



LAKE COUNTY PUBLIC WATER DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022

LAKE COUNTY PUBLIC WATER DISTRICT

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To the Board of Trustees
Lake County Public Water District
Zion, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Lake County Public Water District as of and for the year ended April 30, 2023, and 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Lake County Public Water District, as of April 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake County Public Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to the financial statements, the District implemented GASB Statement No. 87, *Leases*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake County Public Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake County Public Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises statistical sections and graphs but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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McHenry, Illinois
June xx, 2023

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

The General Manager and Board of Trustees offer the readers of the Lake County Public Water District's (District) financial statements this narrative discussion and analysis of its financial activities for the fiscal year ended April 30, 2023. Please consider the information presented here in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the District are summarized as follows:

- The results of operations for the year resulted in an operating income of \$747,231. After considering interest and other income and expense, the net result for the year was \$747,898 of net income.
- The 2023 demand for water decreased 5.97% from 2022 levels to 887,089,000 gallons. The District had delivered 943,459,000 gallons in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Because it is a special-purpose entity providing treated water to three customers who are also governmental entities, the District maintains a single proprietary fund to account for its operations. Accordingly, the financial statements are similar to the financial statements of a business enterprise. As such, the basic financial statements include two components:

1. Financial statements consisting of Statements of Net Position, Statements of Revenues, Expenditures, and Changes in Net Position, and Statements of Cash Flows.
2. Notes to Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements. Such information consists of a summary of activity in restricted net position and water treatment and pumping statistics.

Financial Statements

The 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 and liabilities, with the difference between the two totals reported as Net Position. Over time, increases and decreases in net position may serve as a useful indicator of the District's financial position.

The Statement of Revenues, Expenditures, and Changes in Net Position is focused on the net results of the District's water treatment and distribution operations where the fees for service are intended to cover the costs of operations including depreciation, suitable reserves for working capital requirements, and satisfaction of covenants with the District's bond holders and other financing sources.

These financial statements and the Statement of Cash Flows can be found on the pages listed in the table of contents.

Infrastructure Assets

By its nature as a proprietary activity, the District has historically included infrastructure assets (roads, bridges, underground lines, and the like) in the Property, Plant, and Equipment accounts. Further, it has consistently computed depreciation on these assets.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the District's financial statements. The Notes to Financial Statements can be found on the pages listed in the table of contents.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Supplementary Information. Such information can be found on the pages listed in the table of contents.

The District has chosen to present a number of statistical tables and graphs which can be found on the pages listed in the table of contents.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's net position increased during the year which ended April 30, 2023 by \$747,898 from the 2022 balance of \$8,030,444 to the 2023 balance of \$8,778,342.

Lake County Public Water District's Statement of Net Position
(In Thousands)

| | 4/30/23 | 4/30/22 |
|---------------------------------|------------------|------------------|
| Current and Other Assets | \$ 4,165 | \$ 4,207 |
| Capital Assets | 7,289 | 7,595 |
| Deferred Outflow s of Resources | 54 | 67 |
| Total Assets | \$ 11,508 | \$ 11,869 |
| Long-Term Liabilities | \$ 1,283 | \$ 2,161 |
| Other Liabilities | 1,057 | 1,213 |
| Deferred Inflow s of Resources | 390 | 465 |
| Total Liabilities | \$ 2,730 | \$ 3,839 |
| Net Position | | |
| Invested in Capital Assets | | |
| Net of Related Debt | \$ 5,259 | \$ 4,707 |
| Restricted | 2,803 | 2,634 |
| Unrestricted | 716 | 689 |
| Total Net Position | \$ 8,778 | \$ 8,030 |

The District's improved net position for 2023 is the result of a \$747,898 net income. The \$747,898 total for 2023 compares favorably with the 2022 change of \$606,687.

Total revenue for 2023 of \$2,572,550 is \$35,012 less than the \$2,607,562 reported in 2022.

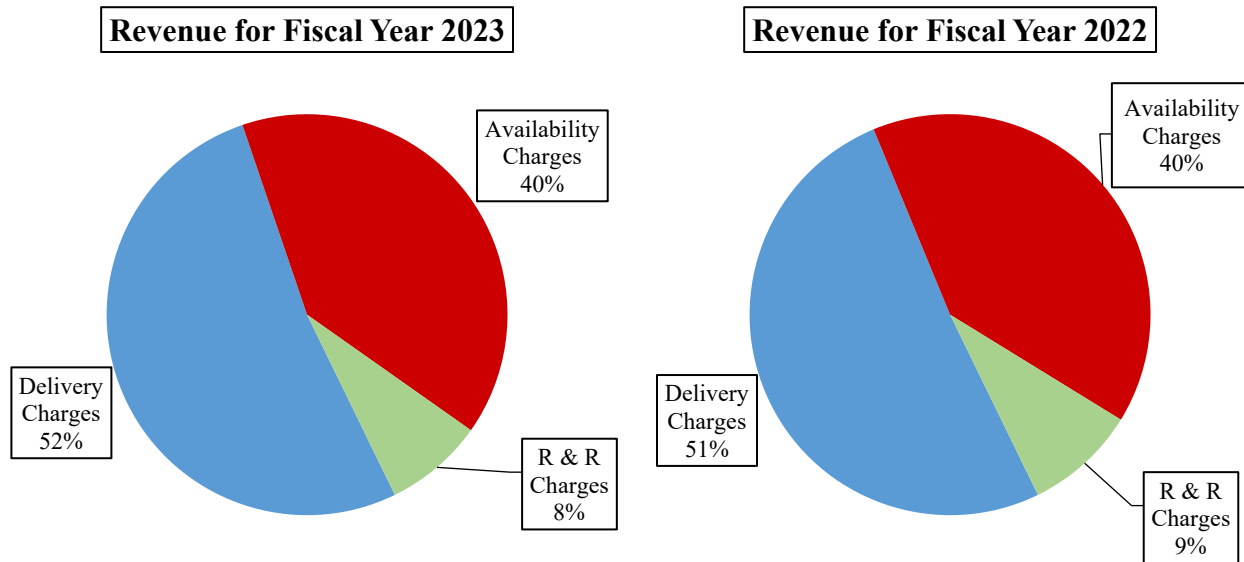
Lake County Public Water District's Changes in Net Position
(In Thousands)

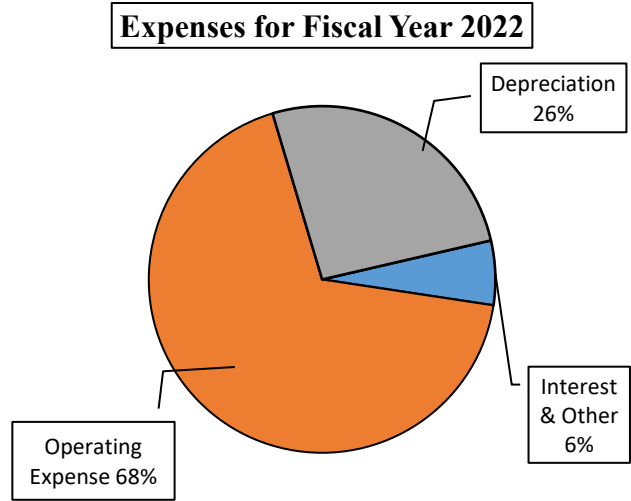
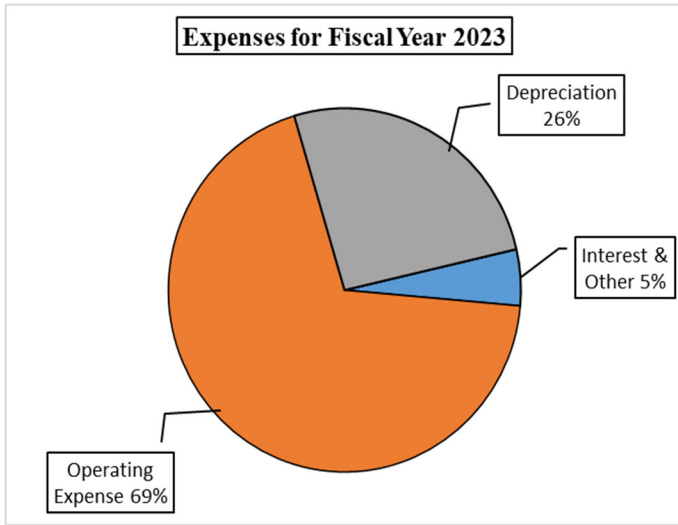
| | 4/30/23 | 4/30/22 |
|--|-----------------|-----------------|
| REVENUES | | |
| Delivery Charges | \$ 1,340 | \$ 1,340 |
| Renewal and Replacement Charges | 195 | 230 |
| Availability and Other Charges | 1,038 | 1,038 |
| Total Revenues | \$ 2,573 | \$ 2,608 |
| EXPENSES | | |
| Operating Expenses Other Than Depreciation | \$ 1,320 | \$ 1,354 |
| Depreciation | 506 | 530 |
| Total Expenses | \$ 1,826 | \$ 1,884 |
| Operating Income/(Loss) | \$ 747 | \$ 724 |
| NON-OPERATING INCOME/(EXPENSES) | | |
| Interest and Other Income | \$ 101 | \$ 3 |
| Interest Expense, Amortization, and Issuance | (100) | (120) |
| Total Non-Operating Income/(Expenses) | \$ 1 | \$ (117) |
| Change in Net Position | \$ 748 | \$ 607 |
| Net Position - Beginning of Year | 8,030 | 7,423 |
| Net Position - End of Year | \$ 8,778 | \$ 8,030 |

Significant factors affecting the change in net position for 2023 were:

- Utilities such as electricity decreased by \$35,114 due to less usage throughout the year.
- Interest Income increased by \$97,962 because of the Federal Reserve raising interest rates.

The charts which follow provide a graphic presentation of the District's revenue and expenses for 2023 and 2022:





CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At April 30, 2023 and 2022, the District's capital assets included land, buildings, machinery, motor vehicles, computers, and furniture and fixtures. These assets net of depreciation were:

Lake County Public Water District's Capital Assets at Year End
(In Thousands)

| | 4/30/23 | 4/30/22 |
|--------------------------------------|-----------------|-----------------|
| Land | \$ 60 | \$ 60 |
| Water Plant Facilities and Equipment | 7,229 | 7,535 |
| Total | <u>\$ 7,289</u> | <u>\$ 7,595</u> |

For more detail on the District's capital assets and long-term debt, see Note 3 in the Notes to Financial Statements.

Long-term Debt. At April 30, 2023 and 2022, the total debt outstanding is \$2,030,000 and \$2,888,000 respectively. The bond consists of Water Revenue Bonds that are collateralized by Customer Charges.

Economic Factors

The District treats and delivers water to three customers: The City of Zion; the Village of Winthrop Harbor; and the State of Illinois. These services are rendered under agreements with the two municipalities and the State of Illinois. Demand for water is expected to remain steady.

Request for Information

This financial report is designed to provide a general overview of the District's financial position and activities for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the General Manager at 500 17th St., Zion, Illinois 60099.

BASIC FINANCIAL STATEMENTS

LAKE COUNTY PUBLIC WATER DISTRICT
STATEMENT OF NET POSITION
APRIL 30, 2023 AND 2022

| | 2023 | 2022 |
|--|---------------|---------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Operations and Maintenance | \$ 703,763 | \$ 960,379 |
| Receivables | | |
| Customers, Net of Allowance - \$13,867 for 2023 and 2022 | 639,185 | 590,254 |
| Prepaid Items | 19,263 | 21,881 |
| TOTAL CURRENT ASSETS | \$ 1,362,211 | \$ 1,572,514 |
| RESTRICTED ASSETS | | |
| Cash and Cash Equivalents Restricted For: | | |
| Operations and Maintenance | \$ 216,000 | \$ 216,000 |
| Bond and Interest Reserve | 825,000 | 825,000 |
| Repair and Replacement | 1,740,577 | 1,571,804 |
| Bond and Interest Sinking Fund | 21,426 | 21,201 |
| Total Restricted Cash and Cash Equivalents | \$ 2,803,003 | \$ 2,634,005 |
| TOTAL RESTRICTED ASSETS | \$ 2,803,003 | \$ 2,634,005 |
| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | \$ 7,288,895 | \$ 7,595,099 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Amounts on Refunding | \$ 53,604 | \$ 67,005 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 11,507,713 | \$ 11,868,623 |

The Notes to Financial Statements are an integral part of this statement.

LAKE COUNTY PUBLIC WATER DISTRICT
STATEMENT OF NET POSITION
APRIL 30, 2023 AND 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Current Maturities on Bonded Payable | \$ 880,000 | \$ 858,000 |
| Accounts Payable | 90,853 | 145,270 |
| Customer Refunds | 86,263 | 209,195 |
| TOTAL CURRENT LIABILITIES | \$ 1,057,116 | \$ 1,212,465 |
| NONCURRENT LIABILITIES | | |
| Compensated Absences | \$ 132,288 | \$ 130,499 |
| Bonds Payable | 1,150,000 | 2,030,000 |
| TOTAL NONCURRENT LIABILITIES | \$ 1,282,288 | \$ 2,160,499 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Revenue | \$ 389,967 | \$ 465,215 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | \$ 2,729,371 | \$ 3,838,179 |
| NET POSITION AS | | |
| Invested in Capital Assets | | |
| Net of Related Debt | \$ 5,258,895 | \$ 4,707,099 |
| Restricted | 2,803,003 | 2,634,005 |
| Unrestricted | 716,444 | 689,340 |
| TOTAL NET POSITION | \$ 8,778,342 | \$ 8,030,444 |

The Notes to Financial Statements are an integral part of this statement.

LAKE COUNTY PUBLIC WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30, 2023 AND 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Customer Delivery Charges | \$ 1,340,314 | \$ 1,340,321 |
| Customer Renewal and Replacement Charges | 194,596 | 229,570 |
| Customer Availability Charges | 943,309 | 943,337 |
| Debt Service Coverage Charges | 94,331 | 94,334 |
| TOTAL OPERATING REVENUES | \$ 2,572,550 | \$ 2,607,562 |
| OPERATING EXPENSES | | |
| Personnel | \$ 477,820 | \$ 453,798 |
| Trustees | 8,400 | 8,300 |
| Payroll Taxes | 36,913 | 34,049 |
| Electricity | 105,894 | 141,008 |
| Wastewater User Charge | 18,046 | 24,040 |
| Laboratory Fees | 3,192 | 4,427 |
| Chemicals | 77,500 | 73,160 |
| Operating Supplies | 40,102 | 38,347 |
| Repairs and Maintenance | 96,207 | 116,607 |
| Maintenance Contracts | 36,491 | 38,459 |
| Equipment Rentals | 1,953 | 2,353 |
| Telephone | 20,992 | 20,632 |
| Office Supplies | 8,787 | 17,810 |
| Insurance | 205,863 | 182,718 |
| Transportation | 2,697 | 2,775 |
| Meeting and Training | 9,694 | 8,873 |
| Dues and Subscriptions | 4,483 | 3,910 |
| Legal Fees | 34,644 | 41,975 |
| Accounting and Audit Fees | 27,980 | 26,689 |
| Engineering Fees | 50,588 | 28,895 |
| Pension Contribution | 43,151 | 73,209 |
| District Security | 8,232 | 2,818 |
| Miscellaneous | - | 9,574 |
| Total Operating Expenses Before Depreciation | \$ 1,319,629 | \$ 1,354,426 |
| Depreciation | \$ 505,690 | \$ 530,034 |
| TOTAL OPERATING EXPENSES | \$ 1,825,319 | \$ 1,884,460 |
| OPERATING INCOME/(LOSS) | \$ 747,231 | \$ 723,102 |
| NON-OPERATING INCOME/(EXPENSE) | | |
| Interest Income | \$ 101,014 | \$ 3,052 |
| Interest Expense | | |
| Revenue Bonds | (85,084) | (106,040) |
| Other Expenses | (1,862) | (26) |
| Amortization of Refunding Loss | (13,401) | (13,401) |
| TOTAL NON-OPERATING INCOME/(EXPENSE) | \$ 667 | \$ (116,415) |
| NET INCOME/(LOSS) | \$ 747,898 | \$ 606,687 |
| NET POSITION - BEGINNING OF YEAR | 8,030,444 | 7,423,757 |
| NET POSITION - END OF YEAR | \$ 8,778,342 | \$ 8,030,444 |

The Notes to Financial Statements are an integral part of this statement.

LAKE COUNTY PUBLIC WATER DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED APRIL 30, 2023 AND 2022

| | 2023 | 2022 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 2,448,371 | \$ 2,614,631 |
| Payments to Suppliers for Goods and Services | (1,016,540) | (765,155) |
| Payments to Employees | (476,031) | (445,241) |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | \$ 955,800 | \$ 1,404,235 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of Capital Assets | \$ (206,018) | \$ (522,734) |
| Disposal of Capital Assets | 6,532 | - |
| Principal Paid on Capital Debt | (858,000) | (837,000) |
| Interest Paid on Capital Debt | (85,084) | (106,040) |
| NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | \$ (1,142,570) | \$ (1,465,774) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | \$ 101,014 | \$ 3,052 |
| Other Receipts/(Payments) | (1,862) | (26) |
| NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES | \$ 99,152 | \$ 3,026 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (87,618) | \$ (58,513) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 3,594,384 | 3,652,897 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 3,506,766 | \$ 3,594,384 |
| RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | | |
| Operating Income/(Loss) | \$ 747,231 | \$ 723,102 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | |
| Depreciation | 505,690 | 530,034 |
| Change in Assets and Liabilities: | | |
| (Increase)/Decrease in Customer Receivables | (48,931) | 84,111 |
| Decrease/(Increase) in Prepaid Items | 2,618 | (3,280) |
| Increase/(Decrease) in Accounts Payable | (54,417) | 93,836 |
| Increase/(Decrease) in Customer Refunds Payable | (122,932) | 44,917 |
| Increase/(Decrease) in Accrued Vacation Pay | 1,789 | 8,557 |
| Increase/(Decrease) in Deferred Revenue | (75,248) | (77,042) |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | \$ 955,800 | \$ 1,404,235 |

The Notes to Financial Statements are an integral part of this statement.

LAKE COUNTY PUBLIC WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Lake County Public Water District (District) was created in 1951 under statute pursuant to a referendum of all municipalities in the County which were not already receiving Lake Michigan water to provide water service to the various communities. The office and plant is located in the City of Zion.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies used by the District are discussed below.

A. Reporting Entity

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) 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. The criteria have been considered and there are no agencies or entities which should be presented with the District.

B. Basic Financial Statements – Propriety Fund

The District uses proprietary fund accounting to report on its financial position and changes in its financial position. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America which are applicable are similar to those of businesses in the private sector. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity:

- (a) is financed with debt that is solely secured by a pledge of the net revenues,
- (b) has third party requirements that the cost of providing services, including capital costs, be recovered through fees and charges, or
- (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

C. Measurement Focus

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

The District utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position financial position, cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position. Net position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position.

D. Basis of Accounting

The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services

NOTES TO FINANCIAL STATEMENTS (Continued)

and production and delivering goods in connection with a proprietary fund principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. *Cash and Cash Equivalents*

For purposes of reporting cash flows, the District considers all cash on hand, demand deposits, certificates of deposit, and U.S. government securities with maturities of three months or less as cash and cash equivalents. Certificates of deposit and U.S. government securities with maturities in excess of three months are classified as investments and are reported at cost, or amortized cost.

All monies derived from the operation of the waterworks system are, under the terms of the 2015 Water Revenue Bond Ordinance, to be credited and segregated monthly into the following accounts in the order shown to the extent that monies are available:

- Operation and Maintenance Account - Amounts sufficient to pay the reasonable expenses of operation, maintenance, and repair of the system for the next succeeding month. As of April 30, 2023 and 2022, the Board has made the decision to set aside \$216,000 in this account, which is more than the reasonable expenses of the next month.
- Bond and Interest Sinking Fund Account - Amounts sufficient to retire the principal and interest amount of bonds scheduled for retirement on May 1 of the following fiscal year. There is a balance of \$21,426 in this account at April 30, 2023 and \$21,201 in 2022. The principal and interest payment, due May 1, 2023, was paid before April 30, 2023.
- Bond and Interest Reserve Account - The District is required by the terms of its outstanding bond issue to maintain a bond and interest reserve account equal to the lesser of 10% of the amount of the original bond proceeds or the maximum annual debt service on all outstanding bonds. The minimum required amount at the end of April 30, 2023 was \$798,104. Amounts in the reserve are to be used for the payment of the principal and interest on any outstanding water revenue bonds when there are insufficient funds available in the sinking fund and interest accounts. At April 30, 2023 and 2022, this account balance was \$825,000 and \$825,000, respectively. The Bond and Interest Reserve account is not to exceed \$825,000.
- Repair and Replacement Account - Under the terms of the provisions of the 2015 bond issues, the Board is obligated to fund a reserve for repair and replacement of capital assets. A similar provision was, and still is, a part of the District's agreement with its customers. The maximum reserve requirement is adjusted annually by the District's engineers. For the year ended April 30, 2023, the reserve requirement was \$2,380,800. As of April 30, 2022, the maximum reserve has been established at \$2,260,600. The balance available in the account at April 30, 2023 and 2022 was \$1,740,577 and \$1,571,804, respectively. The amount required to restore the account to its maximum is to be recovered from the District's customers in accordance with agreed formulas.
- Surplus Account - All monies remaining in the Water Fund at the end of the fiscal year after crediting the required amount to the respective accounts hereinabove provided for shall be credited to the Surplus Account, and the funds in said account shall be held and used only for making improvements and extensions to the said waterworks properties, or for the purpose of calling and redeeming any Outstanding Bonds and Parity Bonds as said Bonds and Parity Bonds become redeemable according to their terms; provided, however, that the funds of said Surplus Account shall be transferred to any of the accounts listed above at any time for the purpose of making up any deficiencies.

NOTES TO FINANCIAL STATEMENTS (Continued)

F. *Receivables and Revenue Recognition*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Items*

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items.

H. *Capital Assets*

Capital assets, which include land, land improvements, buildings and improvements thereto, plant and system equipment, vehicles, computers and office, and equipment are reported in the District's financial statements. Capital assets are defined as those property, plant and equipment items with an initial individual cost of more than \$5,000 and an estimated life of five years or more. For office equipment, capital assets include items with an initial individual cost of \$5,000 or more and a five year life. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are reported at acquisition value at the date of donation. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation has been provided using the straight-line method over the following useful lives of the assets:

| <u>Assets</u> | <u>Estimated Useful Lives</u> |
|--------------------------------------|-------------------------------|
| Water Plant Facilities and Equipment | 5-40 years |
| Computer Equipment | 3-5 years |
| Transportation | 5 years |

I. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Statements of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource until that time.

At April 30, 2023, deferred charges of \$53,604 is the unamortized loss on the District's September 15, 2015 advance refunding of its 2009 bonds which were due to be paid during the years 2018 through 2026. Amortization for the 2023 fiscal year was \$13,401. The total loss of \$189,136 is amortized as an element of interest expense over the term of the bonds, using the bonds outstanding method. At the same time, the District is the beneficiary of the lower interest rates applicable to the 2015 refunding bonds. Overall, the District is expected to derive a net economic benefit of almost \$100,000.

Shortly prior to the end of fiscal year 2021, the District commenced a project for necessary replacement of its water treatment filter underdrains. The estimated cost of the project is \$462,567, to be financed by the R&R account. The project cost will be billed to District customers over a five year period beginning with fiscal year 2022. This project was completed in 2023 and the estimated project cost of \$462,567 was increased to \$479,460. The increased project cost will increase billing to customers by \$5,735 over the remaining three years of the project.

J. *Lease agreements*

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the

NOTES TO FINANCIAL STATEMENTS (Continued)

lease term. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with Capital Assets and lease liabilities are reported with Long Term Liabilities on the Statement of Net Position. As of April 30, 2023, the District did not have any material leases that were recorded under this standard.

K. Compensated Absences

The liability for paid time off is recorded during each calendar year when earned for subsequent use or for payment upon termination, death, or retirement.

L. Net Position

Net position is divided into three components:

1. Net Investment in Capital Assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of the water revenue bonds that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – consists of net position that is restricted by the District's creditors (for example, through debt covenants), and by the state enabling legislation (through restrictions on shared revenues).
3. Unrestricted Net Position – all other net position is reported in this category.

M. Operating and Non-Operating Expenses

Operating expenses include all expenses and depreciation related to the treatment and delivery of water including expenses for the administration of the District. Non-operating expenses consist of expenses not related to the District's day-to-day expenses to treat and deliver water. Currently, non-operating expenses consist primarily of interest on the District's long-term debt and the amortization of bond premiums and refunding losses paid or incurred at the time bonds were issued.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - CASH

State statutes authorize the District to invest in: direct obligations of federally insured banks and savings and loan associations; insured obligations of Illinois credit unions; securities issued or guaranteed by the

NOTES TO FINANCIAL STATEMENTS (Continued)

U.S. Government; money market mutual funds investing only in U.S. Government-backed securities; commercial paper of U.S. corporations with assets over \$500 million; short-term obligations of the Federal National Mortgage Association; repurchase agreements; and the Illinois Treasurer's Pool known as The Illinois Funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The Commission's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 100% of the fair market value.

At year-end, the carrying amount of the District's deposits for 2023 and 2022 were \$3,482,045 and \$4,181,646 respectively. The insured and collateral status of the bank balances was as follows:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Covered By Federal Depository Insurance | \$ 2,616,230 | \$ 3,422,073 |
| Covered By Pledging of Securities Held By the Pledging Bank's Agent in the District's Name | 865,816 | 759,573 |
| | <u>\$ 3,482,045</u> | <u>\$ 4,181,646</u> |

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in property, plant, and equipment at cost is as follows:

| | Balance April 30, 2022 | Increases | Decreases | Balance April 30, 2023 |
|---|---------------------------|---------------------|-----------------|---------------------------|
| Land | \$ 60,400 | \$ - | \$ - | \$ 60,400 |
| Water Plant Facilities and Equipment | 18,943,157 | 206,018 | 6,532 | 19,142,643 |
| Computer Equipment | 682,979 | - | - | 682,979 |
| Transportation | 34,143 | - | - | 34,143 |
| Total Capital Assets at Cost | <u>\$ 19,720,679</u> | <u>\$ 206,018</u> | <u>\$ 6,532</u> | <u>\$ 19,920,165</u> |
| Less Accumulated Depreciation | | | | |
| Water Plant Facilities and Equipment | \$ 11,417,461 | \$ 502,416 | \$ - | \$ 11,919,877 |
| Computer Equipment | 673,976 | 3,274 | - | 677,250 |
| Transportation | 34,143 | - | - | 34,143 |
| Total Accumulated Depreciation | <u>\$ 12,125,580</u> | <u>\$ 505,690</u> | <u>\$ -</u> | <u>\$ 12,631,270</u> |
| Net Capital Assets | <u>\$ 7,595,099</u> | <u>\$ (299,672)</u> | <u>\$ 6,532</u> | <u>\$ 7,288,895</u> |

| | Balance April 30, 2021 | Increases | Decreases | Balance April 30, 2022 |
|---|---------------------------|-------------------|------------------|---------------------------|
| Land | \$ 60,400 | \$ - | \$ - | \$ 60,400 |
| Water Plant Facilities and Equipment | 18,384,996 | 565,849 | 7,688 | 18,943,157 |
| Computer Equipment | 682,979 | - | - | 682,979 |
| Transportation | 34,143 | - | - | 34,143 |
| Projects in Progress | 43,115 | - | 43,115 | - |
| Total Capital Assets at Cost | <u>\$ 19,205,633</u> | <u>\$ 565,849</u> | <u>\$ 50,803</u> | <u>\$ 19,720,679</u> |
| Less Accumulated Depreciation | | | | |
| Water Plant Facilities and Equipment | \$ 10,898,389 | \$ 526,760 | \$ 7,688 | \$ 11,417,461 |
| Computer Equipment | 670,702 | 3,274 | - | 673,976 |
| Transportation | 34,143 | - | - | 34,143 |
| Total Accumulated Depreciation | <u>\$ 11,603,234</u> | <u>\$ 530,034</u> | <u>\$ 7,688</u> | <u>\$ 12,125,580</u> |
| Net Capital Assets | <u>\$ 7,602,399</u> | <u>\$ 35,815</u> | <u>\$ 43,115</u> | <u>\$ 7,595,099</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - WATER REVENUE BONDS

On September 15, 2015, the District issued \$7,391,000 in Water Revenue Bonds. The bonds were issued in two series: 2015A \$4,482,000 and 2015B \$2,909,000. The 2015A bonds were issued to finance rehabilitation of solids contact units Nos. 1 and 2 and for stabilization of the water plant's intake pipe. The 2015B bonds were issued to advance refund that portion of the 2009 bonds due to be repaid in 2018 through 2026.

The 2015B Water Revenue Bonds totaling \$2,909,000 were issued at an average interest rate of 2.596% to advance refund \$2,695,000 of outstanding 2009 Water Revenue Bonds with an average interest rate of 4.483%. The net proceeds of \$2,863,965 (after payment of \$45,035 bond issuance costs) plus an additional \$45,041 of 2009 bond and interest sinking fund monies were used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments on the advance refunded portion of the 2009 Water Revenue Bonds. As a result, the advanced refunded portion of the 2009 Water Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term debt.

Although the advance refunding resulted in the recognition of an accounting loss of \$189,136 for the year ended April 30, 2016, District, in effect, reduced its debt service payments by almost \$113,000 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$99,352. Water revenue bonds are direct obligations of the District for which full faith, credit and resources are pledged and are payable from customer availability charges.

The following is a summary of the District's revenue bond transactions for the year:

| | Balance | | | Current | |
|---------------------------|---------------------|-------------|-------------------|---------------------|-------------------|
| | April 30, 2022 | Additions | Retirements | April 30, 2023 | Maturities |
| 2015A Water Revenue Bonds | \$ 1,625,000 | \$ - | \$ 557,000 | \$ 1,068,000 | \$ 569,000 |
| 2015B Water Revenue Bonds | 1,263,000 | - | 301,000 | 962,000 | 311,000 |
| | <u>\$ 2,888,000</u> | <u>\$ -</u> | <u>\$ 858,000</u> | <u>\$ 2,030,000</u> | <u>\$ 880,000</u> |

| | Balance | | | Current | |
|---------------------------|---------------------|-------------|-------------------|---------------------|-------------------|
| | April 30, 2021 | Additions | Retirements | April 30, 2022 | Maturities |
| 2015A Water Revenue Bonds | \$ 2,165,000 | \$ - | \$ 540,000 | \$ 1,625,000 | \$ 557,000 |
| 2015B Water Revenue Bonds | 1,560,000 | - | 297,000 | 1,263,000 | 301,000 |
| | <u>\$ 3,725,000</u> | <u>\$ -</u> | <u>\$ 837,000</u> | <u>\$ 2,888,000</u> | <u>\$ 858,000</u> |

Principal maturities and stated interest rates on the bonds outstanding at April 30, 2023 are:

| Maturity On May 1 | Series A and B 2015 Water Revenue Bonds | |
|-------------------|--|---------------|
| | Principal Due | Interest Rate |
| 2024 | \$ 880,000 | 2.90% |
| 2025 | 820,000 | 3.15% |
| 2026 | 330,000 | 3.30% |
| | <u>\$ 2,030,000</u> | |

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS CALCULATION

Net investment in capital asset calculation as of April 30, 2023 and 2022 are as follows:

| | April 30, 2023 | April 30, 2022 |
|---|---------------------|---------------------|
| Fixed Assets, Net of Accumulated Depreciation | \$ 7,288,895 | \$ 7,595,099 |
| Less: | | |
| Capital Related Debt | (2,030,000) | (2,888,000) |
| Investment in Capital Assets | <u>\$ 5,258,895</u> | <u>\$ 4,707,099</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PENSION PLANS

Pension Plan: The District has a defined contribution plan covering all full-time employees who are at least 20-1/2 years old and have been employed by the District for at least one year. Annual contributions to the plan are determined by the Board of Trustees and may not exceed 17% of covered payroll. District expense for the years ended April 30, 2023 and 2022 was \$43,151 and \$73,209 respectively.

Deferred Compensation Plan: The District maintains a deferred compensation plan for its employees structured and operated in accordance with the provisions of the Internal Revenue Code Section 457. The plan, available to all District employees, permits employees to defer a portion of their salaries until future years. The deferred compensation and accumulated earnings thereon are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is fully funded as the deferred compensation is earned by the employees.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and injuries to employees. The District currently provides for workers' compensation coverage through the Illinois Public Risk Fund (IPRF), which is a public entity risk pool currently operating as a common risk management and insurance program for local governmental entities. The District pays an annual premium to IPRF for its workers' compensation coverage. The pooling agreement provides that IPRF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$400,000 for each insured event. The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - COMPLIANCE WITH BOND ORDINANCE PROVISIONS

In accordance with the Bond Ordinance for the sale of the 2015 A and B Water Revenue Bonds, the District deposited a portion of the proceeds of the sale in separately designated bank and investment accounts for the Bond and Interest Reserve and the Construction Fund. The District continues to comply with the agreement.

Also, under the terms of the Bond Ordinance, the District makes a monthly transfer to the reserve accounts as described in Note 1.

NOTE 9 - LITIGATION

The District's legal counsel has advised that all previous litigation has been settled by agreement among the parties. Management and counsel are not aware of any pending or threatened litigation.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

The District has implemented GASB Statement No. 87, Leases. These statements establish financial reporting standards related to leases. Implementation of these standards resulted in recognizing the fair market value of the liability and asset at the commencement of the agreement. There have been no changes to the previously issued audited financial statements which would be required on a retrospective basis.

SUPPLEMENTARY INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT
SUMMARY OF ACTIVITY IN RESTRICTED NET POSITION
FOR THE YEAR ENDED APRIL 30, 2023

| | Total | Operations and Maintenance | Bond and Interest Reserve | Repair and Replacement | Bond and Interest Sinking Fund |
|----------------------------------|----------------------------|----------------------------------|---------------------------------|----------------------------|--------------------------------------|
| MAY 1, 2022 BALANCES | | | | | |
| Cash and Cash Equivalents | \$ 2,634,005 | \$ 216,000 | \$ 825,000 | \$ 1,571,804 | \$ 21,201 |
| TOTALS | <u>\$ 2,634,005</u> | <u>\$ 216,000</u> | <u>\$ 825,000</u> | <u>\$ 1,571,804</u> | <u>\$ 21,201</u> |
| RECEIPTS | | | | | |
| Transfers From Other Accounts | \$ 25,158 | \$ - | \$ - | \$ 25,158 | \$ - |
| Customer Payments | 1,232,236 | - | - | 288,927 | 943,309 |
| Interest Earnings | 81,145 | - | 25,158 | 55,987 | - |
| TOTAL RECEIPTS | <u>\$ 1,338,539</u> | <u>\$ -</u> | <u>\$ 25,158</u> | <u>\$ 370,072</u> | <u>\$ 943,309</u> |
| DISBURSEMENTS | | | | | |
| Repair and Replacement | \$ 201,299 | \$ - | \$ - | \$ 201,299 | \$ - |
| Debt Service | | | | | |
| Principal | 858,000 | - | - | - | 858,000 |
| Interest and Fees | 85,084 | - | - | - | 85,084 |
| TOTAL DISBURSEMENTS | <u>\$ 1,144,383</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 201,299</u> | <u>\$ 943,084</u> |
| Transfer to Other Accounts | <u>\$ (25,158)</u> | <u>\$ -</u> | <u>\$ (25,158)</u> | <u>\$ -</u> | <u>\$ -</u> |
| APRIL 30, 2023 BALANCES | <u><u>\$ 2,803,003</u></u> | <u><u>\$ 216,000</u></u> | <u><u>\$ 825,000</u></u> | <u><u>\$ 1,740,577</u></u> | <u><u>\$ 21,426</u></u> |
| CONSISTING OF: | | | | | |
| Cash and Cash Equivalents | <u>\$ 2,803,003</u> | <u>\$ 216,000</u> | <u>\$ 825,000</u> | <u>\$ 1,740,577</u> | <u>\$ 21,426</u> |
| RESTRICTED NET POSITION BALANCES | <u><u>\$ 2,803,003</u></u> | <u><u>\$ 216,000</u></u> | <u><u>\$ 825,000</u></u> | <u><u>\$ 1,740,577</u></u> | <u><u>\$ 21,426</u></u> |

See Accompanying Independent Auditor's Report.

LAKE COUNTY PUBLIC WATER DISTRICT
WATER, CUSTOMER, AND RATE INFORMATION
YEAR ENDED APRIL 30, 2023
(Unaudited)

| | |
|---|--------------------------------|
| Treated Water Pumped and Billed to Customers* | 887,089,000 Gallons |
| Treated Raw Water* | 887,089,000 Gallons |
| Water Used for Flushing Filters and Plant | 25,189,000 Gallons |
| Number of Metered Customers | 3 |
| Number of Unmetered Customers | 0 |
| Purchased Water | None purchased during the year |
| Water Delivery Rates in Effect as of August 1, 2022** | \$1.563 per 1,000 gallons |

*In addition, all of the customers were charged a pro rata share of an availability fee which amounts to \$1,036,464 for the year ended April 30, 2023. Availability is the sum of the Bond and Interest Debt Service Requirements on November 1 and May 1, plus 10%.

**The actual customer delivery charge is based on an agree formula reduced for excess revenue plus any shortfall billed to the customers.

See Accompanying Independent Auditor's Report.

Coverage Summary

| Loc# | Address |
|------|--|
| 1 | 500 17th Street Zion, IL 60099 |
| 2 | 27th Street and Lydia Avenue Zion, IL 60099 |
| 3 | 55' South of 42.5 Degrees 27.55 Min North Zion, IL 60099 |

**Property Chubb Insurance Policy Term
6/1/2022 to 6/1/2023**

| Location | Coverage | Limit | Deductible |
|----------|---------------------------------------|--------------|-----------------|
| 1, 2, 3 | Blanket Building/Personal Property | \$20,019,000 | \$10,000 |
| 1 | Business Income w/ Extra Expense | \$3,687,248 | 24 hours |
| 1 | Electronic Data Processing Equipment | \$1,211,000 | \$10,000 |
| 1 | Valuable Papers | \$100,000 | \$10,000 |
| 1, 3 | Underground Structures | \$8,588,000 | \$25,000 |
| | Personal Property in Transit | \$100,000 | \$10,000 |
| | Mobile Equipment – portable generator | \$468,000 | \$3,500 |
| | Leased & Rented Equipment | \$100,000 | \$10,000 |
| 1, 2, 3 | Earthquake | \$10,000,000 | \$50,000/24 hrs |

Crime Chubb Insurance Policy Term 6/1/2022 to 6/1/2023

| Coverage | Limit | Deductible |
|----------------|-----------|------------|
| Employee Theft | \$100,000 | \$1,000 |

Business Auto – Trident/Argonaut Insurance Company

| | |
|---------------------------------------|-------------|
| Combined Single Liability Limit | \$1,000,000 |
| Uninsured Motorist Liability Limit | \$1,000,000 |
| Underinsured Motorist Liability Limit | \$1,000,000 |
| Medical Payments/PIP | \$5,000 |
| Hired/Non-Owned Auto Liability | \$1,000,000 |
| Comprehensive | \$500 Ded |
| Collision | \$1,000 Ded |

Schedule of Vehicles

| Year | Make | Model | VIN | Comp Ded | Coll Ded |
|------|------|------------|-------------------|----------|----------|
| 2012 | Ford | Super Duty | 1FTBF2B62CEA45050 | \$ 500 | \$1,000 |

This summary is a brief outline of coverage provided based on the information you provided to us. A material change in the information provided could affect this proposal, including but not limited to the price and availability of coverage. This proposal does not list all conditions, limitations and exclusions that apply to the described coverage. The actual wording of the policy(ies) governs all situations.

See Accompanying Independent Auditor's Report

**General Liability – Trident/Argonaut Insurance Company
6/1/2022 to 6/1/2023**

| | |
|--|-------------------------|
| Per Occurrence | \$1,000,000 |
| General Aggregate Limit – per location aggregate applies | \$3,000,000 |
| Products/Completed Operations Aggregate | \$3,000,000 |
| Personal & Advertising Injury | \$1,000,000 |
| Damage to Rented Premises | \$1,000,000 |
| Failure to Supply | \$1,000,000 |
| Employee Benefits Liability | \$1,000,000 |
| Medical Payment | Not Covered |
| Host Liquor Liability | Included |
| Fellow Employee Liability | Included |
| Public Officials E&O – each wrongful act | \$1,000,000 |
| Public Officials E&O – aggregate | \$2,000,000 |
| Public Officials E&O – deductible | \$10,000 |
| Public Officials EPL – each offense | \$5,000,000 |
| Public Officials EPL – aggregate | \$5,000,000 |
| Public Officials EPL – deductible | \$10,000 |
| Public Officials EBL – each offense | \$1,000,000 |
| Public Officials EBL – aggregate | \$3,000,000 |
| Public Officials EBL – deductible | \$1,000 |
| Public Officials Bond – Positions: Chairman, Vice-Chairman, General Manager/Treasurer and Secretary | \$200,000 each position |

Rating basis

| | |
|-----------------|-----------|
| Water Companies | \$250,000 |
| Vacant Land | 2 acres |

Primary Umbrella Liability – Trident/Argonaut Insurance Company 6/1/2022 to 6/1/2023

| |
|----------------------------|
| Limit of Liability |
| \$10,000,000 |
| Failure to Supply Included |

This summary is a brief outline of coverage provided based on the information you provided to us. A material change in the information provided could affect this proposal, including but not limited to the price and availability of coverage. This proposal does not list all conditions, limitations and exclusions that apply to the described coverage. The actual wording of the policy(ies) governs all situations.

See Accompanying Independent Auditor's Report

**Workers Compensation & Employers Liability
Safety National - Effective Date 1/1/23 to 1/1/2024**

| | |
|---|-------------|
| Employers liability – each accident | \$3,000,000 |
| Employers liability – disease policy | \$3,000,000 |
| Employers liability – disease each employee | \$3,000,000 |

Rating Basis

| | |
|-------------------|-----------|
| Waterworks - 7520 | \$320,000 |
| Clerical - 8810 | \$228,000 |

**Cyber Liability – Claims Made Policy – BCS Insurance Effective
6/1/2022 to 6/1/2023**

| Coverage | Limit | Deductible |
|--|-----------------|-----------------|
| Privacy Liability (including employee privacy) | \$1,000,000 | \$2,500 |
| Privacy Regulatory Claims Coverage | \$1,000,000 | \$2,500 |
| Security Breach Response | \$1,000,000 | \$2,500 |
| Security Liability | \$1,000,000 | \$2,500 |
| Multimedia Liability | \$1,000,000 | \$2,500 |
| Cyber Extortion | \$1,000,000 | \$2,500 |
| Business Income and Digital Asset Restoration | \$1,000,000 | \$2,500 |
| Restoration Costs | \$1,000,000 | \$2,500 |
| Reputation Business Income | \$1,000,000 | \$2,500 |
| System Integrity Restoration Loss | \$250,000 | \$2,500 |
| PCI DSS Assessment | \$1,000,000 | \$2,500 |
| Phishing Loss | \$50,000 | \$2,500 |
| Services Fraud Loss | \$100,000 | \$2,500 |
| Reward Loss Fund | \$50,000 | \$2,500 |
| Personal Financial Loss | \$250,000 | \$2,500 |
| Corporate Identity Loss | \$250,000 | \$2,500 |
| Telephone Hacking Loss | \$100,000 | \$2,500 |
| Direct Financial Loss (Funds Transfer Fraud) | \$100,000 | \$2,500 |
| Cyber Deception (bricking or social engineering) | \$250,000 | \$2,500 |
| Retroactive Date | Full Prior Acts | Full Prior Acts |

This summary is a brief outline of coverage provided based on the information you provided to us. A material change in the information provided could affect this proposal, including but not limited to the price and availability of coverage. This proposal does not list all conditions, limitations and exclusions that apply to the described coverage. The actual wording of the policy(ies) governs all situations.

See Accompanying Independent Auditor's Report

Premium Summary

Named Insured: Lake County Public Water District

Policy Term: 6/1/2022 to 6/1/2023

| Coverage | Insurance Carrier | Premium |
|--|---|-----------------|
| Commercial Property including Inland Marine, | Chubb Insurance Company | \$33,304 |
| General Liability, Public Official Liability, Auto Liability, Umbrella Liability | Trident/Argonaut Insurance Company | \$18,132 |
| Public Officials Bond | Ohio Casualty Company | \$1,500 |
| Cyber Liability | BCS / Lloyds Insurance Company | \$2,761 |
| Workers Compensation | Illinois Public Risk Fund/Safety National | \$13,281 |
| Total Premium | | \$68,978 |

This summary is a brief outline of coverage provided based on the information you provided to us. A material change in the information provided could affect this proposal, including but not limited to the price and availability of coverage. This proposal does not list all conditions, limitations and exclusions that apply to the described coverage. The actual wording of the policy(ies) governs all situations.

See Accompanying Independent Auditor's Report

LAKE COUNTY PUBLIC WATER DISTRICT
 ANNUAL REQUIREMENTS TO RETIRE WATER REVENUE BONDS
 YEAR ENDED APRIL 30, 2023

Interest Payable May 1 and November 1
 Principal Payable May 1

| | Calendar | | | |
|----------------------------|----------|---------------------|-------------------|---------------------|
| | Year | Principal | Interest | Totals |
| 2015 A & B Series Combined | 2024 | \$ 880,000 | \$ 62,240 | \$ 942,240 |
| | 2025 | 820,000 | 36,720 | 856,720 |
| | 2026 | 330,000 | 10,890 | 340,890 |
| Totals - All Payments | | <u>\$ 2,030,000</u> | <u>\$ 109,850</u> | <u>\$ 2,139,850</u> |

See Accompanying Independent Auditor's Report.

OTHER INFORMATION - STATISTICAL TABLES AND GRAPHS

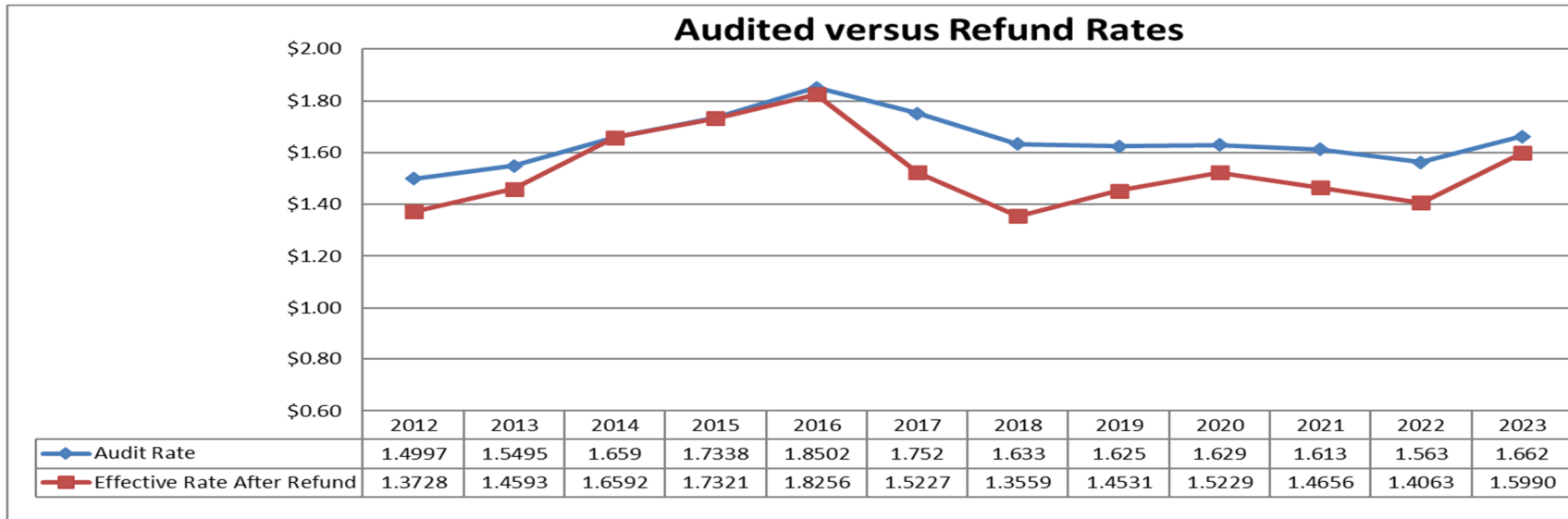
Cost of Water

The calculation of a customer water rate is based on four components billed monthly. They are as follows:

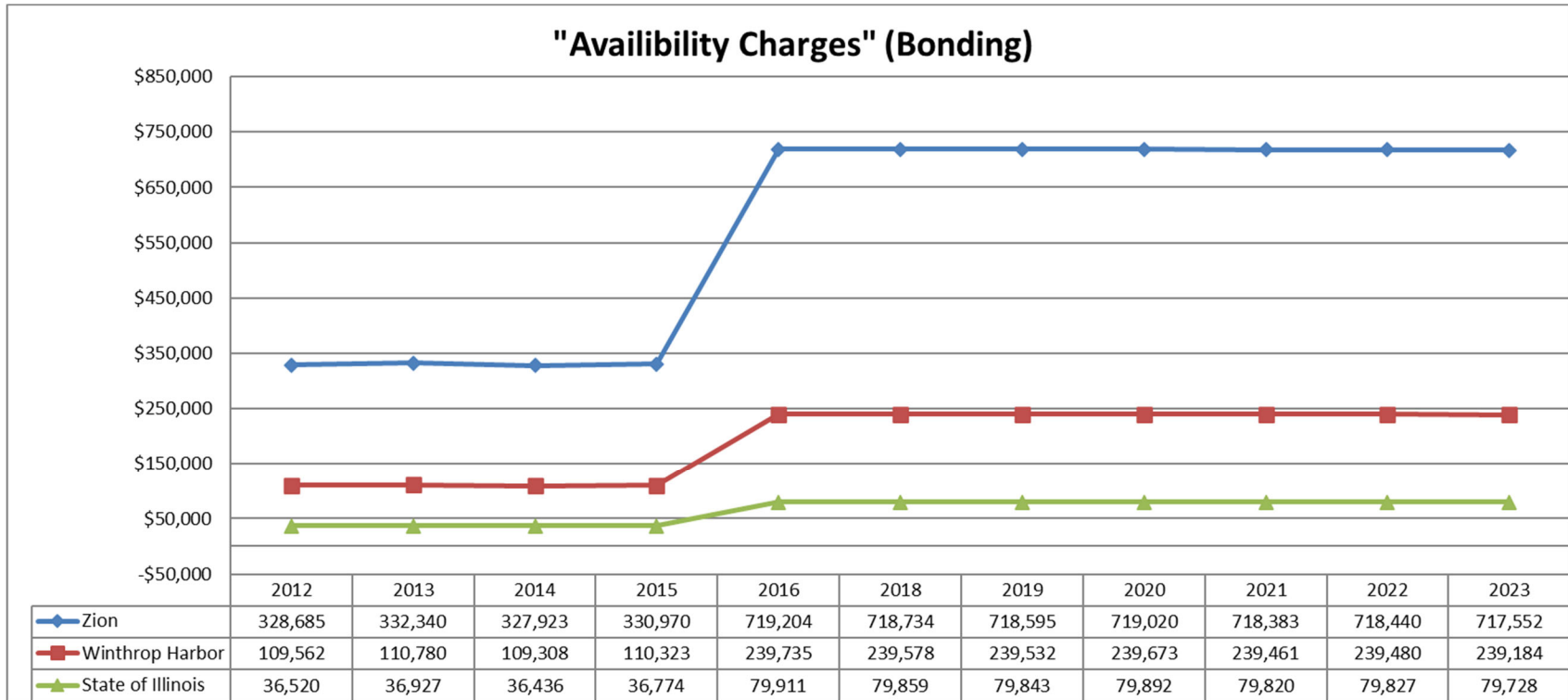
1. Water rate per thousand gallons
2. Availability Charge based on outstanding debt
3. Renewal and Replacement
4. Refund and/or Charge

The water rate per thousand gallons is computed by taking the “Total Operating Expenses” from the “Statement of Revenue, Expenses and Changes in Net Position”, (see page 10 of the Audit Report), adjusting for depreciation and dividing by the finished water delivered to the customers. This figure is then multiplied by 110%, to determine the new water rate per thousand gallons. The additional 10% is to cover unexpected or inflationary operational cost increases, and volume changes for the following fiscal year.

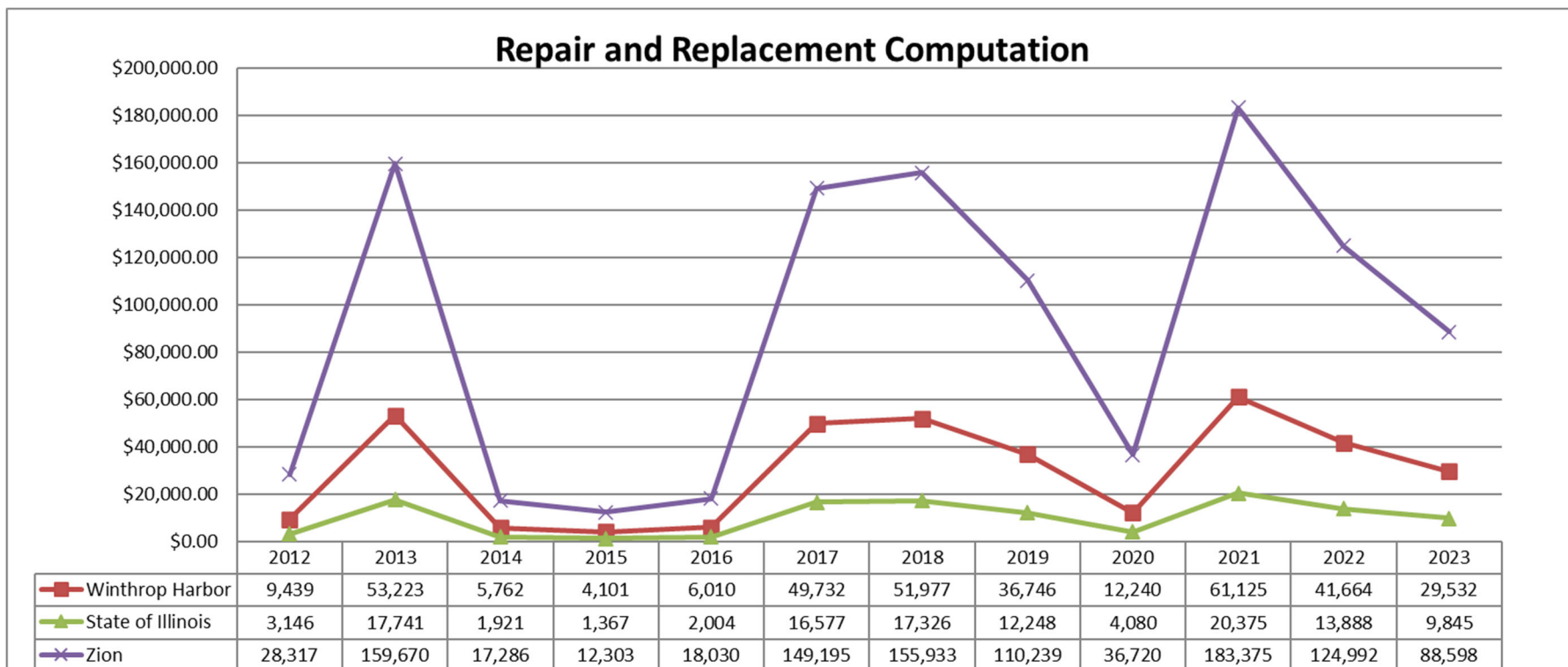
The refund or additional charge is calculated on an adjusted Operations & Maintenance expense factor, multiplied by the actual delivered gallons of water to the District’s customers. This is then compared to the actual billings to determine an under or over billing. The difference is refunded or charged to each respective customer over a nine-month period starting in July of each year.



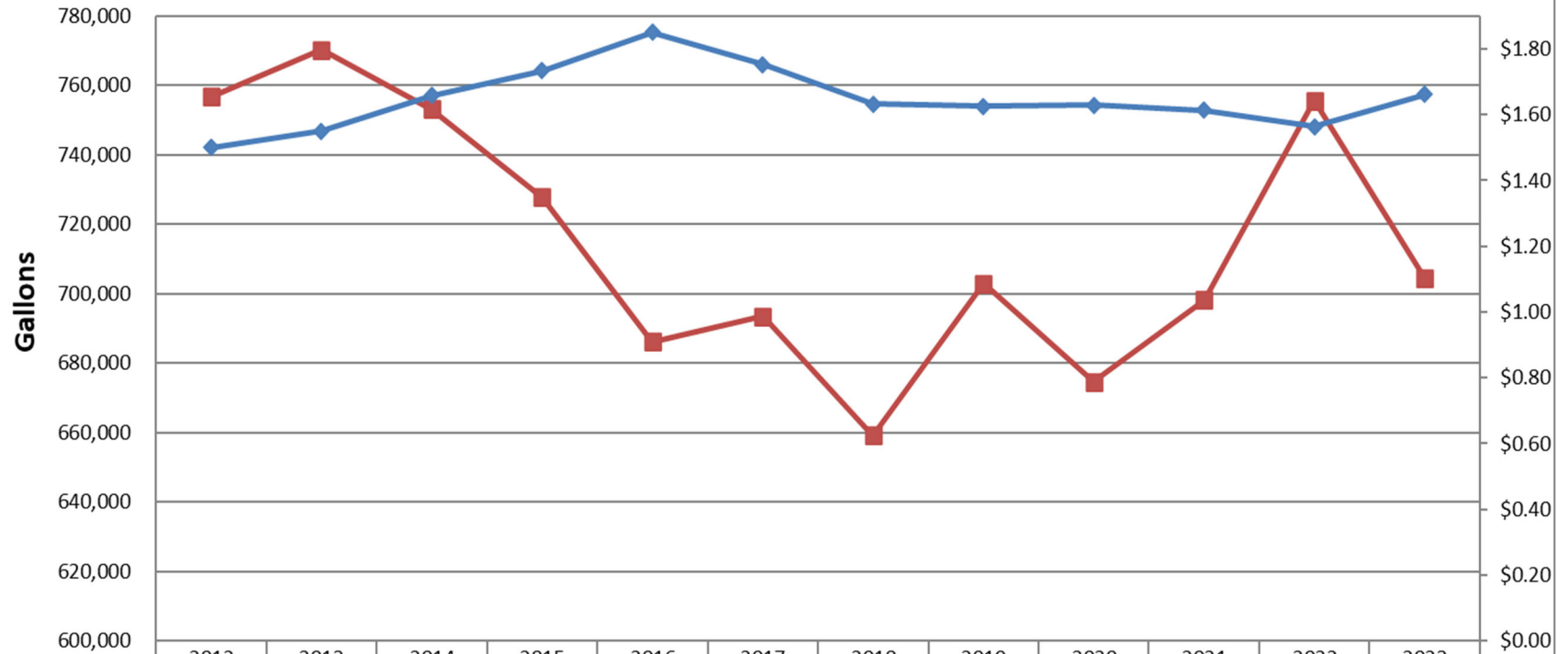
The "Computation of Availability Charge", is calculated by multiplying each customer's proportional share of the treatment plant's capacity (by contract, Zion's share is 4.5 MGD/ 6.5 MGD) by the principal and interest debt payments for the upcoming fiscal year. Interest payments are due on November 1 and principal and interest payments are due May 1, until the bonds are paid in full. In addition, there is also a 10% coverage factor added to the above computation to ensure a sufficient amount in the reserve account, in the event of late payments, or unpaid bills. This 10% coverage charge is also used to reduce the charge discussed below.



The charge called “Repair and Replacement Contribution”; (R&R) is calculated annually. The “amount required for full funding” is determined by the District’s consulting engineer estimates of the replacement cost of the District’s waterworks facilities. This estimate is divided by 15 (which equates to two years’ cost on an average thirty-year depreciation cycle for the facilities). The difference between the current R&R account balance is subtracted from the “Amount Required for Full Funding” computation above. This difference is the required amount needed for full funding. When there is an outstanding bond issue, the coverage (10%) from the availability charge, is credited to the R&R account thus reducing the required funding. The net difference is then multiplied by each customer’s proportional share of plant capacity, by contract, (Zion 4.4/6.5) to obtain the funding required for the next fiscal year.

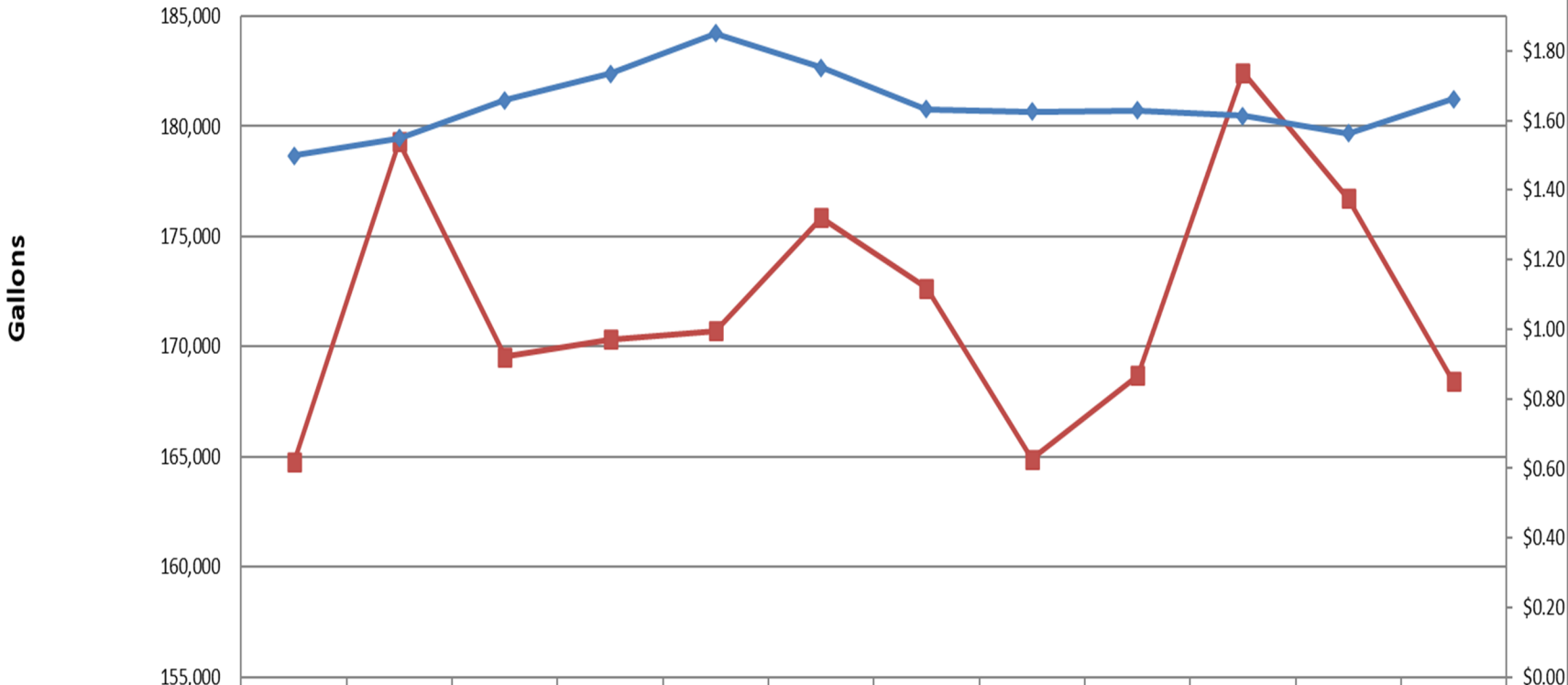


Zion's Cost versus Water Purchased



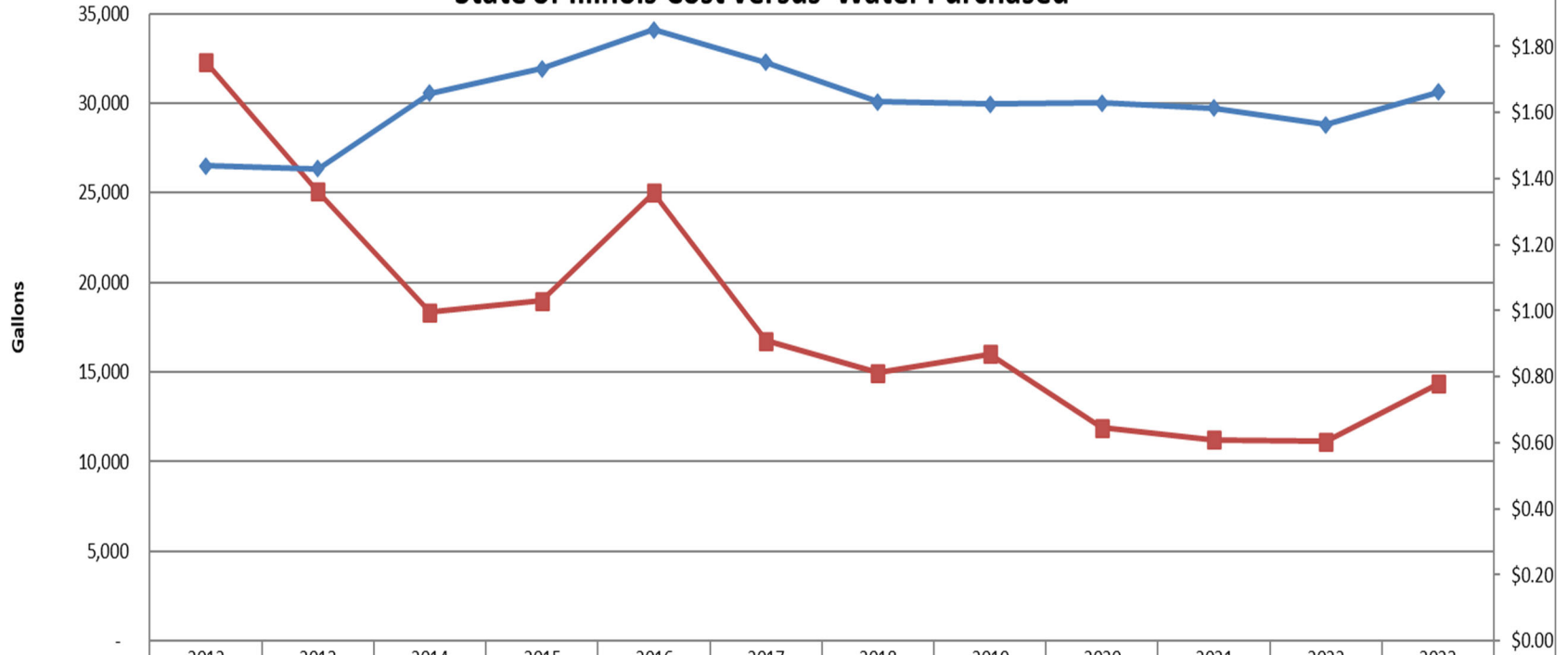
| | | | | | | | | | | | | |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Zion Gallons | 756,803 | 770,319 | 753,240 | 727,722 | 686,152 | 693,548 | 659,119 | 702,847 | 674,595 | 698,207 | 755,598 | 704,318 |
| Zion Cost | 1.4997 | 1.5495 | 1.659 | 1.7338 | 1.8502 | 1.752 | 1.633 | 1.625 | 1.629 | 1.613 | 1.563 | 1.662 |

Winthrop Harbor Cost versus Water Purchased



| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Winthrop Harbor Gallons | 164,748 | 179,282 | 169,535 | 170,316 | 170,703 | 175,858 | 172,648 | 164,893 | 168,677 | 182,437 | 176,730 | 168,429 |
| Winthrop Harbor Cost | 1.4997 | 1.5495 | 1.659 | 1.7338 | 1.8502 | 1.752 | 1.633 | 1.625 | 1.629 | 1.613 | 1.563 | 1.662 |

State of Illinois Cost versus Water Purchased



| | | | | | | | | | | | | |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| State of Illinois | 32,295 | 25,051 | 18,333 | 18,974 | 25,009 | 16,754 | 14,951 | 16,004 | 11,897 | 11,217 | 11,131 | 14,342 |
| State of Illinois | 1.4997 | 1.5495 | 1.659 | 1.7338 | 1.8502 | 1.752 | 1.633 | 1.625 | 1.629 | 1.613 | 1.563 | 1.662 |

Total Cost by Customer Rate, R&R & Bonds

