

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

STATEMENTS OF INCOME AND EXPENSES AND INDEPENDENT
ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

For the Years Ended November 30, 2016 and 2015

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Public Works Committee
Lake County Public Works Department
Waterworks and Sewerage Systems Fund
Libertyville, Illinois

We have performed the procedures contained in Attachment I to this report, which were agreed to by the management of Lake County Public Works Department ("Department"), solely to assist you in preparing and evaluating the validity of the accompanying Statements of Income and Expenses for the years ended November 30, 2016 and 2015, for the Northeast Central Wholesale Sewer System. Lake County Public Works Department's management is responsible for the Statements of Income and Expenses. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statements of Income and Expenses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The attached Statements of Income and Expenses was not prepared in accordance with accounting principles generally accepted in the United States of America and only represent revenues and expenses associated with the Northeast Central Wholesale Sewer System's operations. It does not include all revenue and expense categories as shown in the Department's fiscal year 2016 and 2015 audited financial statements.

This report is intended solely for the information and use of the management of Lake County Public Works Department and its regional customers, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 25, 2017

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

For the Years Ended November 30, 2016 and 2015

PROCEDURES AND RESULTS

- I. Baker Tilly Virchow Krause, LLP (Baker Tilly) summarized the Statements of Income and Expenses, on the accrual basis, based on information provided by management to include the following classification of financial items for the Northeast Central Wholesale Sewer System for the years ended November 30, 2016 and 2015:
 - a. Operating Revenues
 - b. Operating Expenses
 - c. NonOperating Revenues and Expenses
 - d. Capital Contributions

Refer to Attachment II to this report.

- II. Baker Tilly inquired, inspected, and mathematically checked the methodology used by the Lake County Public Works Department (Department) for reporting revenues and expenses directly attributable to the Northeast Central Wholesale Sewer System for consistency with prior years.
- III. Baker Tilly recalculated the allocations of revenues and expenses indirectly attributable to the Northeast Central Wholesale Sewer System for inclusion in the Statement of Income and Expenses based on the methodology used in prior years.

Refer to Attachment II to this report.

- IV. Baker Tilly agreed amounts used to complete Procedure I to the audited information of the Lake County Public Works Department Waterworks and Sewerage Systems Fund as a whole for the years ended November 30, 2016 and 2015, by agreeing the aggregate of all individual regional revenues and expenses to the audited revenues and expenses.

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

STATEMENTS OF INCOME AND EXPENSES
For the Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Sewer charges	\$ 3,371,338	\$ 3,109,799
OPERATING EXPENSES		
Personnel services		
Salaries and wages	163,851	181,504
Pension - IMRF and Social Security	19,800	32,678
Total Personnel Services	<u>183,651</u>	<u>214,182</u>
Commodities		
Office supplies and maintenance	1,374	1,357
Housekeeping supplies	516	502
Gasoline	5,770	7,771
Buildings and ground supplies	1,339	4,086
Operational supplies	15,428	5,112
Uniforms	2,304	2,324
Medical supplies	171	150
Noncapitalized equipment and improvements	17,227	3,526
Miscellaneous	27	10
Total Commodities	<u>44,156</u>	<u>24,838</u>
Contractual		
Insurance		
Employees' life, health and dental	55,236	53,456
Unemployment	32,512	31,797
Miscellaneous benefits	4,604	4,470
Gas (utility)	1,273	1,666
Electricity	34,545	33,484
Telephone and telemetry	7,254	6,250
Wholesale sewage treatment	2,964,042	2,608,799
Vehicle maintenance	6,319	5,350
Buildings and equipment maintenance	12,468	15,789
Equipment rental/real estate lease	726	643

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

STATEMENTS OF INCOME AND EXPENSES
For the Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES (cont.)		
Disposal service	\$ 146	\$ 106
Miscellaneous	<u>155,248</u>	<u>86,847</u>
Total Contractual	<u>3,274,373</u>	<u>2,848,657</u>
Depreciation	<u>334,766</u>	<u>313,593</u>
Total Operating Expenses	<u>3,836,946</u>	<u>3,401,270</u>
OPERATING INCOME (LOSS)	<u>(465,608)</u>	<u>(291,471)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest rate subsidy	14,392	14,429
Interest expense	<u>(41,335)</u>	<u>(41,503)</u>
Total Nonoperating Revenues (Expenses)	<u>(26,943)</u>	<u>(27,074)</u>
Income (Loss) Before Contributions	<u>(492,551)</u>	<u>(318,545)</u>
CAPITAL CONTRIBUTIONS - CONNECTION FEES	<u>49,194</u>	<u>21,996</u>
NET INCREASE (DECREASE) TO DEPRECIATION, EXTENSION AND IMPROVEMENT RESERVE	<u>\$ (443,357)</u>	<u>\$ (296,549)</u>

**LAKE COUNTY PUBLIC WORKS DEPARTMENT
NORTHEAST CENTRAL WHOLESALE SEWER SYSTEM**

For the Years Ended November 30, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1 – Nature of Statements of Income and Expenses

The Statements of Income and Expenses (statements) are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. The revenues and expenses presented here are allocated to the Northeast Central Wholesale Sewer System from the Department's fiscal year 2016 and 2015 audited financial statements dated May 19, 2017 and May 13, 2016, respectively.

Note 2 – Reconciling Items

The attached statements were not prepared in accordance with accounting principles generally accepted in the United States of America and only represent revenues and expenses associated with the Northeast Central Wholesale Sewer System's operations and do not include all revenue and expense categories as shown in the Department's fiscal year 2016 and 2015, audited financial statements. Items not presented in the attached statements include:

- > Noncash capital contributions
- > Proceeds from sale of capital assets
- > Investment income

The above items were not allocated to the Northeast Central Wholesale Sewer System due to the procedures agreed-upon between the Department and Baker Tilly, which required the financial statements presented here only report similar revenues and expenses as used in designing the Department's current rate structure during the most recent rate study.

Note 3 – Items Specific to the Northeast Central Wholesale Sewer System***Interest Expense, Issuance Costs, Interest Charged to Construction and Interest Rate Subsidy***

The Build America Bond Series of 2010A was issued to complete various water and sewer capital projects. The associated interest expense, issuance costs and interest rate subsidy were allocated to the Northeast Central Wholesale Sewer System based on the actual projects funded through this debt that were directly related to the Northeast Central Wholesale Sewer System customers. Principal payments and interest charged to construction are not included in the statements as the related capital improvement charges are recovered through depreciation.

Please refer to Independent Accountants' Report on Applying Agreed-Upon Procedures.