

# **Lakes Region Sanitary District Ingleside, Illinois**

Annual Financial Report  
For the Fiscal Year Ended April 30, 2014

Prepared by:  
Lakes Region Sanitary District  
Ingleside, IL

## Lakes Region Sanitary District

Fiscal Year Ended April 30, 2014

### Table of Contents

---

<b>Financial Section</b>	
Independent Auditor's Report	1 – 2
Required Supplementary Information	
Management Discussion and Analysis	3 – 10
Basic Financial Statements	
Government–Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Notes to the Basic Financial Statements	17 – 29
Required Supplementary Information	
Schedule of Funding Progress: Illinois Municipal Retirement Fund	30
Governmental Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	31
Note to Required Supplementary Information	31



## Independent Auditor's Report

To the Honorable President and  
Members of the Board of Trustees  
Lakes Region Sanitary District  
Ingleside, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lakes Region Sanitary District, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the 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 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 opinion.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lakes Region Sanitary District, Illinois, as of April 30, 2014, and the respective changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matter

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (pages 3 – 10), schedule of funding progress (page 30), budgetary schedule (page 31), and the related note (page 31) be presented to supplement the basic financial statements. Such information, although not 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 the auditing standards generally accepted in the United States of America, which consisted of inquires 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 assurance on the information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

*McGladrey LLP*

Chicago, Illinois  
August 14, 2014

**Required Supplementary Information**

## **Management Discussion and Analysis**

## Lakes Region Sanitary District

### Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2014

---

The discussion and analysis of Lakes Region Sanitary District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended April 30, 2014. The management of the District encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the District's financial performance.

#### Governmental Accounting Standards Board Pronouncements

Refer to the Notes to the Basic Financial Statements; Note 1, Summary of Significant Accounting Policies; paragraph (e) *New Accounting Pronouncements* for further discussion.

#### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$21,832,830. Of this amount, \$3,685,328 may be used to meet the District's ongoing obligations to citizens and creditors, with the remainder representing the amount of net investment in capital assets.
- In total, net position increased by \$2,202,262. This represents an increase of 11.2% in net position from fiscal year 2013. This is primarily the result of increased activity from contributed capital assets and higher Program Revenues due to increased permit activity.
- Property tax revenue was \$1,142,651 or 22.1% of all revenues. This represents a decrease of 6.8% from fiscal year 2013; due to a declining tax base and steady tax rate.
- Connection and user fees were \$1,866,707 or 36.1% of all revenues. This represents an increase of 15.6% from fiscal year 2013, due to increased permit issuances for the South Trunk Sewer area.
- At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$3,338,958. This represents an increase of 17.8% from fiscal year 2013.
- At the end of the fiscal year, the fund balance for the general fund was all unassigned in the amount of \$2,089,381, or 80.2% of total general fund expenditures for the fiscal year. The District strives to maintain fund balances at levels which are sufficient to absorb revenue shortfalls or financial emergencies. The District has not relied on its fund balance to offset reductions in tax revenues. Instead, choosing to bring expenditures in line with revenue, leaving fund balances strong for the future.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

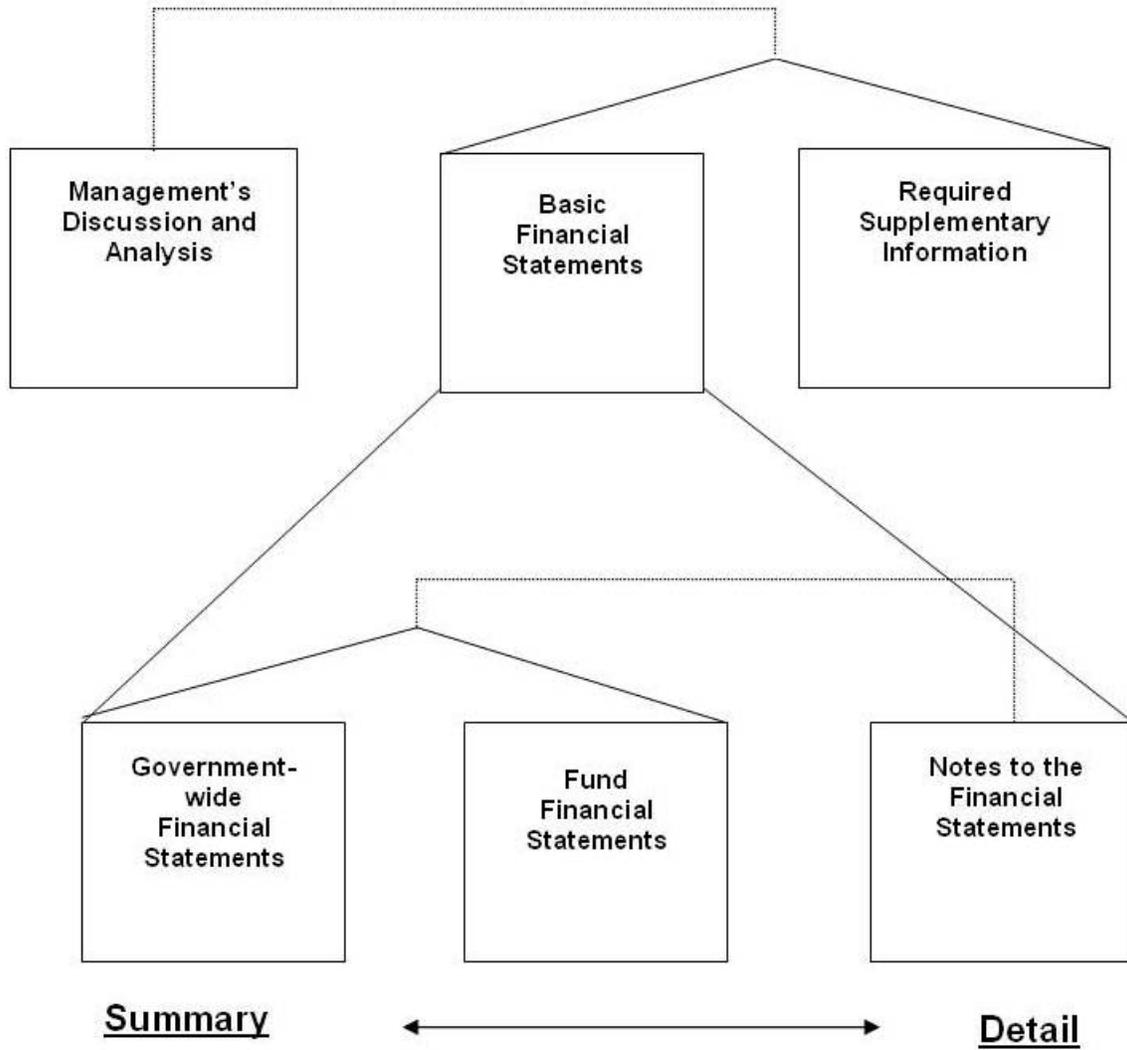
Lakes Region Sanitary District

Management's Discussion and Analysis  
For the Fiscal Year Ended April 30, 2014

---

Figure A-1

Organization of Lakes Region Sanitary District's Annual Financial Report



This report also contains other supplementary information in addition to the basic financial statements.

## Lakes Region Sanitary District

### Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2014

---

#### ***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 presents information on all of the District's assets, deferred inflows, liabilities and deferred outflows with the net difference 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 presents information showing how the District's net position changed during the fiscal year being reported. All changes in net position are reported when the criteria for each reporting category is satisfied.

The government-wide financial statements present the District functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The District has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities provide sanitary sewer services.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District funds are considered governmental funds (the District maintains no proprietary funds or fiduciary 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 District'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For fiscal year 2014, the District maintained three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances for the General Fund and Repair and Replacement Fund with data from the other governmental fund presented as Nonmajor Governmental Fund.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

Lakes Region Sanitary District

Management's Discussion and Analysis  
For the Fiscal Year Ended April 30, 2014

---

**Notes to the Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

**Government-Wide Financial Analysis**

**Net Position** (Table 1).

At the end of the fiscal year, total net position was \$21,832,830. This represents an increase of 11.2% from fiscal year 2013.

<b>Table 1 Condensed Statement of Net Position At April 30, (in dollars)</b>	<b>2014</b>	<b>2013</b>
Current Assets	\$ 6,528,350	\$ 6,664,782
Noncurrent Assets		
Capital Assets	30,831,046	29,970,092
Total Assets	<u>\$ 37,359,396</u>	<u>\$ 36,634,874</u>
Current Liabilities	\$ 3,723,234	\$ 4,313,888
Long Term Liabilities, Net of Current Maturities	11,724,292	12,604,505
Total Liabilities	<u>\$ 15,447,526</u>	<u>\$ 16,918,393</u>
Deferred Inflows of Resources	<u>\$ 79,040</u>	<u>\$ 85,913</u>
Net Position:		
Net Investment in Capital Assets	\$ 18,147,502	\$ 16,412,304
Unrestricted	3,685,328	3,218,264
Total Net Position	<u>\$ 21,832,830</u>	<u>\$ 19,630,568</u>

**Lakes Region Sanitary District**

**Management's Discussion and Analysis  
For the Fiscal Year Ended April 30, 2014**

**Changes in Net Position** (Table 2).

The District's total revenues were \$5,176,807, which includes:

- \$1,142,651 from property taxes, 22.1% of the total. This represents a decrease of 6.8% from fiscal year 2013.
- \$1,866,707 from fees charged for services, 36.1% of the total. This represents an increase of 15.6% from fiscal year 2013.
- \$111,740 from miscellaneous sources such as personal property replacement tax, interest, penalty fees and debt issuance premium. This represents a decrease of 14.8% from fiscal year 2013.
- \$2,055,709 from contributed capital assets. This represents an increase of 290.1% from fiscal year 2013.

The total cost of all programs and services was \$2,974,545. This represents an increase of 1.4% from fiscal year 2013. The District's expenses are predominantly related to providing sanitary sewer services to the residents of the District (salary and benefits, administration, building maintenance and materials purchase costs, etc. - including sewer construction projects).

Total revenues exceeded expenses, increasing net position by \$2,202,262.

<b>Table 2</b>		
<b>Condensed Statement of Activities</b>		
<b>For the Fiscal Year Ended April 30,</b>		
<b>(in dollars)</b>		
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 1,866,707	\$ 1,614,810
Contributed Capital Assets & Grants	2,055,709	526,939
General Revenues:		
Taxes	1,187,734	1,268,901
Other	66,657	88,120
Total Revenues	<u>5,176,807</u>	<u>3,498,770</u>
<b>Expenses:</b>		
General Government	2,974,545	2,933,263
<b>Increase in Net Position</b>	<u>2,202,262</u>	<u>565,507</u>
Net Position - Beginning (as restated for 2013)	19,630,568	19,065,061
Net Position - Ending	<u>\$ 21,832,830</u>	<u>\$ 19,630,568</u>

## Lakes Region Sanitary District

### Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2014

---

#### Financial Analysis of the District's Funds

As the District completed the fiscal year, its governmental funds reported combined fund balances of \$3,338,958, an increase of 17.8% from fiscal year 2013. Revenues and other financing sources for the District's governmental activities were \$3,171,311, an increase of 4.8% , primarily due to revenue related to a rebound in permit activity. Total expenditures were \$2,666,757, a decrease of 5.6%.

For the fiscal year, the General Fund experienced an operating excess, after other financing uses, of \$443,237. Factors that attributed to the excess are primarily the increased revenue as previously mentioned; along with holding the line on expenditures.

#### General Fund Budgetary Highlights

While the District's budget for the General Fund anticipated that expenditures would be an operating deficit of \$23,200 against revenues before other financing uses, the actual result for the fiscal year was an operating excess of \$557,759.

Expenditures were lower than anticipated due to:

- Several projects in the Operations and Maintenance department requiring fewer resources.
- Other projects cancelled or delayed.
- Control of all categories of expenditures where possible.
- An amount budgeted for contingencies that did not require utilization.

Revenues were higher than anticipated due to:

- Greater than anticipated permit activity favorably affecting Connection and related Fees.
- Higher than expected User Fees due to faster recovery than expected of new home sales in the Volo South area.
- Higher than budgeted Penalty Fees, which the District does not budget as a matter of policy.

Lakes Region Sanitary District

Management's Discussion and Analysis  
For the Fiscal Year Ended April 30, 2014

---

**Capital Asset and Debt Administration**

**Capital Assets** (Table 3)

At the end of fiscal year 2014, the District had invested \$43,283,678 (before accumulated depreciation of \$12,452,632) in a broad range of capital assets, including sewers, lift stations, buildings and improvements, equipment, furniture and land. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

Depreciation expense for the fiscal year was \$1,238,966.

Net additions to capital assets amounted to \$2,065,766. This includes: amounts recorded as additions to construction in process related to ongoing lift station upgrades, including accruals for invoices not received as of the end of the fiscal year; amounts recorded related to completed projects transferred from construction in process to the respective asset category; and contributed capital assets.

<b>Table 3 Condensed Schedule of Capital Assets At April 30, (in dollars)</b>	<b>2014</b>	<b>2013</b>
Construction in Process	\$ 36,864	\$ 241,175
Sewers and Lift Stations	40,987,844	38,701,078
Land, Buildings and Improvements	2,080,903	2,080,903
Office Equipment	24,390	21,197
Maintenance Equipment and Vehicles	153,677	173,559
Investment in Capital Assets, Cost	43,283,678	41,217,912
Less: Accumulated Depreciation	12,452,632	11,247,820
Investment in Capital Assets, Net	\$ 30,831,046	\$ 29,970,092

**Long Term Debt**

The long term debt carried by the District is related to the construction of capital projects. The IEPA loans are related to the construction of expansions to the District's system of sewers. The general obligation debt certificates are related to the construction of the District's headquarters facility and the South Trunk Sewer.

See Note 6 for details regarding the terms and repayment of the obligations.

## **Lakes Region Sanitary District**

### **Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2014**

---

#### **Factors Bearing on the District's Future**

At April 30, 2014, the District was aware of the following existing circumstances that could significantly affect its financial health in the future.

- Sewer repairs are continually discovered as a result of the District's ongoing routine inspection of the sewer system.
- A rate increase implemented in fiscal year 2012 will have a positive impact on ongoing financial results; striving to maintain balanced budgeting, with any fiscal year excess used to increase reserves for potential unknown, undiscovered repairs.
- A program for annual cost of living increases to the District's sewer user charge rate was passed and will begin with fiscal year 2016.

#### **Requests for Information**

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Lakes Region Sanitary District  
25700 West Old Grand Avenue  
Ingleside, IL 60041-8524  
847-973-8940

## **Basic Financial Statements**

**Government – Wide Financial Statements**

Lakes Region Sanitary District

Statement of Net Position

At April 30, 2014

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 5,062,074
Receivables:	
Property Taxes	1,143,289
Billed Sewer Charges	76,632
Unbilled Sewer Charges	238,915
Interest and Other	7,440
<b>Total Current Assets</b>	<u>6,528,350</u>
Noncurrent Assets	
Capital Assets Not Being Depreciated	199,739
Capital Assets Being Depreciated, Net	30,631,307
<b>Total Noncurrent Assets</b>	<u>30,831,046</u>
<b>Total Assets</b>	<u>37,359,396</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	90,581
Accrued Interest Payable	184,815
Accrued Payroll	16,704
Compensated Absences	35,634
Construction Retainage Payable	8,088
Due To Other Governments	327,152
Unearned Revenue	1,870,836
Developer Escrow	309,212
General Obligation Debt	565,000
IEPA Loans	315,212
<b>Total Current Liabilities</b>	<u>3,723,234</u>
Long Term Liabilities, Net of Current Maturities	
General Obligation Debt	7,950,000
IEPA Loans	3,774,292
<b>Total Long Term Liabilities, Net of Current Maturities</b>	<u>11,724,292</u>
<b>Total Liabilities</b>	<u>15,447,526</u>
<b>Deferred Inflows of Resources</b>	
Unamortized Debt Issuance Premium	79,040
<b>Total Deferred Inflows of Resources</b>	<u>79,040</u>
<b>Net Position</b>	
Net Investment in Capital Assets	18,147,502
Unrestricted	3,685,328
<b>Total Net Position</b>	<u>\$ 21,832,830</u>

See Notes to the Basic Financial Statements.

**Lakes Region Sanitary District**

**Statement of Activities  
For the Fiscal Year Ended April 30, 2014**

Functions/Programs	Expenses	Program Revenue		Net (Expense)/ Revenue and Changes in Net Position
		Charges for Services	Contributed Capital Assets & Grants	
Governmental Activities:				
General Government	\$ 2,974,545	\$ 1,866,707	\$ 2,055,709	\$ 947,871
General Revenues:				
Property Taxes				1,142,651
Personal Property Replacement Taxes				45,083
Interest				5,732
Other Fees				54,052
Amortization of Debt Issuance Premium				6,873
Total General Revenues				<u>1,254,391</u>
Change in Net Position				2,202,262
Net Position:				
May 1, 2013				19,630,568
April 30, 2014				<u>\$ 21,832,830</u>

See Notes to the Basic Financial Statements.

## **Fund Financial Statements**

Lakes Region Sanitary District

**Balance Sheet**  
**Governmental Funds**  
**At April 30, 2014**

	General Fund	Repair and Replacement Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,758,916	\$ 866,784	\$ 436,374	\$ 5,062,074
Receivables:				
Property Taxes	1,143,289	-	-	1,143,289
Billed Sewer Charges	76,632	-	-	76,632
Unbilled Sewer Charges	238,915	-	-	238,915
Interest and Other	7,440	-	-	7,440
<b>Total Assets</b>	<b>\$ 5,225,192</b>	<b>\$ 866,784</b>	<b>\$ 436,374</b>	<b>\$ 6,528,350</b>
<b>Liabilities</b>				
Liabilities				
Accounts Payable	\$ 89,335	\$ -	\$ 1,246	\$ 90,581
Accrued Payroll	16,704	-	-	16,704
Construction Retainage Payable	8,088	-	-	8,088
Due To Other Governments	327,152	-	-	327,152
Unearned Revenue	1,870,836	-	-	1,870,836
Developer Escrow	256,877	-	52,335	309,212
<b>Total Liabilities</b>	<b>2,568,992</b>	<b>-</b>	<b>53,581</b>	<b>2,622,573</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	566,819	-	-	566,819
<b>Total Deferred Inflows of Resources</b>	<b>566,819</b>	<b>-</b>	<b>-</b>	<b>566,819</b>
<b>Fund Balances</b>				
Unassigned, Reported in:				
General Fund	2,089,381	-	-	2,089,381
Assigned, Reported in:				
Capital Projects Funds	-	866,784	382,793	1,249,577
<b>Total Fund Balances</b>	<b>2,089,381</b>	<b>866,784</b>	<b>382,793</b>	<b>3,338,958</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,225,192</b>	<b>\$ 866,784</b>	<b>\$ 436,374</b>	<b>\$ 6,528,350</b>

See Notes to the Basic Financial Statements.

**Lakes Region Sanitary District**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
At April 30, 2014**

Total Fund Balances - Governmental Funds	\$ 3,338,958
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	
Capital Assets	30,831,046
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:	
General Obligation Debt	(8,515,000)
IEPA Loans	(4,089,504)
Accrued Interest Payable	(184,815)
Compensated Absences	(35,634)
Deferred Inflows of Resources reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:	
Unamortized Debt Issuance Premium (which is amortized over the life of the debt)	(79,040)
Deferred Real Estate Tax Revenue: For governmental funds, only receipts within 60 days of fiscal year end are recorded as revenue, with the remainder deferred. In governmental activities, the full amount of the receivable is recorded as revenue.	
	566,819
Net Position of Governmental Activities	<u>\$ 21,832,830</u>

See Notes to the Basic Financial Statements.

Lakes Region Sanitary District

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended April 30, 2014

	General Fund	Repair and Replacement Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 1,192,401	\$ -	\$ -	\$ 1,192,401
Personal Property Replacement Tax	45,083	-	-	45,083
Sewer Connection Fees	764,675	-	-	764,675
User Fees	1,095,582	-	-	1,095,582
Penalty Fees	54,052	-	-	54,052
Sewer Permit Inspection Fees	6,450	-	-	6,450
Interest	4,415	968	349	5,732
<b>Total Revenues</b>	<b>3,162,658</b>	<b>968</b>	<b>349</b>	<b>3,163,975</b>
<b>Expenditures:</b>				
Current:				
General Government	1,200,871	61,858	-	1,262,729
Debt Service:				
Principal	867,369	-	-	867,369
Interest	492,446	-	-	492,446
Capital Outlay	44,213	-	-	44,213
<b>Total Expenditures</b>	<b>2,604,899</b>	<b>61,858</b>	<b>-</b>	<b>2,666,757</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	557,759	(60,890)	349	497,218
<b>Other Financing Sources (Uses):</b>				
Transfer In (Out)	(121,858)	121,858	-	-
Proceeds from the Disposal of Asset	7,336	-	-	7,336
<b>Total Other Financing Sources (Uses)</b>	<b>(114,522)</b>	<b>121,858</b>	<b>-</b>	<b>7,336</b>
<b>Net Change In Fund Balances</b>	<b>443,237</b>	<b>60,968</b>	<b>349</b>	<b>504,554</b>
<b>Fund Balances:</b>				
May 1, 2013	1,646,144	805,816	382,444	2,834,404
April 30, 2014	\$ 2,089,381	\$ 866,784	\$ 382,793	\$ 3,338,958

See Notes to the Basic Financial Statements.

**Lakes Region Sanitary District**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
For the Fiscal Year Ended April 30, 2014**

Net change in fund balances—total governmental funds	\$	504,554
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures paid while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	\$ 44,213	
Depreciation Expense	<u>(1,238,966)</u>	(1,194,753)
<p>Capital assets that are donated to the District are reported as revenue in the governmental activities while not reported in governmental funds since not requiring current financial resources</p>		
		2,055,709
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>		
General Obligation Debt	560,000	
IEPA Loans	<u>307,369</u>	867,369
<p>Premium on long-term debt is reported as an other financing source in the governmental funds in the year of issuance, but is recorded as a liability in the Statement of Net Position and is amortized over the life of the debt in the governmental activities:</p>		
Amortization of Debt Issuance Premium		6,873
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>		
Decrease in the accrual of Interest Expense on Long Term Debt		11,751
Increase in the accrual for Compensated Absences		510
<p>Property Tax Receivable: For governmental funds, only receipts within 60 days of fiscal year end are recorded as revenue, with the remainder deferred. In governmental activities the full amount of the receivable is recorded as revenue. This activity results in:</p>		
Increase in accrual of Property Tax Revenue		<u>(49,751)</u>
Change in net position of governmental activities	<u>\$</u>	<u>2,202,262</u>

See Notes to the Basic Financial Statements.

## Lakes Region Sanitary District

### Notes to the Basic Financial Statements For the Fiscal Year Ended April 30, 2014

---

#### Note 1. Summary of Significant Accounting Policies

The District was incorporated in 1973 under the Provisions of 70 ILCS 2805, an "Act to Create Sanitary Districts," approved July 2, 1936. The District operates under a Trustee form of government and provides construction and maintenance of sanitary sewers to the western Lake County region.

The accounting policies of the Lakes Region Sanitary District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

#### **(a) Financial Reporting Entity**

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

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

Based on these criteria, there are no potential component units which should be included with the District's general purpose financial statements, nor is the District considered to be a potential component unit of any other government.

#### **(b) Government-wide and Fund Financial Statements**

##### **Government-wide Financial Statements**

The Government-Wide Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The effect of material interfund activity has been eliminated from these statements.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities with the difference reported in three categories:

**Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** consist of net assets that do not meet the criteria of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first to finance qualifying activities, then unrestricted resources as they are needed.

## Lakes Region Sanitary District

### Notes to the Basic Financial Statements For the Fiscal Year Ended April 30, 2014

---

#### Note 1. Summary of Significant Accounting Policies (continued)

##### *(b) Government-wide and Fund Financial Statements (continued)*

##### **Government-wide Financial Statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items which are not program revenues are reported as general revenues.

##### **Fund Financial Statements**

Separate financial statements are provided for governmental funds. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District has the following major governmental funds, and reports its remaining fund as nonmajor governmental fund:

*General Fund* - This 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 services which are administered by the District and accounted for in the general fund include sanitary sewer services.

*Repair and Replacement Fund* – This fund is used by the District to account for major repairs required to the sewer system. Funding is provided from operating transfers from the General Fund as expenses are incurred. In addition, an annual transfer takes place to build reserves for future repairs.

##### ***(c) Measurement Focus and 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance).

Governmental fund financial statements are reported using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the current fiscal year. Expenditures are recognized when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as fund liabilities only when due.

Those revenues susceptible to accrual are property taxes, replacement taxes, interest, and charges for services. Permits, inspection fees and payment penalties are not susceptible to accrual because generally they are not measurable until received in cash.

**Lakes Region Sanitary District**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**(d) Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents**

The District considers cash and cash equivalents to be all cash accounts and certificates of deposit with a maturity date of less than two years.

**Transfers**

Flows of assets (such as cash) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

**Capital Assets**

Capital assets, which include: land, buildings and improvements, sewer systems, lift stations, maintenance equipment, vehicles and office furniture and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings & Improvements*	30
Sewer Systems	40
Lift Stations	20
Maintenance Equipment	7
Vehicles	5
Office Furniture and Equipment	7

\* Useful life for Building Improvements is the remaining useful life of the related building.

Gains or losses from disposals of capital assets are included in operations on the Statement of Activities.

**Note 1. Summary of Significant Accounting Policies (continued)**

**(d) Assets, Liabilities and Net Position or Equity (continued)**

**Deferred Inflows of Resources and Unearned Revenue**

The District reports both deferred inflows of resources and unearned revenues (liabilities) on its financial statements. Deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period for the governmental funds. Additionally, deferred inflows of resources arise when revenues associated with imposed nonexchange revenue transactions (property taxes) are received or reported as a receivable before the period for which they are levied. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when connection fees are pre-paid prior to the issuance of the related sewer permit. In subsequent periods; when revenue recognition criteria is met, or when the District has a legal claim to the resources; the liability for unearned revenue is removed from the financial statements and revenue is recognized.

**Compensated Absences**

Amounts of accumulated compensated absences which are expected to be paid from available financial resources of the governmental funds are reported as a liability of those funds. The District's policies on compensated absences are as follows:

Vacation time is earned on January 1 of each year, or at the end of the probationary period for new employees. Vacation time is to be used within the calendar year that it is earned. The District shall compensate any employee who has failed to use, or schedule for use, the vacation time by December 31 in the first pay period in December. No employee may accumulate vacation pay beyond the year in which it is earned. The amount of unused vacation time eligible for payment in December is limited to a maximum of 40 hours.

Personal leave time is earned at the rate of one day for each month worked. A maximum of ten (10) days can be earned during any single calendar year. Unused personal leave at the end of each calendar year shall be accrued to a maximum of thirty (30) days. Unused personal leave in excess of thirty (30) days is payable at the option of the employee based upon 50% of the employee's current regular straight time hourly rate multiplied by eight (8) hours for each personal leave day in excess of thirty (30) that has been accrued as of the end of the calendar year. If an employee resigns without proper notice or is terminated for cause, the employee will not be paid for unused personal leave time. The General Fund is typically used to liquidate this liability.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations, including compensated absences, are reported as liabilities in the government-wide Statement of Net Position. Items such as premiums and gains or losses on debt certificate sales are capitalized and amortized over the life of the related debt.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Lakes Region Sanitary District

### Notes to the Basic Financial Statements For the Fiscal Year Ended April 30, 2014

---

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (d) Assets, Liabilities and Net Position or Equity (continued)

#### Fund Balance

Within the governmental fund types, the District's fund balances are reported in one of the following classifications:

**Nonspendable** – includes amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact. At April 30, 2014, the District has no nonspendable fund balance amounts.

**Restricted** – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. At April 30, 2014, the District has no restricted fund balance amounts.

**Committed** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District's highest level of decision-making authority rests with the District's Board. The District passes formal resolutions to commit their fund balances. At April 30, 2014, the District has no committed fund balance amounts.

**Assigned** – includes amounts that are constrained by the District's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the District's Board itself; or b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The District's Board has not delegated authority to any other body or official to assign amounts for a specific purpose within the General Fund. Within the other governmental fund type (capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

**Unassigned** – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

It is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. - committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

#### Eliminations and Reclassifications

In the process of aggregating data for the government-wide Statement of Activities, some amounts reported as interfund activity and interfund balances in the funds are eliminated or reclassified.

#### Use of Estimates

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

**Lakes Region Sanitary District**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (continued)**

***(e) New Accounting Pronouncements***

GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34 will improve financial reporting for a governmental financial reporting entity by addressing reporting entity issues that have arisen since the issuance of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This statement did not have any material effect on the District in the current year.

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

See Note 10 for the effects of the implementation of new standards issued, but not yet adopted.

## Lakes Region Sanitary District

### Notes to the Basic Financial Statements For the Fiscal Year Ended April 30, 2014

---

#### Note 2. Stewardship, Compliance and Accountability

##### **Budgets**

Budgets are prepared for all funds. Budgets are prepared by function and activity, and include information on the past year, current year estimates and requested appropriations for the next fiscal year. All appropriations lapse at fiscal year-end.

The proposed budget is presented to the District's Board of Trustees for review and approval. Public hearings are conducted to obtain taxpayer comments.

The budget may be amended by the District's Board of Trustees.

Expenditures may not legally exceed budgeted appropriations at fund level, as amended.

There were no funds for which expenditures exceeded budgeted appropriations for the fiscal year.

#### Note 3. Cash and Cash Equivalents

The District's investment policy is to establish cash management and investment guidelines for District Officials responsible for the stewardship of public funds. The District has established specific objectives to meet its guidelines.

The District deposits and invests all its monies in investments allowed by state statutes. The statutes authorize the District to make deposits in commercial banks and savings and loan institutions, and make investments in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements (under certain statutory restrictions), commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Funds.

As of April 30, 2014, the District's Cash and Cash Equivalents are comprised of cash, money markets and certificates of deposit.

##### Deposits: As of April 30, 2014

The carrying amount of the District's deposits totaled	\$ 5,061,734	
The related bank balances totaled		<u>\$ 5,046,603</u>
Cash on hand totaled	340	
Cash and Cash Equivalents - as reported in the financial statements	<u>\$ 5,062,074</u>	

##### Custodial credit risk - deposits

In the case of deposits, this is the risk, that in the event of a bank failure, the District's deposits may not be returned to the District.

As of April 30, 2014, all of the District's bank balance is covered by federal depository insurance or collateral held by the pledging financial institution's trust department, or its agent, in the District's name. There is no amount of bank balance covered by collateral held by a pledging financial institution, or its trust department, or its agent, but not in the District's name; or deposits which are uninsured or uncollateralized.

**Lakes Region Sanitary District**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014**

**Note 4. Property Taxes**

The District annually establishes a legal right to the property tax assessments upon the enactment of a tax levy ordinance by the District's Board of Trustees. These tax assessments are levied in December and attach as an enforceable lien on the previous January 1. Tax bills are prepared by the County and issued on or about May 1, and are payable in two installments which become delinquent on or about June 1 and September 1.

Property taxes are billed, collected and remitted periodically by the County Treasurer of Lake County, Illinois. A reduction for collection losses based on historical collection experience has been provided to reduce the taxes receivable to the estimated amount to be collected. That portion of the property taxes receivable which is not expected to be collected within sixty (60) days after year end is not considered to pay current liabilities and is, therefore, shown as unearned revenue in the governmental funds.

**Note 5. Capital Assets**

A summary of changes in the capital assets for governmental activities of the District for the year ended April 30, 2014 is as follows:

	Balance at May 1, 2012	Additions	Deletions	Balance at April 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,875	\$ -	\$ -	\$ 162,875
Construction in progress - sewers	241,175	44,211	(248,522)	36,864
Total capital assets not being depreciated	404,050	44,211	(248,522)	199,739
Capital assets being depreciated:				
Sewer system	31,662,450	2,055,709	-	33,718,159
Lift stations	7,038,628	231,057	-	7,269,685
Building and improvements	1,918,028	-	-	1,918,028
Office furniture and equipment	21,197	7,231	(14,272)	14,156
Computer hardware	-	10,234	-	10,234
Maintenance equipment	117,094	-	-	117,094
Vehicles	56,465	-	(19,882)	36,583
Total capital assets being depreciated	40,813,862	2,304,231	(34,154)	43,083,939
Less accumulated depreciation for:				
Sewer system	8,545,236	817,258	-	9,362,494
Lift stations	2,064,734	342,625	-	2,407,359
Building and improvements	479,506	63,934	-	543,440
Office furniture and equipment	17,734	1,506	(14,272)	4,968
Computer hardware	-	1,023	-	1,023
Maintenance equipment	87,379	10,464	-	97,843
Vehicles	53,231	2,156	(19,882)	35,505
Total accumulated depreciation	11,247,820	1,238,966	(34,154)	12,452,632
Total capital assets being depreciated, net	29,566,042	1,065,265	-	30,631,307
Governmental activities Capital assets, net	\$ 29,970,092	\$ 1,109,476	\$ (248,522)	\$ 30,831,046

All depreciation was charged to General Government.

**Lakes Region Sanitary District**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014**

**Note 6. Debt Obligations**

The following is a summary of debt obligation activity for the District associated with governmental activities for the year ended April 30, 2014:

	Outstanding Debt as of May 1, 2013	Additions	Reductions	Outstanding Debt as of April 30, 2014	Due within one year
IEPA Loan L17-1123	\$ 615,439	\$ -	\$ 88,028	\$ 527,411	\$ 90,353
IEPA Loan L17-2123	3,781,435	-	219,342	3,562,093	224,859
Series 2006 General Obligation Debt Certificates	4,970,000	-	480,000	4,490,000	485,000
Series 2010 General Obligation Debt Certificates	4,105,000	-	80,000	4,025,000	80,000
Compensated Absences	36,144	53,973	54,483	35,634	35,634
	<u>\$ 13,508,018</u>	<u>\$ 53,973</u>	<u>\$ 921,853</u>	<u>\$ 12,640,138</u>	<u>\$ 915,846</u>

Outstanding debt as of April 30, 2014 consists of the following:

IEPA Loan L17-1123:

IEPA loan due in semi-annual installments of \$51,804, including interest of 2.625%, through June 30, 2019. \$ 527,411

IEPA Loan L17-2123:

IEPA loan due in semi-annual installments of \$156,258, including interest of 2.500%, through June 30, 2027. 3,562,093

Series 2006 General Obligation Debt Certificates:

General Obligation Debt Certificates, due on December 1, 2025. Interest of 4.200% to 7.000%, payable semi-annually on June 1 and December 1. 4,490,000

Series 2010 General Obligation Debt Certificates:

General Obligation Debt Certificates, due on December 1, 2029. Interest of 2.000% to 4.500%, payable semi-annually on June 1 and December 1. 4,025,000

Compensated Absences

35,634

**Total Debt Obligations**

\$ 12,640,138

Lakes Region Sanitary District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014

---

Note 6. Debt Obligations (continued)

The annual debt service requirements to maturity are as follows:

Fiscal Years Ending April 30:	Governmental		
	Principal	Interest	Total
2015	\$ 880,212	\$ 462,602	\$ 1,342,814
2016	878,256	432,146	1,310,402
2017	901,506	400,322	1,301,828
2018	844,966	355,362	1,200,328
2019	993,642	326,496	1,320,138
2020-2024	4,779,821	1,125,456	5,905,277
2025-2029	3,051,101	337,833	3,388,934
2030	275,000	12,375	287,375
Total	<u>\$ 12,604,504</u>	<u>\$ 3,452,592</u>	<u>\$ 16,057,096</u>

The District's legal debt limitation as of April 30, 2014 was determined as follows:

Assessed Valuation at December 31, 2013	<u>\$ 457,315,495</u>
Legal Debt Limit - 5.75% of Assessed Valuation	<u>\$ 26,295,641</u>
Amount of debt applicable to the Legal Debt Limit:	
IEPA Loan L17-1123	527,411
IEPA Loan L17-2123	3,562,093
Series 2006 General Obligation Debt Certificates	4,490,000
Series 2010 General Obligation Debt Certificates	4,025,000
	<u>12,604,504</u>
Legal Debt Margin	<u>\$ 13,691,137</u>

Lakes Region Sanitary District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014

---

**Note 7. Employee Retirement Plan - Illinois Municipal Retirement Fund**

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

**b) Funding Policy.**

As set by statute, the District's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer required contribution rate for calendar year 2013 was 12.79 percent of annual covered payroll. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**c) Annual Pension Cost.**

For calendar year 2013, the District's annual pension cost of \$61,235 for the Regular plan was equal to the required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2013	\$ 61,235	100.0%	\$ -
12/31/2012	58,219	100.0%	-
12/31/2011	56,889	100.0%	-

The required contribution for calendar year 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the District's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30 year basis.

**Lakes Region Sanitary District**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014**

---

**Note 7. Employee Retirement Plan - Illinois Municipal Retirement Fund (continued)**

***d) Funded Status and Funding Progress.***

As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 64.36 percent funded. The actuarial accrued liability for benefits was \$947,692 and the actuarial value of assets was \$609,923, resulting in an underfunded actuarial accrued liability (UAAL) of \$337,769. The covered payroll (annual payroll of active employees covered by the plan) was \$478,772 and the ratio of the UAAL to the covered payroll was 70.55 percent.

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

**Note 8. Transfers**

Interfund transfers were used to:

- Record payments from the General Fund for expenditures incurred by other funds.
- Transfer the annual funding amount for the Repair and Replacement Fund.

<u>Fund</u>	Transfers In	Transfers Out
Major Governmental:		
General Fund	\$ -	\$ 121,858
Repair and Replacement Fund	121,858	-
Nonmajor Governmental Fund	-	-
<b>Total</b>	<u>\$ 121,858</u>	<u>\$ 121,858</u>

**Note 9. Risk Management**

The District is exposed to various risks of loss related to workers' compensation and torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims resulting from those risks have not exceeded commercial insurance coverage in any of the past three years. The District has not had significant reductions in insurance coverage during the year.

Notes to the Basic Financial Statements  
For the Fiscal Year Ended April 30, 2014

---

**Note 10. Pronouncements Issued But Not Yet Adopted**

GASB Statement No. 67, *Financial Reporting for Pension Plans*, builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the District beginning with its year ended April 30, 2015.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This statement will be effective for the District beginning with its year ended April 30, 2016.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions and should be applied on a prospective basis. This statement will be effective for the District beginning with its year ended April 30, 2016.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. This statement will be effective for the District beginning with its year ended April 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, will eliminate the source of a potential significant understatement of restated beginning net position and expenses in the first year of implementation of GASB Statement No. 68 in the accrual basis of financial statements of employers and non-employer contributing entities. This statement will be effective for the District beginning with its year ended April 30, 2016.

Management does not believe these statements will have a significant effect, if any, on its financial statements.

**Required Supplementary Information**

**Lakes Region Sanitary District**

**Schedule of Funding Progress  
Illinois Municipal Retirement Fund**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 609,923	\$ 947,692	\$ 337,769	64.36%	\$ 478,772	70.55%
12/31/2012	480,969	832,134	351,165	57.80%	453,419	77.45%
12/31/2011	403,083	754,667	351,584	53.41%	446,536	78.74%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$717,439. On a market basis, the funded ratio would be 75.70%.

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

**Lakes Region Sanitary District**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
General Fund  
For the Fiscal Year Ended April 30, 2014**

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues:</b>			
Property Taxes	\$ 1,230,000	\$ 1,192,401	\$ (37,599)
Personal Property Replacement Tax	37,400	45,083	7,683
Sewer Connection Fees	534,500	764,675	230,175
User Fees	990,600	1,095,582	104,982
Penalty Fees	-	54,052	54,052
Sewer Permit Inspection Fees	6,700	6,450	(250)
Interest	4,000	4,415	415
<b>Total Revenues</b>	<u>2,803,200</u>	<u>3,162,658</u>	<u>359,458</u>
<b>Expenditures:</b>			
Current:			
General Government	1,355,300	1,200,871	154,429
Debt Service:			
Principal	867,500	867,369	131
Interest	492,600	492,446	154
Capital Outlay	111,000	44,213	66,787
<b>Total Expenditures</b>	<u>2,826,400</u>	<u>2,604,899</u>	<u>221,501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,200)</u>	<u>557,759</u>	<u>580,959</u>
<b>Other Financing Sources (Uses):</b>			
Transfers Out:	(130,000)	(121,858)	8,142
Proceeds from the Disposal of Asset	-	7,336	7,336
IEPA Loan	92,000	-	(92,000)
<b>Total Other Financing Uses</b>	<u>(38,000)</u>	<u>(114,522)</u>	<u>(76,522)</u>
<b>Net Change In Fund Balances</b>	<u>\$ (61,200)</u>	<u>443,237</u>	<u>\$ 504,437</u>
<b>Fund Balances:</b>			
May 1, 2013		<u>1,646,144</u>	
April 30, 2014		<u>\$ 2,089,381</u>	

**Note to Required Supplementary Information  
For the Fiscal Year Ended April 30, 2014**

**Note 1. Budgetary Basis of Accounting**

The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.