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

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED APRIL 30, 2017

eder, casella & co.

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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, 2017, 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 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.

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, 2017, 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 described in Note 20 to the financial statements, the Village implemented GASB Statement No. 72, *Fair Value Measurement and Application*. 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole, on the modified basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of Village of Lake Villa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Lake Villa's internal control over financial reporting and compliance.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 21, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2017, and the related notes to the financial statements, which collectively comprise Village of Lake Villa's basic financial statements and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Lake Villa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Lake Villa's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Lake Villa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and others that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. This deficiency is numbered 2017-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. These deficiencies are numbered 2017-002 and 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Lake Villa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Lake Villa's Responses to Findings

Village of Lake Villa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Village of Lake Villa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 21, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at April 30, 2017 by \$33,829,365 (net position). Of this amount, \$7,227,338 (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 \$351,533, due primarily to an increase in service charge revenues in comparison to the prior year.
- At April 30, 2017, the Village's governmental funds reported combined ending fund balances of \$4,936,864, a decrease of \$391,671 in comparison with the prior year. Of this total amount, \$2,044,481 is available for spending at the Village's discretion (unassigned fund balance).
- At April 30, 2017, the unassigned fund balance for the General Fund was \$2,028,150, or 52% 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, and Celebration of Summer Fund. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements can be found on pages 12 and 13 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 fifteen 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 twelve funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 14 through 17 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 and Sewer Fund, Water and Sewer Capital Fund, and Water and Sewer Equipment Replacement Fund.

The basic proprietary fund financial statements can be found on pages 18 through 20 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 21 and 22 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 23 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 \$33,829,365 at April 30, 2017.

By far, the largest portion of the Village's net assets (75%) 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	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Assets						
Current and Other Assets	\$ 5,000,510	\$ 5,387,703	\$ 3,433,825	\$ 2,659,736	\$ 8,434,335	\$ 8,047,439
Capital Assets	9,625,031	9,283,722	22,558,485	18,959,746	32,183,516	28,243,468
Total Assets	\$ 14,625,541	\$ 14,671,425	\$ 25,992,310	\$ 21,619,482	\$ 40,617,851	\$ 36,290,907
Liabilities						
Long-Term Liabilities Outstanding	\$ -	\$ 16,570	\$ 6,658,235	\$ 2,675,198	\$ 6,658,235	\$ 2,691,768
Other Liabilities	63,646	59,168	66,605	62,139	130,251	121,307
Total Liabilities	\$ 63,646	\$ 75,738	\$ 6,724,840	\$ 2,737,337	\$ 6,788,486	\$ 2,813,075
Net Position						
Net Investment in Capital Assets	\$ 9,625,031	\$ 9,267,152	\$ 15,900,250	\$ 16,284,548	\$ 25,525,281	\$ 25,551,700
Restricted	1,093,495	1,674,719	-	-	1,093,495	1,674,719
Unrestricted	3,843,369	3,653,816	3,367,220	2,597,597	7,210,589	6,251,413
Total Net Position	\$ 14,561,895	\$ 14,595,687	\$ 19,267,470	\$ 18,882,145	\$ 33,829,365	\$ 33,477,832

An additional portion of the Village's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,210,589) may be used to meet the Village's ongoing obligations to citizens and creditors.

At April 30, 2017, 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 \$351,533 during the year ended April 30, 2017.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Revenues						
Program Revenues						
Charges for Services	\$ 456,169	\$ 520,360	\$ 2,703,012	\$ 2,327,592	\$ 3,159,181	\$ 2,847,952
Operating Grants and Contributions	19,867	168,388	-	-	19,867	168,388
Capital Grants and Contributions	17,480	5,215	-	-	17,480	5,215
General Revenues						
Property Taxes	1,599,876	1,611,450	-	-	1,599,876	1,611,450
Sales Tax	709,911	755,823	-	-	709,911	755,823
Other Taxes	2,136,341	2,207,165	-	-	2,136,341	2,207,165
Unrestricted Investment Earnings	15,999	17,534	22,580	27,408	38,579	44,942
Gain/(Loss) on Asset Disposal	-	1,809	-	-	-	1,809
Other General Revenue	196,058	314,092	33,408	8,091	229,466	322,183
Total Revenues	\$ 5,151,701	\$ 5,601,836	\$ 2,759,000	\$ 2,363,091	\$ 7,910,701	\$ 7,964,927
Expenses						
General Government	\$ 1,407,527	\$ 1,356,826	\$ -	\$ -	\$ 1,407,527	\$ 1,356,826
Police	2,371,630	2,306,719	-	-	2,371,630	2,306,719
Public Works	-	66,282	-	-	-	66,282
Streets	1,359,514	1,036,220	-	-	1,359,514	1,036,220
Building and Grounds	247,481	179,480	-	-	247,481	179,480
Mansion	(59,276)	198,851	-	-	(59,276)	198,851
Celebration of Summer Fun	21,811	23,485	-	-	21,811	23,485
Debt Service	198	3,405	-	-	198	3,405
Water and Sewer	-	-	2,167,010	2,038,324	2,167,010	2,038,324
Total Expenses	\$ 5,348,885	\$ 5,171,268	\$ 2,167,010	\$ 2,038,324	\$ 7,515,895	\$ 7,209,592
Increase/(Decrease) before Transfers	\$ (197,184)	\$ 430,568	\$ 591,990	\$ 324,767	\$ 394,806	\$ 755,335
Transfers	163,392	303,444	(206,665)	(303,444)	(43,273)	-
Increase/(Decrease) in Net Position	\$ (33,792)	\$ 734,012	\$ 385,325	\$ 21,323	\$ 351,533	\$ 755,335
Net Position - Beginning of Year	14,595,687	13,861,675	18,882,145	18,860,822	33,477,832	32,722,497
Net Position - End of Year	\$ 14,561,895	\$ 14,595,687	\$ 19,267,470	\$ 18,882,145	\$ 33,829,365	\$ 33,477,832

Governmental Activities – Governmental activities decreased the Village’s net position by \$33,792.

Business-Type Activities – Business-type activities increased the Village’s net position by \$385,325.

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, 2017, the Village’s governmental funds reported combined ending fund balances of \$4,936,864, a decrease of \$391,671 in comparison with the prior year. Of this total amount, \$2,027,732 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, 2017, unassigned fund balance of the General Fund was \$2,028,150 while total fund balance was \$2,064,866, a decrease of \$40,871 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 52% of total General Fund expenditures, while total fund balance represents 53% of that same amount.

Motor Fuel Tax Fund

The Motor Fuel Tax Fund disbursements exceeded receipts by \$193,005 leaving a fund balance of \$555,692. This change was mainly due to an increase in streets expenditures in fiscal year 2017.

General Capital Fund

The net change in the fund balance was \$86,803 resulting in an ending fund balance of \$1,584,020. This change was mainly due to a decrease in capital outlay expenditures in fiscal year 2017.

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, 2017 amounted to \$3,367,220. The total increase in net position for the Water and Sewer Fund was \$385,325. 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, 2017; 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 \$142,780 (unfavorable) due primarily to lower than expected property tax revenues received, utility tax revenues, and telecommunication fees.
- The difference between the estimated expenditures and the actual expenditures was \$236,040 (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, 2017 amounts to \$32,183,516 (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 14%.

Major capital asset events during the year ended April 30, 2017 included the following:

Governmental Activities:

- Mansion pergola/patio - \$197,133
- Street repaving improvements - \$625,268

Business-Type Activities:

- Water main improvements - \$1,193,080
- Sun Lake water main - \$1,022,605
- Water Storage Tank - \$1,443,360
- Facilities Building - \$1,105,039

Village of Lake Villa's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Land	\$ 3,517,225	\$ 3,473,435	\$ -	\$ -	\$ 3,517,225	\$ 3,473,435
Construction in Progress	84,382	31,256	4,793,383	1,891,253	4,877,765	1,922,509
Buildings and Improvements	2,399,099	2,571,624	1,824,975	1,870,376	4,224,074	4,442,000
Land Improvements	717,797	859,066	1,553	2,885	719,350	861,951
Furniture and Office Equipment	197,745	223,529	-	-	197,745	223,529
Vehicles and Equipment	340,284	510,235	80,498	98,321	420,782	608,556
Infrastructure	2,368,499	1,614,577	15,858,076	15,096,911	18,226,575	16,711,488
Total	<u>\$ 9,625,031</u>	<u>\$ 9,283,722</u>	<u>\$ 22,558,485</u>	<u>\$ 18,959,746</u>	<u>\$ 32,183,516</u>	<u>\$ 28,243,468</u>

Additional information on the Village’s capital assets can be found in note 4 on pages 29 and 30 of this report.

Long Term Debt – At April 30, 2017, the Village had \$6,658,235 in long-term debt.

Village of Lake Villa's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Installment Loan	\$ -	\$ 16,570	\$ -	\$ -	\$ -	\$ 16,570
GO Bonds	-	-	2,170,000	2,355,000	2,170,000	2,355,000
IEPA Loan 2013	-	-	259,344	320,198	259,344	320,198
IEPA Loan 2017	-	-	4,228,891	-	4,228,891	-
Total	\$ -	\$ 16,570	\$ 6,658,235	\$ 2,675,198	\$ 6,658,235	\$ 2,691,768

Additional information on the Village's long-term debt can be found in note 5 on pages 30 and 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village considered many factors when setting the fiscal year 2018 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 streetscape - \$370,000
- Additional streetscape projects - \$100,000
- Squad car replacement - \$43,000
- Dump truck replacement - \$60,000
- Bucket truck replacement - \$100,000
- Pick-up truck replacement - \$18,000

The Water and Sewer Fund budget includes the following:

- Altitude valve - \$109,000
- Lift Station #1 rehabilitation - \$180,000

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, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,263,202	\$ 583,070	\$ 3,846,272
Investments	1,731,992	2,846,758	4,578,750
Other Receivables	5,316	3,997	9,313
Capital Assets			
Land	3,517,225	-	3,517,225
Construction in Progress	84,382	4,793,383	4,877,765
Other Capital Assets, Net of Depreciation	6,023,424	17,765,102	23,788,526
Total Assets	<u>\$ 14,625,541</u>	<u>\$ 25,992,310</u>	<u>\$ 40,617,851</u>
LIABILITIES			
Miscellaneous Payables	\$ -	\$ 21,256	\$ 21,256
Cash Overdraft	418	-	418
Refundable Deposits	52,027	7,452	59,479
Due to Other Governments	11,201	37,897	49,098
Non-Current Liabilities			
Due Within One Year	-	427,485	427,485
Due in More Than One Year	-	6,230,750	6,230,750
Total Liabilities	<u>\$ 63,646</u>	<u>\$ 6,724,840</u>	<u>\$ 6,788,486</u>
NET POSITION			
Net Investment in Capital Assets	\$ 9,625,031	\$ 15,900,250	\$ 25,525,281
Restricted for:			
Streets	551,569	-	551,569
Audit	8,858	-	8,858
Drug Enforcement	4,819	-	4,819
Squad Car	22,457	-	22,457
DUI	15,871	-	15,871
Insurance	35,885	-	35,885
Unemployment	27,858	-	27,858
Metra	16,016	-	16,016
Retirement	54,028	-	54,028
Parks	356,134	-	356,134
Unrestricted / (Deficit)	<u>3,843,369</u>	<u>3,367,220</u>	<u>7,210,589</u>
Total Net Position	<u>\$ 14,561,895</u>	<u>\$ 19,267,470</u>	<u>\$ 33,829,365</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, 2017

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	\$ 1,407,527	\$ 18,875	\$ -	\$ 1,200	\$ (1,387,452)	\$ -	\$ (1,387,452)
Police	2,371,630	189,651	-	-	(2,181,979)	-	(2,181,979)
Streets	1,359,514	46,437	-	-	(1,313,077)	-	(1,313,077)
Building and Grounds	247,481	97,816	-	-	(149,665)	-	(149,665)
Mansion	(59,276)	103,390	-	16,280	178,946	-	178,946
Celebration of Summer Fun	21,811	-	19,867	-	(1,944)	-	(1,944)
Interest and Fees on Long-Term Debt	198	-	-	-	(198)	-	(198)
	<u>\$ 5,348,885</u>	<u>\$ 456,169</u>	<u>\$ 19,867</u>	<u>\$ 17,480</u>	<u>\$ (4,855,369)</u>	<u>\$ -</u>	<u>\$ (4,855,369)</u>
Business-Type Activities							
Water and Sewer	\$ 2,167,010	\$ 2,703,012	\$ -	\$ -	\$ -	\$ 536,002	\$ 536,002
Total Primary Government	<u>\$ 7,515,895</u>	<u>\$ 3,159,181</u>	<u>\$ 19,867</u>	<u>\$ 17,480</u>	<u>\$ (4,855,369)</u>	<u>\$ 536,002</u>	<u>\$ (4,319,367)</u>
General Revenues							
Taxes							
Property Tax					\$ 1,599,876	\$ -	\$ 1,599,876
State Sales Tax					709,911	-	709,911
State Income Tax					832,510	-	832,510
State Motor Fuel Tax					236,040	-	236,040
Other Taxes					1,067,791	-	1,067,791
Unrestricted Investment Earnings					15,999	22,580	38,579
Miscellaneous					196,058	33,408	229,466
Transfers					163,392	(206,665)	(43,273)
Total General Revenues and Transfers					<u>\$ 4,821,577</u>	<u>\$ (150,677)</u>	<u>\$ 4,670,900</u>
Change in Net Position					\$ (33,792)	\$ 385,325	\$ 351,533
Net Position - Beginning of Year					14,595,687	18,882,145	33,477,832
Net Position - End of Year					<u>\$ 14,561,895</u>	<u>\$ 19,267,470</u>	<u>\$ 33,829,365</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, 2017

	General Fund	Motor Fuel Tax Fund	General Capital Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 385,540	\$ 555,692	\$ 1,584,020	\$ 737,950	\$ 3,263,202
Investments	1,731,992	-	-	-	1,731,992
Other Receivables	5,316	-	-	-	5,316
Total Assets	\$ 2,122,848	\$ 555,692	\$ 1,584,020	\$ 737,950	\$ 5,000,510
LIABILITIES					
Cash Overdraft	\$ -	\$ -	\$ -	\$ 418	\$ 418
Refundable Deposits	46,781	-	-	5,246	52,027
Due to Other Governments	11,201	-	-	-	11,201
Total Liabilities	\$ 57,982	\$ -	\$ -	\$ 5,664	\$ 63,646
FUND BALANCES					
Restricted					
Streets	\$ -	\$ 551,569	\$ -	\$ -	\$ 551,569
Audit	8,858	-	-	-	8,858
Drug Enforcement	-	-	-	4,819	4,819
Squad Car	-	-	-	22,457	22,457
DUI	-	-	-	15,871	15,871
Insurance	-	-	-	35,885	35,885
Unemployment	27,858	-	-	-	27,858
Metra	-	-	-	16,016	16,016
Retirement	-	-	-	54,028	54,028
Parks	-	-	-	356,134	356,134
Assigned					
Capital Projects	-	-	1,584,020	-	1,584,020
Streets	-	4,123	-	-	4,123
Public Works	-	-	-	167,863	167,863
Mansion	-	-	-	45,925	45,925
Squad Car	-	-	-	184	184
DUI	-	-	-	211	211
Parks	-	-	-	1,909	1,909
Downtown TIF	-	-	-	500	500
Business District #1	-	-	-	10,902	10,902
Unassigned	2,028,150	-	-	(418)	2,027,732
Total Fund Balances	\$ 2,064,866	\$ 555,692	\$ 1,584,020	\$ 732,286	\$ 4,936,864
Total Liabilities and Fund Balances	\$ 2,122,848	\$ 555,692	\$ 1,584,020	\$ 737,950	\$ 5,000,510

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, 2017

Total Fund Balances - Governmental Funds \$ 4,936,864

Amounts reported for governmental activities in the Statement
of Net Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Capital Assets, net of accumulated depreciation 9,625,031

Net Position of Governmental Activities \$ 14,561,895

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, 2017

	General Fund	Motor Fuel Tax Fund	General Capital Fund	Nonmajor Funds	Total Governmental Funds
REVENUES					
Local Taxes	\$ 2,705,245	\$ -	\$ -	\$ 462,160	\$ 3,167,405
Intergovernmental	847,575	236,040	195,108	-	1,278,723
Licenses and Permits	87,160	-	-	-	87,160
Fines	123,980	-	-	5,787	129,767
Other	253,984	3,297	30,731	200,634	488,646
Total Revenues	\$ 4,017,944	\$ 239,337	\$ 225,839	\$ 668,581	\$ 5,151,701
EXPENDITURES					
CURRENT					
General Government	\$ 596,116	\$ -	\$ 33,354	\$ 591,470	\$ 1,220,940
Police	2,233,575	-	-	-	2,233,575
Streets	859,127	-	-	-	859,127
Building and Grounds	129,348	-	-	-	129,348
Mansion	-	-	-	104,312	104,312
Celebration of Summer Fun	-	-	-	21,811	21,811
CAPITAL OUTLAY					
General Government	16,243	-	102,703	-	118,946
Police	4,275	-	41,179	69,318	114,772
Streets	5,704	432,342	-	439,222	877,268
Building and Grounds	5,186	-	-	-	5,186
Mansion	-	-	-	4,711	4,711
DEBT SERVICE					
Principal	16,575	-	-	-	16,575
Interest and Fees	193	-	-	-	193
Total Expenditures	\$ 3,866,342	\$ 432,342	\$ 177,236	\$ 1,230,844	\$ 5,706,764
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 151,602	\$ (193,005)	\$ 48,603	\$ (562,263)	\$ (555,063)
OTHER FINANCING SOURCES/(USES)					
Transfers	(192,473)	-	38,200	317,665	163,392
NET CHANGE IN FUND BALANCES	\$ (40,871)	\$ (193,005)	\$ 86,803	\$ (244,598)	\$ (391,671)
FUND BALANCES - MAY 1, 2016	2,105,737	748,697	1,497,217	976,884	5,328,535
FUND BALANCES - APRIL 30, 2017	\$ 2,064,866	\$ 555,692	\$ 1,584,020	\$ 732,286	\$ 4,936,864

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (391,671)

Amounts reported for governmental activities in the Statement of Activities - Modified Cash Basis are different because:

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.

Depreciation Expense	\$ (551,638)	
Capital Outlays	<u>892,947</u>	341,309

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.

Repayment of Long-Term Debt		<u>16,570</u>
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Change in Net Position of Governmental Activities \$ (33,792)

VILLAGE OF LAKE VILLA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2017

	Enterprise Fund Water and Sewer
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 583,070
Investments	2,846,758
Other Receivables	3,997
	\$ 3,433,825
Non-Current Assets	
Capital Assets	
Construction in Progress	\$ 4,793,383
Other Capital Assets	2,532,483
Water and Sewer Systems	25,737,426
Less: Accumulated Depreciation	(10,504,807)
	\$ 22,558,485
 Total Assets	 \$ 25,992,310
LIABILITIES	
Current Liabilities	
Miscellaneous Payables	\$ 21,256
Deposits and Escrows	7,452
Due to Other Governments	37,897
Bonds and Notes Payable - Current	427,485
	\$ 494,090
Non-Current Liabilities	
Bonds and Notes Payable (Net of Current Portion Shown Above)	\$ 6,230,750
 Total Liabilities	 \$ 6,724,840
NET POSITION	
Net Investment in Capital Assets	\$ 15,900,250
Unrestricted / (Deficit)	3,367,220
	\$ 19,267,470
 Total Net Position	 \$ 19,267,470

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, 2017

	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for Services	
Water Customer Sales/Connection Fees	\$ 1,503,034
Sewer Customer Sales/Connection Fees	1,195,533
Water Meter Sales	3,545
Inspection Fees	900
Miscellaneous Revenue	33,408
	\$ 2,736,420
OPERATING EXPENSES	
Water Department	
Personnel Expenses	\$ 277,490
Contractor Expenses	36,628
Operating Expenses	151,413
Depreciation	304,632
Sewer Department	
Personnel Expenses	276,421
Contractor Expenses	635,558
Operating Expenses	129,552
Depreciation	259,902
	\$ 2,071,596
OPERATING INCOME/(LOSS)	\$ 664,824
NON-OPERATING REVENUE/(EXPENSE)	
Interest Income	\$ 22,580
Interest Expense	(95,414)
	\$ (72,834)
INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 591,990
TRANSFERS (TO)/FROM OTHER FUNDS	
Transfers	(206,665)
CHANGE IN NET POSITION	\$ 385,325
NET POSITION - MAY 1, 2016	18,882,145
NET POSITION - APRIL 30, 2017	\$ 19,267,470

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, 2017

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 2,736,426
Payments to Suppliers for Goods and Services	(940,612)
Payments to Employees for Services	(562,137)
Internal Activity - Payments to Other Funds	151
Net Cash Provided/(Used) by Operating Activities	\$ 1,233,828
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	\$ (206,665)
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ (206,665)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (4,163,272)
Interest Paid on Capital Debt	(95,414)
Principal Paid on Capital Debt	(245,854)
Proceeds from Capital Debt	4,228,891
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (275,649)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents and Investments	\$ 22,580
Purchase of Investments	(727,263)
Net Cash Provided/(Used) by Investing Activities	\$ (704,683)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 46,831
CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2016	536,239
CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2017	\$ 583,070
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ 664,824
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	564,534
Change in Assets and Liabilities:	
Due To/From Other Funds	151
Other Receivables	6
Miscellaneous Payables	(8,228)
Due to Other Governments	12,541
Net Cash Provided/(Used) by Operating Activities	\$ 1,233,828

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, 2017

	Police Pension Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,682,669	\$ 31,590
Investments	3,933,061	160,081
Total Assets	\$ 5,615,730	\$ 191,671
 LIABILITIES		
Due to Developers	\$ -	\$ 191,671
Total Liabilities	\$ -	\$ 191,671
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 \$ 5,615,730	

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, 2017

	<u>Police Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 658,858
Plan Members	138,216
Total Contributions	<u>\$ 797,074</u>
Investment Income	
Interest and Dividends	\$ 76,951
Net Increase/(Decrease) in Fair Value of Investments	194,040
Less: Brokerage Fees	(9,139)
Net Investment Income	<u>\$ 261,852</u>
Total Additions	<u>\$ 1,058,926</u>
DEDUCTIONS	
Benefits	\$ 354,326
Administrative Expenses	17,140
Total Deductions	<u>\$ 371,466</u>
NET INCREASE/(DECREASE)	\$ 687,460
TRANSFERS (TO)/FROM OTHER FUNDS	
Transfers	<u>43,273</u>
CHANGE IN NET POSITION	\$ 730,733
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2016	<u>4,884,998</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2017	<u><u>\$ 5,615,731</u></u>

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

VILLAGE OF LAKE VILLA
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

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, and Celebration of Summer Fund 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, and Celebration of Summer Fund). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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.).

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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 Celebration of Summer Fund had a cash overdraft at April 30, 2017.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2016 levy was passed by the Board on December 14, 2016. 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 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 13, 2016 and the Park Capital Fund budget was amended on January 25, 2017. Budget amounts reflected on the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – 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, 2017, 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	\$ 1,464,354	\$ 1,464,354	\$ -	\$ -	\$ -
GNMA	590,365	-	-	-	590,365
Corporate Bonds	247,675	-	-	-	247,675
Total Investments	<u>\$ 2,302,394</u>	<u>\$ 1,464,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838,040</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2017, the Village’s investments were rated as follows:

<u>Investment</u>	<u>Credit Rating</u>	<u>Rating Source</u>
State Investment Pool	AAAm	Standard and Poor’s
GNMA	AA+	Standard and Poor’s
Corporate Bonds	A	Standard and Poor’s

NOTE 3 - FAIR VALUE MEASUREMENT

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Village has the following recurring fair value measurements as of April 30, 2017:

- State Investment Pools of \$1,464,354 are valued using quoted market prices (Level 1 inputs)
- Government Bonds of \$590,365 are valued using quoted market prices (Level 1 inputs)
- Corporate Bonds of \$247,675 are valued using quoted market prices (Level 1 inputs)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017 was as follows:

	<u>Balance</u> <u>May 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments*</u>	<u>Balance</u> <u>April 30, 2017</u>
Governmental Activities:					
Capital Assets not being depreciated:					
Land	\$ 3,473,435	\$ -	\$ -	\$ 43,790	\$ 3,517,225
Construction in Progress	31,256	62,283	9,157	-	84,382
Total Capital Assets not being depreciated	<u>\$ 3,504,691</u>	<u>\$ 62,283</u>	<u>\$ 9,157</u>	<u>\$ 43,790</u>	<u>\$ 3,601,607</u>
Other Capital Assets:					
Buildings and Improvements	\$ 4,042,420	\$ -	\$ -	\$ (46,231)	\$ 3,996,189
Land Improvements	1,762,887	206,290	-	(670,711)	1,298,466
Furniture and Office Equipment	365,617	9,726	-	166,895	542,238
Vehicles and Equipment	2,063,317	39,715	-	(239,058)	1,863,974
Infrastructure	2,508,554	584,090	-	745,315	3,837,959
Total Other Capital Assets at Historical Cost	<u>\$ 10,742,795</u>	<u>\$ 839,821</u>	<u>\$ -</u>	<u>\$ (43,790)</u>	<u>\$ 11,538,826</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ 1,470,796	\$ 125,313	\$ -	\$ 981	\$ 1,597,090
Land Improvements	903,821	57,778	-	(380,930)	580,669
Furniture and Office Equipment	142,088	41,519	-	160,886	344,493
Vehicles and Equipment	1,553,082	96,587	-	(125,979)	1,523,690
Infrastructure	893,977	230,441	-	345,042	1,469,460
Total Accumulated Depreciation	<u>\$ 4,963,764</u>	<u>\$ 551,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,515,402</u>
Other Capital Assets, Net	<u>\$ 5,779,031</u>	<u>\$ 288,183</u>	<u>\$ -</u>	<u>\$ (43,790)</u>	<u>\$ 6,023,424</u>
Governmental Activities Capital Assets, net	<u>\$ 9,283,722</u>	<u>\$ 350,466</u>	<u>\$ 9,157</u>	<u>\$ -</u>	<u>\$ 9,625,031</u>

*Adjustments were made during fiscal year 2017 to correct asset classifications.

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance May 1, 2016	Increases	Decreases	Adjustments*	Balance April 30, 2017
Business-Type Activities:					
Capital Assets not being depreciated:					
Construction in Progress	\$ 1,891,253	\$ 3,140,667	\$ 238,537	\$ -	\$ 4,793,383
Total Capital Assets not being depreciated	<u>\$ 1,891,253</u>	<u>\$ 3,140,667</u>	<u>\$ 238,537</u>	<u>\$ -</u>	<u>\$ 4,793,383</u>
Other Capital Assets:					
Buildings	\$ 2,244,382	\$ -	\$ -	\$ -	\$ 2,244,382
Land Improvements	15,980	-	-	-	15,980
Equipment	19,612	-	-	34,998	54,610
Vehicles and Equipment	252,509	-	-	(34,998)	217,511
Infrastructure	24,476,284	1,261,142	-	-	25,737,426
Total Other Capital Assets at Historical Cost	<u>\$ 27,008,767</u>	<u>\$ 1,261,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,269,909</u>
Less Accumulated Depreciation for:					
Buildings	\$ 374,006	\$ 45,401	\$ -	\$ -	\$ 419,407
Land Improvements	13,095	1,332	-	-	14,427
Equipment	19,612	3,500	-	22,165	45,277
Vehicles and Equipment	154,188	14,323	-	(22,165)	146,346
Infrastructure	9,379,373	499,977	-	-	9,879,350
Total Accumulated Depreciation	<u>\$ 9,940,274</u>	<u>\$ 564,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,504,807</u>
Other Capital Assets, Net	<u>\$ 17,068,493</u>	<u>\$ 696,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,765,102</u>
Business-Type Activities Capital Assets, net	<u><u>\$ 18,959,746</u></u>	<u><u>\$ 3,837,276</u></u>	<u><u>\$ 238,537</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,558,485</u></u>

*Adjustments were made during fiscal year 2017 to correct asset classifications.

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 67,641
Police	72,724
Streets	248,387
Building and Grounds	112,947
Mansion	49,939
Total Governmental Activities Depreciation Expense	<u>\$ 551,638</u>
Business-Type Activities:	
Water Operations	\$ 304,632
Sewer Operations	259,901
Total Business-Type Activities Depreciation Expense	<u>\$ 564,533</u>

NOTE 5 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2017 was as follows:

	Balance May 1, 2016	Additions	Retirements	Balance April 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Long-Term Debt					
Installment Loan	\$ 16,570	\$ -	\$ 16,570	\$ -	\$ -
Total Governmental Activities Long-Term Debt	<u>\$ 16,570</u>	<u>\$ -</u>	<u>\$ 16,570</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:					
Long-Term Debt					
GO Bonds	\$ 2,355,000	\$ -	\$ 185,000	\$ 2,170,000	\$ 190,000
IEPA 2013 Loan	320,198	-	60,854	259,344	62,370
IEPA 2017 Loan	-	4,228,891	-	4,228,891	175,115
Total Business-Type Activities Long-Term Debt	<u>\$ 2,675,198</u>	<u>\$ 4,228,891</u>	<u>\$ 245,854</u>	<u>\$ 6,658,235</u>	<u>\$ 427,485</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Long-term debt consisted of the following at April 30, 2017:

	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Amount</u>	<u>Carrying Amount</u>
Business-Type Activities:					
GO Bonds	12/17/2014	12/15/2026	2.0% - 3.0%	\$ 2,550,000	\$ 2,170,000
IEPA Loan 2013	8/1/2001	12/1/2020	2.535%	1,038,400	259,344
IEPA Loan 2017	5/30/2017	12/17/2036	1.86%	4,228,891	4,228,891

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 therefore 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. \$4,200,936 had been received as of April 30, 2017.

At April 30, 2017 all long-term debt attributable to governmental activities was retired.

At April 30, 2017 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>
2018	\$ 427,485	\$ 243,185	\$ 670,670
2019	438,654	228,035	666,689
2020	448,652	211,777	660,429
2021	463,856	194,481	658,337
2022	399,947	176,070	576,017
2023-2027	2,169,321	564,824	2,734,145
2028-2032	1,101,731	169,535	1,271,266
2033-2037	1,208,589	62,678	1,271,267
	<u>\$ 6,658,235</u>	<u>\$ 1,850,585</u>	<u>\$ 8,508,820</u>

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended April 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	General Capital Fund	\$ 81,473
General Fund	Squad Car Fund	67,000
General Fund	Water and Sewer Fund	44,000
General Capital Fund	Police Pension Fund	43,273
Metra Fund	Liability Insurance Fund	7,547
Metra Fund	Retirement Fund	1,646
Mansion Fund	Liability Insurance Fund	7,547
Mansion Fund	Retirement Fund	3,302
Water and Sewer Fund	Retirement Fund	72,740
Water and Sewer Fund	Liability Insurance Fund	67,925
Water and Sewer Capital Fund	Public Works Fleet Replacement Fund	66,000
General Fund	Public Works Fleet Replacement Fund	44,000

NOTE 7 - DEFICIT FUND BALANCES

The following Village fund had a deficit fund balance as of April 30, 2017:

<u>Fund</u>	<u>April 30, 2017 Fund Balance</u>
Celebration of Summer	\$ (418)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2015 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2016, 2015, and 2014 follows:

TAX YEAR ASSESSED VALUATION	2016		2015		2014	
	RATES	EXTENSIONS	RATES	EXTENSIONS	RATES	EXTENSIONS
		\$211,530,341		\$201,482,270		\$193,259,227
Corporate	0.236207	\$ 499,649	0.262869	\$ 529,634	0.256311	\$ 495,345
Police Protection	0.222664	471,002	0.233768	471,001	0.243715	471,002
Tort and Liability Insurance	0.089822	190,001	0.094302	190,002	0.096237	185,987
Municipal Retirement	0.035185	74,427	0.038714	78,002	0.048582	93,889
Unemployment Insurance	0.000048	102	0.000050	101	0.000052	100
Audit	0.004728	10,001	0.004964	10,002	0.007762	15,001
Social Security	0.088078	186,312	0.091324	184,002	0.099244	191,798
Street and Bridge	0.054029	114,288	0.056197	113,227	0.071982	139,112
Police Pension	0.326195	690,001	0.327573	660,002	0.315888	610,483
	<u>1.056956</u>	<u>\$ 2,235,783</u>	<u>1.109761</u>	<u>\$ 2,235,973</u>	<u>1.139773</u>	<u>\$ 2,202,717</u>

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2017, the following funds had expenditures that exceeded the budget:

Fund	Actual	Budget	Excess of Actual Over Budget
Retirement Fund	\$ 326,744	\$ 262,000	\$ 64,744
Mansion Fund	109,024	107,066	1,958
DUI Fund	19,067	13,800	5,267
Squad Car Replacement Fund	50,251	40,000	10,251
Park Capital Fund	439,222	435,000	4,222

NOTE 10 - OPERATING LEASES, AS LESSEE

The Village did not have any operating leases for the year ended April 30, 2017.

NOTE 11 - RETIREMENT FUND COMMITMENTS

A. *Illinois Municipal Retirement Fund*

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.

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).

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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, 2016, the measurement date, the Village's membership consisted of:

Retirees and beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>19</u>
Total	<u><u>37</u></u>

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 2016 was 9.57%. For the fiscal year ended April 30, 2017, the Village contributed \$111,746 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.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 5,194,391
IMRF Fiduciary Net Position	4,652,861
Village's Net Pension Liability	541,530
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	89.57%

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 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 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.

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	38.0%	6.85%
International Equities	17.0%	6.75%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	5.75%
Alternatives	9.0%	
Private Equity		7.35%
Hedge Funds		2.25%
Commodities		2.65%
Cash	1.0%	2.25%
	<u>100.0%</u>	

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

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 3.78%; and resulting single discount rate is 7.50%.

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 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)	\$ 1,353,145	\$ 541,530	\$ (113,187)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2017, the Village's pension expense is \$147,936. At April 30, 2017, the Village's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 19,611	\$ 42,538	\$ (22,927)
Assumption changes	4,584	6,106	(1,522)
Net difference between projected and actual earnings on pension investments	203,345	-	203,345
Total deferred amounts to be recognized in pension expense in future periods	\$ 227,540	\$ 48,644	\$ 178,896
Pension contributions made subsequent to the measurement date	42,013	-	42,013
Total deferred amounts related to pensions	<u>\$ 269,553</u>	<u>\$ 48,644</u>	<u>\$ 220,909</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
2017	\$ 61,377
2018	61,377
2019	61,376
2020	414
2021	(5,648)
Thereafter	-
	<u>\$ 178,896</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

B. *Social Security*

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

NOTE 12 - 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, 2017, 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	<u>17</u>
Total	<u><u>28</u></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, 2017, the Village's contribution was 50.23% 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)

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%	0.33%
Corporate Investment Grade	11.00%	0.11%
Domestic Equities	31.50%	2.05%
International Developed	11.25%	0.68%
Real Estate	2.25%	0.16%
Cash and Equivalents	0.00%	0%
	<u>100.00%</u>	

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, 2017 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, 2017, the annual money-weighted rate of return on pension plan investments (excluding CD's), net of pension plan investment expense, was 8.97%. 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.

J. *Interest Rate Risk*

The following table presents the investments and maturities of the Plan's debt securities as of April 30, 2017:

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	5 - 10	More than 10
State Investment Pool	\$ 807,134	\$ 807,134	\$ -	\$ -	\$ -
US Treasury	784,647	35,148	429,573	319,926	-
FHLMC	122,011	-	122,011	-	-
FNMA	115,475	65,118	50,357	-	-
Mutual Funds	1,908,266	1,908,266	-	-	-
Corporate Bonds	225,066	50,286	174,780	-	-
Total Investments	<u>\$ 3,962,599</u>	<u>\$ 2,865,952</u>	<u>\$ 776,721</u>	<u>\$ 319,926</u>	<u>\$ -</u>

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, 2017, the Plan's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAA _m	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, 2017, calculated in accordance with GASB Statement No. 67, were as follows:

Total Pension Liability	\$ 12,407,384
Plan Fiduciary Net Position	5,615,729
Village's Net Pension Liability	6,791,655
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.26%

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.

M. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Valuation Date	April 30, 2016
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)	\$ 8,555,728	\$ 6,791,655	\$ 5,327,944

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

For the year ended April 30, 2017, the Village’s pension expense/(income) is \$858,740. At April 30, 2017, the Village’s deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual expense	\$ 5,185	\$ -	\$ 5,185
Net difference between projected and actual earnings on pension plan investment	38,728	-	38,728
Total deferred amounts related to pensions	<u>\$ 43,913</u>	<u>\$ -</u>	<u>\$ 43,913</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:

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ending April 30	Net Deferred Outflows of Resources
2018	\$ 10,469
2019	10,469
2020	10,469
2021	10,469
2022	787
Thereafter	1,250
	<u>\$ 43,913</u>

NOTE 13 - 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, 2017, 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 adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2017, there were no significant adjustments in premiums based on actual experience.

NOTE 14 - 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, 2015 and the statement of revenues and expenses for the year then ended.

NOTES TO FINANCIAL STATEMENTS (Continued)

Assets	\$ 4,231,286
Deferred Outflows Related to Pension	86,424
	<u>\$ 4,317,710</u>
Liabilities	\$ 45,832
Deferred Inflows Related to Pension	<u>\$ 79,563</u>
Net Position	
Investment in Capital Assets	\$ 1,067,960
Restricted for Pension	673,832
Unrestricted	<u>2,450,523</u>
Total Net Position	<u>\$ 4,192,315</u>
Revenues	\$ 1,109,700
Expenses	\$ 1,359,936

November 30, 2015 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 15 - 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 16 - 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 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 17 - COMMITMENTS

At April 30, 2017, 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 14.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2017 the Village remitted \$578,820 to the County under the terms of this agreement.

During the fiscal year ended April 30, 2017, the Village had the following ongoing contracts:

- Cedar Avenue streetscape – Total projected cost of \$135,000; \$63,277 paid as of April 30, 2017
- Facilities building – Total projected cost of \$1,273,300; \$1,120,511 paid as of April 30, 2017
- Storage tank – Total projected cost of \$1,517,200; \$1,459,881 paid as of April 30, 2017
- Scada System Improvements – Total projected cost of \$230,300; \$100,150 paid as of April 30, 2017
- Altitude valve – Total projected cost of \$120,888; \$18,422 paid as of April 30, 2017
- Mansion tent – Total projected cost of \$68,016; \$21,104 paid as of April 30, 2017

NOTE 18 - 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.

2016 EAV	\$	211,530,341
	X	<u>8.625%</u>
Debt Margin	\$	18,244,492
Current Debt		<u>-</u>
Remaining Debt Margin	\$	<u>18,244,492</u>

NOTE 19 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 21, 2017, the date on which the financial statements were available to be issued.

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended April 30, 2017, the Village has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also requires additional disclosures about the fair value measurement of the investments held by the Village (see Note 3).

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, 2017

	<u>4/30/2017 *</u>	<u>4/30/2016 *</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 132,194	\$ 130,852
Interest	364,581	333,490
Differences Between Expected and Actual Experience	(51,938)	29,857
Changes in Assumptions	(7,455)	6,980
Benefit Payments, Including Refunds of Member Contributions	<u>(88,932)</u>	<u>(72,691)</u>
Net Change in Total Pension Liability	\$ 348,450	\$ 428,488
Total Pension Liability - Beginning	<u>4,845,941</u>	<u>4,417,453</u>
Total Pension Liability - Ending	<u>\$ 5,194,391</u>	<u>\$ 4,845,941</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 111,747	\$ 113,049
Contributions - Member	52,545	51,964
Net Investment Income	293,192	21,934
Benefit Payments, Including Refunds of Member Contributions	(88,932)	(72,691)
Other	<u>34,828</u>	<u>(205,438)</u>
Net Change in Plan Fiduciary Net Position	\$ 403,380	\$ (91,182)
Plan Net Position - Beginning	<u>4,249,481</u>	<u>4,340,663</u>
Plan Net Position - Ending	<u>\$ 4,652,861</u>	<u>\$ 4,249,481</u>
Village's Net Pension Liability	<u>\$ 541,530</u>	<u>\$ 596,460</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.57%	87.69%
Covered-Employee Payroll	\$ 1,167,674	\$ 1,154,747
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	46.38%	51.65%

* 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.

See Accompanying Independent Auditor's Report

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

	4/30/2017 *	4/30/2016 *
Actuarially-Determined Contribution	\$ 111,746	\$ 113,050
Contributions in Relation to Actuarially-Determined Contribution	111,747	113,049
Contribution Deficiency/(Excess)	\$ (1)	\$ 1
Covered-Employee Payroll	\$ 1,167,674	\$ 1,154,747
Contributions as a Percentage of Covered-Employee Payroll	9.57%	9.79%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2016 Contribution Rate *

Actuarially determined contribution rates are calculated as of December 31 each year, which is 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: 27-year closed period until remaining period reaches 15 years (then 15-year rolling period).

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

Wage Growth: 3.50%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011-2013.

Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2014 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, 2017

	<u>4/30/2017</u>	<u>4/30/2016</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 373,714	\$ 358,919
Interest	772,670	721,404
Differences Between Expected and Actual Experience	5,972	26,992
Benefit Payments, Including Refunds of Member Contributions	<u>(354,326)</u>	<u>(342,332)</u>
Net Change in Total Pension Liability	\$ 798,030	\$ 764,983
Total Pension Liability - Beginning	<u>11,609,354</u>	<u>10,844,371</u>
Total Pension Liability - Ending	<u>\$ 12,407,384</u>	<u>\$ 11,609,354</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 702,130	\$ 609,619
Contributions - Member	138,216	138,489
Net Investment Income	261,851	(23,587)
Benefit Payments, Including Refunds of Member Contributions	(354,326)	(342,332)
Other (Admin Expenses)	<u>(17,140)</u>	<u>(16,842)</u>
Net Change in Plan Fiduciary Net Position	\$ 730,731	\$ 365,347
Plan Net Position - Beginning	<u>4,884,998</u>	<u>4,519,651</u>
Plan Net Position - Ending	<u>\$ 5,615,729</u>	<u>\$ 4,884,998</u>
Village's Net Pension Liability	<u>\$ 6,791,655</u>	<u>\$ 6,724,356</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.26%	42.08%
Covered-Employee Payroll	\$ 1,397,745	\$ 1,342,728
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	485.90%	500.80%
	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	3.32%	2.00%

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA
POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTION
APRIL 30, 2017

	<u>4/30/2017</u>	<u>4/30/2016</u>
Actuarially-Determined Contribution	\$ 825,854	\$ 793,589
Contributions in Relation to Actuarially-Determined Contribution	<u>702,130</u>	<u>609,619</u>
Contribution Deficiency/(Excess)	<u>\$ 123,724</u>	<u>\$ 183,970</u>
Covered-Employee Payroll	\$ 1,397,745	\$ 1,342,728
Contributions as a Percentage of Covered-Employee Payroll	50.23%	45.40%

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, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	<u>ORIGINAL AND FINAL</u>		
REVENUES			
Local Taxes			
Property Tax	\$	1,150,634	\$ 1,121,896
Property Tax - Road and Bridge		20,000	26,722
Sales Tax		712,500	699,009
Local Use Tax		195,143	214,095
Telecommunication Tax		265,000	233,980
Utility Tax - Gas		110,000	98,541
Utility Tax - Electric		300,000	311,002
Intergovernmental			
State Income Tax		847,003	832,510
State Replacement Tax		12,000	15,065
Licenses and Permits			
Amusement Licenses		1,900	2,375
Building Permits		60,000	54,896
Business Registration Fees		5,400	5,100
Impact Fees		-	1,200
Landscaping Inspection Fees		500	100
Liquor Licenses		17,000	17,850
Site Development Permits		6,000	4,614
Vending Licenses		1,450	975
Watershed Permit		200	50
Fines			
Court Fines		110,000	90,385
Parking and Other Fines		40,000	33,595
Other			
Cable Franchise Fees		155,000	141,440
Computer Fund		1,500	1,220
Grant Revenue		-	16,280
Investment Income		45,000	12,504
Police Reports		500	775
School Resource Officer Fees		77,914	64,896
Zoning Books, Maps and Hearing Fees		800	-
Other Revenue		25,280	16,869
Total Revenues	\$	4,160,724	\$ 4,017,944
EXPENDITURES			
CURRENT			
General Government			
Personnel Salaries	\$	356,940	\$ 379,791
Health Insurance Premiums		57,480	66,575
Training		11,540	8,480
Legal and Professional Fees		66,187	73,287
Computer Services		22,986	23,483
Maintenance		4,738	1,101
Printing and Publishing		17,880	9,841

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, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Public Relations	\$ 12,000	\$ 14,411
Insurance	-	312
Office Supplies	9,450	7,362
Credit Card Fees	667	403
Miscellaneous	11,400	11,070
	<u>\$ 571,268</u>	<u>\$ 596,116</u>
Police		
Personnel Salaries	\$ 1,732,651	\$ 1,710,797
Health Insurance Premiums	287,165	272,552
Physicals/Testing	1,500	450
Uniforms	19,150	18,378
Training	24,710	15,822
Range	10,000	7,384
Legal and Professional Fees	40,000	28,040
Dispatching	47,985	63,226
Radios	20,400	21,916
Computer Services	8,580	7,323
Vehicle Maintenance	4,800	6,952
Equipment Maintenance	8,308	7,880
Fuel	34,000	24,702
Vehicle Supplies	20,121	13,830
Police Commission	5,680	-
Telephone	15,000	9,134
Printing	5,000	3,940
Office Supplies	14,450	12,336
Miscellaneous	12,550	8,913
	<u>\$ 2,312,050</u>	<u>\$ 2,233,575</u>
Streets		
Personnel Salaries	\$ 338,644	\$ 325,036
Health Insurance Premiums	78,703	65,231
Physicals/Testing	2,000	-
Uniforms	3,000	1,798
Training	2,000	1,064
Engineering	15,000	1,560
Vehicle Maintenance	8,000	11,659
Fuel	25,500	19,261
Street Sweeping	102,500	100,305
Vehicle Supplies	33,535	22,326
Maintenance	140,000	151,623
Electric	155,000	149,225
Supplies	12,500	10,039
	<u>\$ 916,382</u>	<u>\$ 859,127</u>

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, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES (Continued)		
CURRENT (Continued)		
Building and Grounds		
Engineering and Inspector Fees	\$ 55,730	\$ 65,080
Maintenance	19,000	20,545
Utilities	3,200	-
Supplies	35,000	22,957
Cleaning	8,546	7,005
Telephone	18,500	13,761
	\$ 139,976	\$ 129,348
CAPITAL OUTLAY		
General Government	\$ 11,050	\$ 16,243
Police	73,000	4,275
Streets	52,400	5,704
Building and Grounds	11,925	5,186
	\$ 148,375	\$ 31,408
DEBT SERVICE		
Principal	\$ 14,331	\$ 16,575
Interest and Fees	-	193
	\$ 14,331	\$ 16,768
Total Expenditures	\$ 4,102,382	\$ 3,866,342
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 58,342	\$ 151,602
OTHER FINANCING SOURCES/(USES)		
Transfers	-	(192,473)
NET CHANGE IN FUND BALANCE	\$ 58,342	\$ (40,871)
FUND BALANCE - MAY 1, 2016	2,105,737	2,105,737
FUND BALANCE - APRIL 30, 2017	\$ 2,164,079	\$ 2,064,866

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
MOTOR FUEL TAX FUND
YEAR ENDED APRIL 30, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
REVENUES		
Intergovernmental		
State Motor Fuel Tax	\$ 226,392	\$ 236,040
Other		
Interest	200	3,297
Total Revenues	\$ 226,592	\$ 239,337
EXPENDITURES		
CAPITAL OUTLAY		
Streets		
Engineering	\$ 483,787	\$ 432,342
Total Expenditures	\$ 483,787	\$ 432,342
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (257,195)	\$ (193,005)
OTHER FINANCING SOURCES/(USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (257,195)	\$ (193,005)
FUND BALANCE - MAY 1, 2016	748,697	748,697
FUND BALANCE - APRIL 30, 2017	\$ 491,502	\$ 555,692

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2017

	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	Downtown TIF Fund	Business District #1 Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 45,925	\$ 16,016	\$ 35,885	\$ 59,274	\$ 16,082	\$ 4,819	\$ 22,641	\$ -	358,043	\$ 167,863	\$ 500	\$ 10,902	\$ 737,950
Total Assets	\$ 45,925	\$ 16,016	\$ 35,885	\$ 59,274	\$ 16,082	\$ 4,819	\$ 22,641	\$ -	\$ 358,043	\$ 167,863	\$ 500	\$ 10,902	\$ 737,950
LIABILITIES													
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418	\$ -	\$ -	\$ -	\$ -	\$ 418
Refundable Deposits	-	-	-	5,246	-	-	-	-	-	-	-	-	5,246
Total Liabilities	\$ -	\$ -	\$ -	\$ 5,246	\$ -	\$ -	\$ -	\$ 418	\$ -	\$ -	\$ -	\$ -	\$ 5,664
FUND BALANCE													
Restricted	\$ -	\$ 16,016	\$ 35,885	\$ 54,028	\$ 15,871	\$ 4,819	\$ 22,457	\$ -	\$ 356,134	\$ -	\$ -	\$ -	\$ 505,210
Assigned	45,925	-	-	-	211	-	184	-	1,909	167,863	500	10,902	227,494
Unassigned	-	-	-	-	-	-	-	(418)	-	-	-	-	(418)
Total Fund Balance	\$ 45,925	\$ 16,016	\$ 35,885	\$ 54,028	\$ 16,082	\$ 4,819	\$ 22,641	\$ (418)	\$ 358,043	\$ 167,863	\$ 500	\$ 10,902	\$ 732,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,925	\$ 16,016	\$ 35,885	\$ 59,274	\$ 16,082	\$ 4,819	\$ 22,641	\$ -	\$ 358,043	\$ 167,863	\$ 500	\$ 10,902	\$ 737,950

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2017

	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	Downtown TIF Fund	Business District #1 Fund	Total
REVENUES													
Local Taxes													
Property Taxes	\$ -	\$ -	\$ 189,699	\$ 261,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451,258
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	10,902	10,902
Fines													
DUI Fines	-	-	-	-	5,787	-	-	-	-	-	-	-	5,787
Other													
Interest	144	-	-	-	54	-	-	-	-	-	-	-	198
Mansion Rent	103,390	-	-	-	-	-	-	-	-	-	-	-	103,390
Parking Fees	-	40,650	-	-	-	-	-	-	-	-	-	-	40,650
Donations	-	-	-	-	-	-	-	19,867	-	-	-	-	19,867
Other Revenue	34,823	-	-	-	-	1,206	-	-	-	-	500	-	36,529
Total Revenues	\$ 138,357	\$ 40,650	\$ 189,699	\$ 261,559	\$ 5,841	\$ 1,206	\$ -	\$ 19,867	\$ -	\$ -	\$ 500	\$ 10,902	\$ 668,581
EXPENDITURES													
Current	\$ 104,312	\$ 28,565	\$ 235,967	\$ 326,743	\$ -	\$ 195	\$ -	\$ 21,811	\$ -	\$ -	\$ -	\$ -	\$ 717,593
Capital Outlay	4,711	-	-	-	19,067	-	50,251	-	439,222	-	-	-	513,251
Total Expenses	\$ 109,023	\$ 28,565	\$ 235,967	\$ 326,743	\$ 19,067	\$ 195	\$ 50,251	\$ 21,811	\$ 439,222	\$ -	\$ -	\$ -	\$ 1,230,844
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 29,334	\$ 12,085	\$ (46,268)	\$ (65,184)	\$ (13,226)	\$ 1,011	\$ (50,251)	\$ (1,944)	\$ (439,222)	\$ -	\$ 500	\$ 10,902	\$ (562,263)
OTHER FINANCING SOURCES/(USES)													
Transfers	(10,849)	(9,193)	83,019	77,688	-	-	67,000	-	-	110,000	-	-	317,665
NET CHANGE IN FUND BALANCES	\$ 18,485	\$ 2,892	\$ 36,751	\$ 12,504	\$ (13,226)	\$ 1,011	\$ 16,749	\$ (1,944)	\$ (439,222)	\$ 110,000	\$ 500	\$ 10,902	\$ (244,598)
FUND BALANCES - MAY 1, 2016	27,440	13,124	(866)	41,524	29,308	3,808	5,892	1,526	797,265	57,863	-	-	976,884
FUND BALANCES - APRIL 30, 2017	\$ 45,925	\$ 16,016	\$ 35,885	\$ 54,028	\$ 16,082	\$ 4,819	\$ 22,641	\$ (418)	\$ 358,043	\$ 167,863	\$ 500	\$ 10,902	\$ 732,286

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA
SUMMARY OF FEDERAL GRANTS
FOR THE YEAR ENDED APRIL 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	REVENUE RECOGNIZED 5/1/2016 TO 4/30/2017	EXPENSES 5/1/2016 TO 4/30/2017	REVENUE RECOGNIZED INCEPTION TO 4/30/2017	EXPENSES INCEPTION TO 4/30/2017
Environmental Protection Agency/ Illinois Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 1,205,167	<u>\$ 1,205,167</u>	<u>\$ 1,205,167</u>	<u>\$ 1,205,167</u>	<u>\$ 1,205,167</u>
Total Federal Financial Assistance			<u><u>\$ 1,205,167</u></u>	<u><u>\$ 1,205,167</u></u>	<u><u>\$ 1,205,167</u></u>	<u><u>\$ 1,205,167</u></u>

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited

Village of Lake Villa's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Village of Lake Villa's major federal programs for the year ended April 30, 2017. Village of Lake Villa's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Village of Lake Villa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Lake Villa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Village of Lake Villa's compliance.

Opinion on the Major Federal Program

In our opinion, Village of Lake Villa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 30, 2017.

eder, casella & co.

Report on Internal Control Over Compliance

Management of Village of Lake Villa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Village of Lake Villa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Lake Villa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a significant deficiency.

Village of Lake Villa's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Village of Lake Villa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 21, 2017

VILLAGE OF LAKE VILLA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED APRIL 30, 2017

Federal Agency (Pass-Through Agency)	Federal Program	Federal CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients
				From Pass-Through Awards	From Direct Awards	Total	
DWSRF Cluster							
Environmental Protection Agency (via Illinois Environmental Protection Agency)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	L175135	\$ 1,205,167	\$ -	\$ 1,205,167	\$ -
			Total CWSRF Cluster:	<u>\$ 1,205,167</u>	<u>\$ -</u>	<u>\$ 1,205,167</u>	<u>\$ -</u>
			Total Federal Awards Expended:	<u>\$ 1,205,167</u>	<u>\$ -</u>	<u>\$ 1,205,167</u>	<u>\$ -</u>

VILLAGE OF LAKE VILLA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Village of Lake Villa under programs of the federal government for the year ended April 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Village has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The Village did not provide federal awards to subrecipients during the year ended April 30, 2017.

NOTE 4 - FEDERAL LOANS

There were no federal loans or loan guarantees outstanding at year end.

VILLAGE OF LAKE VILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2017

- 1) Summary of auditor's results:
 - a) The auditor's report expresses an unmodified opinion on whether the financial statements of Village of Lake Villa were prepared in accordance with the modified cash basis of accounting.
 - b) Two significant deficiencies, one of which is considered to be a material weakness, disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
 - c) No instances of noncompliance material to the financial statements of Village of Lake Villa, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit of the financial statements.
 - d) One significant deficiency, which was not considered to be a material weakness, in internal control over major programs was disclosed during the audit. No material weaknesses are reported.
 - e) The auditor's report on compliance for the major federal award programs for the Village of Lake Villa expresses as unmodified opinion on all major federal programs.
 - f) Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this Schedule.
 - g) The major program was CFDA #66.468 – Capitalization Grants for Drinking Water State Revolving Funds
 - h) The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
 - i) Village of Lake Villa does not qualify as a low-risk auditee.
- 2) The findings relating to the financial statements which are required to be reported are detailed in finding numbers 2017-001 and 2017-002.
- 3) A finding relating to federal awards which is required to be reported is detailed in finding number 2017-003.

VILLAGE OF LAKE VILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

MATERIAL WEAKNESS

FINDING NUMBER: 2017-001

Criteria or specific requirement:

Management is responsible for the accuracy and completeness of all financial records.

Condition:

During the course of our audit, material misstatements of the financial records were found, resulting in adjusting entries.

Context:

There were material journal entries made to the financial records of the Village.

Effect:

The financial records were materially misstated prior to the start of the audit.

Cause:

The Village's control policies and procedures did not detect or prevent the misstatements.

Recommendation:

Management should develop a process to identify potential adjustments throughout the year and during the year end reporting process to minimize potential adjustments by the auditor.

Management's response:

Management plans to make all necessary adjusting entries prior to the start of the audit process.

VILLAGE OF LAKE VILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

SIGNIFICANT DEFICIENCY

FINDING NUMBER: 2017-002

Criteria or specific requirement:

Management is responsible for the accuracy and completeness of all financial records.

Condition:

During the course of our audit, it was noted that liabilities were recorded on the financial records even though the Village reports on the modified cash basis.

Context:

There were liabilities on the financial records of the Village.

Effect:

The financial records were misstated prior to the start of the audit.

Cause:

The Village's control policies and procedures did not detect or prevent the misstatements.

Recommendation:

Management should develop a process to identify all liabilities recorded on the financial records and remove any that are not actual liabilities prior to the start of the audit process.

Management's response:

Management plans to clear up any outstanding liabilities prior to the start of the audit process.

VILLAGE OF LAKE VILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2017

SIGNIFICANT DEFICIENCY

FINDING NUMBER: 2017-003

Criteria or specific requirement:

Proper controls over the check writing process need to be in place.

Condition:

During the audit it was noted that a check was written but never mailed out due to lack of documentation from the vendor. This amount was submitted for reimbursement from the grant before the check was mailed to the vendor.

Context:

One check was written before proper documentation was received from the vendor. The amount was submitted for reimbursement without being paid.

Effect:

The lack of controls over this process could increase the likelihood of a potential misstatement.

Cause:

Lack of controls over the check generation process.

Recommendation:

The Village should obtain all required documentation from a vendor before writing a check and then mail the checks timely.

Management's response:

The vendor brought in the missing documentation during the audit and the Village paid the vendor. Management will ensure this does not happen in the future.

VILLAGE OF LAKE VILLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

There were no prior year audit findings.

VILLAGE OF LAKE VILLA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

FINDING NUMBER: 2017-001

Condition:

During the course of our audit, material misstatements of the financial records were found, resulting in adjusting entries.

Plan:

Management plans to make all necessary adjusting entries prior to the start of the audit process.

Anticipated Date of Completion: 4/30/18

Name of Contact Person: Karl Warwick, Village Administrator

Management Response: Karl and Lori will review the financial records and make sure that no material entries are needed.

VILLAGE OF LAKE VILLA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

FINDING NUMBER: 2017-002

Condition:

During the course of our audit, it was noted that liabilities were recorded on the financial records even though the Village reports on the modified cash basis.

Plan:

Management plans to clear up any outstanding liabilities prior to the start of the audit process.

Anticipated Date of Completion: 4/30/18

Name of Contact Person: Karl Warwick, Village Administrator

Management Response: N/A

VILLAGE OF LAKE VILLA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2017

FINDING NUMBER: 2017-003

Condition:

During the audit it was noted that a check was written but never mailed out due to lack of documentation from the vendor. This amount was submitted for reimbursement from the grant before the check was mailed to the vendor.

Plan:

Management plans to make sure all vendors submit required documentation before the Village issues any checks.

Anticipated Date of Completion: 4/30/18

Name of Contact Person: Karl Warwick, Village Administrator

Management Response: N/A