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**VILLAGE OF LAKE VILLA  
LAKE COUNTY, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED APRIL 30, 2016**

**eder, casella & co.**

VILLAGE OF LAKE VILLA  
TABLE OF CONTENTS  
APRIL 30, 2016

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position – Modified Cash Basis	9
Statement of Activities – Modified Cash Basis	10
Fund Financial Statements	
Balance Sheet – Modified Cash Basis – Governmental Funds	11
Reconciliation of the Balance Sheet – Modified Cash Basis to the Statement of Net Position – Modified Cash Basis	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis to the Statement of Activities – Modified Cash Basis	14
Statement of Net Position – Modified Cash Basis – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds	16
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	17
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds	19
Notes to Financial Statements	20
SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	43
Illinois Municipal Retirement Fund – Schedule of Employer Contribution	44

VILLAGE OF LAKE VILLA  
TABLE OF CONTENTS  
APRIL 30, 2016

	PAGE
SUPPLEMENTARY INFORMATION (Continued)	
Police Pension Plan – Schedule of Changes in Net Pension Liability and Related Ratios	45
Police Pension Plan – Schedule of Employer Contribution	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual – General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual – Motor Fuel Tax Fund	50
Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds	51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Nonmajor Governmental Funds	52



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Village of Lake Villa  
Lake Villa, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of

Village of Lake Villa

as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

eder, casella & co.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lake Villa as of April 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## Change in Accounting Principle

As discussed in Note 19 to the financial statements, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

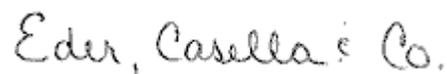
## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplemental information as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
September 9, 2016

SUPPLEMENTARY INFORMATION

## **VILLAGE OF LAKE VILLA** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Village of Lake Villa (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village exceeded its liabilities at April 30, 2016 by \$33,477,832 (net position). Of this amount, \$6,251,413 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$755,335, due primarily to a decrease in police expenses in comparison to the prior year.
- At April 30, 2016, the Village's governmental funds reported combined ending fund balances of \$5,328,535 an increase of \$714,651 in comparison with the prior year. Of this total amount, \$2,068,220 is available for spending at the Village's discretion (unassigned fund balance).
- At April 30, 2016, the unassigned fund balance for the General Fund was \$2,069,086, or 56% of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Position – Modified Cash Basis presents information on all of the Village's assets and liabilities arising from cash transactions, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities – Modified Cash Basis presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported on the cash basis as soon as cash is received or disbursed, regardless of when the underlying event giving rise to the change occurs.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include General Government, Police, Public Works, Streets, Building and Grounds, Mansion, Celebration of Summer Fun, and Parks. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet – Modified Cash Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains thirteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet – Modified Cash Basis and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis for the General Fund, Motor Fuel Tax Fund and General Capital Fund which are considered to be major funds. Data from the other ten funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Proprietary funds - The Village maintains one type of proprietary fund (enterprise fund). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, which is considered to be a major fund of the Village. The proprietary funds are Water & Sewer Fund, Water & Sewer Capital Fund, and Water & Sewer Equipment Replacement Fund.

The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs.

The basic fiduciary fund financial statements can be found on pages 18 and 19 of this report.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20 through 42 of this report.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Village's progress in meeting its obligation to provide as fully adequate as possible services to all of its residents.

The Village adopts an annual budget for all of its funds. A budgetary comparison statement has been provided for the General and Motor Fuel Tax Funds to demonstrate compliance with this budget.

The budgetary comparison statements can be found on pages 47 through 50 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$33,477,832 at April 30, 2016.

By far, the largest portion of the Village's net assets (76%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, land improvements, furniture and office equipment, vehicles and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village'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.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
<b>Assets</b>						
Current and Other Assets	\$ 5,387,703	\$ 4,764,379	\$ 2,659,736	\$ 3,722,606	\$ 8,047,439	\$ 8,486,985
Capital Assets	9,283,722	9,411,897	18,959,746	18,062,875	28,243,468	27,474,772
<b>Total Assets</b>	<b>\$ 14,671,425</b>	<b>\$ 14,176,276</b>	<b>\$ 21,619,482</b>	<b>\$ 21,785,481</b>	<b>\$ 36,290,907</b>	<b>\$ 35,961,757</b>
<b>Liabilities</b>						
Long-Term Liabilities Outstanding	\$ 16,570	\$ 164,106	\$ 2,675,198	\$ 2,929,538	\$ 2,691,768	\$ 3,093,644
Other Liabilities	59,168	150,495	62,139	(4,879)	121,307	145,616
<b>Total Liabilities</b>	<b>\$ 75,738</b>	<b>\$ 314,601</b>	<b>\$ 2,737,337</b>	<b>\$ 2,924,659</b>	<b>\$ 2,813,075</b>	<b>\$ 3,239,260</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 9,267,152	\$ 9,247,791	\$ 16,284,548	\$ 15,133,337	\$ 25,551,700	\$ 24,381,128
Restricted	1,674,719	736,377	-	9,008	1,674,719	745,385
Unrestricted	3,653,816	3,877,507	2,597,597	3,718,477	6,251,413	7,595,984
<b>Total Net Position</b>	<b>\$ 14,595,687</b>	<b>\$ 13,861,675</b>	<b>\$ 18,882,145</b>	<b>\$ 18,860,822</b>	<b>\$ 33,477,832</b>	<b>\$ 32,722,497</b>

An additional portion of the Village's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,251,413) may be used to meet the Village's ongoing obligations to citizens and creditors.

At April 30, 2016, the Village is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The Village's net position increased by \$755,335 during the year ended April 30, 2016.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 520,360	\$ 582,618	\$ 2,327,592	\$ 2,055,214	\$ 2,847,952	\$ 2,637,832
Operating Grants and Contributions	168,388	-	-	-	168,388	-
Capital Grants and Contributions	5,215	24,274	-	-	5,215	24,274
General Revenues						
Property Taxes	1,611,450	2,210,161	-	-	1,611,450	2,210,161
Sales Tax	755,823	765,837	-	-	755,823	765,837
Other Taxes	2,207,165	2,210,726	-	-	2,207,165	2,210,726
Unrestricted Investment Earnings	17,534	4,647	27,408	630	44,942	5,277
Gain/(Loss) on Asset Disposal	1,809	3,900	-	-	1,809	3,900
Other General Revenue	314,092	162,756	8,091	73,793	322,183	236,549
<b>Total Revenues</b>	<b>\$ 5,601,836</b>	<b>\$ 5,964,919</b>	<b>\$ 2,363,091</b>	<b>\$ 2,129,637</b>	<b>\$ 7,964,927</b>	<b>\$ 8,094,556</b>
<b>Expenses</b>						
General Government	\$ 1,356,826	\$ 1,252,379	\$ -	\$ -	\$ 1,356,826	\$ 1,252,379
Police	2,306,719	2,885,282	-	-	2,306,719	2,885,282
Public Works	66,182	-	-	-	66,182	-
Streets	1,036,220	1,234,100	-	-	1,036,220	1,234,100
Building and Grounds	179,480	235,195	-	-	179,480	235,195
Mansion	198,851	187,223	-	-	198,851	187,223
Celebration of Summer Fun	23,485	-	-	-	23,485	-
Debt Service	3,405	9,070	-	-	3,405	9,070
Water and Sewer	-	-	2,038,324	2,009,957	2,038,324	2,009,957
<b>Total Expenses</b>	<b>\$ 5,171,168</b>	<b>\$ 5,803,249</b>	<b>\$ 2,038,324</b>	<b>\$ 2,009,957</b>	<b>\$ 7,209,492</b>	<b>\$ 7,813,206</b>
Increase/(Decrease) before Transfers	\$ 430,668	\$ 161,670	\$ 324,767	\$ 119,680	\$ 755,435	\$ 281,350
Transfers	303,444	-	(303,444)	-	-	-
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 734,112</b>	<b>\$ 161,670</b>	<b>\$ 21,323</b>	<b>\$ 119,680</b>	<b>\$ 755,435</b>	<b>\$ 281,350</b>
Net Position - Beginning of Year	13,861,675	13,700,005	18,860,822	18,741,142	32,722,497	32,441,147
<b>Net Position - End of Year</b>	<b>\$ 14,595,787</b>	<b>\$ 13,861,675</b>	<b>\$ 18,882,145</b>	<b>\$ 18,860,822</b>	<b>\$ 33,477,932</b>	<b>\$ 32,722,497</b>

**Governmental Activities** – Governmental activities increased the Village’s net position by \$734,012.

**Business-Type Activities** – Business-type activities increased the Village’s net position by \$21,323.

## **FINANCIAL ANALYSIS OF THE VILLAGE’S FUNDS**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - The focus of the Village’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Village’s net resources available for spending at the end of the fiscal year.

At April 30, 2016, the Village’s governmental funds reported combined ending fund balances of \$5,328,535, an increase of \$714,651 in comparison with the prior year. Of this total amount, \$2,068,220 constitutes unassigned fund balance, which is available for spending at the Village’s discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

### *General Fund*

The General Fund is the chief operating fund of the Village. The focus of the Village’s General Fund is to provide information on the revenues and expenditures of the funds that the Village receives from its general tax levies and from other unrestricted sources such as personal property replacement tax, grants, interest on bank deposits, and associated expenditures.

At April 30, 2016, unassigned fund balance of the General Fund was \$2,069,086 while total fund balance was \$2,105,737, a decrease of \$440,418 in comparison with the prior year. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56% of total General Fund expenditures, while total fund balance represents 57% of that same amount.

### *Motor Fuel Tax Fund*

The Motor Fuel Tax Fund receipts exceeded disbursements and transfers by \$238,283 leaving a fund balance of \$748,697. This change was partly due to a decrease in streets expenditures in fiscal year 2016.

### *General Capital Fund*

The net change in the fund balance was \$30,441 resulting in an ending fund balance of \$1,497,217. This change was partly due to a decrease in capital outlay expenditures in fiscal year 2016.

**Proprietary funds** - The Village’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at April 30, 2016 amounted to \$2,597,597. The total increase in net position for the Water and Sewer Fund was \$21,323. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village’s business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village did not amend its budget for the fiscal year ended April 30, 2016; therefore, the amounts shown as original and final budget are the same.

Significant differences between the budget and actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$80,248 (unfavorable) due primarily to a decrease in utility tax revenue.
- The difference between the estimated expenditures and the actual expenditures was \$360,691 (favorable), and was primarily attributable to lower than expected expenditures for street sweeping and capital outlay.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets** – The Village’s investment in capital assets for its governmental and business-type activities as of April 30, 2016 amounts to \$28,243,468 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, furniture and office equipment, vehicles and equipment, and infrastructure. The total increase in the Village’s investment in capital assets for the current fiscal year was 2.8%.

Major capital asset events during the year ended April 30, 2016 included the following:

### Governmental Activities:

- Mansion roof, gate, and sign - \$139,045

### Business-Type Activities:

- Water main improvements - \$1,193,080
- Sun Lake water main - \$238,536

	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Land	\$ 3,473,435	\$ 3,473,435	\$ -	\$ -	\$ 3,473,435	\$ 3,473,435
Construction in Progress	31,256	-	1,891,253	461,944	1,922,509	461,944
Buildings and Improvements	2,571,624	2,567,793	1,870,376	1,915,778	4,442,000	4,483,571
Land Improvements	859,066	934,297	2,885	4,216	861,951	938,513
Furniture and Office Equipment	223,529	145,580	-	-	223,529	145,580
Vehicles and Equipment	510,235	483,611	98,321	120,450	608,556	604,061
Infrastructure	1,614,577	1,807,181	15,096,911	15,560,487	16,711,488	17,367,668
Total	\$ 9,283,722	\$ 9,411,897	\$ 18,959,746	\$ 18,062,875	\$ 28,243,468	\$ 27,474,772

Additional information on the Village’s capital assets can be found in note 3 on pages 27 and 28 of this report.

**Long Term Debt** – At April 30, 2016, the Village had \$2,691,768 in long-term debt.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
GO Tax Certificates	\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Installment Loan	16,570	44,106	-	-	16,570	44,106
GO Bonds	-	-	2,355,000	2,550,000	2,355,000	2,550,000
IEPA Loan	-	-	320,198	379,538	320,198	379,538
Total	\$ 16,570	\$ 164,106	\$ 2,675,198	\$ 2,929,538	\$ 2,691,768	\$ 3,093,644

Additional information on the Village’s long-term debt can be found in note 4 on pages 28 and 29 of this report.

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

The Village considered many factors when setting the fiscal year 2017 budget. Those factors included expected property tax revenues, income and utility tax revenues, projected expenses and capital outlay.

The General Capital Fund budget includes the following:

- Cedar Avenue street scape - \$135,000
- Squad car replacement - \$40,000
- Mansion pergola - \$185,000
- Loffredo Park paving - \$210,000

The Water and Sewer Fund budget includes the following:

- Water main replacement projects and construction engineering - \$1,550,955
- Water storage tank - \$1,517,200
- Water facilities building improvements - \$1,073,000

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Village of Lake Villa, 65 Cedar Ave., Lake Villa, IL 60046.

## BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE VILLA  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
APRIL 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,641,852	\$ 536,239	\$ 4,178,091
Investments	1,731,992	2,119,494	3,851,486
Other Receivables	13,859	4,003	17,862
Capital Assets			
Land	3,473,435	-	3,473,435
Construction in Progress	31,256	1,891,253	1,922,509
Other Capital Assets, Net of Depreciation	5,779,031	17,068,493	22,847,524
<b>Total Assets</b>	<u>\$ 14,671,425</u>	<u>\$ 21,619,482</u>	<u>\$ 36,290,907</u>
<b>LIABILITIES</b>			
Miscellaneous Payables	\$ -	\$ 29,482	\$ 29,482
Cash Overdraft	866	-	866
Refundable Deposits	46,950	7,452	54,402
Due to Other Funds	151	(151)	-
Due to Other Governments	11,201	25,356	36,557
Non-Current Liabilities			
Due Within One Year	16,570	245,810	262,380
Due in More Than One Year	-	2,429,388	2,429,388
<b>Total Liabilities</b>	<u>\$ 75,738</u>	<u>\$ 2,737,337</u>	<u>\$ 2,813,075</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 9,267,152	\$ 16,284,548	\$ 25,551,700
Restricted for:			
Streets	747,871	-	747,871
Audit	8,893	-	8,893
Drug Enforcement	9,516	-	9,516
DUI	29,151	-	29,151
Unemployment	27,758	-	27,758
Metra	13,124	-	13,124
Retirement	41,524	-	41,524
Celebration of Summer	1,526	-	1,526
Parks	795,356	-	795,356
Unrestricted / (Deficit)	<u>3,653,816</u>	<u>2,597,597</u>	<u>6,251,413</u>
<b>Total Net Position</b>	<u>\$ 14,595,687</u>	<u>\$ 18,882,145</u>	<u>\$ 33,477,832</u>

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

VILLAGE OF LAKE VILLA  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 1,356,826	\$ 18,900	\$ -	\$ -	\$ (1,337,926)	\$ -	\$ (1,337,926)
Police	2,306,719	214,940	-	-	(2,091,779)	-	(2,091,779)
Public Works	66,282	-	-	-	(66,282)	-	(66,282)
Streets	1,036,220	44,079	-	-	(992,141)	-	(992,141)
Building and Grounds	179,480	121,780	-	-	(57,700)	-	(57,700)
Mansion	198,851	120,661	-	5,215	(72,975)	-	(72,975)
Celebration of Summer Fun	23,485	-	25,011	-	1,526	-	1,526
Parks	-	-	143,377	-	143,377	-	143,377
Interest and Fees on Long-Term Debt	3,405	-	-	-	(3,405)	-	(3,405)
	<u>\$ 5,171,268</u>	<u>\$ 520,360</u>	<u>\$ 168,388</u>	<u>\$ 5,215</u>	<u>\$ (4,477,305)</u>	<u>\$ -</u>	<u>\$ (4,477,305)</u>
Business-Type Activities							
Water and Sewer	<u>\$ 2,038,324</u>	<u>\$ 2,327,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,268</u>	<u>\$ 289,268</u>
Total Primary Government	<u>\$ 7,209,592</u>	<u>\$ 2,847,952</u>	<u>\$ 168,388</u>	<u>\$ 5,215</u>	<u>\$ (4,477,305)</u>	<u>\$ 289,268</u>	<u>\$ (4,188,037)</u>
General Revenues							
Taxes							
Property Tax					\$ 1,611,450	\$ -	\$ 1,611,450
State Sales Tax					755,823	-	755,823
State Income Tax					933,348	-	933,348
State Motor Fuel Tax					237,744	-	237,744
Other Taxes					1,036,073	-	1,036,073
Unrestricted Investment Earnings					17,534	27,408	44,942
Miscellaneous					314,092	8,091	322,183
Gain/(Loss) on Disposal of Fixed Assets					1,809	-	1,809
Transfers					303,444	(303,444)	-
Total General Revenues and Transfers					<u>\$ 5,211,317</u>	<u>\$ (267,945)</u>	<u>\$ 4,943,372</u>
Change in Net Position					\$ 734,012	\$ 21,323	\$ 755,335
Net Position - Beginning of Year					<u>13,861,675</u>	<u>18,860,822</u>	<u>32,722,497</u>
Net Position - End of Year					<u>\$ 14,595,687</u>	<u>\$ 18,882,145</u>	<u>\$ 33,477,832</u>

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 AS OF APRIL 30, 2016

	General Fund	Motor Fuel Tax Fund	General Capital Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 408,232	\$ 748,697	\$ 1,497,217	\$ 987,706	\$ 3,641,852
Investments	1,731,992	-	-	-	1,731,992
Other Receivables	13,859	-	-	-	13,859
<b>Total Assets</b>	<b>\$ 2,154,083</b>	<b>\$ 748,697</b>	<b>\$ 1,497,217</b>	<b>\$ 987,706</b>	<b>\$ 5,387,703</b>
<b>LIABILITIES</b>					
Cash Overdraft	\$ -	\$ -	\$ -	\$ 866	\$ 866
Refundable Deposits	36,994	-	-	9,956	46,950
Due to Other Funds	151	-	-	-	151
Due to Other Governments	11,201	-	-	-	11,201
<b>Total Liabilities</b>	<b>\$ 48,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,822</b>	<b>\$ 59,168</b>
<b>FUND BALANCES</b>					
Restricted					
Streets	\$ -	\$ 747,871	\$ -	\$ -	\$ 747,871
Audit	8,893	-	-	-	8,893
Drug Enforcement	-	-	-	9,516	9,516
DUI	-	-	-	29,151	29,151
Unemployment	27,758	-	-	-	27,758
Metra	-	-	-	13,124	13,124
Retirement	-	-	-	41,524	41,524
Celebration of Summer	-	-	-	1,526	1,526
Parks	-	-	-	795,356	795,356
Assigned					
Capital Projects	-	-	1,497,217	-	1,497,217
Streets	-	826	-	-	826
Public Works	-	-	-	57,863	57,863
Mansion	-	-	-	27,440	27,440
Drug Enforcement	-	-	-	184	184
DUI	-	-	-	157	157
Parks	-	-	-	1,909	1,909
Unassigned	2,069,086	-	-	(866)	2,068,220
<b>Total Fund Balances</b>	<b>\$ 2,105,737</b>	<b>\$ 748,697</b>	<b>\$ 1,497,217</b>	<b>\$ 976,884</b>	<b>\$ 5,328,535</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,154,083</b>	<b>\$ 748,697</b>	<b>\$ 1,497,217</b>	<b>\$ 987,706</b>	<b>\$ 5,387,703</b>

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS  
 TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 APRIL 30, 2016

Total Fund Balances - Governmental Funds	\$	5,328,535
<p>Amounts reported for governmental activities in the Statement          of Net Position - Modified Cash Basis are different because:</p>		
<p>Capital assets used in governmental activities are not financial          resources and therefore are not reported in the funds.</p>		
Capital Assets, net of accumulated depreciation		9,283,722
<p>Some liabilities are not due and payable in the current period          and therefore are not reported in the funds.</p>		
Notes Payable		<u>(16,570)</u>
Net Position of Governmental Activities	\$	<u><u>14,595,687</u></u>

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2016

	General Fund	Motor Fuel Tax Fund	General Capital Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Taxes	\$ 2,675,063	\$ -	\$ 75,357	\$ 471,250	\$ 3,221,670
Intergovernmental	762,227	237,744	352,797	-	1,352,768
Licenses and Permits	110,844	-	-	-	110,844
Fines	145,278	-	-	8,030	153,308
Other	312,086	539	98,051	350,762	761,438
Total Revenues	<u>\$ 4,005,498</u>	<u>\$ 238,283</u>	<u>\$ 526,205</u>	<u>\$ 830,042</u>	<u>\$ 5,600,028</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
General Government	\$ 535,269	\$ -	\$ 150,522	\$ 605,664	\$ 1,291,455
Police	2,152,430	-	-	-	2,152,430
Streets	791,362	-	-	-	791,362
Building and Grounds	138,078	-	-	-	138,078
Mansion	-	-	-	95,488	95,488
Celebration of Summer Fun	-	-	-	23,485	23,485
<b>CAPITAL OUTLAY</b>					
General Government	15,844	-	84,458	-	100,302
Police	14,363	-	99,641	80,765	194,769
Public Works	-	-	-	66,282	66,282
Streets	6,829	-	22,098	-	28,927
Building and Grounds	12,596	-	-	-	12,596
Mansion	-	-	139,045	5,470	144,515
<b>DEBT SERVICE</b>					
Principal	27,536	-	-	120,000	147,536
Interest and Fees	1,125	-	-	2,280	3,405
Total Expenditures	<u>\$ 3,695,432</u>	<u>\$ -</u>	<u>\$ 495,764</u>	<u>\$ 999,434</u>	<u>\$ 5,190,630</u>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 310,066</u>	<u>\$ 238,283</u>	<u>\$ 30,441</u>	<u>\$ (169,392)</u>	<u>\$ 409,398</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Proceeds from Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ 1,809	\$ 1,809
Transfers	(750,484)	-	-	1,053,928	303,444
	<u>\$ (750,484)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,055,737</u>	<u>\$ 305,253</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (440,418)</u>	<u>\$ 238,283</u>	<u>\$ 30,441</u>	<u>\$ 886,345</u>	<u>\$ 714,651</u>
<b>FUND BALANCES - MAY 1, 2015</b>	<u>2,546,155</u>	<u>510,414</u>	<u>1,466,776</u>	<u>90,539</u>	<u>4,613,884</u>
<b>FUND BALANCES - APRIL 30, 2016</b>	<u><u>\$ 2,105,737</u></u>	<u><u>\$ 748,697</u></u>	<u><u>\$ 1,497,217</u></u>	<u><u>\$ 976,884</u></u>	<u><u>\$ 5,328,535</u></u>

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 YEAR ENDED APRIL 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	714,651
<p>Amounts reported for governmental activities in the Statement of Activities - Modified Cash Basis are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities - Modified Cash Basis the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.</p>		
Depreciation Expense	\$	(561,037)
Capital Outlays		432,862
		(128,175)
<p>Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis and is therefore not reported in the Statement of Activities - Modified Cash Basis.</p>		
Repayment of Long-Term Debt		147,536
Change in Net Position of Governmental Activities	\$	734,012

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

VILLAGE OF LAKE VILLA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
APRIL 30, 2016

	Enterprise Fund Water and Sewer
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 536,239
Investments	2,119,494
Due from Other Funds	151
Other Receivable	4,003
	\$ 2,659,887
Non-Current Assets	
Capital Assets	
Construction in Progress	\$ 1,891,253
Other Capital Assets	2,532,483
Water and Sewer Systems	24,476,284
Less: Accumulated Depreciation	(9,940,274)
	\$ 18,959,746
 Total Assets	 \$ 21,619,633
<b>LIABILITIES</b>	
Current Liabilities	
Miscellaneous Payables	\$ 29,482
Deposits and Escrows	7,452
Due to Other Governments	25,356
Bonds and Notes Payable - Current	245,810
	\$ 308,100
Non-Current Liabilities	
Bonds and Notes Payable (Net of Current Portion Shown Above)	\$ 2,429,388
 Total Liabilities	 \$ 2,737,488
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 16,284,548
Unrestricted / (Deficit)	2,597,597
	\$ 18,882,145

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 NET POSITION - MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 YEAR ENDED APRIL 30, 2016

	Enterprise Fund Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Customer Sales	\$ 1,144,226
Sewer Customer Sales	1,181,052
Water Meter Sales	1,114
Inspection Fees	1,200
Miscellaneous Revenue	8,091
	\$ 2,335,683
<b>OPERATING EXPENSES</b>	
Water Department	
Personnel Expenses	\$ 275,228
Contractor Expenses	60,040
Operating Expenses	198,875
Depreciation	306,835
Sewer Department	
Personnel Expenses	270,087
Contractor Expenses	506,321
Operating Expenses	91,977
Depreciation	259,903
	\$ 1,969,266
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 366,417</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>	
Interest Income	\$ 27,408
Interest Expense	(69,058)
	\$ (41,650)
<b>INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>\$ 324,767</b>
<b>TRANSFERS (TO)/FROM OTHER FUNDS</b>	
Transfers	(303,444)
<b>CHANGE IN NET POSITION</b>	<b>\$ 21,323</b>
<b>NET POSITION - MAY 1, 2015</b>	<b>18,860,822</b>
<b>NET POSITION - APRIL 30, 2016</b>	<b>\$ 18,882,145</b>

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

VILLAGE OF LAKE VILLA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED APRIL 30, 2016

	Enterprise Fund Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 2,339,050
Payments to Suppliers for Goods and Services	(857,213)
Payments to Employees for Services	(546,881)
Internal Activity - Payments to Other Funds	65,283
Net Cash Provided/(Used) by Operating Activities	\$ 1,000,239
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers from Other Funds	\$ (303,444)
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ (303,444)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	\$ (1,463,608)
Interest Paid on Capital Debt	(69,058)
Principal Paid on Capital Debt	(254,340)
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (1,787,006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Cash and Cash Equivalents and Investments	\$ 27,408
Net Cash Provided/(Used) by Investing Activities	\$ 27,408
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (1,062,803)
<b>CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2015</b>	3,718,536
<b>CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2016</b>	\$ 2,655,733
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	
Operating Income/(Loss)	\$ 366,417
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	566,738
Change in assets and liabilities:	
Due To/From Other Funds	65,283
Other Receivable	67
Miscellaneous Payables	(1,566)
Deposits and Escrows	3,300
Net Cash Provided/(Used) by Operating Activities	\$ 1,000,239

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

VILLAGE OF LAKE VILLA  
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
APRIL 30, 2016

	<u>Police Pension Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,063,108	\$ 29,805
Investments	<u>3,821,890</u>	<u>156,581</u>
Total Assets	<u>\$ 4,884,998</u>	<u>\$ 186,386</u>
 <b>LIABILITIES</b>		
Due to Developers	<u>\$ -</u>	<u>\$ 186,386</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 186,386</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>\$ 4,884,998</u>	

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

VILLAGE OF LAKE VILLA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
YEAR ENDED APRIL 30, 2016

	<u>Police Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 609,619
Plan Members	138,489
Other Revenue from Members	50
Total Contributions	<u>\$ 748,158</u>
Investment Income	
Interest and Dividends	\$ 90,429
Gain/(Loss) on Sale of Investments	4,473
Net Increase/(Decrease) in Fair Value of Investments	(110,135)
Less: Brokerage Fees	(8,404)
Net Investment Income	<u>\$ (23,637)</u>
Total Additions	<u>\$ 724,521</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 342,332
Administrative Expenses	16,842
Total Deductions	<u>\$ 359,174</u>
NET INCREASE/(DECREASE)	\$ 365,347
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2015	<u>4,519,651</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2016	<u><u>\$ 4,884,998</u></u>

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

VILLAGE OF LAKE VILLA  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Lake Villa's (Village) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Village are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the Village. Component units are legally separate entities for which the Village (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Village. Using these criteria, the Village has determined that the Police Pension Plan meets the above criteria. The Police Pension Plan is blended into the Village's primary government financial statements as a fiduciary fund although it remains a separate legal entity. In addition, the Village is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Financial Statements*

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's General Government, Police, Public Works, Streets, Building and Grounds, Mansion, Celebration of Summer Fun, and Parks services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position – Modified Cash Basis, the governmental and business-type activities columns (a) are presented on a consolidated basis, and (b) are reported on a modified cash, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (General Government, Police, Public Works, Streets, Building and Grounds, Mansion, Celebration of Summer Fun, and Parks). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basic Financial Statements – Government-Wide Financial Statements (Continued)*

The net costs (by function or business-type activity) are normally covered by general revenues (property taxes, sales taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The following fund types are used by the Village:

1. *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Motor Fuel Tax Fund includes revenues from motor fuel tax and other state road grants along with the related expenditures.

Debt Services Funds – The Debt Services Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the periodic payment of principal, interest and related fees on general long-term debt.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Basic Financial Statements – Fund Financial Statements (Continued)*

2. *Proprietary Fund Types*

The proprietary fund utilizes an “economic resource” measurement focus. The object is determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Village reports the following proprietary fund types:

Enterprise Funds – Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

3. *Fiduciary Fund Types*

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Village’s fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (pension participants and developers) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis and the fund financial statements, governmental activities and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Village utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all Village funds. Instead, the funds maintain their cash balances in common bank accounts, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Village funds. The Liability Insurance Fund had a cash overdraft at April 30, 2016.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. Fair value is determined by quoted market prices. Gains and losses on the sale of investments are recognized as they are incurred.

F. *Restricted Cash and Cash Equivalents*

Certain enterprise fund resources can be classified as restricted cash and cash equivalents on the Balance Sheet because their use is limited by applicable bond covenants.

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

H. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more (\$25,000 or more for buildings and infrastructure) are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 60 years
Land Improvements	20 - 50 years
Furniture and Office Equipment	5 - 25 years
Vehicles and Equipment	5 - 15 years
Water and Sewerage Infrastructure	30 - 50 years
Other Infrastructure	10 - 15 years

GASB Statement No. 34 requires the Village to report and depreciate new infrastructure assets acquired on or after May 1, 2004. Infrastructure assets include roads, sidewalks,

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### H. *Capital Assets* (Continued)

underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

#### I. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheets and 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.

#### J. *Compensated Absences*

Under the cash basis of accounting, the Village does not accrue accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. Vacations and the associated employee-related costs are recorded when paid.

#### K. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities and proprietary fund Statement of Net Position – Modified Cash Basis. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. *Government-Wide Net Position*

Government-wide 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 bonds, mortgages, notes, or other borrowings 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 Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
3. *Unrestricted Net Position* – all other net positions are reported in this category.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### M. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

1. *Restricted* – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
2. *Committed* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action (e.g. legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
3. *Assigned* – Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Trustees has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. The authority of the assigned fund balance has been retained by the Board of Trustees.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Village itself. All assigned fund balances are the residual amounts of the fund.

4. *Unassigned* – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Village permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

#### N. *Property Tax Calendar and Revenues*

The Village's property tax is levied each calendar year on all taxable real property located in the Village's district on or before the last Tuesday in December. The 2015 levy was passed by the Board on November 11, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Property Tax Calendar and Revenues* (Continued)

installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

O. *Defining Operating Revenues and Expenses*

The Village's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Village's Water and Sewer Fund consist of charges for services and the costs of providing those services, administrative expenses, and depreciation on capital assets. All other revenue and expenses are reported as nonoperating.

P. *Budgetary Information*

A proposed operating budget for the fiscal year commencing the following May 1 is submitted to the Board of Trustees. The operating budget includes proposed disbursements and the means of financing them. Public hearings are conducted to obtain taxpayer comments.

The budget is legally enacted through passage of an ordinance. The original budget was passed on July 22, 2015 and the Motor Fuel Tax Fund budget was amended on January 27, 2016. Budget amounts reflected on the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash – Budget and Actual reflect the Village's internal working budget amounts which are lower than legal budget amounts. Therefore, all funds operated within legal budgets.

The Village Board is authorized to transfer budgeted amounts between departments within any fund.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the Village's name. The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6.

*Investments*

As of April 30, 2016, the Village had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	5 - 10	More than 10
State Investment Pool	\$ 1,755,844	\$ 1,755,844	\$ -	\$ -	\$ -
GNMA	804,289	-	-	-	804,289
Corporate Bonds	249,485	-	-	-	249,485
Total Investments	<u>\$ 2,809,618</u>	<u>\$ 1,755,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053,774</u>

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

*Credit Risk.* State law limits investments based on credit risk. The Village's investment policy states that the Village cannot directly invest in securities maturing more than ten years from the date of purchase. As of April 30, 2016, the Village's investments were rated as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

*Investments (Continued)*

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
GNMA	AA+	Standard and Poor's
Corporate Bonds	A+	Standard and Poor's

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

	Balance May 1, 2015	Increases	Decreases	Balance April 30, 2016
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 3,473,435	\$ -	\$ -	\$ 3,473,435
Construction in Progress	-	31,256	-	31,256
Total Capital Assets not being depreciated	\$ 3,473,435	\$ 31,256	\$ -	\$ 3,504,691
Other Capital Assets:				
Buildings and Improvements	\$ 3,912,533	\$ 129,887	\$ -	\$ 4,042,420
Land Improvements	1,762,887	-	-	1,762,887
Furniture and Office Equipment	259,721	105,896	-	365,617
Vehicles and Equipment	1,931,394	165,823	33,900	2,063,117
Infrastructure	2,508,554	-	-	2,508,554
Total Other Capital Assets at Historical Cost	\$ 10,375,089	\$ 401,606	\$ 33,900	\$ 10,742,795
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,344,740	\$ 126,056	\$ -	\$ 1,470,796
Land Improvements	828,590	75,231	-	903,821
Furniture and Office Equipment	114,141	27,947	-	142,088
Vehicles and Equipment	1,447,783	139,199	33,900	1,553,082
Infrastructure	701,373	192,604	-	893,977
Total Accumulated Depreciation	\$ 4,436,627	\$ 561,037	\$ 33,900	\$ 4,963,764
Other Capital Assets, Net	\$ 5,938,462	\$ (159,431)	\$ -	\$ 5,779,031
Governmental Activities Capital Assets, net	\$ 9,411,897	\$ (128,175)	\$ -	\$ 9,283,722
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated:				
Construction in Progress	\$ 461,944	\$ 1,463,609	\$ 34,300	\$ 1,891,253
Total Capital Assets not being depreciated	\$ 461,944	\$ 1,463,609	\$ 34,300	\$ 1,891,253
Other Capital Assets:				
Buildings	\$ 2,244,382	\$ -	\$ -	\$ 2,244,382
Land Improvements	15,980	-	-	15,980
Equipment	19,612	-	-	19,612
Vehicles and Equipment	272,479	-	19,970	252,509
Infrastructure	24,441,984	34,300	-	24,476,284
Total Other Capital Assets at Historical Cost	\$ 26,994,437	\$ 34,300	\$ 19,970	\$ 27,008,767
Less Accumulated Depreciation for:				
Buildings	\$ 328,604	\$ 45,402	\$ -	\$ 374,006
Land Improvements	11,764	1,331	-	13,095
Equipment	19,612	-	-	19,612
Vehicles and Equipment	152,029	22,129	19,970	154,188
Infrastructure	8,881,497	497,876	-	9,379,373
Total Accumulated Depreciation	\$ 9,393,506	\$ 566,738	\$ 19,970	\$ 9,940,274
Other Capital Assets, Net	\$ 17,600,931	\$ (532,438)	\$ -	\$ 17,068,493
Business-Type Activities Capital Assets, net	\$ 18,062,875	\$ 931,171	\$ 34,300	\$ 18,959,746

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>		
General Government		\$ 80,123
Police		59,161
Streets		238,029
Building and Grounds		94,988
Mansion		88,736
Total Governmental Activities Depreciation Expense		<u>\$ 561,037</u>
<b>Business-Type Activities:</b>		
Water Operations		\$ 306,835
Sewer Operations		259,903
Total Business-Type Activities Depreciation Expense		<u>\$ 566,738</u>

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2016 was as follows:

	Balance May 1, 2015	Additions	Retirements	Balance April 30, 2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Long-Term Debt					
GO Tax Certificates	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Installment Loan	44,106	-	27,536	16,570	16,570
Total Governmental Activities Long-Term Debt	<u>\$ 164,106</u>	<u>\$ -</u>	<u>\$ 147,536</u>	<u>\$ 16,570</u>	<u>\$ 16,570</u>
<b>Business-Type Activities:</b>					
Long-Term Debt					
GO Bonds	\$ 2,550,000	\$ -	\$ 195,000	\$ 2,355,000	\$ 185,000
IEPA Loan	379,538	-	59,340	320,198	60,810
Total Business-Type Activities Long-Term Debt	<u>\$ 2,929,538</u>	<u>\$ -</u>	<u>\$ 254,340</u>	<u>\$ 2,675,198</u>	<u>\$ 245,810</u>

Long-term debt consisted of the following at April 30, 2016:

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
<b>Governmental Activities:</b>					
GO Tax Certificates	8/1/2004	7/1/2015	1.45% - 3.8%	\$ 1,120,000	\$ -
Installment Loan	10/1/2012	10/1/2016	3.50%	106,836	16,570
<b>Business-Type Activities:</b>					
GO Bonds	12/17/2014	12/15/2026	2.0% - 3.0%	\$ 2,550,000	\$ 2,355,000
IEPA Loan	8/1/2001	12/1/2020	2.535%	1,038,400	320,198

On December 17, 2014, The Village issued \$2,550,000 in General Refunding Bonds, Series 2015A to refund \$2,550,000 of an outstanding 2006 issue. The money was deposited in an irrevocable trust with an escrow agent in order to redeem the debt. The 2006 issues were callable on April 30, 2015 so there was no defeased debt outstanding related to these bonds. The refunding of the 2006 bond generated a net savings of \$441,425.

On April 13, 2016, the Village authorized the issuance of \$4,850,000 Waterworks and Sewerage Revenue Bonds. No money had been received as of April 30, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

At April 30, 2016 the annual debt service requirements to service long-term debt attributable to governmental activities are:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 16,570	\$ 150	\$ 16,720

At April 30, 2016 the annual debt service requirements to service long-term debt attributable to business-type activities are:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 245,810	\$ 177,841	\$ 423,651
2018	252,370	165,891	418,261
2019	258,970	153,466	412,436
2020	265,610	140,566	406,176
2021	277,438	126,691	404,129
2022	210,000	111,764	321,764
2023	215,000	95,858	310,858
2024	225,000	78,830	303,830
2025	235,000	60,793	295,793
2026	240,000	41,300	281,300
2027	250,000	21,100	271,100
	<u>\$ 2,675,198</u>	<u>\$ 1,174,100</u>	<u>\$ 3,849,298</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended April 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Park Capital Fund	\$ 651,979
General Fund	Squad Car Fund	63,000
General Fund	Water and Sewer Fund	44,000
Metra Fund	Liability Insurance Fund	5,921
Metra Fund	Retirement Fund	2,000
Mansion Fund	Liability Insurance Fund	5,921
Mansion Fund	Retirement Fund	3,500
Debt Service Reserve Fund	General Fund	8,495
Water and Sewer Fund	Retirement Fund	128,632
Water and Sewer Fund	Liability Insurance Fund	108,812
Water and Sewer Fund	Public Works Fleet Replacement Fund	110,000

NOTE 6 - DEFICIT FUND BALANCES

The following Village fund had a deficit fund balance as of April 30, 2016:

<u>Fund</u>	<u>April 30, 2016 Fund Balance</u>
Liability Insurance	\$ 866

NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2014 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2015, 2014, and 2013 follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY TAXES (Continued)

TAX YEAR ASSESSED VALUATION	2015		2014		2013	
	RATES	EXTENSIONS	RATES	EXTENSIONS	RATES	EXTENSIONS
		\$201,482,270		\$193,259,227		\$193,301,952
Corporate	0.263	\$ 529,634	0.256	\$ 495,345	0.271	\$ 523,733
Police Protection	0.234	471,001	0.244	471,002	0.244	471,553
Tort and Liability Insurance	0.094	190,002	0.096	185,987	0.096	185,529
Municipal Retirement	0.039	78,002	0.049	93,889	0.043	83,101
Unemployment Insurance	0.000	101	0.000	100	0.003	5,798
Audit	0.005	10,002	0.008	15,001	0.008	15,461
Social Security	0.091	184,002	0.099	191,798	0.065	125,618
Street and Bridge	0.056	113,227	0.072	139,112	0.090	173,933
Police Pension	0.328	660,002	0.316	610,483	0.316	610,834
	<u>1.110</u>	<u>\$ 2,235,973</u>	<u>1.140</u>	<u>\$ 2,202,717</u>	<u>1.136</u>	<u>\$ 2,195,560</u>

NOTE 8 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2016, the following funds had expenditures that exceeded the budget:

Fund	Actual	Budget	Excess of Actual Over Budget
Liability Insurance Fund	\$ 262,056	\$ 236,820	\$ 25,236
Retirement Fund	320,542	285,686	34,856

NOTE 9 - OPERATING LEASES, AS LESSEE

The Village, as lessee, leases two copiers, one for the Village office and one for the Police Department. The annual requirements to cover outstanding lease agreements at April 30, 2016 are:

Year Ending April 30	Total Payments
2017	\$ 3,095

For the year ended April 30, 2016, the Village expensed \$6,324 under both lease agreements.

NOTE 10 - RETIREMENT FUND COMMITMENTS

A. *Illinois Municipal Retirement Fund*

1. *Plan Description*

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

2. *Benefits Provided*

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

3. *Employees Covered by Benefit Terms*

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2014, the measurement date, the Village's membership consisted of:

Retirees and beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	19
Total	<u>36</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

4. *Contributions*

As set by statute, the Village’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village’s annual contribution rate for calendar year 2015 was 9.83%. For the fiscal year ended April 30, 2016, the Village contributed \$112,414 to the Plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

5. *Net Pension Liability*

The components of the net pension liability of the IMRF as of December 31, 2014, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	4,417,453
IMRF Fiduciary Net Position		4,340,663
Village's Net Pension Liability		76,790
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		98.26%

See the Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios in the Supplementary Information following the notes to the financial statements for additional information related to the funded status of the Plan.

6. *Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions.

Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% - 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

6. *Actuarial Assumptions* (Continued)

Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

7. *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Return
Equities	63.2%	7.60%
International Equities	2.6%	7.80%
Fixed Income	23.5%	3.00%
Real Estate	4.3%	6.15%
Alternatives	4.5%	
Private Equity		8.50%
Hedge Funds		5.25%
Commodities		2.75%
Cash	1.9%	2.25%
	100.0%	

8. *Single Discount Rate*

The projection of cash flow used to determine this Single Discount Rate assumed that the Plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.56%; and resulting single discount rate is 7.50%.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

9. *Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.50% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	\$ 796,339	\$ 76,790	\$ (492,216)

10. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended April 30, 2016, the Village's pension expense is \$326,985. At April 30, 2016, the Village's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

<b>Expense in Future Periods</b>	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 37,712	\$ -	\$ 37,712
Assumption changes	92,683	-	92,683
Net difference between projected and actual earnings on pension investments	45,475	-	45,475
Total deferred amounts to be recognized in pension expense in future periods	\$ 175,870	\$ -	\$ 175,870
Pension contributions made subsequent to the measurement date	149,830	-	149,830
Total deferred amounts related to pensions	<u>\$ 325,700</u>	<u>\$ -</u>	<u>\$ 325,700</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2015	\$ 36,824
2016	36,824
2017	36,824
2018	36,824
2019	25,455
Thereafter	3,119
	<u>\$ 175,870</u>

B. *Social Security*

All employees are covered under Social Security. The Village paid the total required contribution for the current fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN

A. *Plan Description*

The Police Pension Plan (Plan) is a single-employer defined benefit pension plan that covers sworn police personnel of the Village. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 IL CS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Plan as a Pension Trust Fund and does not issue a stand-alone financial report.

B. *Plan Membership*

Membership in the Plan consisted of the following at April 30, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	2
Active plan members	17
Total	<u>28</u>

C. *Benefits Provided*

The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Chapter 40-Pensions-Act 5/Article 3 of the Illinois Compiled Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Illinois legislature.

D. *Contributions*

Employees are required by Illinois Compiled Statutes (ILCS) to contribute 9.91% of their base salary to the Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the Plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Plan. For the year ended April 30, 2016, the Village's contribution was 45.40% of covered payroll.

E. *Investment Policy*

ILCS limit the Plan's investments to those allowable by ILCS and require the Plan's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Plan's investment policy authorizes the Plan to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Plan may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

E. *Investment Policy (Continued)*

The Plan's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income, Govt	44.00%	0.55%
Corporate Investment Grade	11.00%	0.17%
Domestic Equities	31.50%	2.05%
International Developed	11.25%	0.68%
Real Estate	2.25%	0.16%
Cash and Equivalents	0%	0%
	100.00%	

ILCS limit the Plan's investments in equities and mutual funds to 45%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Plan's target asset allocation as of April 30, 2016 are listed in the table above.

F. *Investment Valuations*

All investments in the Plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices for debt securities, equity securities and mutual funds.

G. *Investment Concentrations*

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.0% or more of the Plan's investments.

H. *Investment Rate of Return*

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments (excluding CD's), net of pension plan investment expense, was (0.93)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

I. *Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Plan's deposits may not be returned to it. The Plan's investment policy requires all bank balances to be covered by federal depository insurance.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

J. *Interest Rate Risk*

The following table presents the investments and maturities of the Plan's debt securities as of April 30, 2016:

Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	5 - 10	More than 10
State Investment Pool	\$ 803,229	\$ 803,229	\$ -	\$ -	\$ -
US Treasury	628,322	95,848	329,135	203,339	-
FHLMC	174,637	50,250	124,387	-	-
FNMA	117,664	-	117,664	-	-
Mutual Funds	1,672,772	1,672,772	-	-	-
Corporate Bonds	132,176	35,137	97,039	-	-
Total Investments	\$ 3,528,800	\$ 2,657,236	\$ 668,225	\$ 203,339	\$ -

In accordance with its investment policy, the Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Plan.

K. *Credit Risk*

The Plan limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government, and investment grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The fixed income securities are not rated Baa3 to Aaa by Moody's. However, certain fixed income securities are not rated. As of April 30, 2016, the Plan's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
Federal Home Loan Mtg Corp	AA+	Standard and Poor's
Federal National Mtg Assn	AA+	Standard and Poor's
Corporate Bonds	A+ - BBB+	Standard and Poor's

L. *Net Pension Liability*

The components of the net pension liability of the Plan as of April 30, 2016, calculated in accordance with GASB Statement No. 67, were as follows:

Total Pension Liability	\$ 11,609,354
Plan Fiduciary Net Position	4,884,998
Village's Net Pension Liability	6,724,356
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.08%

See the Schedule of Changes in Net Pension Liability and Related Ratios in the Supplementary Information for additional information related to the funded status of the Plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

M. *Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Dollar/Ends in fiscal year 2041
Asset Valuation Method	5- year smoothed market, no corridor
Salary Increases	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.00% inflation allowance
Payroll Growth	3.50% per year
Investment Rate of Return	6.75% per year

Mortality rates were based on the RP-2000 Combined Health Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015. The mortality rates for disabled lives were based on the RP-2000 Combined Health Mortality Table (male) with blue collar adjustment projected by BB to 2015 with a 150% load for participants under age 50.

N. *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to determine the total pension liability.

O. *Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 6.75% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability/(Asset)	\$ (4,884,998)	\$ 6,724,357	\$ (4,884,998)

P. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended April 30, 2016, the Village's pension expense/(income) is \$782,920. At April 30, 2016, the Village's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

P. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

<b>Expense in Future Periods</b>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual expense	\$ 23,666	\$ -	\$ 23,666
Net difference between projected and actual earnings on pension plan investment	<u>266,531</u>	<u>-</u>	<u>266,531</u>
Total deferred amounts related to pensions	<u>\$ 290,197</u>	<u>\$ -</u>	<u>\$ 290,197</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 69,959
2018	69,959
2019	69,959
2020	69,959
2021	3,327
thereafter	<u>7,034</u>
	<u>\$ 290,197</u>

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Village is a member of the Illinois Municipal League Risk Management Association (IMLRMA), a joint risk management pool of local governmental units through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the Village and IMLRMA is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Village is contractually obligated to make all annual and supplementary contributions for IMLRMA, to report claims on a timely basis, cooperate with IMLRMA, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by IMLRMA. Members have a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which they were a member.

IMLRMA is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. IMLRMA also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended April 30, 2016, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in each of the past three years. The Village is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2016, there were no significant adjustments in premiums based on actual experience.

NOTE 13 - JOINT VENTURE

The Village is a member of the Solid Waste Agency of Lake County (Agency). The Agency is a municipal corporation with 41 members whose purpose is to provide a solution to solid waste disposal problems. Upon approval by a majority of its members, the Agency may issue bonds for which the individual members would be financially liable. The Village's contract with the Agency provides that each member is liable for its proportionate share of annual operating and fixed costs. The Village's share of these costs is expected to be funded through fees paid by refuse haulers. In addition, the Village is obligated for any costs arising from defaults in payment obligations by other members.

The following represents a summary of the Agency's balance sheet at November 30, 2014 and the statement of revenues and expenses for the year then ended.

Current Assets	\$ 2,588,628
Capital Assets	1,130,004
Total Assets	<u>\$ 3,718,632</u>
Current Liabilities	<u>\$ 76,448</u>
Investment in Capital Assets	\$ 1,130,004
Unrestricted	2,512,180
Total Net Position	<u>\$ 3,642,184</u>
Revenue	\$ 1,187,138
Expenditures	\$ 1,038,665

November 30, 2014 is the latest date information available. Audited financial statements of the Agency may be obtained from the Village or the Agency's administrative office located in Gurnee, Illinois.

NOTE 14 - DEFERRED COMPENSATION PLAN

Employees of the Village may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the Village. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until after termination, retirement, death or unforeseen emergency.

The deferred compensation plan is administered by an unrelated financial institution. As part of its fiduciary role, the Village has an obligation of due care in selecting this third party administrator.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides certain health care insurance benefits for retired employees. In accordance with Illinois statutes, certain of the Village's employees may become eligible for those benefits if they reach retirement age while working

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

for the Village. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. Therefore an implicit subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits. Management considers the other post-employment benefit, if any, to be immaterial.

NOTE 16 - COMMITMENTS

At April 30, 2016, the Village was a member of various joint agreements. As a member, the Village assumes certain obligations with respect to the entities' liabilities. Further information on the more significant joint agreements are provided in Note 13.

The Village pays sewerage usage fees and collection connection fees for and remits them to the County of Lake, Illinois (County), in accordance with an agreement for sewerage disposal dated August 23, 1991. During the fiscal year ended April 30, 2016 the Village remitted \$609,513 to the County under the terms of this agreement.

During the fiscal year ended April 30, 2016, the Village had the following ongoing contracts:

- Cedar Avenue streetscape – Total projected cost of \$135,000; \$22,098 paid as of April 30, 2016
- Mansion pergola – Total projected cost of \$185,000; \$9,157 paid as of April 30, 2016
- Lake Michigan Project – Total projected cost of \$427,644; \$427,644 paid as of April 30, 2016 (Design costs that will be capitalized when the projects are complete)
- Facilities building – Total projected cost of \$1,273,300; \$15,471 paid as of April 30, 2016
- Storage tank – Total projected cost of \$1,517,200; \$16,521 paid as of April 30, 2016
- Water main improvements – Total projected cost of \$1,641,865; \$1,193,080 paid as of April 30, 2016
- Sun Lake water main – Total projected cost of \$1,107,060; \$238,536 paid as of April 30, 2016

NOTE 17 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Village.

2015 EAV	\$	201,482,270
	X	<u>8.625%</u>
Debt Margin	\$	17,377,846
Current Debt		<u>16,570</u>
Remaining Debt Margin	\$	<u><u>17,361,276</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 18 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 9, 2016, the date on which the financial statements were available to be issued.

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended April 30, 2016, the Village has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE VILLA  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
APRIL 30, 2016

	6/30/2014 *
TOTAL PENSION LIABILITY	
Service Cost	\$ 121,626
Interest	295,155
Differences Between Expected and Actual Experience	45,074
Changes in Assumptions	110,776
Benefit Payments, Including Refunds of Member Contributions	(59,538)
Net Change in Total Pension Liability	\$ 513,093
 Total Pension Liability - Beginning	 3,904,360
 Total Pension Liability - Ending	 \$ 4,417,453
 PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 112,414
Contributions - Member	51,305
Net Investment Income	245,958
Benefit Payments, Including Refunds of Member Contributions	(59,538)
Other	10,518
Net Change in Plan Fiduciary Net Position	\$ 360,657
 Plan Net Position - Beginning	 3,980,006
 Plan Net Position - Ending	 \$ 4,340,663
 Village's Net Pension Liability	 \$ 76,790
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.26%
 Covered-Employee Payroll	\$ 1,140,100
 Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	6.74%

\* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF LAKE VILLA  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
LAST TEN FISCAL YEARS

	6/30/2014 *
Actuarial Determined Contribution	\$ 112,705
Contributions in Relation to Actuarially Determined Contribution	112,414
Contribution Deficiency/(Excess)	\$ 291
Covered-Employee Payroll	\$ 1,140,100
Contributions as a Percentage of Covered-Employee Payroll	9.86%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2014 Contribution Rate \****

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Actuarial Cost Method:** Aggregate entry age = normal

**Amortization Method:** Level percentage of payroll, closed

**Remaining Amortization Period:** 29-year closed period

**Asset Valuation Method:** 5-year smoothed market; 20% corridor

**Wage Growth:** 4%

**Price Inflation:** 3%, approximate; No explicit price inflation assumption is used in this valuation.

**Salary Increases:** 4.40% to 16%, including inflation

**Investment Rate of Return:** 7.50%

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**Mortality:** RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

\*Based on Valuation Assumptions used in the December 31, 2012 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF LAKE VILLA  
POLICE PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
APRIL 30, 2016

	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 358,919	\$ 362,617
Interest	721,404	649,073
Differences Between Expected and Actual Experience	26,992	(306,619)
Changes in Assumptions	-	700,192
Benefit Payments, Including Refunds of Member Contributions	<u>(342,332)</u>	<u>(326,375)</u>
Net Change in Total Pension Liability	\$ 764,983	\$ 1,078,888
Total Pension Liability - Beginning	<u>10,844,371</u>	<u>9,765,483</u>
Total Pension Liability - Ending	<u>\$ 11,609,354</u>	<u>\$ 10,844,371</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 609,619	\$ 609,358
Contributions - Member	138,489	133,245
Net Investment Income	(23,587)	9,761
Benefit Payments, Including Refunds of Member Contributions	(342,332)	(326,375)
Administrative Expenses	<u>(16,842)</u>	<u>(11,473)</u>
Net Change in Plan Fiduciary Net Position	\$ 365,347	\$ 414,516
Plan Net Position - Beginning	<u>4,519,651</u>	<u>4,105,135</u>
Plan Net Position - Ending	<u>\$ 4,884,998</u>	<u>\$ 4,519,651</u>
Net Pension Liability	<u>\$ 6,724,356</u>	<u>\$ 6,324,720</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.08%	41.68%
Covered-Employee Payroll	\$ 1,342,728	\$ 1,296,973
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	500.80%	487.65%
	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	2.00%	2.00%

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA  
POLICE PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTION  
APRIL 30, 2016

	<u>4/30/2016</u>	<u>4/30/2015</u>
Actuarial Determined Contribution	\$ 793,589	\$ 781,829
Contributions in Relation to Actuarially Determined Contribution	<u>609,619</u>	<u>609,358</u>
Contribution Deficiency/(Excess)	<u>\$ 183,970</u>	<u>\$ 172,471</u>
Covered-Employee Payroll	\$ 1,342,728	\$ 1,296,973
Contributions as a Percentage of Covered-Employee Payroll	45.40%	46.98%

The information directly above is formatted to comply with the requirements of GASB Statement No. 67. Additional information as of the latest actuarial valuation is as follows: The actuarial cost method was entry age normal, the amortization method was level dollar to bring the plan's funded ratio to 90% by the end of fiscal year 2041 and the amortization period was 26 years.

VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2016

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	<u>ORIGINAL AND FINAL</u>		
<b>REVENUES</b>			
Local Taxes			
Property Tax	\$	1,141,244	\$ 1,119,358
Property Tax - Road and Bridge		18,000	20,842
Sales Tax		720,000	720,000
Local Use Tax		145,538	161,626
Telecommunication Tax		270,000	266,931
Utility Tax - Gas		120,000	87,982
Utility Tax - Electric		305,000	298,324
Intergovernmental			
State Income Tax		763,089	747,001
State Replacement Tax		12,000	15,226
Licenses and Permits			
Amusement Licenses		2,800	3,275
Building Permits		55,000	68,294
Business Registration Fees		5,400	5,575
Landscaping Inspection Fees		500	-
Liquor Licenses		13,800	18,350
Site Development Permits		6,000	14,800
Vending Licenses		2,850	525
Watershed Permit		200	25
Fines			
Court Fines		110,000	109,200
Parking and Other Fines		95,000	36,078
Other			
Cable Franchise Fees		150,000	196,267
Computer Fund		-	1,801
Grant Revenue		-	5,215
Investment Income		45,000	10,273
Police Reports		1,000	705
School Resource Officer Fees		77,245	68,957
Zoning Books, Maps and Hearing Fees		800	-
Other Revenue		25,280	28,868
<b>Total Revenues</b>	<b>\$</b>	<b>4,085,746</b>	<b>\$ 4,005,498</b>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government			
Personnel Salaries	\$	368,795	\$ 361,229
Health Insurance Premiums		59,000	56,103
Training		8,125	11,321
Legal and Professional Fees		75,815	52,191
Computer Services		18,628	14,724
Maintenance		4,896	2,648
Printing and Publishing		20,000	13,505

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2016

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXPENDITURES (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Public Relations	\$ 3,500	\$ 2,199
Office Supplies	9,650	7,300
Credit Card Fees	1,500	224
Miscellaneous	8,900	13,825
	<u>\$ 578,809</u>	<u>\$ 535,269</u>
Police		
Personnel Salaries	\$ 1,662,349	\$ 1,649,406
Health Insurance Premiums	270,000	270,571
Physicals/Testing	1,500	-
Uniforms	14,150	19,081
Training	24,460	12,854
Range	10,000	7,786
Legal and Professional Fees	40,000	36,531
Dispatching	46,322	45,816
Radios	19,400	15,760
Computer Services	11,360	6,984
Vehicle Maintenance	4,800	7,031
Equipment Maintenance	8,466	7,388
Fuel	40,800	25,688
Vehicle Supplies	17,100	15,181
Police Commission	5,600	645
Telephone	17,000	11,131
Printing	3,000	4,605
Office Supplies	13,750	11,861
Miscellaneous	7,040	4,111
	<u>\$ 2,217,097</u>	<u>\$ 2,152,430</u>
Streets		
Personnel Salaries	\$ 324,000	\$ 328,038
Health Insurance Premiums	75,000	70,746
Physicals/Testing	2,000	-
Uniforms	2,500	2,309
Training	2,000	1,319
Engineering	20,000	14,776
Vehicle Maintenance	8,000	10,680
Fuel	30,600	19,785
Street Sweeping	115,000	24,349
Vehicle Supplies	28,500	24,669
Maintenance	139,500	134,407
Electric	125,000	154,882
Supplies	20,000	5,402
	<u>\$ 892,100</u>	<u>\$ 791,362</u>

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VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2016

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXPENDITURES (Continued)		
CURRENT (Continued)		
Building and Grounds		
Engineering and Inspector Fees	\$ 60,000	\$ 64,584
Maintenance	19,000	28,318
Utilities	1,250	3,029
Supplies	35,000	17,109
Cleaning	9,500	8,800
Telephone	24,000	16,238
Miscellaneous	9,328	-
	<u>\$ 158,078</u>	<u>\$ 138,078</u>
CAPITAL OUTLAY		
General Government	\$ 28,700	\$ 15,844
Police	76,000	14,363
Streets	50,500	6,829
Building and Grounds	12,000	12,596
	<u>\$ 167,200</u>	<u>\$ 49,632</u>
DEBT SERVICE		
Principal	\$ 42,839	\$ 27,536
Interest and Fees	-	1,125
	<u>\$ 42,839</u>	<u>\$ 28,661</u>
 Total Expenditures	 <u>\$ 4,056,123</u>	 <u>\$ 3,695,432</u>
 EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ 29,623	 \$ 310,066
 OTHER FINANCING SOURCES/(USES)		
Transfers	<u>-</u>	<u>(750,484)</u>
 NET CHANGE IN FUND BALANCE	 \$ 29,623	 \$ (440,418)
 FUND BALANCE - MAY 1, 2015	 <u>2,546,155</u>	 <u>2,546,155</u>
 FUND BALANCE - APRIL 30, 2016	 <u>\$ 2,575,778</u>	 <u>\$ 2,105,737</u>

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VILLAGE OF LAKE VILLA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 MOTOR FUEL TAX FUND  
 YEAR ENDED APRIL 30, 2016

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
REVENUES			
Intergovernmental			
State Motor Fuel Tax	\$ 212,406	\$ 212,406	\$ 237,744
Other			
Interest	200	200	539
Total Revenues	<u>\$ 212,606</u>	<u>\$ 212,606</u>	<u>\$ 238,283</u>
EXPENDITURES			
CURRENT			
Streets			
Engineering	\$ -	\$ 22,288	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 22,288</u>	<u>\$ -</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 212,606	\$ 190,318	\$ 238,283
OTHER FINANCING SOURCES/(USES)	-	-	-
NET CHANGE IN FUND BALANCE	\$ 212,606	\$ 190,318	\$ 238,283
FUND BALANCE - MAY 1, 2015	<u>510,414</u>	<u>510,414</u>	<u>510,414</u>
FUND BALANCE - APRIL 30, 2016	<u>\$ 723,020</u>	<u>\$ 700,732</u>	<u>\$ 748,697</u>

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VILLAGE OF LAKE VILLA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2016

	Debt Service Reserve Fund	Mansion Fund	Metra Fund	Liability Insurance Fund	Retirement Fund	DUI Fund	Drug Seizure Fund	Squad Car Fund	Celebration of Summer Fund	Park Capital Fund	Public Works Fleet Replacement Fund	Total
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ -	\$ 29,640	\$ 13,124	\$ -	\$ 49,280	\$ 29,308	\$ 3,808	\$ 5,892	\$ 1,526	\$ 797,265	\$ 57,863	\$ 987,706
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 29,640</u>	<u>\$ 13,124</u>	<u>\$ -</u>	<u>\$ 49,280</u>	<u>\$ 29,308</u>	<u>\$ 3,808</u>	<u>\$ 5,892</u>	<u>\$ 1,526</u>	<u>\$ 797,265</u>	<u>\$ 57,863</u>	<u>\$ 987,706</u>
<b>LIABILITIES</b>												
Cash Overdraft	\$ -	\$ -	\$ -	\$ 866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 866
Refundable Deposits	-	2,200	-	-	7,756	-	-	-	-	-	-	9,956
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 866</u>	<u>\$ 7,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,822</u>
<b>FUND BALANCE</b>												
Restricted	\$ -	\$ -	\$ 13,124	\$ -	\$ 41,524	\$ 29,151	\$ 3,808	\$ 5,708	\$ 1,526	\$ 795,356	\$ -	\$ 890,197
Assigned	-	27,440	-	-	-	157	-	184	-	1,909	57,863	87,553
Unassigned	-	-	-	(866)	-	-	-	-	-	-	-	(866)
<b>Total Fund Balance</b>	<u>\$ -</u>	<u>\$ 27,440</u>	<u>\$ 13,124</u>	<u>\$ (866)</u>	<u>\$ 41,524</u>	<u>\$ 29,308</u>	<u>\$ 3,808</u>	<u>\$ 5,892</u>	<u>\$ 1,526</u>	<u>\$ 797,265</u>	<u>\$ 57,863</u>	<u>\$ 976,884</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 29,640</u>	<u>\$ 13,124</u>	<u>\$ -</u>	<u>\$ 49,280</u>	<u>\$ 29,308</u>	<u>\$ 3,808</u>	<u>\$ 5,892</u>	<u>\$ 1,526</u>	<u>\$ 797,265</u>	<u>\$ 57,863</u>	<u>\$ 987,706</u>

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VILLAGE OF LAKE VILLA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2016

	Debt Service Reserve Fund	Mansion Fund	Metra Fund	Liability Insurance Fund	Retirement Fund	DUI Fund	Drug Seizure Fund	Squad Car Fund	Celebration of Summer Fun Fund	Park Capital Fund	Public Works Fleet Replacement Fund	Total
<b>REVENUES</b>												
Local Taxes												
Property Taxes	\$ -	\$ -	\$ -	\$ 185,680	\$ 285,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,250
Fines												
DUI Fines	-	-	-	-	-	8,030	-	-	-	-	-	8,030
Other												
Interest	-	-	-	-	-	158	-	184	-	1,909	322	2,573
Mansion Rent	-	120,661	-	-	-	-	-	-	-	-	-	120,661
Parking Fees	-	-	36,049	-	-	-	-	-	-	-	-	36,049
Donations	-	-	-	-	-	-	-	-	25,011	143,377	-	168,388
Other Revenue	-	-	-	-	-	7,065	2,203	-	-	-	13,823	23,091
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 120,661</b>	<b>\$ 36,049</b>	<b>\$ 185,680</b>	<b>\$ 285,570</b>	<b>\$ 15,253</b>	<b>\$ 2,203</b>	<b>\$ 184</b>	<b>\$ 25,011</b>	<b>\$ 145,286</b>	<b>\$ 14,145</b>	<b>\$ 830,042</b>
<b>EXPENDITURES</b>												
Current	\$ -	\$ 95,488	\$ 21,837	\$ 262,056	\$ 320,542	\$ -	\$ 1,229	\$ -	\$ 23,485	\$ -	\$ -	\$ 724,637
Capital Outlay	-	5,470	-	-	-	17,764	-	63,001	-	-	66,282	152,517
Debt Service	122,280	-	-	-	-	-	-	-	-	-	-	122,280
<b>Total Expenses</b>	<b>\$ 122,280</b>	<b>\$ 100,958</b>	<b>\$ 21,837</b>	<b>\$ 262,056</b>	<b>\$ 320,542</b>	<b>\$ 17,764</b>	<b>\$ 1,229</b>	<b>\$ 63,001</b>	<b>\$ 23,485</b>	<b>\$ -</b>	<b>\$ 66,282</b>	<b>\$ 999,434</b>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (122,280)</b>	<b>\$ 19,703</b>	<b>\$ 14,212</b>	<b>\$ (76,376)</b>	<b>\$ (34,972)</b>	<b>\$ (2,511)</b>	<b>\$ 974</b>	<b>\$ (62,817)</b>	<b>\$ 1,526</b>	<b>\$ 145,286</b>	<b>\$ (52,137)</b>	<b>\$ (169,392)</b>
<b>OTHER FINANCING SOURCES/(USES)</b>												
Proceeds from Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,809	\$ -	\$ -	\$ -	\$ 1,809
Transfers	(8,495)	(9,421)	(7,921)	120,654	134,132	-	-	63,000	-	651,979	110,000	1,053,928
	<u>\$ (8,495)</u>	<u>\$ (9,421)</u>	<u>\$ (7,921)</u>	<u>\$ 120,654</u>	<u>\$ 134,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,809</u>	<u>\$ -</u>	<u>\$ 651,979</u>	<u>\$ 110,000</u>	<u>\$ 1,055,737</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (130,775)</b>	<b>\$ 10,282</b>	<b>\$ 6,291</b>	<b>\$ 44,278</b>	<b>\$ 99,160</b>	<b>\$ (2,511)</b>	<b>\$ 974</b>	<b>\$ 1,992</b>	<b>\$ 1,526</b>	<b>\$ 797,265</b>	<b>\$ 57,863</b>	<b>\$ 886,345</b>
<b>FUND BALANCES - MAY 1, 2015</b>	<b>130,775</b>	<b>17,158</b>	<b>6,833</b>	<b>(45,144)</b>	<b>(57,636)</b>	<b>31,819</b>	<b>2,834</b>	<b>3,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,539</b>
<b>FUND BALANCES - APRIL 30, 2016</b>	<b>\$ -</b>	<b>\$ 27,440</b>	<b>\$ 13,124</b>	<b>\$ (866)</b>	<b>\$ 41,524</b>	<b>\$ 29,308</b>	<b>\$ 3,808</b>	<b>\$ 5,892</b>	<b>\$ 1,526</b>	<b>\$ 797,265</b>	<b>\$ 57,863</b>	<b>\$ 976,884</b>

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