | | | | | | |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Employer Contributions | \$ 121,610 | \$ 111,249 | \$ 63,778 | | | | | | | |
| Employee Contributions | 26,514 | 40,264 | 26,379 | | | | | | | |
| Pension Plan Net Investment Income | 391,039 | 142,802 | 10,043 | | | | | | | |
| Benefit Payments and Refunds | (163,139) | (150,295) | (130,507) | | | | | | | |
| Other | (37,539) | (3,250) | 83,137 | | | | | | | |
| Net Change in Plan Fiduciary Net Position | 338,485 | 140,770 | 52,830 | | | | | | | |
| Plan Fiduciary Net Position - Beginning | 2,222,396 | 2,081,626 | 2,028,796 | | | | | | | |
| Plan Fiduciary Net Position - Ending (b) | \$ 2,560,881 | \$ 2,222,396 | \$ 2,081,626 | | | | | | | |
| Net Pension Liability/(Asset) - Ending (a) - (b) | 655,166 | 964,763 | 932,199 | | | | | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 79.63% | 69.73% | 69.07% | | | | | | | |
| Covered Valuation Payroll | \$ 589,197 | \$ 600,051 | \$ 586,199 | | | | | | | |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 111.20% | 160.78% | 159.02% | | | | | | | |

Note: This schedule is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

LAKE IN THE HILLS SANITARY DISTRICT
Multi-year Schedule of IMRF Pension Contributions
Last 10 Calendar Years

| Calendar Year Ending December 31, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Valuation Payroll | Actual Contribution as a % of Covered Valuation Payroll |
|--|--|--------------------------------|---|--|--|
| 2017 | \$ 121,610 * | \$ 121,610 | \$ - | \$ 589,197 | 20.64% |
| 2016 | \$ 111,249 | \$ 111,249 | \$ - | \$ 600,051 | 18.54% |
| 2015 | \$ 63,778 | \$ 63,778 | \$ - | \$ 586,199 | 10.88% |

* Estimated based on a contribution rate of 20.64% and covered valuation payroll of \$589,197.

Note: This schedule is intended to show information for 10 years and additional years' information will be displayed as it becomes available.