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LAKE COUNTY PUBLIC WATER DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED APRIL 30, 2022 AND 2021

eder, casella & co

LAKE COUNTY PUBLIC WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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 accompanying financial statements of Lake County Public Water District as of and for the year ended April 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of Lake County Public Water District as of April 30, 2022 and 2021, 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.

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; 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.

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 tables 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 conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
June 14, 2022

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

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, 2022. 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 \$723,102. After considering interest and other income and expense, the net result for the year was \$606,687 of net income.
- The 2022 demand for water increased 5.79% from 2021 levels to 943,459,000 gallons. The District had delivered 891,861,000 gallons in 2021.

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, 2022 by \$606,687 from the 2021 balance of \$7,423,757 to the 2022 balance of \$8,030,444.

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

	4/30/22	4/30/21
Current and Other Assets	\$ 4,207	\$ 4,346
Capital Assets	7,595	7,602
Deferred Outflows of Resources	67	80
Total Assets	<u>\$ 11,869</u>	<u>\$ 12,028</u>
Long-Term Liabilities	\$ 2,161	\$ 3,010
Other Liabilities	1,213	1,053
Deferred Inflows of Resources	465	542
Total Liabilities	<u>\$ 3,839</u>	<u>\$ 4,605</u>
Net Position		
Invested in Capital Assets		
Net of Related Debt	\$ 4,707	\$ 3,877
Restricted	2,634	2,832
Unrestricted	689	714
Total Net Position	<u>\$ 8,030</u>	<u>\$ 7,423</u>

The District's improved net position for 2022 is the result of a \$606,687 net income. The \$606,687 total for 2022 compares favorably with the 2021 change of \$455,775.

Total revenue for 2022 of \$2,607,562 is \$189,971 more than the \$2,417,591 reported in 2021.

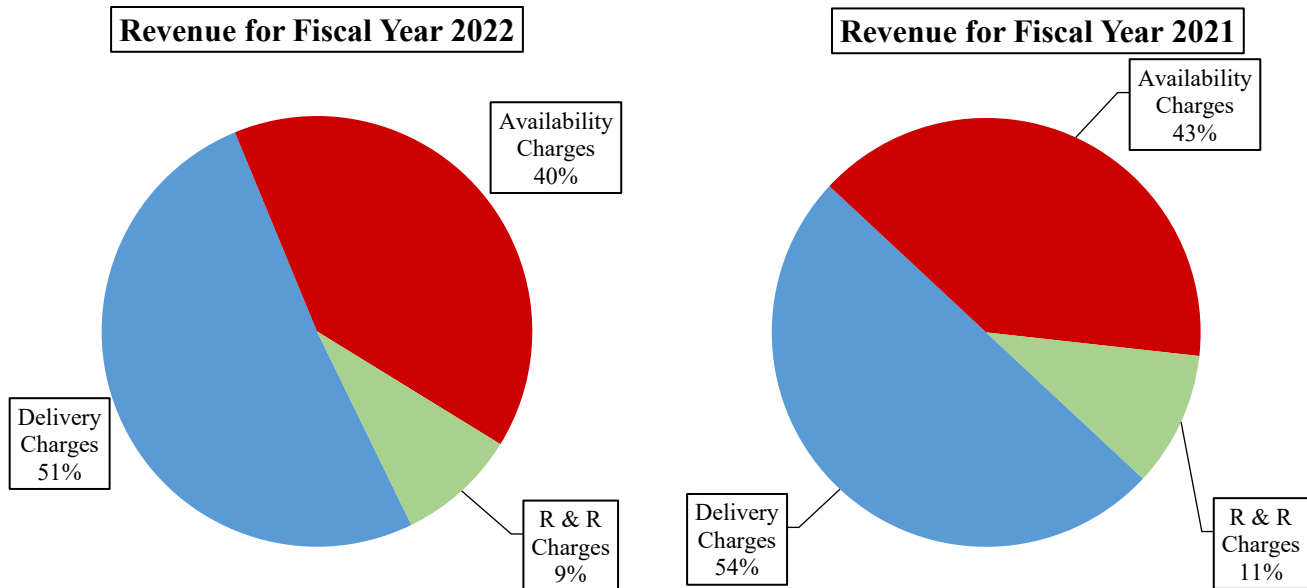
Lake County Public Water District's Changes in Net Position
(In Thousands)

	4/30/22	4/30/21
REVENUES		
Delivery Charges	\$ 1,340	\$ 1,308
Renewal and Replacement Charges	230	71
Availability and Other Charges	1,038	1,039
Total Revenues	<u>\$ 2,608</u>	<u>\$ 2,418</u>
EXPENSES		
Operating Expenses Other Than Depreciation	\$ 1,354	\$ 1,305
Depreciation	530	525
Total Expenses	<u>\$ 1,884</u>	<u>\$ 1,830</u>
Operating Income/(Loss)	<u>\$ 724</u>	<u>\$ 588</u>
NON-OPERATING INCOME/(EXPENSES)		
Interest and Other Income	\$ 3	\$ 6
Interest Expense, Amortization, and Issuance	(120)	(139)
Total Non-Operating Income/(Expenses)	<u>\$ (117)</u>	<u>\$ (133)</u>
Change in Net Position	<u>\$ 607</u>	<u>\$ 455</u>
Net Position - Beginning of Year	7,423	6,968
Net Position - End of Year	<u><u>\$ 8,030</u></u>	<u><u>\$ 7,423</u></u>

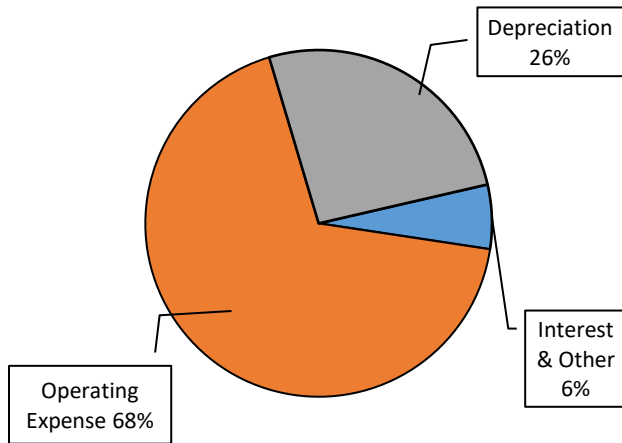
Significant factors affecting the change in net position for 2022 were:

- Renewal and replacement charges increasing by \$158,553 due to increased renewal and replacement expenses such as plant generator control upgrade and valve replacement.

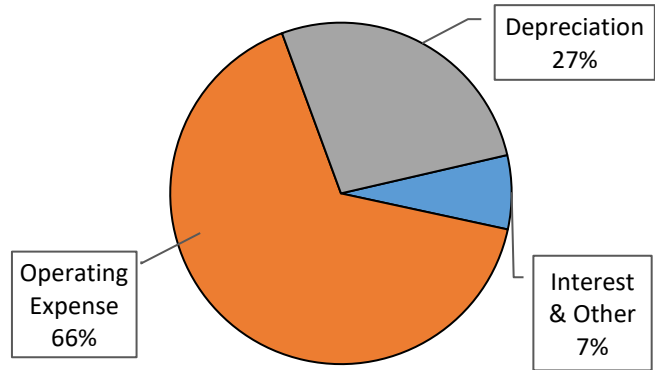
The charts which follow provide a graphic presentation of the District's revenue and expenses for 2021 and 2022:



Expenses for Fiscal Year 2022



Expenses for Fiscal Year 2021



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At April 30, 2022 and 2021, 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)

	4/30/22	4/30/21
Land	\$ 60	\$ 60
Water Plant Facilities and Equipment	7,535	7,499
Projects in Progress	-	43
Total	<u>\$ 7,595</u>	<u>\$ 7,602</u>

Detailed information concerning the capital assets can be found in Note 3 of the Notes to Financial Statements.

Long-term Debt. At April 30, 2022 and 2021, the total debt outstanding is \$2,888,000 and \$3,725,000, 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, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Operations and Maintenance	\$ 960,379	\$ 820,572
Receivables		
Customers, Net of Allowance - \$13,867 for 2022 and 2021	590,254	674,365
Prepaid Items	21,881	18,601
TOTAL CURRENT ASSETS	\$ 1,572,514	\$ 1,513,538
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	1,571,804	1,770,421
Bond and Interest Sinking Fund	21,201	20,904
Total Restricted Cash and Cash Equivalents	\$ 2,634,005	\$ 2,832,325
TOTAL RESTRICTED ASSETS	\$ 2,634,005	\$ 2,832,325
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 7,595,099	\$ 7,602,399
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refunding	\$ 67,005	\$ 80,406
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,868,623	\$ 12,028,668

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

LAKE COUNTY PUBLIC WATER DISTRICT
STATEMENT OF NET POSITION
APRIL 30, 2022 AND 2021

	2022	2021
LIABILITIES		
CURRENT LIABILITIES		
Current Maturities on Bonded Payable	\$ 858,000	\$ 837,000
Accounts Payable	145,270	51,434
Customer Refunds	209,195	164,278
TOTAL CURRENT LIABILITIES	\$ 1,212,465	\$ 1,052,712
NONCURRENT LIABILITIES		
Compensated Absences	\$ 130,499	\$ 121,942
Bonds Payable	2,030,000	2,888,000
TOTAL NONCURRENT LIABILITIES	\$ 2,160,499	\$ 3,009,942
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	\$ 465,215	\$ 542,257
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 3,838,179	\$ 4,604,911
NET POSITION AS		
Invested in Capital Assets		
Net of Related Debt	\$ 4,707,099	\$ 3,877,399
Restricted	2,634,005	2,832,325
Unrestricted	689,340	714,033
TOTAL NET POSITION	\$ 8,030,444	\$ 7,423,757

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Customer Delivery Charges	\$ 1,340,321	\$ 1,308,012
Customer Renewal and Replacement Charges	229,570	71,017
Customer Availability Charges	943,337	944,098
Debt Service Coverage Charges	94,334	94,410
Miscellaneous Operating Revenue	-	54
TOTAL OPERATING REVENUES	<u>\$ 2,607,562</u>	<u>\$ 2,417,591</u>
OPERATING EXPENSES		
Personnel	\$ 453,798	\$ 482,514
Trustees	8,300	8,400
Payroll Taxes	34,049	36,793
Electricity	141,008	133,238
Wastewater User Charge	24,040	24,508
Laboratory Fees	4,427	5,820
Chemicals	73,160	61,167
Operating Supplies	38,347	34,979
Repairs and Maintenance	116,607	78,664
Maintenance Contracts	38,459	30,305
Equipment Rentals	2,353	1,489
Telephone	20,632	21,862
Office Supplies	17,810	2,199
Insurance	182,718	202,994
Transportation	2,775	1,885
Meeting and Training	8,873	621
Dues and Subscriptions	3,910	3,891
Legal Fees	41,975	32,625
Accounting and Audit Fees	26,689	26,927
Engineering Fees	28,895	20,382
Pension Contribution	73,209	80,702
District Security	2,818	-
Tuition	-	4,871
Miscellaneous	9,574	8,015
Total Operating Expenses Before Depreciation	<u>\$ 1,354,426</u>	<u>\$ 1,304,851</u>
Depreciation	<u>\$ 530,034</u>	<u>\$ 524,931</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,884,460</u>	<u>\$ 1,829,782</u>
OPERATING INCOME/(LOSS)	<u>\$ 723,102</u>	<u>\$ 587,809</u>
NON-OPERATING INCOME/(EXPENSE)		
Interest Income	\$ 3,052	\$ 6,326
Interest Expense		
Revenue Bonds	(106,040)	(124,959)
Other Expenses	(26)	-
Amortization of Refunding Loss	(13,401)	(13,401)
TOTAL NON-OPERATING INCOME/(EXPENSE)	<u>\$ (116,415)</u>	<u>\$ (132,034)</u>
NET INCOME/(LOSS)	<u>\$ 606,687</u>	<u>\$ 455,775</u>
NET POSITION - BEGINNING OF YEAR	<u>7,423,757</u>	<u>6,967,982</u>
NET POSITION - END OF YEAR	<u>\$ 8,030,444</u>	<u>\$ 7,423,757</u>

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,614,631	\$ 2,664,117
Payments to Suppliers for Goods and Services	(765,155)	(831,374)
Payments to Employees	(445,241)	(481,207)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	\$ 1,404,235	\$ 1,351,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	\$ (522,734)	\$ (294,002)
Disposal of Capital Assets	-	6,885
Principal Paid on Capital Debt	(837,000)	(819,000)
Interest Paid on Capital Debt	(106,040)	(124,959)
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,465,774)	\$ (1,231,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 3,052	\$ 6,326
Other Receipts/(Payments)	(26)	-
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	\$ 3,026	\$ 6,326
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (58,513)	\$ 126,786
CASH AND CASH EQUIVALENTS - BEGINNING	3,652,897	3,526,111
CASH AND CASH EQUIVALENTS - ENDING	\$ 3,594,384	\$ 3,652,897
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 723,102	\$ 587,809
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation	530,034	524,931
Change in Assets and Liabilities:		
(Increase)/Decrease in Customer Receivables	84,111	(215,732)
(Increase)/Decrease in Interest and Other Receivables	-	-
Decrease/(Increase) in Prepaid Items	(3,280)	(1,058)
Increase/(Decrease) in Accounts Payable	93,836	(27,647)
Increase/(Decrease) in Customer Refunds Payable	44,917	19,669
Increase/(Decrease) in Accrued Vacation Pay	8,557	1,307
Increase/(Decrease) in Deferred Revenue	(77,042)	462,257
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	\$ 1,404,235	\$ 1,351,536

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

LAKE COUNTY PUBLIC WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

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 and Investments*

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, 2022 and 2021, 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 \$21,201 in this account at April 30, 2022 and \$20,904 in 2021. The principal and interest payment, due May 1, 2022, was paid before April 30, 2022.
- 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 2022 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, 2022 and 2021, 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, 2022, the reserve requirement was \$2,260,600. As of April 30, 2021, the maximum reserve has been established at \$2,089,133. The balance available in the account at April 30, 2022 and 2021 was \$1,571,804 and \$1,770,421, 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, 2022, deferred charges of \$67,005 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 2022 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.

J. *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.

NOTES TO FINANCIAL STATEMENTS (Continued)

K. *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.

L. *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.

M. *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 AND INVESTMENTS

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 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.

At year-end, the carrying amount of the District’s deposits for 2022 and 2021 were \$3,594,384 and \$3,652,897 respectively. The insured and collateral status of the bank balances was as follows:

	2022	2021
Covered By Federal Depository Insurance	\$ 3,422,073	\$ 3,500,000
Covered By Pledging of Securities Held By the Pledging Bank’s Agent in the District’s Name	759,573	178,338
	\$ 4,181,646	\$ 3,678,338

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT

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

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance			Balance
	April 30, 2021	Increases	Decreases	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	\$ 19,205,633	\$ 565,849	\$ 50,803	\$ 19,720,679
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	\$ 11,603,234	\$ 530,034	\$ 7,688	\$ 12,125,580
Net Capital Assets	\$ 7,602,399	\$ 35,815	\$ 43,115	\$ 7,595,099

	Balance			Balance
	April 30, 2020	Increases	Decreases	April 30, 2021
Land	\$ 60,400	\$ -	\$ -	\$ 60,400
Water Plant Facilities and Equipment	18,134,109	250,887	-	18,384,996
Computer Equipment	682,979	-	-	682,979
Transportation	34,143	-	-	34,143
Projects in Progress	6,885	43,115	6,885	43,115
Total Capital Assets at Cost	\$ 18,918,516	\$ 294,002	\$ 6,885	\$ 19,205,633
Less Accumulated Depreciation				
Water Plant Facilities and Equipment	\$ 10,376,732	\$ 521,657	\$ -	\$ 10,898,389
Computer Equipment	667,428	3,274	-	670,702
Transportation	34,143	-	-	34,143
Total Accumulated Depreciation	\$ 11,078,303	\$ 524,931	\$ -	\$ 11,603,234
Net Capital Assets	\$ 7,840,213	\$ (230,929)	\$ 6,885	\$ 7,602,399

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Balance April 30, 2021	Additions	Retirements	Balance April 30, 2022	Current 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>

	Balance April 30, 2020	Additions	Retirements	Balance April 30, 2021	Current Maturities
2015A Water Revenue Bonds	\$ 2,692,000	\$ -	\$ 527,000	\$ 2,165,000	\$ 540,000
2015B Water Revenue Bonds	1,852,000	-	292,000	1,560,000	297,000
	<u>\$ 4,544,000</u>	<u>\$ -</u>	<u>\$ 819,000</u>	<u>\$ 3,725,000</u>	<u>\$ 837,000</u>

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.

Principal maturities and stated interest rates on the bonds outstanding at April 30, 2022 are:

Maturity On May 1	Series A and B 2015 Water Revenue Bonds	
	Principal Due	Interest Rate
2023	\$ 858,000	2.70%
2024	880,000	2.90%
2025	820,000	3.15%
2026	330,000	3.30%
	<u>\$ 2,888,000</u>	

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS CALCULATION

Net investment in capital asset calculation as of April 30, 2022 and 2021 are as follows:

	April 30, 2022	April 30, 2021
Fixed Assets, Net of Accumulated Depreciation	\$ 7,595,099	\$ 7,602,399
Less:		
Capital Related Debt	(2,888,000)	(3,725,000)
Investment in Capital Assets	<u>\$ 4,707,099</u>	<u>\$ 3,877,399</u>

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, 2022 and 2021 was \$73,209 and \$80,702 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.

SUPPLEMENTARY INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT
SUMMARY OF ACTIVITY IN RESTRICTED NET POSITION
FOR THE YEAR ENDED APRIL 30, 2022

	Total	Operations and Maintenance	Bond and Interest Reserve	Repair and Replacement	Bond and Interest Sinking Fund
MAY 1, 2021 BALANCES					
Cash and Cash Equivalents	\$ 2,832,325	\$ 216,000	\$ 825,000	\$ 1,770,421	\$ 20,904
TOTALS	<u>\$ 2,832,325</u>	<u>\$ 216,000</u>	<u>\$ 825,000</u>	<u>\$ 1,770,421</u>	<u>\$ 20,904</u>
RECEIPTS					
Transfers From Other Accounts	\$ 786	\$ -	\$ -	\$ 786	\$ -
Customer Payments	1,267,241	-	-	323,904	943,337
Interest Earnings	2,497	-	786	1,711	-
TOTAL RECEIPTS	<u>\$ 1,270,524</u>	<u>\$ -</u>	<u>\$ 786</u>	<u>\$ 326,401</u>	<u>\$ 943,337</u>
DISBURSEMENTS					
Repair and Replacement	\$ 525,018	\$ -	\$ -	\$ 525,018	\$ -
Debt Service					
Principal	837,000	-	-	-	837,000
Interest and Fees	106,040	-	-	-	106,040
TOTAL DISBURSEMENTS	<u>\$ 1,468,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,018</u>	<u>\$ 943,040</u>
Transfer to Other Accounts	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ -</u>
APRIL 30, 2022 BALANCES	<u><u>\$ 2,634,005</u></u>	<u><u>\$ 216,000</u></u>	<u><u>\$ 825,000</u></u>	<u><u>\$ 1,571,804</u></u>	<u><u>\$ 21,201</u></u>
CONSISTING OF:					
Cash and Cash Equivalents	<u>\$ 2,634,005</u>	<u>\$ 216,000</u>	<u>\$ 825,000</u>	<u>\$ 1,571,804</u>	<u>\$ 21,201</u>
RESTRICTED NET POSITION BALANCES	<u><u>\$ 2,634,005</u></u>	<u><u>\$ 216,000</u></u>	<u><u>\$ 825,000</u></u>	<u><u>\$ 1,571,804</u></u>	<u><u>\$ 21,201</u></u>

See Accompanying Independent Auditor's Report.

LAKE COUNTY PUBLIC WATER DISTRICT
WATER, CUSTOMER, AND RATE INFORMATION
YEAR ENDED APRIL 30, 2022
(Unaudited)

Treated Water Pumped and Billed to Customers*	943,459,000 Gallons
Treated Raw Water*	943,459,000 Gallons
Water Used for Flushing Filters and Plant	27,071,000 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, 2021**	\$1.613 per 1,000 gallons

*In addition, all of the customers were charged a pro rata share of an availability fee which amounts to \$1,037,747 for the year ended April 30, 2022. 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
6/1/2021 to 6/1/2022**

Location	Coverage	Limit	Deductible
1, 2, 3	Blanket Building/Personal Property	\$18,480,000	\$10,000
1	Business Income w/ Extra Expense	\$3,409,068	24 hours
1	Electronic Data Processing Equipment	\$1,187,000	\$10,000
1	Valuable Papers	\$100,000	\$10,000
1, 3	Underground Structures	\$7,952,000	\$25,000
	Personal Property in Transit	\$100,000	\$10,000
	Mobile Equipment – portable generator	\$424,000	\$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 6/1/2021 to 6/1/2022

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
6/1/2021 to 6/1/2022**

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	\$243,000
Vacant Land	2 acres

Primary Umbrella Liability – Trident/Argonaut Insurance Company 6/1/2021 to 6/1/2022

Limit of Liability
\$10,000,000
\$10,000,000 Failure to Supply Sub-Limit of Insurance

Excess of Primary Liability – Markel Insurance Company 6/1/2021 to 6/1/2022

Limit of Liability
\$5,000,000
This policy is excess of the primary \$10,000,000 for a total Umbrella limit of \$15,000,000

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

**Workers Compensation & Employers Liability
Safety National - Effective Date 1/1/21 to 1/1/2022**

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	\$243,000
Clerical - 8810	\$197,000

**Cyber Liability – Claims Made Policy – BCS Insurance Effective
6/1/2021 to 6/1/2022**

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: 6/1/2021 to 6/1/2022

Coverage	Insurance Carrier	Premium
Commercial Property including Inland Marine,	Chubb Insurance Company	\$30,625
General Liability, Public Official Liability, Auto Liability, Umbrella Liability	Trident/Argonaut Insurance Company	\$15,219
Public Officials Bond	Ohio Casualty Company	\$1,500
Cyber Liability	BCS / Lloyds Insurance Company	\$2,826
Excess Liability	Markel Insurance Company	\$11,126
Workers Compensation	Illinois Public Risk Fund/Safety National	\$8,837
Total Premium		\$70,133

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, 2022

Interest Payable May 1 and November 1
 Principal Payable May 1

	Calendar Year	Principal	Interest	Totals
2015 A & B Series Combined	2023	\$ 858,000	\$ 85,406	\$ 943,406
	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>\$ 2,888,000</u>	<u>\$ 195,256</u>	<u>\$ 3,083,256</u>

See Accompanying Independent Auditor's Report.

OTHER INFORMATION - STATISTICAL TABLES AND GRAPHS

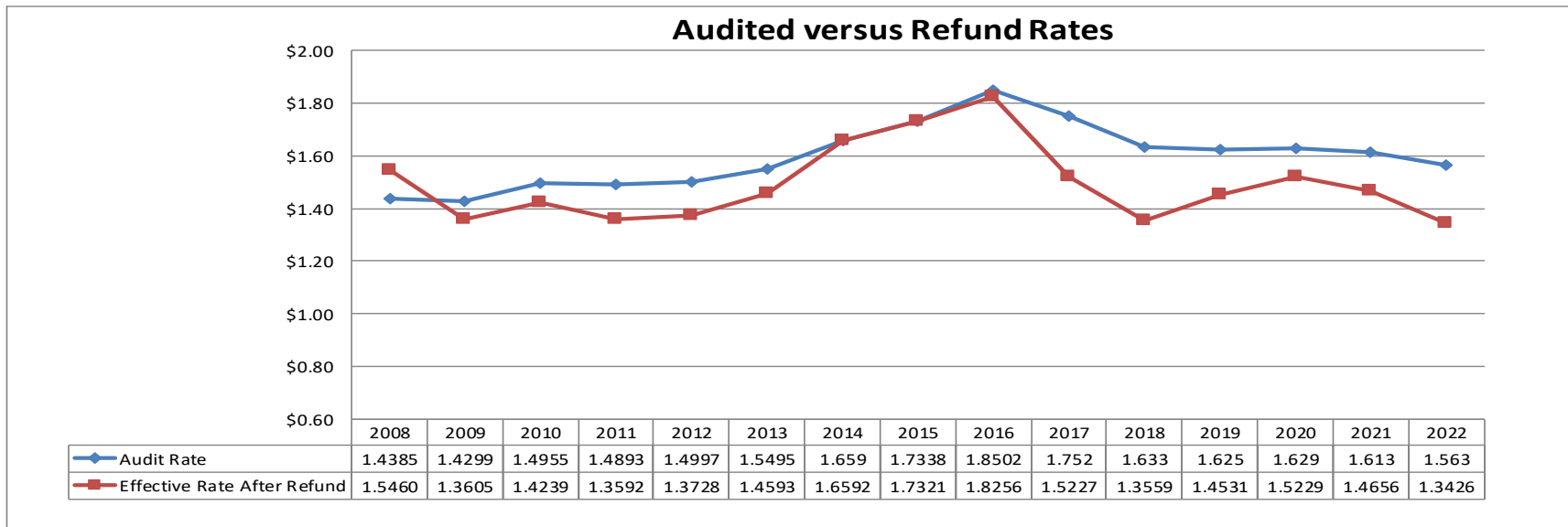
Cost of Water

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

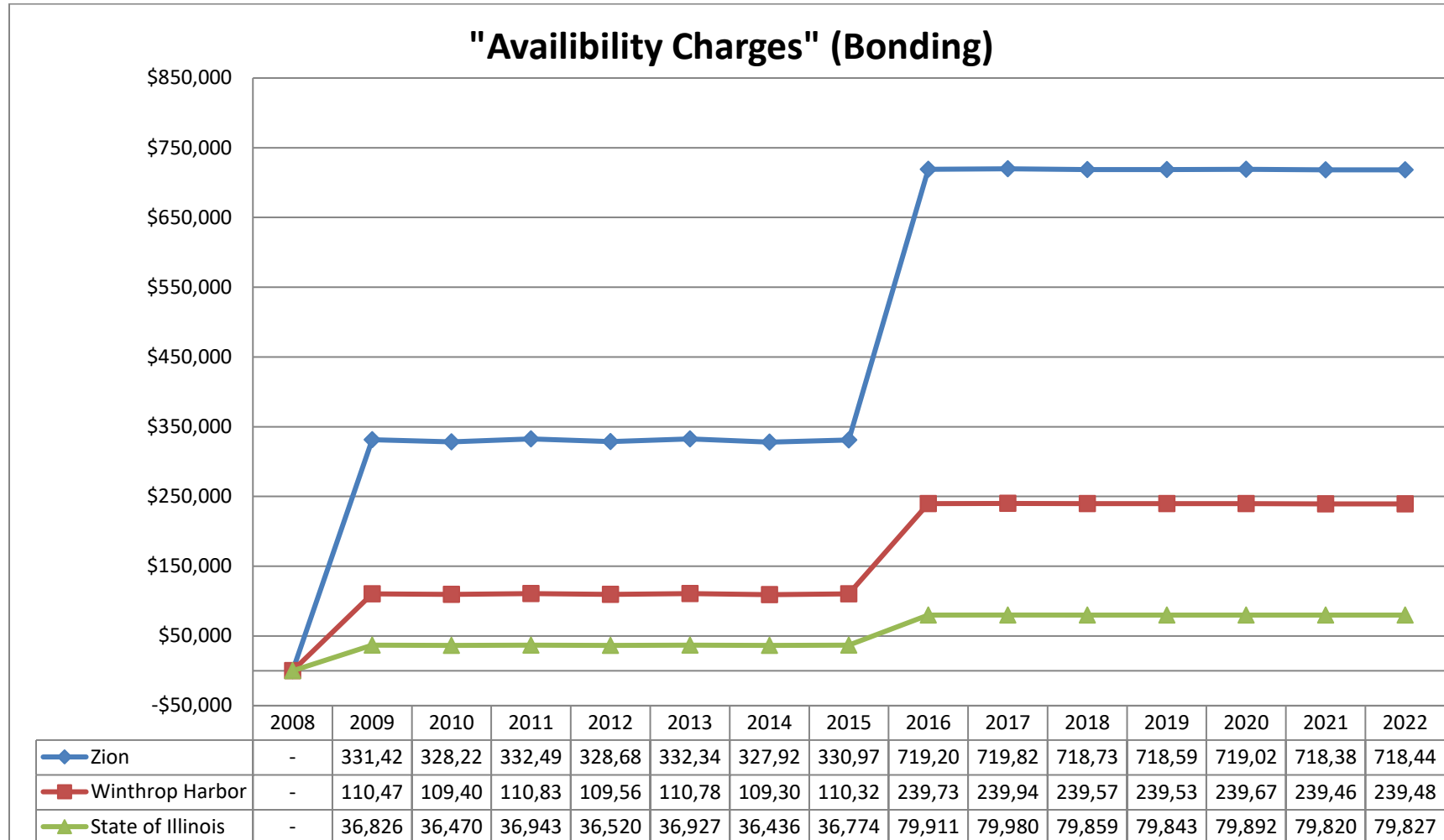
1. Water rate per thousand gallons
2. Availability Charge based on outstanding debt
3. Renewal and Replacement
4. Refund and/or Charge

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.

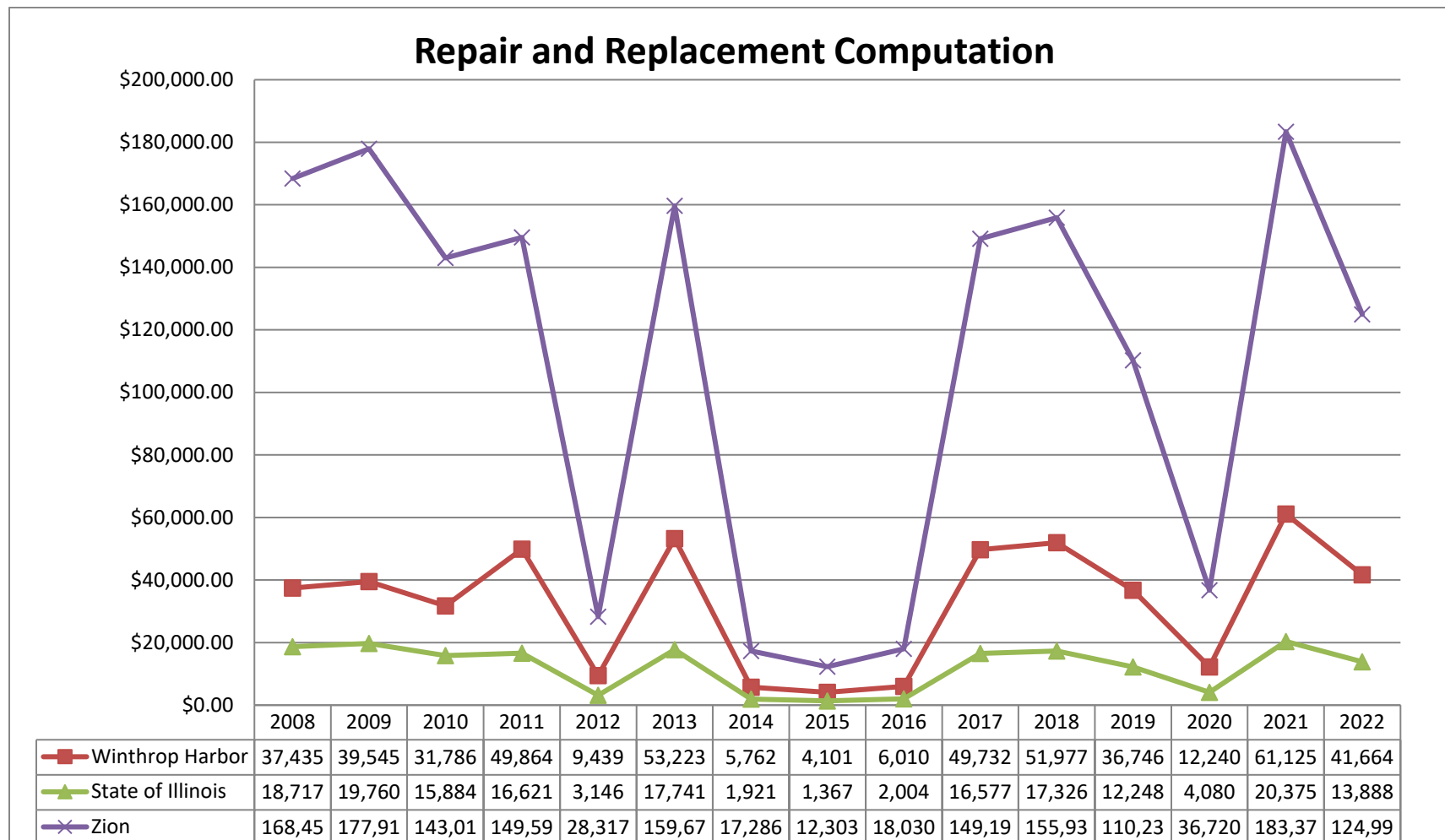
The refund or additional charge is calculated on an adjusted Operations & Maintenance expense factor, multiplied by the actual delivered gallons of water to the District’s customers. This is then compared to the actual billings to determine an under or over billing. The difference is refunded or charged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



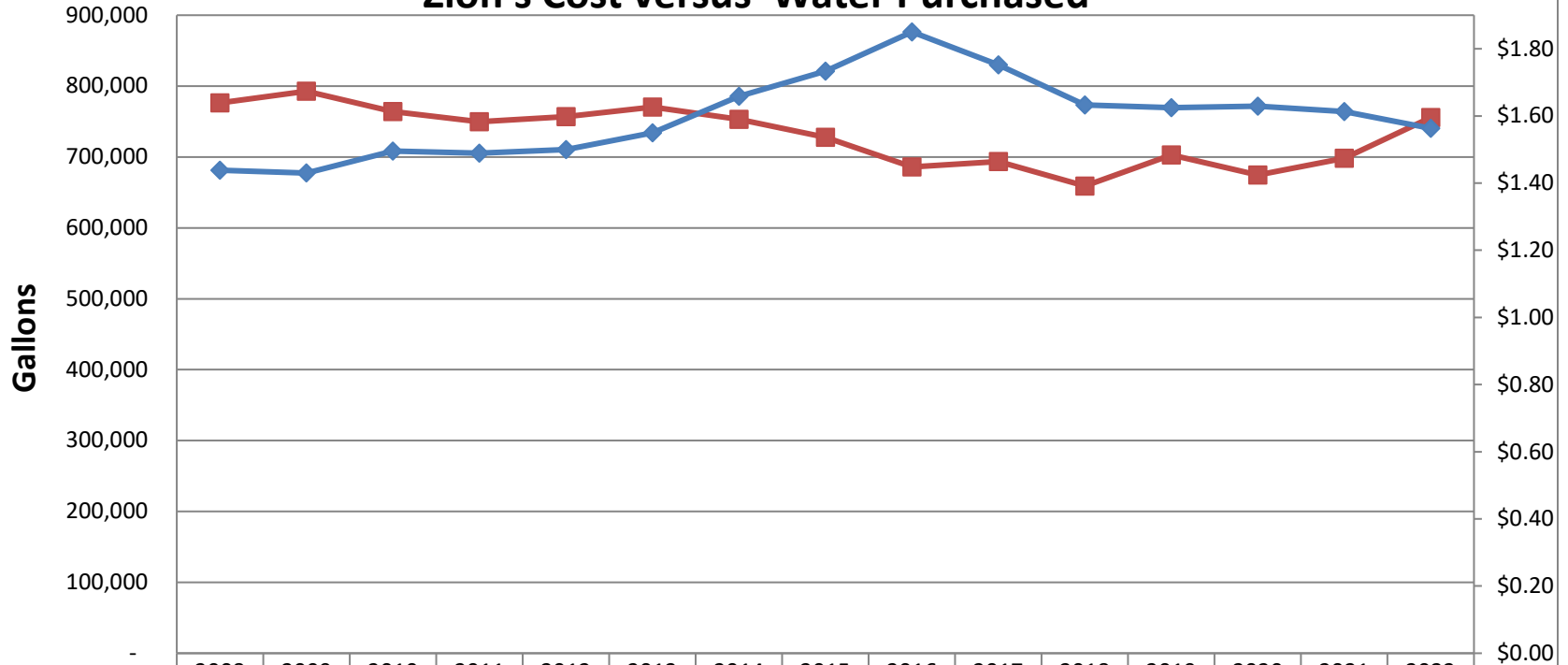
The "Computation of Availability Charge", is calculated by multiplying each customer's proportional share of the treatment plant's capacity (by contract, Zion's share is 4.5 MGD/ 6.5 MGD) by the principal and interest debt payments for the upcoming fiscal year. Interest payments are due on November 1 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.

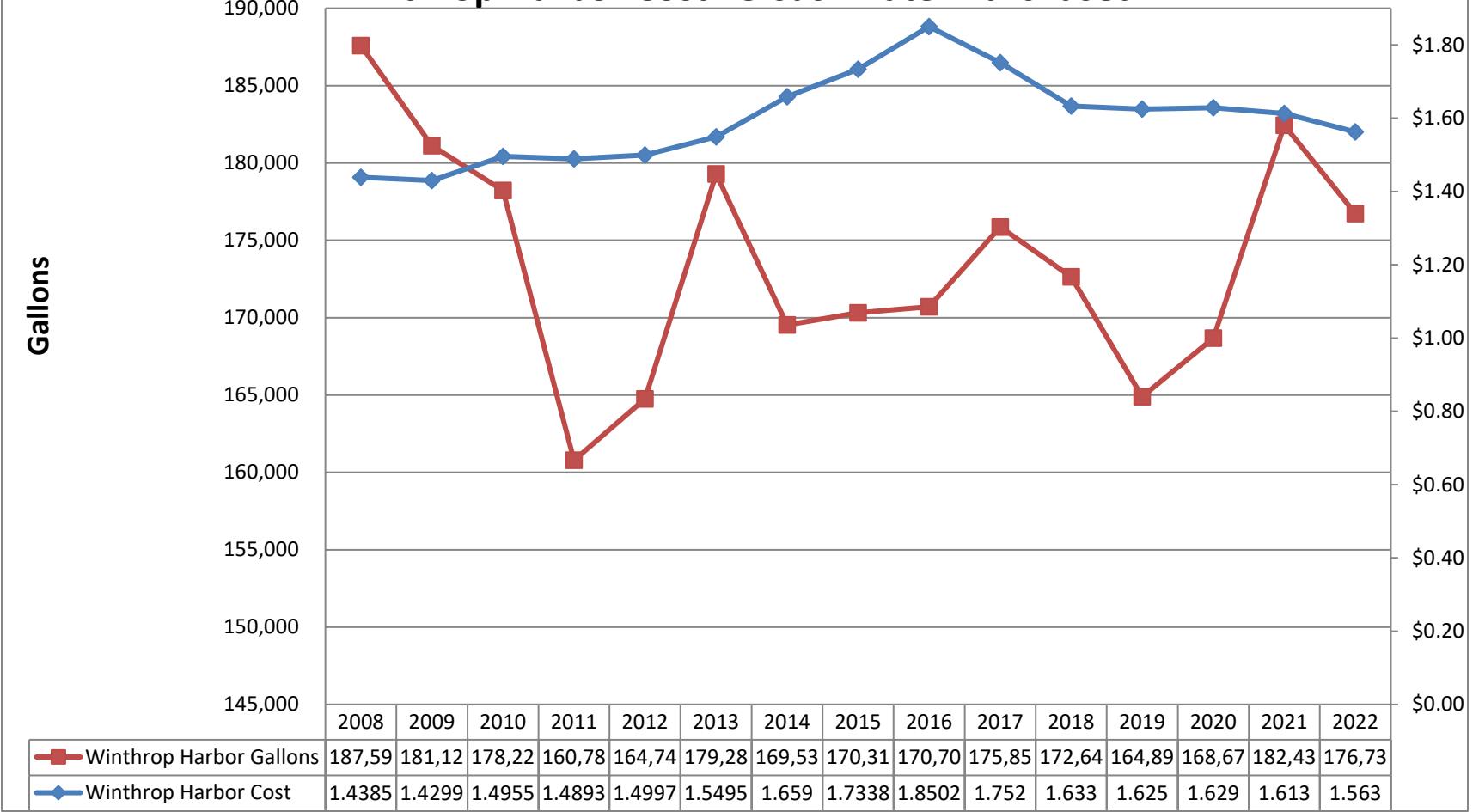


Zion's Cost versus Water Purchased

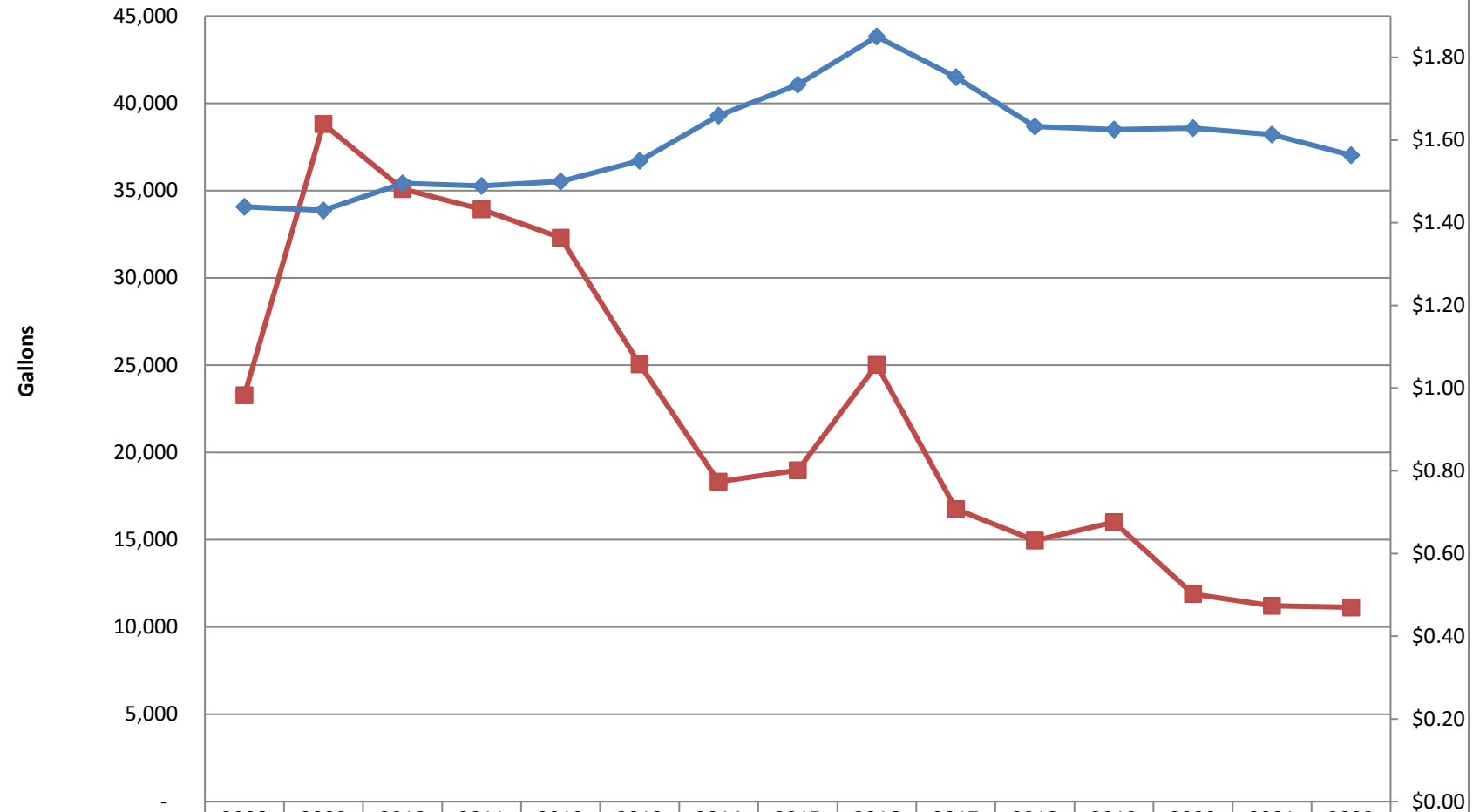


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Zion Gallons	776,17	792,74	764,05	749,61	756,80	770,31	753,24	727,72	686,15	693,54	659,11	702,84	674,59	698,20	755,59
Zion Cost	1.4385	1.4299	1.4955	1.4893	1.4997	1.5495	1.659	1.7338	1.8502	1.752	1.633	1.625	1.629	1.613	1.563

Winthrop Harbor Cost versus Water Purchased

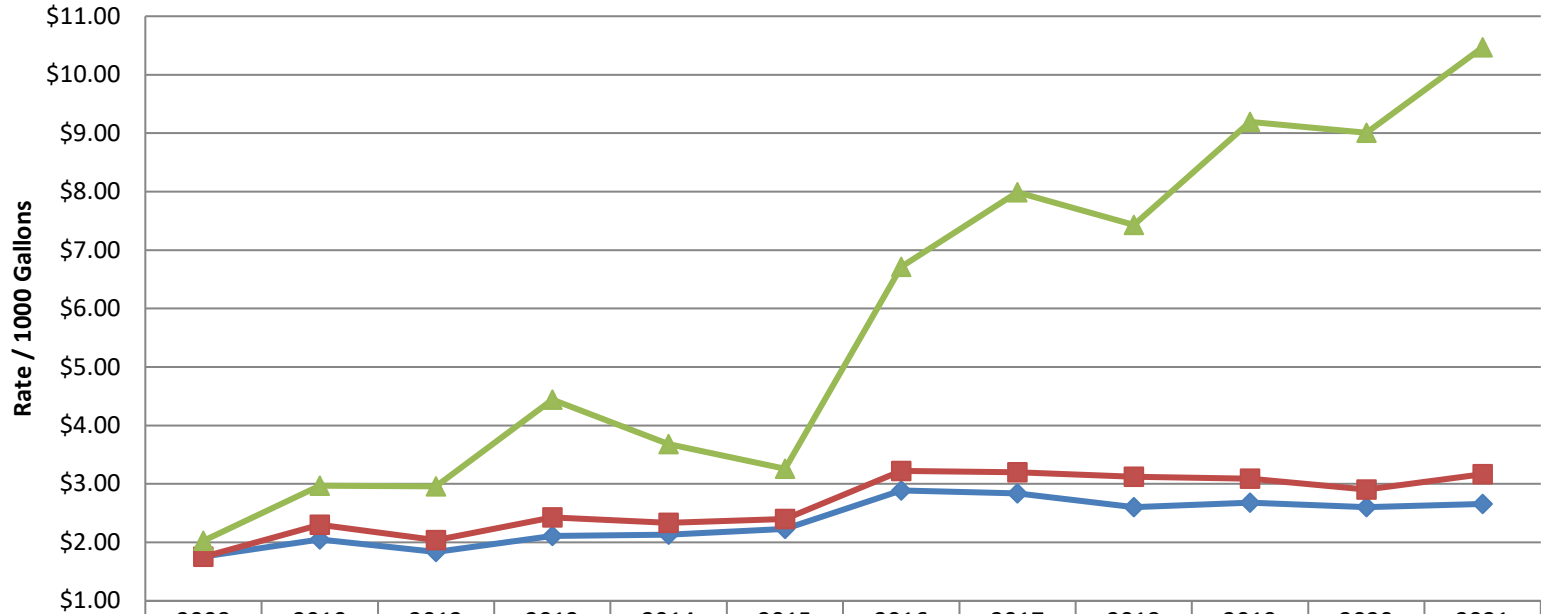


State of Illinois Cost versus Water Purchased



State of Illinois	23,272	38,814	35,086	33,923	32,295	25,051	18,333	18,974	25,009	16,754	14,951	16,004	11,897	11,217	11,131
State of Illinois	1.4385	1.4299	1.4955	1.4893	1.4997	1.5495	1.659	1.7338	1.8502	1.752	1.633	1.625	1.629	1.613	1.563

Total Cost by Customer Rate, R&R & Bonds



◆ Zion	1.7585	2.0526	1.8363	2.1124	2.1336	2.2324	2.8886	2.8411	2.6003	2.6817	2.6053	2.6590
■ Winthrop Harbor	1.7527	2.3021	2.0366	2.4266	2.3348	2.4024	3.2230	3.2005	3.1240	3.0910	2.9037	3.1664
▲ State of Illinois	2.0282	2.9672	2.9562	4.4412	3.6808	3.2572	6.7149	7.9889	7.4284	9.1938	9.0091	10.4670