



# EDER, CASELLA & CO.

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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

### ***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED APRIL 30, 2014***

VILLAGE OF LAKE VILLA  
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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 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, 2014, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## 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, 2014, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## 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-Matter

### *Disclaimer of Opinion on Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lake Villa's basic financial statements. The management's discussion and analysis, schedules of funding progress, and budgetary comparison information on pages 3 through 8 and 36 through 44, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### *Other Information*

As discussed in Note 19 to the financial statements, Village of Lake Villa implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
August 15, 2014

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, 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village exceeded its liabilities at April 30, 2014 by \$32,441,147 (net position). Of this amount, \$8,341,065 (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 \$313,552, due primarily to an increase in general revenues in comparison to the prior year.
- At April 30, 2014, the Village's governmental funds reported combined ending fund balances of \$4,814,555, an increase of \$485,170 in comparison with the prior year. Of this total amount, \$3,478,722 is available for spending at the Village's discretion (unassigned fund balance).
- At April 30, 2014, the unassigned fund balance for the General Fund was \$3,478,685, or 62% 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, streets, building and grounds, and mansion. The business-type activities of the Village include water and sewer operations.

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

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

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

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

The Village maintains four 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 and Motor Fuel Tax Fund, which are considered to be major funds. Data from the other two funds are combined into a single, aggregated presentation.

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

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

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

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

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

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

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

The notes to the financial statements can be found on pages 20 through 35 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 38 through 42 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 \$32,441,147 at April 30, 2014.

By far, the largest portion of the Village's net assets (71%) 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.

	Village of Lake Villa's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
<b>Assets</b>						
Current and Other Assets	\$ 4,892,556	\$ 4,462,938	\$ 4,702,682	\$ 5,242,538	\$ 9,595,238	\$ 9,705,476
Capital Assets	9,191,144	9,098,986	17,966,387	18,087,368	27,157,531	27,186,354
<b>Total Assets</b>	<b>\$ 14,083,700</b>	<b>\$ 13,561,924</b>	<b>\$ 22,669,069</b>	<b>\$ 23,329,906</b>	<b>\$ 36,752,769</b>	<b>\$ 36,891,830</b>
<b>Liabilities</b>						
Long-Term Liabilities Outstanding	\$ 305,694	\$ 441,391	\$ 3,902,403	\$ 4,153,828	\$ 4,208,097	\$ 4,595,219
Other Liabilities	78,001	133,553	25,524	35,463	103,525	169,016
<b>Total Liabilities</b>	<b>\$ 383,695</b>	<b>\$ 574,944</b>	<b>\$ 3,927,927</b>	<b>\$ 4,189,291</b>	<b>\$ 4,311,622</b>	<b>\$ 4,764,235</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 8,885,450	\$ 8,657,595	\$ 14,063,984	\$ 13,933,540	\$ 22,949,434	\$ 22,591,135
Restricted	377,162	224,431	773,486	1,109,943	1,150,648	1,334,374
Unrestricted	4,437,393	4,104,954	3,903,672	4,097,132	8,341,065	8,202,086
<b>Total Net Position</b>	<b>\$ 13,700,005</b>	<b>\$ 12,986,980</b>	<b>\$ 18,741,142</b>	<b>\$ 19,140,615</b>	<b>\$ 32,441,147</b>	<b>\$ 32,127,595</b>

An additional portion of the Village's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$8,341,065) may be used to meet the Village's ongoing obligations to citizens and creditors.

At April 30, 2014, 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 \$313,552 during the year ended April 30, 2014.

	Village of Lake Villa's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 785,607	\$ 768,093	\$ 1,878,559	\$ 1,849,403	\$ 2,664,166	\$ 2,617,496
Operating Grants and Contributions	-	14,971	-	-	-	14,971
Capital Grants and Contributions	89,470	47,162	-	-	89,470	47,162
<b>General Revenues</b>						
Property Taxes	2,169,424	2,092,869	-	-	2,169,424	2,092,869
Sales Tax	758,435	680,827	-	-	758,435	680,827
Other Taxes	2,078,359	2,094,560	-	-	2,078,359	2,094,560
Unrestricted Investment Earnings	1,792	4,757	4,727	4,532	6,519	9,289
Gain/(Loss) on Asset Disposal	14,375	9,687	-	670	14,375	10,357
Other General Revenue	273,009	156,769	141,840	175,302	414,849	332,071
<b>Total Revenues</b>	<b>\$ 6,170,471</b>	<b>\$ 5,869,695</b>	<b>\$ 2,025,126</b>	<b>\$ 2,029,907</b>	<b>\$ 8,195,597</b>	<b>\$ 7,899,602</b>
<b>Expenses</b>						
General Government	\$ 643,150	\$ 534,291	\$ -	\$ -	\$ 643,150	\$ 534,291
Police	2,861,253	2,818,240	-	-	2,861,253	2,818,240
Streets	1,233,753	979,404	-	-	1,233,753	979,404
Building and Grounds	529,973	529,953	-	-	529,973	529,953
Mansion	175,393	147,586	-	-	175,393	147,586
Debt Service	13,924	16,945	-	-	13,924	16,945
Water and Sewer	-	-	2,424,599	2,339,561	2,424,599	2,339,561
<b>Total Expenses</b>	<b>\$ 5,457,446</b>	<b>\$ 5,026,419</b>	<b>\$ 2,424,599</b>	<b>\$ 2,339,561</b>	<b>\$ 7,882,045</b>	<b>\$ 7,365,980</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 713,025</b>	<b>\$ 843,276</b>	<b>\$ (399,473)</b>	<b>\$ (309,654)</b>	<b>\$ 313,552</b>	<b>\$ 533,622</b>
<b>Net Position - Beginning of Year</b>	<b>12,986,980</b>	<b>12,143,704</b>	<b>19,140,615</b>	<b>19,450,269</b>	<b>32,127,595</b>	<b>31,593,973</b>
<b>Net Position - End of Year</b>	<b>\$ 13,700,005</b>	<b>\$ 12,986,980</b>	<b>\$ 18,741,142</b>	<b>\$ 19,140,615</b>	<b>\$ 32,441,147</b>	<b>\$ 32,127,595</b>

**Governmental Activities** – Governmental activities increased the Village's net position by \$713,025.

- Other Revenue increased by \$116,240 due to the Village receiving insurance proceeds of \$20,655 and \$45,000 due to adjustments of liability accounts.

**Business-Type Activities** – Business-type activities decreased the Village's net position by \$399,473.

## **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, 2014, the Village's governmental funds reported combined ending fund balances of \$4,814,555, an increase of \$485,170 in comparison with the prior year. Of this total amount, \$3,478,722 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 town tax levies and from other unrestricted sources such as personal property replacement tax, grants, interest on bank deposits, and associated expenditures.

At April 30, 2014, unassigned fund balance of the General Fund was \$3,478,685 while total fund balance was \$4,493,438, an increase of \$337,955 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 62% of total General Fund expenditures, while total fund balance represents 81% of that same amount.

### *Motor Fuel Tax Fund*

The Motor Fuel Tax fund disbursements exceeded receipts by \$145,583 leaving a fund balance of \$190,342.

**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, 2014 amounted to \$3,903,672. The total decrease in net position for the Water and Sewer Fund was \$399,473. 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, 2014; 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 \$5,153 (unfavorable).

- The difference between the estimated expenditures and the actual expenditures was \$768,541 (favorable), and was primarily attributable to lower than expected capital outlay expenditures.

## MOTOR FUEL TAX FUND BUDGETARY HIGHLIGHTS

The Village did not amend its budget for the fiscal year ended April 30, 2014; 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 \$60,141 (favorable) and was primarily attributable to more than expected Motor Fuel Tax revenue.
- The difference between the estimated expenditures and the actual expenditures was \$30,413 (unfavorable) and was primarily attributable to more than expected expenditures related to snow removal.

## 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, 2014 amounts to \$27,157,531 (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 decrease in the Village’s investment in capital assets for the current fiscal year was .11%.

Major capital asset events during the year ended April 30, 2014 included the following:

### Governmental Activities:

- Mansion Parking Lot - \$86,879
- Cribb Subdivision Paving - \$125,824
- Two squad cars and a pickup truck - \$79,171

### Business-Type Activities:

- Central Lift Station - \$126,284
- Route 83 Water Main - \$262,230
- Pickup truck - \$35,949

	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
Land	\$ 3,404,635	\$ 3,404,635	\$ -	\$ -	\$ 3,404,635	\$ 3,404,635
Construction in Progress	192,445	-	245,345	248,347	437,790	248,347
Buildings and Improvements	2,616,947	2,737,064	1,961,179	2,006,580	4,578,126	4,743,644
Land Improvements	1,008,237	1,081,972	5,548	6,880	1,013,785	1,088,852
Furniture and Office Equipment	35,737	34,227	-	-	35,737	34,227
Vehicles and Equipment	586,037	563,167	107,825	91,880	693,862	655,047
Infrastructure	1,347,106	1,277,921	15,646,490	15,733,681	16,993,596	17,011,602
<b>Total</b>	<b>\$ 9,191,144</b>	<b>\$ 9,098,986</b>	<b>\$ 17,966,387</b>	<b>\$ 18,087,368</b>	<b>\$ 27,157,531</b>	<b>\$ 27,186,354</b>

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

**Long Term Debt** – At April 30, 2014, the Village had \$4,208,097 in long-term debt.

	Village of Lake Villa's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
GO Tax Certificates	\$ 235,000	\$ 345,000	\$ -	\$ -	\$ 235,000	\$ 345,000
Installment Loan	70,694	96,391	-	-	70,694	96,391
GO Bonds	-	-	3,465,000	3,660,000	3,465,000	3,660,000
IEPA Loan	-	-	437,403	493,828	437,403	493,828
<b>Total</b>	<b>\$ 305,694</b>	<b>\$ 441,391</b>	<b>\$ 3,902,403</b>	<b>\$ 4,153,828</b>	<b>\$ 4,208,097</b>	<b>\$ 4,595,219</b>

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

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

The Village considered many factors when setting the fiscal year 2015 budgets. Those factors included expected property tax revenues, income and utility tax revenues, projected expenses and capital outlay.

The General Fund 2014-2015 budgeted fund surplus of \$30,462 includes the costs of providing services such as police protection, park maintenance, snowplowing, and leaf/branch pickup. The General Capital Fund budget of \$837,716 includes road resurfacing projects of \$525,000, new roofs on the Village Hall and Metra station of \$87,000, the purchase of new finance software of \$79,866, Police Squad replacement of \$39,100 as well as other equipment purchases.

The Water and Sewer Operating Fund 2014-2015 budgeted fund surplus of \$234,869 includes operating costs of the water and sewer system. The Water & Sewer Capital Fund budget of \$678,800 includes Lake Michigan Water Project Design Engineering of \$452,800, lift station project of \$160,000, utility truck replacement of \$36,000 and water meter replacements of \$30,000.

The Metra Station and the Mansion Funds that were previously included within the General Fund will now be accounted for in two new funds. The Metra Fund 2014-2015 budgeted loss of \$493 includes operating costs of the Metra Station and parking lot. The Mansion Fund 2014-2015 budgeted surplus of \$5,604 includes operating and maintenance costs of the Lehmann Mansion.

The Motor Fuel Tax Fund 2014-2015 budgeted surplus of \$212,606 which will be accumulated for future road maintenance projects.

## **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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,888,641	\$ 3,925,212	\$ 8,813,853
Cash and Cash Equivalents - Restricted	-	773,486	773,486
Other Receivables	3,915	3,984	7,899
Capital Assets			
Land	3,404,635	-	3,404,635
Construction in Progress	192,445	245,345	437,790
Other Capital Assets, Net of Depreciation	5,594,064	17,721,042	23,315,106
<b>Total Assets</b>	<u>\$ 14,083,700</u>	<u>\$ 22,669,069</u>	<u>\$ 36,752,769</u>
<b>LIABILITIES</b>			
Miscellaneous Payables	\$ 14,201	\$ 19,923	\$ 34,124
Refundable Deposits	42,129	7,061	49,190
Due to Other Funds	21,671	(26,816)	(5,145)
Due to Other Governments	-	25,356	25,356
Non-Current Liabilities			
Due Within One Year	141,611	262,807	404,418
Due in More Than One Year	164,083	3,639,596	3,803,679
<b>Total Liabilities</b>	<u>\$ 383,695</u>	<u>\$ 3,927,927</u>	<u>\$ 4,311,622</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 8,885,450	\$ 14,063,984	\$ 22,949,434
Restricted for:			
Streets	190,109	-	190,109
Drug Enforcement	7,834	-	7,834
DUI	26,607	-	26,607
Unemployment	21,874	-	21,874
Debt Service	130,738	773,486	904,224
Unrestricted / (Deficit)	4,437,393	3,903,672	8,341,065
<b>Total Net Position</b>	<u>\$ 13,700,005</u>	<u>\$ 18,741,142</u>	<u>\$ 32,441,147</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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 643,150	\$ 79,687	\$ 14,400	\$ (549,063)	\$ -	\$ (549,063)
Police	2,861,253	333,024	-	(2,528,229)	-	(2,528,229)
Streets	1,233,753	90,295	75,070	(1,068,388)	-	(1,068,388)
Building and Grounds	529,973	196,847	-	(333,126)	-	(333,126)
Mansion	175,393	85,754	-	(89,639)	-	(89,639)
Interest and Fees on Long-Term Debt	13,924	-	-	(13,924)	-	(13,924)
	<u>\$ 5,457,446</u>	<u>\$ 785,607</u>	<u>\$ 89,470</u>	<u>\$ (4,582,369)</u>	<u>\$ -</u>	<u>\$ (4,582,369)</u>
Business-Type Activities						
Water and Sewer	\$ 2,424,599	\$ 1,878,559	\$ -	\$ -	\$ (546,040)	\$ (546,040)
Total Primary Government	<u>\$ 7,882,045</u>	<u>\$ 2,664,166</u>	<u>\$ 89,470</u>	<u>\$ (4,582,369)</u>	<u>\$ (546,040)</u>	<u>\$ (5,128,409)</u>
General Revenues						
Taxes						
Property Tax				\$ 2,169,424	\$ -	\$ 2,169,424
State Sales Tax				758,435	-	758,435
State Income Tax				845,212	-	845,212
State Motor Fuel Tax				265,763	-	265,763
Other Taxes				967,384	-	967,384
Unrestricted Investment Earnings				1,792	4,727	6,519
Miscellaneous				273,009	8,940	281,949
Gain/(Loss) on Disposal of Fixed Assets				14,375	-	14,375
Connection and Permit Fees				-	132,900	132,900
Total General Revenues and Transfers				<u>\$ 5,295,394</u>	<u>\$ 146,567</u>	<u>\$ 5,441,961</u>
Change in Net Position				\$ 713,025	\$ (399,473)	\$ 313,552
Net Position - Beginning of Year				12,986,980	19,140,615	32,127,595
Net Position - End of Year				<u>\$ 13,700,005</u>	<u>\$ 18,741,142</u>	<u>\$ 32,441,147</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, 2014

	General Fund	Motor Fuel Tax Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,567,524	\$ 190,342	\$ 130,775	\$ 4,888,641
Other Receivables	3,915	-	-	3,915
<b>Total Assets</b>	<b><u>\$ 4,571,439</u></b>	<b><u>\$ 190,342</u></b>	<b><u>\$ 130,775</u></b>	<b><u>\$ 4,892,556</u></b>
<b>LIABILITIES</b>				
Impact Fees Due to Other Governments	\$ 14,201	\$ -	\$ -	\$ 14,201
Refundable Deposits	42,129	-	-	42,129
Due to Other Funds	21,671	-	-	21,671
<b>Total Liabilities</b>	<b><u>\$ 78,001</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 78,001</u></b>
<b>FUND BALANCES</b>				
<b>Restricted</b>				
Streets	\$ -	\$ 190,109	\$ -	\$ 190,109
Drug Enforcement	7,834	-	-	7,834
DUI	26,607	-	-	26,607
Unemployment	21,874	-	-	21,874
Debt Service	-	-	130,738	130,738
<b>Committed</b>				
Rose Garden	8,986	-	-	8,986
Parks	659,572	-	-	659,572
<b>Assigned</b>				
Squad Car	25,289	-	-	25,289
Computer	36,009	-	-	36,009
Equipment	79,133	-	-	79,133
Buildings	105,700	-	-	105,700
Police	2,349	-	-	2,349
Streets	36,399	-	-	36,399
Street Lights	5,001	-	-	5,001
Highways and Streets	-	233	-	233
Unassigned	3,478,685	-	37	3,478,722
<b>Total Fund Balances</b>	<b><u>\$ 4,493,438</u></b>	<b><u>\$ 190,342</u></b>	<b><u>\$ 130,775</u></b>	<b><u>\$ 4,814,555</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,571,439</u></b>	<b><u>\$ 190,342</u></b>	<b><u>\$ 130,775</u></b>	<b><u>\$ 4,892,556</u></b>

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

VILLAGE OF LAKE VILLA  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS  
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
APRIL 30, 2014

Total Fund Balances - Governmental Funds	\$ 4,814,555
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	9,191,144
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	<u>(305,694)</u>
Net Position of Governmental Activities	<u><u>\$ 13,700,005</u></u>

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

VILLAGE OF LAKE VILLA  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2014

	General Fund	Motor Fuel Tax Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Taxes	\$ 3,879,873	\$ -	\$ -	\$ 3,879,873
Intergovernmental	860,582	265,763	-	1,126,345
Licenses and Permits	319,242	-	-	319,242
Fines	264,908	-	-	264,908
Other	565,458	233	37	565,728
<b>Total Revenues</b>	<b>\$ 5,890,063</b>	<b>\$ 265,996</b>	<b>\$ 37</b>	<b>\$ 6,156,096</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	\$ 613,230	\$ -	\$ -	\$ 613,230
Police	2,803,431	-	-	2,803,431
Streets	826,504	120,413	-	946,917
Building and Grounds	391,696	-	-	391,696
Mansion	49,048	-	-	49,048
<b>CAPITAL OUTLAY</b>				
General Government	27,753	-	-	27,753
Police	79,140	-	-	79,140
Streets	468,899	-	-	468,899
Building and Grounds	71,977	-	-	71,977
Mansion	91,589	-	-	91,589
<b>DEBT SERVICE</b>				
Principal	135,697	-	-	135,697
Interest and Fees	13,924	-	-	13,924
<b>Total Expenditures</b>	<b>\$ 5,572,888</b>	<b>\$ 120,413</b>	<b>\$ -</b>	<b>\$ 5,693,301</b>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 317,175</b>	<b>\$ 145,583</b>	<b>\$ 37</b>	<b>\$ 462,795</b>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Sale of Assets	\$ 22,375	\$ -	\$ -	\$ 22,375
Transfers	(1,595)	-	1,595	-
	<b>\$ 20,780</b>	<b>\$ -</b>	<b>\$ 1,595</b>	<b>\$ 22,375</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 337,955</b>	<b>\$ 145,583</b>	<b>\$ 1,632</b>	<b>\$ 485,170</b>
<b>FUND BALANCES - MAY 1, 2013</b>	<b>4,155,483</b>	<b>44,759</b>	<b>129,143</b>	<b>4,329,385</b>
<b>FUND BALANCES - APRIL 30, 2014</b>	<b>\$ 4,493,438</b>	<b>\$ 190,342</b>	<b>\$ 130,775</b>	<b>\$ 4,814,555</b>

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 485,170

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	\$ (468,157)	
Capital Outlays	<u>568,315</u>	100,158

In the Statement of Activities - Modified Cash Basis, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the undepreciated balance of the capital assets sold.

Gain on Sale of Capital Assets		(8,000)
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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>135,697</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 713,025</u></u>
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE VILLA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
APRIL 30, 2014

	Enterprise Fund Water and Sewer
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 3,925,212
Cash and Cash Equivalents - Restricted	773,486
Due from Other Funds	27,578
Other Receivable	3,984
	\$ 4,730,260
Non-Current Assets	
Capital Assets	
Construction in Progress	\$ 245,345
Other Capital Assets	2,559,342
Water and Sewer Systems	24,042,045
Less: Accumulated Depreciation	(8,880,345)
	\$ 17,966,387
Total Assets	\$ 22,696,647
<b>LIABILITIES</b>	
Current Liabilities	
Miscellaneous Payables	\$ 19,923
Deposits and Escrows	7,061
Due to Other Funds	762
Due to Other Governments	25,356
Bonds and Notes Payable - Current	262,807
	\$ 315,909
Non-Current Liabilities	
Bonds and Notes Payable (Net of Current Portion Shown Above)	\$ 3,639,596
Total Liabilities	\$ 3,955,505
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 14,063,984
Restricted for:	
Debt Service	773,486
Unrestricted / (Deficit)	3,903,672
Total Net Position	\$ 18,741,142

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, 2014

	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Customer Sales	\$ 699,868
Sewer Customer Sales	1,158,226
Water Meter Sales	14,965
Inspection Fees	5,500
Miscellaneous Revenue	8,940
	\$ 1,887,499
<b>OPERATING EXPENSES</b>	
Water Department	
Personnel Expenses	\$ 212,119
Contractor Expenses	274,741
Operating Expenses	217,884
Depreciation	294,168
Sewer Department	
Personnel Expenses	185,599
Contractor Expenses	733,642
Operating Expenses	104,830
Depreciation	248,274
	\$ 2,271,257
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (383,758)</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>	
Connection Fees	\$ 132,900
Interest Income	4,727
Interest Expense	(153,342)
	\$ (15,715)
<b>CHANGE IN NET POSITION</b>	<b>\$ (399,473)</b>
<b>NET POSITION - MAY 1, 2013</b>	<b>19,140,615</b>
<b>NET POSITION - APRIL 30, 2014</b>	<b>\$ 18,741,142</b>

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

VILLAGE OF LAKE VILLA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED APRIL 30, 2014

	Enterprise Fund Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,893,630
Payments to Suppliers for Goods and Services	(1,328,347)
Payments to Employees for Services	(388,048)
Internal Activity - Payments to Other Funds	33,526
Net Cash Provided/(Used) by Operating Activities	\$ 210,761
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Connection Fees	\$ 132,900
Purchase of Capital Assets	(421,461)
Interest Paid on Capital Debt	(153,342)
Principal Paid on Capital Debt	(251,425)
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (693,328)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Cash and Cash Equivalents and Investments	\$ 4,727
Net Cash Provided/(Used) by Investing Activities	\$ 4,727
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (477,840)
<b>CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2013</b>	5,176,538
<b>CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2014</b>	\$ 4,698,698
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	
Operating Income/(Loss)	\$ (383,758)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	542,442
Change in assets and liabilities:	
Due To/From Other Funds	33,526
Other Receivable	(169)
Miscellaneous Payables	9,670
Deposits and Escrows	6,300
Due to Other Governments	2,750
Net Cash Provided/(Used) by Operating Activities	\$ 210,761

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, 2014

	Police Pension Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 206,641	\$ 673,070
Investments	3,727,153	300,000
Total Assets	\$ 3,933,794	\$ 973,070
 <b>LIABILITIES</b>		
Due to Other Funds	\$ 5,907	\$ 762
Due to Developers	-	972,308
Total Liabilities	\$ 5,907	\$ 973,070
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 \$ 3,927,887	

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, 2014

	<u>Police Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 540,634
Plan Members	125,160
Total Contributions	<u>\$ 665,794</u>
Investment Income	
Interest and Dividends	\$ 73,469
Gain/(Loss) on Sale of Investments	115,625
Net Increase/(Decrease) in Fair Value of Investments	13,114
Net Investment Income	<u>\$ 202,208</u>
Total Additions	<u>\$ 868,002</u>
DEDUCTIONS	
Benefits	\$ 321,889
Administrative Expenses	15,981
Total Deductions	<u>\$ 337,870</u>
NET INCREASE/(DECREASE)	\$ 530,132
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2013	<u>3,397,755</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2014	<u><u>\$ 3,927,887</u></u>

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

VILLAGE OF LAKE VILLA  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2014

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 Fund meets the above criteria. The Police Pension Fund 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, streets, building and grounds, and mansion 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 column (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, streets, building and grounds, and mansion). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Village does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

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

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

The following fund types are used by the Village:

1. *Governmental Funds*

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. *Proprietary Fund Types*

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

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

3. *Fiduciary Fund Types*

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

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

D. *Basis of Accounting*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Cash and Cash Equivalents and Investments*

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

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Village funds and are, therefore, interfund loans that have not been authorized by Village Board action.

No Village fund had a cash overdraft at April 30, 2014.

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 are classified as restricted cash and cash equivalents on the Balance Sheet because their use is limited by applicable bond covenants.

G. *Interfund Activity*

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

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

H. *Capital Assets*

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Capital Assets (Continued)*

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 on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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

L. *Government-Wide Net Position*

Government-wide net position is divided into three components:

1. Net Investment in Capital Assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
3. Unrestricted Net Position – all other net positions are reported in this category.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

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

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

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

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

4. Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash.

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 2013 levy was passed by the Board on December 11, 2013. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 budget, which was not amended, was passed on May 24, 2013. Budget amounts reflected on the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash – Budget and Actual reflect the Village's internal working budget amounts which are lower than legal budget amounts. Therefore, all funds operated within legal budgets.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the Village's name.

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6.

*Investments*

As of April 30, 2014, 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
Illinois Funds Money Market	\$ 7,542,923	\$ 7,542,923	\$ -	\$ -	\$ -
*Illinois Funds Money Market	116,864	116,864	-	-	-
*US Treasury	483,306	45,077	300,590	137,639	-
*FHLMC	174,174	-	51,615	122,559	-
*FNMA	248,308	68,583	147,162	32,563	-
*Mutual Funds	1,610,733	1,610,733	-	-	-
*Corporate Bonds	123,164	5,015	118,149	-	-
Total Investments	<u>\$ 10,299,472</u>	<u>\$ 9,389,195</u>	<u>\$ 617,516</u>	<u>\$ 292,761</u>	<u>\$ -</u>

\* Police Pension Investments

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.

*Interest Rate Risk.* Investments of the Pension Trust Fund are guided by the Illinois compiled Statutes and are reported at fair value. The Pension Trust Fund is authorized to invest, subject to specific guidelines in some cases, in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certificates of deposit, and Illinois Funds Investment Pool.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

*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, 2014, the Village's investments were rated as follows:

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014 was as follows:

	Balance May 1, 2013	Increases	Decreases	Balance April 30, 2014
<b>Governmental Activities:</b>				
Capital Assets not being depreciated				
Land	\$ 3,404,635	\$ -	\$ -	\$ 3,404,635
Construction in Progress	-	192,445	-	192,445
Total Capital Assets not being depreciated	<u>\$ 3,404,635</u>	<u>\$ 192,445</u>	<u>\$ -</u>	<u>\$ 3,597,080</u>
Other Capital Assets:				
Buildings and Improvements	\$ 3,838,906	\$ -	\$ -	\$ 3,838,906
Land Improvements	1,762,887	-	-	1,762,887
Furniture and Office Equipment	121,987	9,640	-	131,627
Vehicles and Equipment	1,900,408	153,527	47,525	2,006,410
Infrastructure	1,661,965	212,703	-	1,874,668
Total Other Capital Assets at Historical Cost	<u>\$ 9,286,153</u>	<u>\$ 375,870</u>	<u>\$ 47,525</u>	<u>\$ 9,614,498</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,101,842	\$ 120,117	\$ -	\$ 1,221,959
Land Improvements	680,915	73,735	-	754,650
Furniture and Office Equipment	87,760	8,130	-	95,890
Vehicles and Equipment	1,337,241	122,657	39,525	1,420,373
Infrastructure	384,044	143,518	-	527,562
Total Accumulated Depreciation	<u>\$ 3,591,802</u>	<u>\$ 468,157</u>	<u>\$ 39,525</u>	<u>\$ 4,020,434</u>
Other Capital Assets, Net	<u>\$ 5,694,351</u>	<u>\$ (92,287)</u>	<u>\$ 8,000</u>	<u>\$ 5,594,064</u>
Governmental Activities Capital Assets, net	<u>\$ 9,098,986</u>	<u>\$ 100,158</u>	<u>\$ 8,000</u>	<u>\$ 9,191,144</u>
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated				
Construction in Progress	\$ 248,347	\$ 245,345	\$ 248,347	\$ 245,345
Total Capital Assets not being depreciated	<u>\$ 248,347</u>	<u>\$ 245,345</u>	<u>\$ 248,347</u>	<u>\$ 245,345</u>
Other Capital Assets:				
Buildings	\$ 2,244,382	\$ -	\$ -	\$ 2,244,382
Land Improvements	15,980	-	-	15,980
Equipment	19,612	-	-	19,612
Vehicles and Equipment	243,419	35,949	-	279,368
Infrastructure	23,653,531	388,514	-	24,042,045
Total Other Capital Assets at Historical Cost	<u>\$ 26,176,924</u>	<u>\$ 424,463</u>	<u>\$ -</u>	<u>\$ 26,601,387</u>
Less Accumulated Depreciation for:				
Buildings	\$ 237,802	\$ 45,401	\$ -	\$ 283,203
Land Improvements	9,100	1,332	-	10,432
Equipment	19,612	-	-	19,612
Vehicles and Equipment	151,539	20,004	-	171,543
Infrastructure	7,919,850	475,705	-	8,395,555
Total Accumulated Depreciation	<u>\$ 8,337,903</u>	<u>\$ 542,442</u>	<u>\$ -</u>	<u>\$ 8,880,345</u>
Other Capital Assets, Net	<u>\$ 17,839,021</u>	<u>\$ (117,979)</u>	<u>\$ -</u>	<u>\$ 17,721,042</u>
Business-Type Activities Capital Assets, net	<u>\$ 18,087,368</u>	<u>\$ 127,366</u>	<u>\$ 248,347</u>	<u>\$ 17,966,387</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>		
General Government		\$ 2,167
Police		38,284
Streets		180,557
Building and Grounds		125,514
Mansion		121,635
Total Governmental Activities Depreciation Expense		<u>\$ 468,157</u>
<b>Business-Type Activities:</b>		
Water Operations		\$ 294,168
Sewer Operations		248,274
Total Business-Type Activities Depreciation Expense		<u>\$ 542,442</u>

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2014 was as follows:

	Balance May 1, 2013	Additions	Retirements	Balance April 30, 2014	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Long-Term Debt					
GO Tax Certificates	\$ 345,000	\$ -	\$ 110,000	\$ 235,000	\$ 115,000
Installment Loan	96,391	-	25,697	70,694	26,611
Total Governmental Activities Long-Term Debt	<u>\$ 441,391</u>	<u>\$ -</u>	<u>\$ 135,697</u>	<u>\$ 305,694</u>	<u>\$ 141,611</u>
<b>Business-Type Activities:</b>					
Long-Term Debt					
GO Bonds	\$ 3,660,000	\$ -	\$ 195,000	\$ 3,465,000	\$ 205,000
IEPA Loan	493,828	-	56,425	437,403	57,807
Total Business-Type Activities Long-Term Debt	<u>\$ 4,153,828</u>	<u>\$ -</u>	<u>\$ 251,425</u>	<u>\$ 3,902,403</u>	<u>\$ 262,807</u>

Long-term debt consisted of the following at April 30, 2014:

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
<b>Governmental Activities:</b>					
GO Tax Certificates	8/1/2004	7/1/2015	1.45% - 3.8%	\$ 1,120,000	\$ 235,000
Installment Loan	10/1/2012	10/1/2014	3.50%	106,836	70,694
<b>Business-Type Activities:</b>					
GO Bonds	10/1/2006	12/1/2026	3.75% - 4.0%	\$ 4,685,000	\$ 3,465,000
IEPA Loan	8/1/2001	12/1/2020	2.535%	1,038,400	437,403

At April 30, 2014 the annual debt service requirements to service long-term debt attributable to governmental activities are:

Year Ending April 30	Principal	Interest	Total
2015	\$ 141,611	\$ 8,570	\$ 150,181
2016	164,083	3,577	167,660
	<u>\$ 305,694</u>	<u>\$ 12,147</u>	<u>\$ 317,841</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

At April 30, 2014 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>
2015	\$ 262,807	\$ 144,647	\$ 407,454
2016	274,290	135,477	409,767
2017	280,810	125,894	406,704
2018	292,370	116,084	408,454
2019	303,970	105,860	409,830
2020	315,610	95,219	410,829
2021	332,546	84,162	416,708
2022	275,000	72,664	347,664
2023	285,000	62,008	347,008
2024	300,000	50,893	350,893
2025	315,000	39,043	354,043
2026	325,000	26,600	351,600
2027	340,000	13,599	353,599
	<u>\$ 3,902,403</u>	<u>\$ 1,072,150</u>	<u>\$ 4,974,553</u>

NOTE 5 - INTERFUND BALANCES/TRANSFERS

Interfund balances at April 30, 2014 consisted of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Pension Fund	General Fund	\$ 5,907
General Fund	Water and Sewer Fund	27,578
Water and Sewer Fund	Developer Escrows Fund	762

In October 2011, the General Fund borrowed \$80,733 from the Water and Sewer Fund for the purchase of a wheel loader. The interfund loan is to be repaid over a period of three years bearing an interest rate of 2.5%, and calls for annual payments of \$28,268. No payments were made during the current fiscal year. The balance remaining at April 30, 2014 is \$27,578. The General Fund, Water and Sewer Fund, and Police Pension Fund interfund balances resulted from a time lag between the dates that (1) revenue was collected and remitted to the appropriate funds and (2) expenditures were incurred and reimbursed between funds.

Interfund transfers for the year ended April 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Certificate Project Fund	\$ 1,595

Interfund transfers were used to move revenues into a fund with a negative fund balance in order to close out the fund.

NOTE 6 - DEFICIT FUND BALANCES

No Village fund had a deficit fund balance as of April 30, 2014.

NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2012 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2013, 2012, and 2011 follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY TAXES (Continued)

TAX YEAR ASSESSED VALUATION	2013		2012		2011	
	RATES	EXTENSIONS	RATES	EXTENSIONS	RATES	EXTENSIONS
	\$193,301,952		\$213,272,134		\$229,369,558	
Corporate	0.271	\$ 523,848	0.287	\$ 612,091	0.297	\$ 681,228
Police Protection	0.244	471,657	0.255	543,844	0.260	596,361
Tort and Liability Insurance	0.096	185,570	0.046	98,105	0.027	61,930
Municipal Retirement	0.043	83,120	0.029	61,849	0.024	55,049
Unemployment Insurance	0.003	5,799	0.003	6,398	0.001	2,294
Audit	0.008	15,464	0.005	10,664	0.001	2,294
Social Security	0.065	125,646	0.043	91,707	0.027	61,930
Street and Bridge	0.090	173,972	0.091	194,078	0.091	208,726
Police Pension	0.316	610,834	0.251	535,313	0.176	403,690
	<u>1.136</u>	<u>\$ 2,195,910</u>	<u>1.010</u>	<u>\$ 2,154,049</u>	<u>0.904</u>	<u>\$ 2,073,502</u>

NOTE 8 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2014, the following fund had expenditures that exceeded the budget:

Fund	Actual	Budget	Excess of Actual Over Budget
Motor Fuel Tax	\$ 120,413	\$ 90,000	\$ 30,413

NOTE 9 - OPERATING LEASES, AS LESSEE

The Village, as a lessee, leases two copiers, one for the Village office and one for the Police Department. The annual requirements to cover outstanding lease agreements at April 30, 2014 are:

Year Ending April 30	Total Payments
2015	\$ 6,324
2016	6,324
2017	3,095
	<u>\$ 15,743</u>

For the year ended April 30, 2014, the Village expensed \$6,324 under both lease agreements.

NOTE 10 - 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 affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

Funding Policy

As set by statute, the Village's Regular plan members are required to contribute 4.50% 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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

Funding Policy (Continued)

own employees. The Village's annual required contribution rate for calendar year 2013 was 10.65%. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2013 was \$102,012.

Three Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 102,012	100%	\$ -
12/31/2012	95,878	100%	-
12/31/2011	94,431	98%	2,330

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village Regular plan's underfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 92.93% funded. The actuarial accrued liability for benefits was \$3,246,877 and the actuarial value of assets was \$3,017,345, resulting in an underfunded actuarial accrued liability (UAAL) of \$229,532. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$957,855 and the ratio of the UAAL to the covered payroll was 24%.

The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. *Social Security*

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN

A. *Plan Description and Contribution Information*

The Police Pension Fund (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 and may be amended only by the Illinois legislature. The Village accounts for the plan as a Pension Trust Fund.

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. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at April 30, 2014, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	8
Terminated employees entitled to benefits but not yet receiving them	1
Active Plan Members	<u>17</u>
Total	<u><u>26</u></u>

Contribution requirements of both the Plan members and the Village are established and may be amended by the Illinois legislature. Plan members are required to contribute 9.91% of their annual covered salary. The Village is required to contribute at an actuarially determined rate. Administrative costs of the Plan are financed through investment earnings.

B. *Summary of Significant Accounting Policies and Plan Asset Matters*

Basis of Accounting

The financial statements are prepared using the modified cash basis of accounting. Plan member contributions are recognized as revenues in the period in which employee contributions are withheld and the employer contributions are received. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market, if any, are reported at estimated fair value.

Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represents five percent or more of net position available for benefits for the Police Pension Plan.

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

C. *Annual Pension Cost and Net Pension Obligation*

The Village's annual pension cost and net pension asset/obligation to the Plan as of April 30, 2013 (the date the most current actuarial information is available) is as follows:

Annual pension cost	\$ 540,041
Interest on net pension obligation	(215)
Adjustment to annual required contribution	3,183
	<u>543,009</u>
Contributions made	<u>540,634</u>
Increase/(decrease) in net pension obligation	\$ 2,375
Net pension asset/obligation beginning of year	<u>(6,291)</u>
Net pension asset/obligation end of year	<u>\$ (3,916)</u>

The annual required contribution for the current year was determined as part of the April 30, 2013 actuarial valuation using the entry-age-normal actuarial cost method. The actuarial assumptions included (a) 6.75% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5%, which includes an inflation allowance of 2.00% per year. The assumptions include postretirement benefit increases of 3%. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed period. The remaining amortization period at April 30, 2013 was 29 years.

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2014	\$ 540,041	100.11%	\$ (3,916)
4/30/2013	542,025	100.55%	(6,291)
4/30/2012	370,400	99.72%	(3,307)

NOTE 12 - RISK MANAGEMENT

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

During the year ended April 30, 2014, 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, 2014, there were no significant adjustments in premiums based on actual experience.

NOTE 13 - JOINT VENTURE

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

The following represents a summary of the Agency's balance sheet at November 30, 2012 and the statement of revenues and expenses for the year then ended.

Current Assets	\$	2,100,266
Capital Assets		1,374,089
Total Assets	\$	<u>3,474,355</u>
Current Liabilities	\$	<u>86,471</u>
Investments in Capital Assets	\$	1,254,089
Restricted		120,000
Unrestricted		2,013,795
Total Net Position	\$	<u><u>3,387,884</u></u>
Revenue	\$	1,034,315
Expenditures	\$	1,108,683

November 30, 2012 is the latest date information available. Audited financial statements of the Agency may be obtained from the Village or the Agency's administrative office located in Gurnee, Illinois.

NOTE 14 - DEFERRED COMPENSATION PLAN

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS

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

NOTE 16 - COMMITMENTS

At April 30, 2014, the Village was a member of various joint agreements. As a member, the Village assumes certain obligations with respect to the entities' liabilities. Further information on the more significant joint agreements are provided in Note 13.

The Village pays sewerage usage fees and collection connection fees for and remits them to the County of Lake, Illinois (County), in accordance with an agreement for sewerage disposal dated August 23, 1991. During the fiscal year ended April 30, 2014 the Village remitted \$685,240 to the County under the terms of this agreement. At April 30, 2014 the Village owed the County \$25,356 of sewerage usage fees.

Subsequent to year end the Village approved and paid contracts for the Route 83 water main loop (\$259,500); and Oak Lane paving (\$221,150). The estimated cost remaining on these projects at April 30, 2014 are \$14,166 and \$28,705, respectively.

NOTE 17 - LEGAL DEBT LIMITATION

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

2013 EAV	\$	193,301,952
	X	<u>8.625%</u>
Debt Margin	\$	16,672,293
Current Debt		<u>3,700,000</u>
Remaining Debt Margin	\$	<u><u>12,972,293</u></u>

NOTE 18 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through August 15, 2014, the date on which the financial statements were available to be issued.

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended April 30, 2014, the Village implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The new standard required a restatement for debt issuance costs that were amortized under prior standards but expensed in the period incurred under the new standards. As a result, the bond issuance costs have been fully amortized during the April 30, 2014 fiscal year.

SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE VILLA  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS  
APRIL 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 3,017,345	\$ 3,246,877	\$ 229,532	92.93%	\$ 957,855	23.96%
12/31/2012	2,635,406	2,943,592	308,186	89.53%	938,137	32.85%
12/31/2011	2,335,394	2,695,850	360,456	86.63%	932,195	38.67%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$3,399,472. On a market basis, the funded ratio would be 104.70%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

See Accompanying Independent Auditor's Report

VILLAGE OF LAKE VILLA  
POLICE PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS  
APRIL 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/1/2013	\$ 3,523,320	\$ 9,224,547	\$ 5,701,227	38.20%	\$ 1,381,668	412.63%
5/1/2011	2,870,865	7,757,365	4,886,500	37.01%	NA	NA

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VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2014

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
<b>REVENUES</b>		
Local Taxes		
Property Tax	\$ 1,610,204	\$ 1,610,299
Property Tax - Police Pension	543,843	540,634
Property Tax - Road and Bridge	19,000	18,491
Sales Tax	690,000	758,435
Local Use Tax	141,701	149,217
Video Gaming Tax	2,400	25,991
Telecommunication Tax	360,000	328,861
Utility Tax - Gas	110,000	132,390
Utility Tax - Electric	285,000	315,555
Intergovernmental		
State Income Tax	834,463	845,212
State Replacement Tax	9,600	15,370
Licenses and Permits		
Amusement Licenses	2,800	1,650
Building Permits	89,500	171,510
Business Registration Fees	5,000	5,175
Impact Fees	9,000	14,400
Landscaping Inspection Fees	750	1,200
Liquor Licenses	12,300	15,800
Site Development Permits	6,435	17,312
Vehicle Licenses	89,000	90,295
Vending Licenses	2,350	1,275
Watershed Permit	375	625
Fines		
Court Fines	165,000	187,626
DUI Fines	18,000	22,560
Parking and Other Fines	41,500	54,722
Other		
Cable Franchise Fees	152,000	142,938
Computer Fund	895	2,279
Grant Revenue	402,516	75,070
Interest	1,400	1,522
Metra Parking Fees	34,000	35,159
Police Reports	1,000	771
Rent - Mansion	125,000	85,754
Rent - Tower	27,684	25,816
School Resource Officer Fees	74,400	67,345
Zoning Books, Maps and Hearing Fees	-	1,012
Other Revenue	28,100	127,792
<b>Total Revenues</b>	<b>\$ 5,895,216</b>	<b>\$ 5,890,063</b>

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, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	<u>ORIGINAL AND FINAL</u>		
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government			
Personnel Salaries	\$	390,310	\$ 302,572
Employee Retirement		38,426	29,225
Health Insurance Premiums		75,188	50,792
Social Security Contribution		29,859	22,583
Training		500	463
Legal and Professional Fees		73,000	76,083
Printing and Publishing		15,500	11,407
Public Relations		3,500	4,724
Insurance		21,615	21,104
Office Supplies		5,200	8,798
Computer Software and Website		18,849	25,399
Credit Card Fees		1,000	4,692
Miscellaneous		20,000	55,388
Economic Development		5,000	-
	\$	<u>697,947</u>	\$ <u>613,230</u>
Police			
Personnel Salaries	\$	1,647,078	\$ 1,544,906
Employee Retirement		554,041	550,115
Health Insurance Premiums		199,137	209,907
Social Security Contribution		126,001	116,234
Uniforms		17,950	10,412
Training		11,760	7,478
Range		5,065	2,117
Legal and Professional Fees		75,500	53,800
Dispatching		42,000	46,277
Radios		14,476	16,821
Computer Services		24,373	22,683
Vehicle Maintenance		23,600	10,365
Fuel		59,500	58,443
Vehicle Supplies		14,000	18,716
Police Commission		8,000	4,443
Telephone		12,340	14,208
Printing		3,500	2,233
Insurance		165,037	104,542
Office Supplies		14,100	8,347
Miscellaneous		6,900	1,384
	\$	<u>3,024,358</u>	\$ <u>2,803,431</u>
Streets			
Personnel Salaries	\$	259,399	\$ 266,509
Employee Retirement		26,029	26,636
Health Insurance Premiums		55,134	56,752

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VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2014

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXPENDITURES (Continued)		
CURRENT (Continued)		
Streets (Continued)		
Social Security Contribution	\$ 19,844	\$ 19,656
Uniforms	3,000	2,363
Training	1,000	2,457
Engineering	15,000	6,706
Vehicle Maintenance	26,200	34,127
Fuel	50,000	45,207
Vehicle Supplies	28,000	43,948
Maintenance	153,000	126,436
Electric	150,000	128,418
Supplies	20,000	23,777
Insurance	51,825	43,512
	<u>\$ 858,431</u>	<u>\$ 826,504</u>
Building and Grounds		
Personnel Salaries	\$ 154,987	\$ 145,912
Employee Retirement	13,311	13,614
Health Insurance Premiums	40,103	40,204
Social Security Contribution	11,857	10,742
Uniforms	1,600	1,820
Engineering and Inspector Fees	56,550	56,280
Maintenance	41,500	41,279
Utilities	9,300	7,187
Supplies	40,000	29,374
Cleaning	8,500	8,265
Telephone	10,000	17,063
Insurance	16,555	16,575
Miscellaneous	9,328	3,381
	<u>\$ 413,591</u>	<u>\$ 391,696</u>
Mansion		
Maintenance	\$ 28,000	\$ 23,515
Utilities	20,800	23,042
Supplies	6,000	2,491
	<u>\$ 54,800</u>	<u>\$ 49,048</u>
CAPITAL OUTLAY		
General Government	\$ 140,240	\$ 27,753
Police	33,300	79,140
Streets	420,900	468,899
Building and Grounds	437,213	71,977
Mansion	91,000	91,589
	<u>\$ 1,122,653</u>	<u>\$ 739,358</u>

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VILLAGE OF LAKE VILLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2014

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES (Continued)		
DEBT SERVICE		
Principal	\$ 158,939	\$ 135,697
Interest and Fees	10,710	13,924
	\$ 169,649	\$ 149,621
 Total Expenditures	 \$ 6,341,429	 \$ 5,572,888
 EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ (446,213)	 \$ 317,175
 OTHER FINANCING SOURCES/(USES)		
Sale of Assets	\$ -	\$ 22,375
Transfers	461,272	(1,595)
	\$ 461,272	\$ 20,780
 NET CHANGE IN FUND BALANCE	 \$ 15,059	 \$ 337,955
 FUND BALANCE - MAY 1, 2013	 4,155,483	 4,155,483
 FUND BALANCE - APRIL 30, 2014	 \$ 4,170,542	 \$ 4,493,438

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, 2014

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
REVENUES		
Intergovernmental		
State Motor Fuel Tax	\$ 205,555	\$ 265,763
Other		
Interest	300	233
Total Revenues	\$ 205,855	\$ 265,996
EXPENDITURES		
CURRENT		
Streets		
Snow Removal	\$ 90,000	\$ 120,161
Engineering	-	252
Total Expenditures	\$ 90,000	\$ 120,413
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 115,855	\$ 145,583
OTHER FINANCING SOURCES/(USES)	-	-
NET CHANGE IN FUND BALANCE	\$ 115,855	\$ 145,583
FUND BALANCE - MAY 1, 2013	48,438	44,759
FUND BALANCE - APRIL 30, 2014	\$ 164,293	\$ 190,342

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VILLAGE OF LAKE VILLA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2014

	<u>Debt Certificate Project Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 130,775	\$ 130,775
Total Assets	<u>\$ -</u>	<u>\$ 130,775</u>	<u>\$ 130,775</u>
<b>LIABILITIES</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
Restricted	\$ -	\$ 130,738	\$ 130,738
Unassigned	-	37	37
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 130,775</u>	<u>\$ 130,775</u>

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VILLAGE OF LAKE VILLA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2014

	<u>Debt Certificate Project Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total</u>
REVENUES			
Other			
Interest	\$ -	\$ 37	\$ 37
Total Revenues	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 37</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 37	\$ 37
OTHER FINANCING SOURCES/(USES)			
Transfers	<u>1,595</u>	<u>-</u>	<u>1,595</u>
NET CHANGE IN FUND BALANCES	\$ 1,595	\$ 37	\$ 1,632
FUND BALANCES - MAY 1, 2013	<u>(1,595)</u>	<u>130,738</u>	<u>129,143</u>
FUND BALANCES - APRIL 30, 2014	<u>\$ -</u>	<u>\$ 130,775</u>	<u>\$ 130,775</u>

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