

Agenda Item # 66

**LINDENHURST SANITARY DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2006**

TABLE OF CONTENTS

	<u>Exhibit or Schedule</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	
BASIC FINANCIAL STATEMENTS	
Statement of net assets	1
Statement of revenues, expenses, and changes in net assets	2
Statement of cash flows	3
Statement of revenues, expenditures and changes in fund balance - budget and actual	4
Notes to basic financial statements	
SUPPLEMENTARY INFORMATION	
Assessed Valuations, Rates, Extensions and Collections	A



D A M, S N E L L & T A V E I R N E, L T D.

C E R T I F I E D • P U B L I C • A C C O U N T A N T S

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INDEPENDENT AUDITORS' REPORT

December 1, 2006

Board of Trustees  
Lindenhurst Sanitary District  
Lindenhurst, Illinois

We have audited the basic financial statements of the Lindenhurst Sanitary District, as of and for the year ended June 30, 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lindenhurst Sanitary District at June 30, 2006, and the results of its operations and the changes in fund net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. The accompanying supplementary information presented on Schedule A is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information is also the responsibility of the Lindenhurst Sanitary District. The information on Schedule A has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dam, Snell & Taveirne, Ltd.*

DAM, SNELL & TAVEIRNE, LTD.  
Certified Public Accountants  
Fox Lake, Illinois

LINDENHURST SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

Our discussion and analysis of the Lindenhurst Sanitary District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the audit report and financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's net assets, which equal total assets minus total liabilities, were \$10,153,952 at the end of the 2006 fiscal year, an increase of \$133,620 over 2005.
- Unrestricted assets, which are assets that may be used to meet the District's ongoing obligations to residents and creditors, were \$6,825,729 at the end of the 2006 fiscal year.
- Revenues equaled \$666,108 and exceeded total expenses of \$532,408 by \$133,620.
- The District's cash and investment balance at June 30, 2006 was \$6,844,777 representing a decrease of \$249,642 from the prior year.

**USING THIS ANNUAL REPORT**

The financial statements focus on the District as a whole. This presentation is designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. They consist of a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

LINDENHURST SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The following tables present the financial position and results of operations of the District.

Table 1  
Net Assets  
Fiscal Years Ended June 30,

	<u>2006</u>	<u>2005</u>
Current assets	\$ 6,946,130	\$ 7,155,455
Capital assets	<u>9,012,049</u>	<u>9,264,775</u>
Total assets	<u>15,958,179</u>	<u>16,420,230</u>
Long-term debt	5,683,826	6,275,227
Other liabilities	<u>120,401</u>	<u>124,671</u>
Total liabilities	<u>5,804,227</u>	<u>6,399,898</u>
Net assets		
Invested in capital assets, net of related debt	3,328,223	2,989,548
Restricted	-	-
Unrestricted	<u>6,825,729</u>	<u>7,030,784</u>
Total net assets	<u>\$ 10,153,952</u>	<u>\$ 10,020,332</u>

The District's net assets are composed of capital assets net of related debt, restricted assets and unrestricted assets. Capital assets reflect the District investments in capital assets (e.g. treatment plant facilities) less any related debt used to acquire those assets that remain outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There was no restricted asset balance at the end of the year. The remaining assets represent unrestricted net assets and may be used to meet the District's ongoing obligations to citizens and creditors.

LINDENHURST SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

Table 2  
Changes in Net Assets  
Fiscal Years Ended June 30,

	<u>2006</u>	<u>2005</u>
Revenues		
Operating revenues		
Charges for services	\$ 486,639	\$ 486,639
Nonoperating income		
Property taxes and similar payments	104,585	96,930
Personal property replacement taxes	1,940	1,511
Connection fees	168,142	135,183
Investment income	(95,198)	466,481
Total revenues	<u>666,108</u>	<u>1,186,744</u>
Expenses		
Administration	10,831	9,753
Operating cost assistance	100,000	50,000
Depreciation	252,726	252,723
Interest expense	168,931	186,535
Total expenses	<u>532,488</u>	<u>499,011</u>
Excess (deficiency) before special items and transfers	133,620	687,733
Special items	-	-
Transfers	-	-
Increase (decrease) in net assets	<u>133,620</u>	<u>687,733</u>
Beginning of year	<u>10,020,332</u>	<u>9,332,599</u>
End of year	<u>\$ 10,153,952</u>	<u>\$ 10,020,332</u>

Net assets for the District increased by \$133,620 in 2006, from a beginning total of \$10,020,332 to an ending total of \$10,153,952.

Net District revenues equaled \$666,108, and exceeded total expenses of \$532,488 by \$133,620.

The variation in investment income reflects changes in market value related to interest rate fluctuations. Investment income in 2005 included an increase of \$220,485 in market value, mainly attributable to the decrease in interest rates during that year. 2006 investment income reflects a decrease in market value, as interest rates increased from those in effect at the end of the 2005 fiscal year.

#### **ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS**

The financial statements are based on generally accepted accounting principles where the District is presented as a single business-type activity. The legally adopted budget is based on fund accounting. The differences between these two formats are reconciled in Exhibit 4.

The budget variation related to investment income reflects the market value adjustment noted above. Budgeted capital outlay items were not required to be made during the year. The District increased its annual operating cost assistance payment to the Village of Lindenhurst by \$50,000 during the year. This increase was not reflected in the original budget.

LINDENHURST SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental and business type activities as of June 30, 2006 was \$9,012,049 (net of accumulated depreciation). This investment in capital assets includes land and the treatment plant facilities. There were no acquisitions during 2006.

Table 3  
Capital Assets (net of depreciation)  
Fiscal Years Ended June 30,

	2006	2005
Land	\$ 10,000	\$ 10,000
Treatment plant facilities	9,002,049	9,254,775
<b>Totals</b>	<b>\$9,012,049</b>	<b>\$9,264,775</b>

**Debt**

On June 30, 2006, the District had two debt issues outstanding. The IEPA Loan #L-170098 (Junior Sewerage Revenue Bonds) dated September 20, 1989 has a remaining balance of \$2,437,131. The proceeds financed a sewerage treatment plant expansion. The IEPA Loan #L-171089 (Junior Sewerage Revenue Bonds) dated September 29, 1998 has a remaining balance of \$3,246,695. The proceeds financed a sewerage treatment plant expansion. The following table illustrates the District's outstanding debt.

Table 4  
Outstanding Debt  
Fiscal Years Ended June 30,

	2006	2005
IEPA Loan #L-170098	\$ 2,437,131	\$ 2,836,446
IEPA Loan #L-171089	3,246,695	3,438,781
<b>Total</b>	<b>\$ 5,683,826</b>	<b>\$ 6,275,227</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's appointed officials considered many factors when setting the fiscal-year 2006-2007 budget and the associated property tax rates and charges for services. Revenue and expenses are expected to be similar in the coming year. The total appropriated original budget was equal to \$979,357.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 2301 E. Sand Lake Road, Lindenhurst, IL 60046.

LINDENHURST SANITARY DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

EXHIBIT 1

ASSETS

Current assets

Cash and cash equivalents	\$ 42,828
Investments	6,801,949
Property taxes receivable	53,161
Due from Village of Lindenhurst	14,762
Accrued interest	33,430
Total current assets	<u>6,946,130</u>

Capital Assets

Land	10,000
Treatment plant facilities	12,173,861
Less - accumulated depreciation	<u>(3,171,812)</u>
Total capital assets	<u>9,012,049</u>
Total assets	<u>15,958,179</u>

LIABILITIES

Current liabilities

Accrued loan interest	67,904
Deferred property tax revenues	52,497
IEPA loans payable	609,317
Total current liabilities	<u>729,718</u>

Noncurrent liabilities

IEPA loans payable	<u>5,074,509</u>
Total liabilities	<u>5,804,227</u>

NET ASSETS

Invested in capital assets, net of related debt	3,328,223
Restricted	-
Unrestricted	6,825,729
Total net assets	<u>\$ 10,153,952</u>

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

## EXHIBIT 2

LINDENHURST SANITARY DISTRICT  
 STATEMENT OF REVENUES EXPENSES, AND CHANGES IN NET ASSETS  
 YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Charges for services	<u>\$ 486,639</u>
OPERATING EXPENSES	
Administration	10,831
Operating cost assistance	100,000
Depreciation	<u>252,726</u>
Total operating expenses	<u>363,557</u>
Operating income (expense)	123,082
NONOPERATING INCOME (EXPENSES)	
Property taxes	102,471
Illinois replacement taxes	1,940
Investment income (loss)	(95,198)
Connection fees	168,142
Fees in lieu of taxes	2,114
Interest expense	<u>(168,931)</u>
Total nonoperating income (expenses)	10,538
Income (loss) before contributions and transfers	<u>133,620</u>
CAPITAL CONTRIBUTIONS	-
TRANSFERS	-
Change in net assets	133,620
Total net assets - beginning	<u>10,020,332</u>
Total net assets - ending	<u><u>\$ 10,153,952</u></u>

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

LINDENHURST SANITARY DISTRICT  
STATEMENT OF CASH FLOWS  
JUNE 30, 2006

EXHIBIT 3

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments for services	\$ 486,639
Payments to suppliers	(10,831)
Operating costs assistance payment	(100,000)
Net cash provided by operating activities	<u>375,808</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Local property taxes	101,486
Fees in lieu of taxes	2,114
Personal property replacement tax	1,940
Net cash provided by noncapital financing activities	<u>105,540</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions - connection fees	153,380
Principal paid on capital debt	(591,401)
Interest paid on capital debt	(176,339)
Net cash used by capital and related financing activities	<u>(614,360)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	3,502,036
Purchase of investments	(3,560,493)
Interest and dividends	196,343
Net cash provided by investing activities	<u>137,886</u>
Net increase (decrease) in cash and cash equivalents	4,874
Balances - beginning of year	272,566
Balances - end of year	<u>\$ 277,440</u>
Reconciliation to statement of net assets:	
Cash	\$ 42,828
Short term investments (included in investments)	234,612
Total cash and cash equivalents	<u>\$ 277,440</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 123,082
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	252,726
Net cash provided by operating activities	<u>\$ 375,808</u>

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

LINDENHURST SANITARY DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUE</b>			
Charges for services	\$ 386,000	\$ 486,639	\$ 100,639
Property taxes	104,700	102,471	(2,229)
Personal property replacement tax	1,200	1,940	740
Connection fees	80,000	168,142	88,142
Fees in lieu of taxes	-	2,114	2,114
Investment income (loss)	300,000	(95,198)	(395,198)
Total revenue	<u>871,900</u>	<u>666,108</u>	<u>(205,792)</u>
<b>EXPENDITURES</b>			
Administration	33,000	10,831	(22,169)
Operating cost assistance	50,000	100,000	50,000
Debt service	745,000	767,741	22,741
Capital outlay	43,900	-	(43,900)
Total expenditures	<u>871,900</u>	<u>878,572</u>	<u>6,672</u>
Excess (deficiency) of revenue over expenditures	-	(212,464)	(212,464)
<b>OTHER SOURCES (USES)</b>			
Interfund transfer	-	-	-
Excess (deficiency) of revenue and other sources over (under) expenditures and other (uses)	-	(212,464)	(212,464)
FUND BALANCE - Beginning	<u>6,963,399</u>	<u>6,963,399</u>	-
FUND BALANCE - Ending	<u>\$ 6,963,399</u>	<u>\$ 6,750,935</u>	<u>\$ (212,464)</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGETARY BASIS  
TO THE STATEMENT OF REVENUES, EXPENSES AND NET ASSETS

Net change in fund balance-budgetary basis \$ (212,464)

Amounts reported are different because:

Fund-budgetary basis reports capital outlay as expenditures. However, in the statement of revenues, expenses and net assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	
Depreciation expense	(252,726)

The issuance of long-term debt provides current financial resources to fund-budgetary basis, while the repayment of the principal of long-term debt consumes the current financial resources of fund-budgetary basis. This amount is the net effect of these differences in the treatment of long-term debt.

591,401

Changes to accrued interest on long-term debt in the statement of revenues, expenses and net assets does not require the use of current financial resources and, therefore, are not reported as expenditures in the fund.

7,409

Changes in net assets

\$ 133,620

LINDENHURST SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lindenhurst Sanitary District provides services related to the processing of sewerage to residents of the District.

The accompanying financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies established in GAAP and used by the District are described below.

A. Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

1. The organization is legally separate (can sue or be sued their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

B. Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and federal state, and local grants. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected not to apply FASB pronouncements issued after the applicable date.

LINDENHURST SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

C. Cash and Investments

Cash and cash equivalents on the Statement of Net Assets are considered to be cash on hand, demand deposits and cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value, based upon quoted market prices. Change in the carrying value of investments resulting in unrealized gains or losses is reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

D. Capital Assets

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and treatment facility improvements that significantly increase the capacity or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Capital assets are depreciated using the straight-line method over the estimated useful life of the assets, generally 30 to 50 years for buildings and treatment facility improvements, 15 to 25 years for depreciable land improvements and 5 to 20 years for all other equipment.

E. Deferred Revenues

Deferred revenues include tax levies accrued that are restricted for future fiscal years.

F. Non-current Liabilities

Non-current liabilities include principal amounts of bond obligations with maturities greater than one year.

G. Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in Capital assets, net of related debt."

H. Use of Estimates

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

LINDENHURST SANITARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2006

NOTE 2 — CASH AND INVESTMENTS

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes.

- A. Deposits – At June 30, 2006, the carrying amount of the District's deposits was \$42,828. The bank balance of \$42,828 was fully covered by FDIC insurance.
- B. At June 30, 2006, the District had the following investments and maturities. (Amounts are in thousands.)

Investment Type	Investment Maturity (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
US Treasury and US agency securities	\$ 1,543	\$ -	\$ -	\$ -	\$ 1,543
US Government sponsored enterprises	5,024	-	-	1,660	3,364
Illinois Funds	235	235	-	-	-
Total investments	<u>\$ 6,802</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 1,660</u>	<u>\$ 4,907</u>

*Interest rate risk.* Investments of the District are guided by the Illinois Compiled Statutes and are reported at fair value. The District is authorized to invest, subject to specific guidelines in some cases, in obligations of the U.S. Treasury, U.S. agencies U.S Government sponsored enterprises, repurchase agreements, certificates of deposit, and the Illinois Funds. The District's policy is to match maturities with cash flow requirements, with a portion continuously invested in readily available funds.

*Credit risk.* The District's investment in money markets and Illinois Funds were rated AAAM by Standard and Poor's. The money markets and Illinois Funds accounts the District invests in only make investments that are permitted by the Illinois Compiled Statutes. Other investments were comprised of U.S. Treasury, U.S. agency, and U.S. government sponsored enterprise securities.

*Custodial credit risk.* For an investment, custodial credit is risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are registered in the District's name. District policy requires that bank deposits in excess of FDIC limits are collateralized with securities held by the financial institution's agents in the District's name. At June 30, 2006, no deposits exceeded FDIC limits and collateral.

NOTE 3 – PROPERTY TAX REVENUE

Property taxes are levied each year on taxable real property located in the District on or after the last Tuesday in December. Property taxes attach as an enforceable lien January 1 of the levy year, and are payable to the County in two installments on June 1 and September 1 of the year following the year of levy. Distributions are made to the District shortly after these dates. The 2005 levy was adopted and filed with the County on September 1, 2005. Revenue is recognized in the year of the levy to the extent that it is due and to be paid by the taxpayer by June 30, and is expected to be collected soon enough after June 30 to be used to pay liabilities as of June 30 (60 days or less), and has been budgeted for the current fiscal year.

LINDENHURST SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets:				
Land (non-depreciable)	\$ 10,000	\$ -	\$ -	\$ 10,000
Sewer Treatment Facilities	12,173,861	-	-	12,173,861
Total capital assets	<u>12,183,861</u>	<u>-</u>	<u>-</u>	<u>12,183,861</u>
Less accumulated depreciation	<u>2,919,086</u>	<u>252,726</u>	<u>-</u>	<u>3,171,812</u>
Capital assets, net	<u>\$ 9,264,775</u>	<u>\$(252,726)</u>	<u>\$ -</u>	<u>\$ 9,012,049</u>

NOTE 5 – LONG-TERM DEBT

At June 30, 2006, bonds payable consisted of the following individual issues:

IEPA Loan #L-170098 (Junior Sewerage Revenue Bonds) \$7,107,944 Illinois EPA loan dated September 30, 1989 bearing interest at 3.19% with principal and interest payments of \$243,319 due semi-annually beginning February 1, 1992 through August 1, 2011.	\$ 2,437,131
IEPA Loan #L-171089 (Junior Sewerage Revenue Bonds) \$4,268,787 Illinois EPA loan dated September 29, 1998 bearing interest at 2.625% with principal and interest payments of \$140,551 due semi-annually beginning February 1, 2001 through February 1, 2020.	3,246,695
Total bonds payable	<u>\$ 5,683,826</u>

*Long-Term Liabilities Activity*

Transactions for the year ended June 30, 2006 are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year
Revenue bonds payable	\$ 6,275,227	\$ -	\$ 591,401	\$ 5,683,826	\$ 609,317
Total	<u>\$ 6,275,227</u>	<u>\$ -</u>	<u>\$ 591,401</u>	<u>\$ 5,683,826</u>	<u>\$ 609,317</u>

LINDENHURST SANITARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2006

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	609,317	158,423	767,740
2008	627,778	139,962	767,740
2009	646,804	120,936	767,740
2010	666,411	101,329	767,740
2011	686,617	81,123	767,740
2012-2016	1,423,549	225,279	1,648,828
2017-2020	1,023,350	59,488	1,082,838
Total	<u>\$ 5,683,826</u>	<u>\$ 886,540</u>	<u>\$ 6,570,366</u>

NOTE 6 – PLANT OPERATING COST ASSISTANCE

The Village of Lindenhurst has agreed to run and pay all related operating costs of the sewerage treatment plant. The District has agreed to assist the Village with such costs by reducing the village payments by \$50,000 each on February 1 and August 1, through August 1, 2011.

NOTE 7 – CONTRACTUAL COMMITMENTS

On November 30, 1976, the District acquired the sewerage treatment plant of the Lindenhurst Water Company. The District issued \$610,000 of general obligation bonds to acquire the existing 500,000 gallon per day sewerage treatment plant and improve and extend the plant to a capacity of 1,000,000 gallons per day.

In conjunction, the Village of Lindenhurst simultaneously acquired the existing waterworks supply, storage and distribution system and the sewerage collection system of the Lindenhurst Water Company to improve the Village's sewer collection system.

The District and the Village have entered into an agreement for a period of 30 years commencing on the date of purchase whereby the Village will operate and maintain the sewerage treatment plant and pay all of the expenses incident thereto from the proceeds of rates charged to the users of the system. An amendment to the above agreement was passed on July 17, 1989 as follows:

Future additions to the sewerage treatment plant – In the event that, due to the population growth of the Village and District, it is determined that further additions or expansions are needed to the present sewer plant, it is agreed that the Village and District will jointly participate in all decisions made regarding the expansion of the sewer plant at a level of participation as agreed between

LINDENHURST SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

them as to each item to be decided. The Village and District agree that the District will use its complete available bonding power for the sewer plant expansion and that the Village will provide additional funding over and above that provided by the District.

Sewer use ordinance/wastewater service charge – The District has passed a comprehensive sewer use ordinance and the Village has passed a comprehensive wastewater service charge ordinance. The District and the Village agree to be bound by both of these ordinances. The Village has set and will continue to set the wastewater service charge for the users of the system and agrees that it will charge an amount sufficient to provide for the payment to the District or deposit on account for the District such amounts required to pay revenue bonds issued by the District to the State of Illinois, purchased with money from the Water Pollution Control Revolving Loan Fund, and to meet such other covenants as are required by the State in the bonds, the related bond ordinance, loan agreement and other related documents. The District agrees to submit each of said documents to the Village for approval.

The Village agrees to cooperate fully with the District in the setting and collection of sewer user charges so as to provide timely payment of said bonds, (namely the repayment of the loan, evidence by said bonds, to the State of Illinois). The original ordinance establishing customer charges was first amended on April 8, 1991 and again on December 11, 2000.

**NOTE 7 – RISK MANAGEMENT**

The District is named as an additional insured under the Village of Lindenhurst's general liability and property coverage through an intergovernmental risk management agency. The agency, which is not an insurance company, is an Illinois intergovernmental insurance cooperative. The District also maintains public official liability coverage through a commercial carrier. The District has incurred no settlements that exceeded insurance coverage for the past three fiscal years.

LINDENHURST SANITARY DISTRICT  
 ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS  
 JUNE 30, 2006

SCHEDULE A

	TAX YEAR			
	2005	2004	2003	2002
ASSESSED VALUATIONS	\$ 342,111,445	\$ 311,607,485	\$ 303,894,998	\$ 294,740,096
TAX RATES				
General corporate	\$ 0.031	\$ 0.032	\$ 0.031	\$ 0.030
Bond and interest	0.000	0.000	0.000	0.000
	\$ 0.031	\$ 0.032	\$ 0.031	\$ 0.030
TAX EXTENSIONS				
General corporate	\$ 106,055	\$ 99,714	\$ 94,207	\$ 88,422
Bond and interest	-	-	-	-
	\$ 106,055	\$ 99,714	\$ 94,207	\$ 88,422
COLLECTIONS	\$ 51,833	\$ 99,249	\$ 94,184	\$ 88,078
PERCENTAGE OF EXTENSIONS COLLECTED	48.87%	99.53%	99.98%	99.61%

Final collection of the 2005 levy had not been received as of the date of this report.