

**LITTLE SWAN LAKE
SANITARY DISTRICT**

AVON, IL

ANNUAL FINANCIAL REPORT

MAY 31, 2019

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Independent Auditor's Report

Board of Trustees
Little Swan Lake Sanitary District
Avon, Illinois

I have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Little Swan Lake Sanitary District, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Sanitary District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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Member of
American Institute of Certified Public Accountants
Illinois Society of Certified Public Accountants

**LITTLE SWAN LAKE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
MAY 31, 2019**

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedule represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes.

Reporting the Sanitary District as a Whole

The Sanitary District's Reporting Entity Presentation

This annual report includes all activities for which the Little Swan Lake Sanitary District Board is fiscally responsible.

The Government-Wide Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Sanitary District's finances is, "Is the Sanitary District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Sanitary District as a whole and about its activities in a way that helps answer this question. These statements include all of the Sanitary District's assets and liabilities.

These two statements report the Sanitary District's net position and changes in them. You can think of the Sanitary District's net position—the difference between assets and liabilities—as one way to measure the Sanitary District's financial health or financial position. Over time, increases or decreases in the Sanitary District's net position are one indicator of whether its financial health is improving or deteriorating.

Business-type activities. All of the Sanitary District's activity is reported here.

Reporting the Sanitary District's Most Significant Funds

The Fund Financial Statements

My analysis of the Sanitary District's major funds are presented later. The fund financial statements provide detailed information about the most significant fund—not the Sanitary District as a whole. Some funds are required to be established by State law and by bond covenants. However, the Sanitary District establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. The Sanitary District has one kind of fund—proprietary.

**LITTLE SWAN LAKE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
MAY 31, 2019**

Proprietary funds—When the Sanitary District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Sanitary District's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Sanitary District has five enterprise funds—they are Water Well Fund, , Water Operation & Maintenance Fund, Waterworks Fund, Water Assessment Fund, and Water Reserve Fund.

A FINANCIAL ANALYSIS OF THE SANITARY DISTRICT AS A WHOLE

Net Position—Accrual Basis

The Sanitary District's combined net position, resulting from transactions, increased from approximately \$818,500 to \$846,500 between fiscal years 2018 and 2019.

	Business-Type Activities		% Change 2018-2019
	<u>2018</u>	<u>2019</u>	
Cash	\$ 84,515	\$ 80,052	(5.3) %
Investments	82,159	83,000	1.0 %
Receivables	--	--	0.0 %
Capital Assets	<u>985,106</u>	<u>959,874</u>	(2.6)%
Total assets	1,151,780	1,122,926	(2.5)%
Accounts Payable	--	--	0.0 %
Bonds Payable	<u>333,101</u>	<u>276,556</u>	(17.0)%
Total liabilities	333,101	276,556	(17.0)%
Net position			
Invested in			
Capital Assets	652,005	683,318	4.8 %
Unrestricted	<u>166,674</u>	<u>163,052</u>	(2.2)%
Total net position	<u>\$ 818,679</u>	<u>\$ 846,370</u>	3.4 %

Changes from 2018 to 2019 reflect a favorable increase of 3.4 percent in total activities.

**LITTLE SWAN LAKE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
MAY 31, 2019**

Changes in Net Position—Accrual Basis

For the year ended May 31, 2019, net position of the primary government changed as follows:

	Business-Type Activities		% Change 2018-2019
	<u>2018</u>	<u>2019</u>	
Revenue			
Property Taxes	\$ 22,158	\$ 23,190	4.7 %
Charges for Services	127,942	134,760	5.3 %
Interest	<u>1,512</u>	<u>1,632</u>	7.9 %
Total revenue	151,612	159,582	5.3 %
Expenses			
Public Works	<u>106,339</u>	<u>131,891</u>	24.0 %
Total expenses	106,339	131,891	24.0 %
Inc (dec) in Net position	<u>\$ 45,273</u>	<u>\$ 27,691</u>	(38.8)%
Total net position	<u>\$ 818,679</u>	<u>\$ 846,370</u>	

**LITTLE SWAN LAKE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
MAY 31, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2019, the Sanitary District had \$959,874 in capital assets, net of depreciation. This represents a net decrease of just over \$25,232, or 2.6 percent, over last year.

Primary Government Capital Assets – Business-Type Activities

(Net of accumulated depreciation)

Water Construction	\$ 922,520
Engineering Fees	<u>37,354</u>
TOTALS	<u>\$ 959,874</u>

Long-Term Debt—Accrual Basis

At May 31, 2019, the Sanitary District had \$276,556 in long-term debt compared to \$333,101 at May 31, 2018. This represents a decrease of 17.0 percent.

	<u>2018</u>	<u>2019</u>
Bonds Payable	<u>\$ 333,101</u>	<u>\$ 276,556</u>
Total	<u>\$ 333,101</u>	<u>\$ 276,556</u>

CONTACTING THE SANITARY DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Sanitary District's finances and to demonstrate the Sanitary District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patrick McKinley, Secretary/Treasurer, at P.O. Box 298, Avon, IL 61415, or telephone at (309) 696-4624.

**LITTLE SWAN LAKE SANITARY DISTRICT
STATEMENT OF NET POSITION
MAY 31, 2019**

	Business-type Activities
ASSETS	
Cash	\$ 80,052
Investments	83,000
Receivables	-
Total Current Assets	163,052
Capital Assets (Note 3.B.)	959,874
Total Assets	\$ 1,122,926
 LIABILITIES	
Current Liabilities: (Note 3.C.)	
Accounts Payable	\$ -
Current Portion of Long-Term Obligations	59,390
Total Current Liabilities	59,390
Noncurrent Liabilities (Note 3.C.)	
Noncurrent Portion of Long-Term Obligations	217,166
Total Liabilities	276,556
 NET POSITION	
Net Investment in Capital Assets, Net of Related Debt	683,318
Unrestricted	163,052
Total Net Position	846,370
 Total Liabilities and Net Position	 \$ 1,122,926

The accompanying notes to the basic financial statements are an integral part of this statement.

**LITTLE SWAN LAKE SANITARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

	Cash	Program Cash Receipts		Net
	Disbursements	Charges for	Grants &	(Disbursements)
		Services	Contributions	Receipts and
				Net Position
Business-type Activities:				
Public Works	\$ (131,891)	\$ 134,760	\$ -	\$ 2,869
Net Program (Disburse.) Revenues	<u>\$ (131,891)</u>	<u>\$ 134,760</u>	<u>\$ -</u>	<u>\$ 2,869</u>
General Revenues:				
Property Taxes				23,190
Interest on Investments				1,632
Total General Revenues				<u>24,822</u>
Change in Net Position				27,691
Net Position - Beginning of Year				<u>818,679</u>
Net Position - End of Year				<u>\$ 846,370</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**LITTLE SWAN LAKE SANITARY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF MAY 31, 2019**

	Water Well Fund	Water Operation & Maintenance Fund	Waterworks Fund	Water Assessment Fund	Water Reserve Fund	Total Proprietary Funds
ASSETS						
Current Assets:						
Cash	\$ 3,408	\$ 1,304	\$ 68,999	\$ 6,341	\$ -	\$ 80,052
Investments	-	-	52,562	-	30,438	83,000
Receivables	-	-	-	-	-	-
Total current assets	<u>3,408</u>	<u>1,304</u>	<u>121,561</u>	<u>6,341</u>	<u>30,438</u>	<u>163,052</u>
Capital Assets, net of accumulated depreciation	-	-	-	959,874	-	959,874
Total Assets	<u>\$ 3,408</u>	<u>\$ 1,304</u>	<u>\$ 121,561</u>	<u>\$ 966,215</u>	<u>\$ 30,438</u>	<u>\$ 1,122,926</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	-
Bonds/Loans Payable	-	-	-	59,390	-	59,390
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,390</u>	<u>-</u>	<u>59,390</u>
Noncurrent Liabilities:						
Bonds/Loans Payable	-	-	-	217,166	-	217,166
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,166</u>	<u>-</u>	<u>217,166</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,556</u>	<u>-</u>	<u>276,556</u>
NET POSITION						
Net Invest. in Capital Assets, Net of Related Debt	-	-	-	683,318	-	683,318
Unrestricted	3,408	1,304	121,561	6,341	30,438	163,052
Total Net Position	<u>3,408</u>	<u>1,304</u>	<u>121,561</u>	<u>689,659</u>	<u>30,438</u>	<u>846,370</u>
Total Liabilities and Net Position	<u>\$ 3,408</u>	<u>\$ 1,304</u>	<u>\$ 121,561</u>	<u>\$ 966,215</u>	<u>\$ 30,438</u>	<u>\$ 1,122,926</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

LITTLE SWAN LAKE SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MAY 31, 2019

	Water Well Fund	Water Operations & Maintenance Fund	Waterworks Fund	Water Assessment Fund	Water Reserve Fund	Total Proprietary Funds
OPERATING REVENUES						
Property Taxes	\$ -	\$ -	\$ 23,190	\$ -	\$ -	\$ 23,190
Collections for Service	-	-	86,574	48,186	-	134,760
TOTAL OPERATING REVENUES	-	-	109,764	48,186	-	157,950
OPERATING EXPENSES						
Public Works	11,000	89,809	-	31,082	-	131,891
TOTAL OPERATING EXPENSES	11,000	89,809	-	31,082	-	131,891
OPERATING INCOME (LOSS)	(11,000)	(89,809)	109,764	17,104	-	26,059
NON-OPERATING REVENUES (EXPENSES)						
Interest on Investments	57	-	1,039	180	356	1,632
Total Non-Operating Revenue (Expenses)	57	-	1,039	180	356	1,632
INCOME (LOSS) BEFORE TRANSFERS	(10,943)	(89,809)	110,803	17,284	356	27,691
Transfer In	27,000	107,849	17,446	16,545	-	168,840
Transfer Out	(16,545)	(17,446)	(134,849)	-	-	(168,840)
CHANGE IN NET POSITION	(488)	594	(6,600)	33,829	356	27,691
NET POSITION - Beginning of Year	3,896	710	128,161	655,830	30,082	818,679
NET POSITION - End of Year	\$ 3,408	\$ 1,304	\$ 121,561	\$ 689,659	\$ 30,438	\$ 846,370

The accompanying notes to the basic financial statements are an integral part of this statement.

**LITTLE SWAN LAKE SANITARY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 157,950
Payments to suppliers	(65,009)
Payments to employees	(24,800)
Net Cash Provided by Operating Activities	<u>68,141</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	168,840
Transfers from other funds	(168,840)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	-
Loan proceeds	-
Bonds/Loans principal paid	(56,545)
Bonds/Loans interest paid	(16,850)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(73,395)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,632
Net Cash Provided by Investing Activities	<u>1,632</u>
Net Increase in Cash and Cash Equivalents	(3,622)
Balance - beginning of the year	<u>166,674</u>
Balance - end of the year	<u>\$ 163,052</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 26,059
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	25,232
Interest expense	16,850
Change in assets and liabilities:	
Accounts receivable	-
Accrued Liabilities	-
Net cash provided by operating activities	<u>\$ 68,141</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on the basis of accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1.A. FINANCIAL REPORTING ENTITY

The Sanitary District's financial reporting entity is composed of only the enterprise fund. No outside agencies are included. In determining the financial reporting entity, the Sanitary District complies with the provisions of GASB Statement No. 14, (as amended by GASB Statement No. 39), *The Financial Reporting Entity* which establishes standards for defining and reporting on the financial reporting entity consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Sanitary District presently has no governmental or fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Sanitary District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

The funds of the financial reporting entity are described below:

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, business-like activities are presented using the economic resources measurement focus, as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, business-like activities are presented using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Sanitary District's accounting treatment over property, plant, and equipment (capital assets) is detailed below.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,500 and an estimated useful life in excess of two years, is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

<u>Type of Asset</u>	<u>Life in Years</u>
Water and Sewer Plants	50
Buildings and Improvements	50
Equipment and Fixtures	10

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term debt to be repaid from business-like resources is reported as liabilities in the government-wide statements.

The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the Sanitary District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the business-type activities columns of the Statement of Net Position.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America used by the Sanitary District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Sanitary District is subject to various federal, state, and local laws and contractual regulations. There were no instances of noncompliance considered material to the financial statements.

**LITTLE SWAN LAKE SANITARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
 MAY 31, 2019**

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At May 31, 2019, all of the Sanitary District's deposits were collateralized.

2.B. BUDGETARY NONCOMPLIANCE

For the year ended May 31, 2019, the budget was not amended. Expenditures exceeded appropriations at the legal level of control in individual funds as follows:

Fund	Object Category	Expenditures Exceeding Appropriations
Water Well Fund	Loan Interest	\$ 1,800
Water O & M Fund	Water Dept. Assistant	200
Water O & M Fund	Utilities	158
Water O & M Fund	Office Expenses/Supplies	219
Water O & M Fund	Supplies Water Dept.	3,539
Water O & M Fund	Repairs and Maintenance	3,733
Water O & M Fund	Miscellaneous	15
Water Assessment Fund	Depreciation	25,232

**LITTLE SWAN LAKE SANITARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
 MAY 31, 2019**

NOTE 3. DETAIL NOTES—TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits (Cash)

The Sanitary District is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act of Illinois.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Sanitary District deposits may not be returned or the Sanitary District will not be able to recover collateral securities in the possession of an outside party. The Sanitary District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposit. Collateral agreements must be approved prior to deposit of funds. The Sanitary District Board designates a list of authorized depository institutions.

Deposits of the Sanitary District's reporting entity are insured or collateralized with securities held by the Sanitary District, its agent, or by the pledging financial institution's trust department or agent in the name of the Sanitary District.

As of May 31, 2019, \$80,052 was covered by federal depository insurance or collateralized with securities held by an independent financial institution.

Investments

As of May 31, 2019, the Sanitary District had the following Investments:

Type of Investment	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Rating (1)	Weighted Average Years to Maturity (2)
Certificates of Deposit	\$ 83,000	\$ 83,000	N/A	1.11

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using either duration or weighted average years to maturity depending on the respective policy. Amounts are shown in years except as otherwise noted.

Sanitary District Policy

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Sanitary District's investing activities are managed by the Sanitary District Treasurer. Investing is performed in accordance with investments policies adopted by the Sanitary District Board complying with State Statutes and the Sanitary District Charter. Sanitary District funds may be invested in obligations of the U.S. Treasury.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Sanitary District policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Sanitary District's investments in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Sanitary District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Sanitary District policy provides that investment collateral is held by a third party custodian with whom the Sanitary District has a current custodial agreement in the Sanitary District's name, or be held in the name of both parties by the Federal Reserve Bank servicing Illinois.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

3.B. CAPITAL ASSETS

Depreciation has been computed over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Buildings:

Permanent	50 years
Temporary	20 years
Infrastructure Improvements other than Building	20 years
Capitalized Equipment	10 years

Capital asset changes during the year ended May 31, 2019 were as follows:

	<u>At Cost</u>			
	<u>Balance at 06/01/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 05/31/19</u>
Capital assets:				
Water Construction	\$1,212,644	\$ --	\$ --	\$1,212,644
Engineering Fees	49,057	--	--	49,057
Total - Cost	<u>1,261,701</u>	<u>--</u>	<u>--</u>	<u>1,261,701</u>
Less Accum. Dep.	<u>276,595</u>	<u>25,232</u>	<u>--</u>	<u>301,827</u>
Capital Assets, net	<u>\$ 985,106</u>	<u>\$(25,232)</u>	<u>\$ --</u>	<u>\$ 959,874</u>

**LITTLE SWAN LAKE SANITARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
 MAY 31, 2019**

3.C. LONG-TERM DEBT

BONDED INDEBTEDNESS

The Sanitary District's future cash flow requirements for retirement of bond principal by fiscal year are as follows:

**\$600,000 Special Assessment Bond
 Interest 4.50%
 Dated January 15, 2002**

<u>Jan 15</u>	<u>Principal Payment</u>	<u>Jan 15</u>	<u>Principal Payment</u>	<u>Jan 15</u>	<u>Principal Payment</u>
2020	\$40,000				
2021	50,000				
		Total	\$ 90,000		

The reserve account is fully funded at \$30,000. No depreciation account is required at this time.

**\$210,000 Water Well Project
 Interest 5.25%
 Dated December 6, 2017**

	<u>Interest</u>	<u>Principal</u>
May 31, 2020	\$ 7,115	\$ 19,390
May 31, 2021	7,686	18,819
May 31, 2022	6,760	19,745
May 31, 2023	5,787	20,718
May 31, 2024	4,766	21,739
May 31, 2025	3,696	22,809
May 31, 2026	2,572	23,933
May 31, 2027	1,393	25,112
May 31, 2028	248	14,291
Total Outstanding	<u>\$40,023</u>	<u>\$186,556</u>

	<u>Balance at 06/01/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 05/31/19</u>
Bonds Payable	<u>\$ 333,101</u>	<u>\$ --</u>	<u>\$ 56,545</u>	<u>\$ 276,556</u>

**LITTLE SWAN LAKE SANITARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
 MAY 31, 2019**

3.D. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds authorized by the board of trustees of the primary government for the year ended May 31, 2019, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
ENTERPRISE FUNDS:		
Water Well Fund:		
Waterworks Fund	\$ 27,000	\$ --
Water Assessment Fund	<u> --</u>	<u>16,545</u>
Total Water Well Fund	<u>27,000</u>	<u>16,545</u>
Water O & M Fund:		
Waterworks Fund	<u>107,849</u>	<u>17,446</u>
Total Water O & M Fund	<u>107,849</u>	<u>17,446</u>
Waterworks Fund:		
Water Well Fund	--	27,000
Water O & M Fund	<u>17,446</u>	<u>107,849</u>
Total Waterworks Fund	<u>17,446</u>	<u>134,849</u>
Water Assessment Fund:		
Water Well Fund	<u>16,545</u>	<u> --</u>
Total Water Assessment Fund	<u>16,545</u>	<u> --</u>
Total Enterprise Funds	<u>168,840</u>	<u>168,840</u>
GRAND TOTALS	<u>\$168,840</u>	<u>\$168,840</u>

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONT'D)
MAY 31, 2019**

3.E. PROPERTY TAXES

A summary of tax levies, rates and extensions and assessed valuation for this year is as follows:

	Tax Year 2017
Assessed Valuation	\$9,287,182
Fund Rates	
Corporate	<u>.25087</u>
	<u>.25087</u>
Fund Levies	
Corporate	<u>\$ 23,301</u>
Fund Extensions	
Corporate	<u>\$ 23,218</u>

3.F. PROPERTY TAX CALENDAR

Warren County Supervisors of Assessments prepares the property tax assessments rolls with the property tax liens as of January 1 of each year. Levies are set prior to the lien by the second Tuesday of September.

The collection date for property tax receipts are thirty days after the property tax bills are mailed to property owners for the first installment, generally June 1 of each year. The second installment, each being one-half of the total tax levy is due September 1 of each year.

Property taxes collected are distributed to the Sanitary District thirty days after receipts by the County, generally July 31, August 31 and September 30. Any unpaid property tax levies are sold at a tax sale the last week of October and final distribution is made by the end of November of each year.

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

General and Professional Liability, Property, Errors and Omissions:

The Sanitary District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Sanitary District purchases commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**LITTLE SWAN LAKE SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE
WATER WELL, WATER OPERATION & MAINTENANCE, WATERWORKS, AND ASSESSMENT FUNDS
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Appropriations</u>	<u>Actual Amounts</u>	<u>Variance with Positive (Negative)</u>
WATER WELL FUND			
Loan Principal	\$ 18,000	\$ 16,545	\$ 1,455
Loan Interest	9,200	11,000	(1,800)
Total Charges to Appropriations	\$ 27,200	\$ 27,545	\$ (345)
WATER O & M FUND			
Salary of Water Superintendent	\$ 9,600	\$ 9,600	-
Salary of Directors	10,800	10,800	-
Miscellaneous Independent Contractors	600	600	-
Water Department Assistant	3,600	3,800	(200)
Bookkeeping Services	4,200	4,200	-
Postage	1,200	782	418
Legal and Professional	5,000	3,330	1,670
Utilities	7,500	7,658	(158)
Public Notices	400	174	226
Annual Code Red Fee	1,200	1,000	200
Office Expenses / Supplies	500	719	(219)
Supplies Water Department	3,700	7,239	(3,539)
Repairs and Maintenance	32,000	35,733	(3,733)
Insurance	4,200	4,059	141
Miscellaneous	100	115	(15)
Total Charges to Appropriations	\$ 84,600	\$ 89,809	\$ (5,209)
WATERWORKS FUND			
Interest	\$ -	\$ -	\$ -
Office Expense	-	-	-
Bank Charges	-	-	-
Total Charges to Appropriations	\$ -	\$ -	\$ -
WATER ASSESSMENT FUND			
Bond Principal	\$ 40,000	\$ 40,000	-
Bond Interest	5,650	5,850	(200)
Depreciation	-	25,232	(25,232)
Total Charges to Appropriations	\$ 45,650	\$ 71,082	\$ (25,432)

The accompanying notes to the required supplementary schedule are an integral part of this schedule.

**LITTLE SWAN LAKE SANITARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
MAY 31, 2019**

Budget and Appropriations

The Sanitary District adopts an annual budget and appropriations ordinance in accordance with Chapter 139 of the Illinois Revised Statutes. The budget covers the fiscal year ending May 31, 2019 and is available for public inspection at least thirty days prior to final adoption. All appropriations cease with the close of the fiscal year. The budget document is prepared for all budgetary funds.

Once the Sanitary District budget has been adopted, no further appropriations shall be made during the year.

Basis of Accounting

The budget is prepared on the accrual basis of accounting as applied to the business-like funds in the basic financial statements.