

VILLAGE OF LAKE VILLA, ILLINOIS
ANNUAL FINANCIAL REPORT

APRIL 30, 2010

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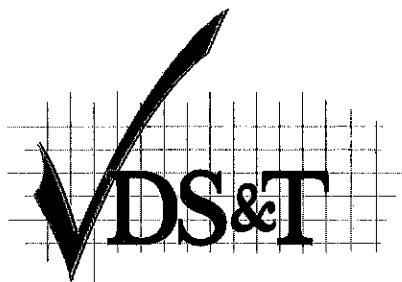
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D A M , S N E L L & T A V E I R N E , L T D.

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

INDEPENDENT AUDITORS' REPORT

November 22, 2010

Village President and Board of Trustees
Village of Lake Villa
Lake Villa, Illinois

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of the Village of Lake Villa as of and for the year ended April 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note A, the Village of Lake Villa prepares its financial statements on the modified cash and cash bases, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the government-wide financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of the Village of Lake Villa as of April 30, 2010 and its revenues collected and expenditures paid – modified cash basis during the fiscal year then ended, on the basis described in Note A to these financial statements. In addition, the fund financial statements referred to above present fairly, in all material respects, the fund assets and liabilities arising from cash transactions as of April 30, 2010 and the related revenue collected and expenditures paid of the respective funds for the year then ended on the cash basis of accounting described in Note A.

The Management's Discussion and Analysis, budgetary comparison information and other required supplemental information presented on Schedules 1 through 5 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The other supplemental information presented on Schedules 6 through 9 is presented for the purpose of additional analysis and is not a required part of the basic financial statements or part of the supplemental information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dam, Snell & Taveirne, Ltd.

DAM, SNELL & TAVEIRNE, LTD.
Certified Public Accountants

VILLAGE OF LAKE VILLA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2010

Our discussion and analysis of the Village of Lake Villa's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2010. Please read it in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The Village's Governmental net assets, which equal total assets minus total liabilities, were \$10,141,415 and \$9,598,978 at the end of 2010 and 2009 fiscal years, respectively. Business-type activities net assets were \$19,913,818 and \$20,288,463 at the end of 2010 and 2009 fiscal years, respectively.
- Revenues for Governmental Activities were \$5,124,211 and exceeded total expenses of \$4,581,774 by \$542,437 as compared to prior year total revenues of \$4,935,357 exceeding total expenses of \$4,821,779 by \$113,578. Expenses for business-type activities were \$2,116,411 which exceeded total revenues of \$1,741,766 by \$374,645 as compared to prior year total expenses of \$2,122,259, which exceeded total revenues of \$1,700,700 by \$421,559.
- The fund balance for the General Fund equaled \$1,769,272, a increase of \$203,405 from the prior year balance of \$1,565,867.

A BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting on the Village as a Whole

One of the most important questions asked about the Village's finances is, "is the Village as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting.

These two statements report the Village's net assets and changes in them. You can think of the Village's net assets—the difference between assets and liabilities—as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating.

Other non-financial factors need to be considered, such as changes in the Village's property tax base and the condition of the Village's roads and other infrastructure, to assess the overall health of the Village.

In the Statement of Net Assets and the Statement of Activities, we divide the Village into three kinds of activities:

- Governmental activities—Most of the Village's basic services are reported here, including the police, streets and parks, and general administration. Property taxes, franchise fees, sales tax and state shared revenues finance most of these activities.

- **Business-type activities**—The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water and sewer system is reported here.
- **Fiduciary activities**—The Village reports assets held in a trustee or agency capacity for others and therefore are not available to support Village programs.

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 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 trustee (fiduciary) funds.

Governmental Funds

Most of the Village's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called cash accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. A description of the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds can be found in Exhibit F, a reconciliation that follows the fund financial statements.

Proprietary Fund

When the Village charges customers for the services it provides, and those charges are the sole source of revenue to support the expenses of that service, then these services are generally reported in proprietary funds. The Water and Sewer Fund is reported as a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. However, more detailed information such as cash flows is provided.

The Village as Trustee (fiduciary fund)

The Village is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the Village's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

Table 1
Net Assets
Fiscal Year Ended April 30
(in thousands)

| | Governmental Activites | | Business - Type Activites | | Total | | Percent Change |
|---|---------------------------|----------|------------------------------|-----------|-----------|-----------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Current assets | \$ 2,076 | \$ 2,075 | \$ 5,873 | \$ 6,263 | \$ 7,949 | \$ 8,338 | -4.67% |
| Capital assets | 8,825 | 8,368 | 18,988 | 19,199 | 27,813 | 27,567 | 0.89% |
| Total assets | 10,901 | 10,443 | 24,861 | 25,462 | 35,762 | 35,905 | -0.40% |
| Long-term debt | 550 | 650 | 4,633 | 4,860 | 5,183 | 5,510 | -5.93% |
| Other liabilities | 210 | 194 | 315 | 314 | 525 | 508 | 3.35% |
| Total liabilities | 760 | 844 | 4,948 | 5,174 | 5,708 | 6,018 | -5.15% |
| Net assets | | | | | | | |
| Invested in capital assets, net of debt | 8,175 | 7,597 | 14,128 | 14,123 | 22,303 | 21,720 | 2.68% |
| Restricted | 760 | 1,083 | 1,459 | 1,536 | 2,219 | 2,619 | -15.27% |
| Unrestricted | 1,206 | 919 | 4,326 | 4,629 | 5,532 | 5,548 | -0.29% |
| Total net assets | \$ 10,141 | \$ 9,599 | \$ 19,913 | \$ 20,288 | \$ 30,054 | \$ 29,887 | 0.56% |

The Village's net assets are composed of capital assets, restricted assets and unrestricted net assets. At April 30, 2010, net assets invested in capital assets net of related debt comprised of 74.2% of net assets and reflect Village investments in capital assets and infrastructure (for example, land, streets, buildings, machinery and equipment) less any related debt used to acquire those assets that remains 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.

An additional portion of the Village's net assets (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining 18.4% of net assets, approximately \$5.5 million, represents unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

Net assets for Village governmental activities increased by \$542,437 in fiscal 2010. Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations without constraints, equaled \$1,206,039 at the end of fiscal 2010.

Restricted net assets for governmental activities equaled \$760,276, and net capital assets and infrastructure equaled \$8,175,100 at the end of fiscal 2010.

Net assets of business-type activities decreased by \$374,645 in fiscal 2010. Net assets for business-type activities included \$1,459,500 in restricted net assets, \$4,325,891 in unrestricted net assets and \$14,128,427 in capital assets and infrastructure.

Table 2
Changes in Net Assets
Fiscal Year Ended April 30,
(in thousands)

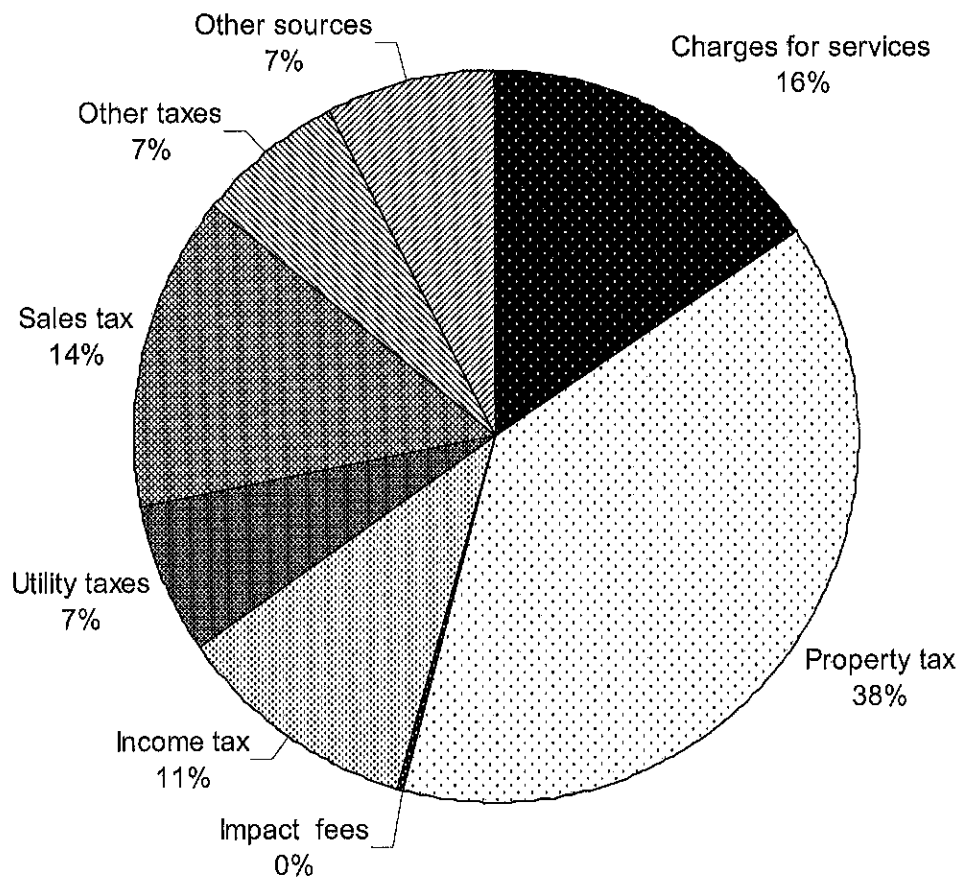
| | Governmental Activities | | Business-Type Activities | | Total | | Percent Change |
|-----------------------------------|----------------------------|----------|-----------------------------|-----------|-----------|-----------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Revenues | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 803 | \$ 747 | \$ 1,617 | \$ 1,520 | \$ 2,420 | \$ 2,267 | 6.75% |
| Operating grants/contributions | - | 17 | - | - | - | 17 | -100.00% |
| Capital grants | 357 | - | 11 | - | 368 | - | 100.00% |
| General revenues: | | | | | | | |
| Property taxes | 1,971 | 1,857 | - | - | 1,971 | 1,857 | 6.14% |
| Sales taxes | 708 | 736 | - | - | 708 | 736 | -3.80% |
| Other taxes | 1,253 | 1,484 | - | - | 1,253 | 1,484 | -15.57% |
| Interest income | 7 | 32 | 24 | 93 | 31 | 125 | -75.20% |
| Impact fees | 8 | 7 | - | - | 8 | 7 | 14.29% |
| Gain (loss) on asset disposal | - | (21) | - | - | - | (21) | -100.00% |
| Other general revenues | 17 | 77 | 90 | 87 | 107 | 164 | -34.76% |
| Total revenues | 5,124 | 4,936 | 1,742 | 1,700 | 6,866 | 6,636 | 3.47% |
| Program expenses: | | | | | | | |
| General government | 557 | 628 | - | - | 557 | 628 | -11.31% |
| Police department | 2,409 | 2,408 | - | - | 2,409 | 2,408 | 0.04% |
| Streets | 899 | 1,020 | - | - | 899 | 1,020 | -11.86% |
| Building and grounds | 476 | 514 | - | - | 476 | 514 | -7.39% |
| Parks and recreation | 68 | 85 | - | - | 68 | 85 | -20.00% |
| Mansion | 147 | 137 | - | - | 147 | 137 | 7.30% |
| Debt service | 26 | 30 | - | - | 26 | 30 | -13.33% |
| Water and sewer | - | - | 2,116 | 2,122 | 2,116 | 2,122 | -0.28% |
| Total expenses | 4,582 | 4,822 | 2,116 | 2,122 | 6,698 | 6,944 | -3.54% |
| Increase (decrease) in net assets | 542 | 114 | (374) | (422) | 168 | (308) | -154.55% |
| Beginning of year | 9,599 | 9,485 | 20,288 | 20,710 | 29,887 | 30,195 | -1.02% |
| End of year | \$ 10,141 | \$ 9,599 | \$ 19,914 | \$ 20,288 | \$ 30,055 | \$ 29,887 | 0.56% |

Total Village revenues of all programs and services equaled approximately \$6.9 million and exceeded total expenses which equaled approximately \$6.7 million by \$167,792. Net assets increased by \$542,437 for governmental activities and business-type activities net assets decreased by \$374,645 for the fiscal year ended April 30, 2010.

Governmental Activities

Program revenues (amounts charged to residents for programs plus grants) for governmental activities totaled \$1,160,632. General receipts totaled \$3,963,579. The cost of all programs and services was \$4,581,774. The following graph depicts the major revenue sources for the Village for the year ended April 30, 2010.

Revenues by Source - Governmental Activities

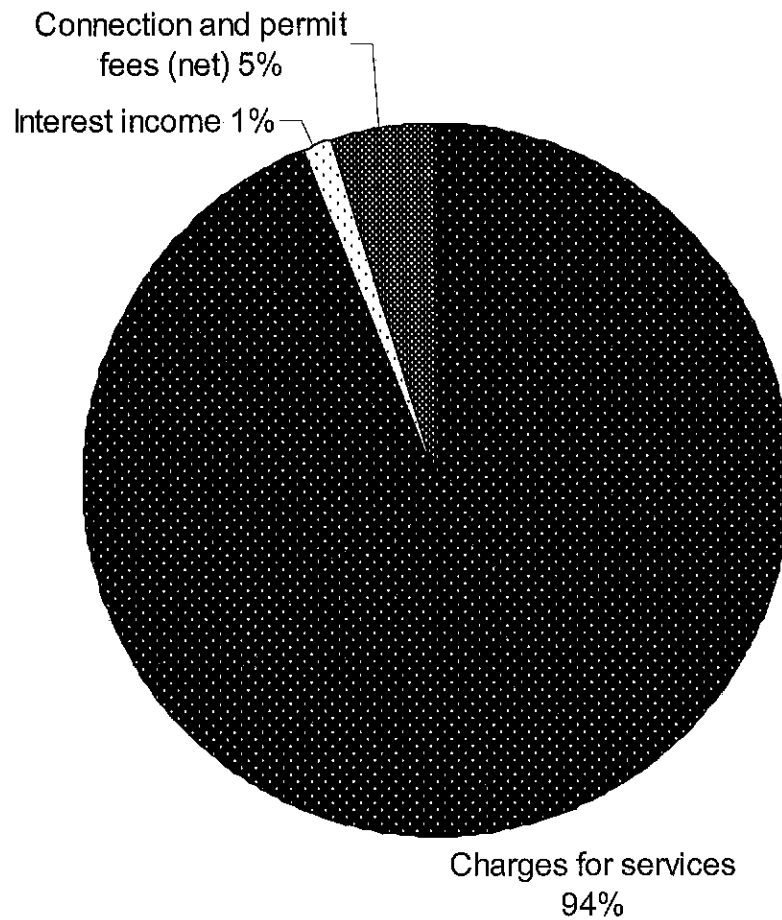


Charges for services include items such as vehicle stickers and building permits. Income Tax is the portion of state income tax that the State of Illinois distributes to the Village on a per capita basis. Utility taxes are a simplified municipal telecommunications tax. Other taxes include Intergovernmental taxes such as Motor Fuel Tax and other miscellaneous taxes that are distributed to local governments by the State of Illinois on a per capita basis. The State of Illinois delayed paying \$149,986 of Income tax payments due the Village until after April 30, 2010.

Business-Type Activities

Revenues supporting the Village's Business-Type Activity equaled \$1,731,091 while expenses for those activities equaled \$2,116,411.

Revenues by Source - Business-Type Activities



The business-type activity is the Village's Water and Sewer Fund. Charges for services include amounts users of the system paid for their water and sewer services. Connection and permit fees are amounts received for new connections to the system.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The financial performance for the Village is reflected in the statement of receipts, disbursements and changes in fund balances – cash basis which appears as Exhibit E in this report.

General fund revenues and transfers exceeded expenditures by \$203,405, leaving a fund balance of \$1,769,272.

Motor fuel tax fund expenditures exceeded revenues by \$238,603, leaving a fund balance of \$66,781.

Water and Sewer fund expenditures exceeded revenues by \$374,645, leaving net assets of \$19,913,818.

BUDGETARY HIGHLIGHTS

General Fund actual expenditures and transfers for the fiscal year ended April 30, 2010 of \$4,692,882 were lower than the budgeted expenditures and transfers of \$5,545,917 by \$853,035.

Motor Fuel Tax Fund expenditures for the fiscal year ended April 30, 2010 of \$466,237 exceeded the budgeted expenditures of \$445,000 by \$21,237.

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, 2010 was \$27,813,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, streets and related infrastructure, sidewalks and bridges.

The following schedule presents the capital assets less accumulated depreciation:

Fiscal Year Ended April 30, 2010
(in thousands)

| | Governmental Activities | Business- Type Activities | Total |
|--------------------------------|----------------------------|------------------------------|------------------|
| Construction in progress | \$ - | \$ - | \$ - |
| Land | 3,405 | - | 3,405 |
| Buildings and improvements | 2,762 | 2,143 | 4,905 |
| Land improvements | 1,303 | 11 | 1,314 |
| Furniture and office equipment | 5 | - | 5 |
| Vehicles and equipment | 565 | 109 | 674 |
| Infrastructure | 785 | 16,725 | 17,510 |
| Totals | <u>\$ 8,825</u> | <u>\$ 18,988</u> | <u>\$ 27,813</u> |

The Village expended \$192,000 in water system improvements during the year. Governmental funds expended \$369,420 on park improvements and \$376,237 on road improvements. The park improvements were partially funded by a grant.

Debt

On April 30, 2010, the Village had one debt certificate issue, one general obligation bond and one note outstanding. The general obligation debt certificate was issued August 18, 2004 to finance the remodeling of the Lehmann Mansion. The general obligation bond payable in the amount of \$4,205,000 is the balance of an issue used to finance the expansion and improvements of the Village's waterworks system. The note payable of \$654,820 in business-type activities is the balance of a 20 year installment loan from the IEPA that funded a major sewer system rehabilitation project. Detailed information is provided at Note F to the financial statements.

The following table illustrates the Village's outstanding debt.

Table 4
Outstanding Debt
Fiscal Year Ended April 30, 2010

| | Governmental Activities | Business- Type Activities | Total |
|---------------------|----------------------------|------------------------------|---------------------|
| GO Debt Certificate | \$ 650,000 | \$ - | \$ 650,000 |
| GO Bond | - | 4,205,000 | 4,205,000 |
| Notes Payable | - | 654,820 | 654,820 |
| Total | <u>\$ 650,000</u> | <u>\$ 4,859,820</u> | <u>\$ 5,509,820</u> |

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Village considered many factors when setting the fiscal year 2010-2011 budgets. Those factors included expected property tax revenues, income and utility tax revenues, projected expenses and capital outlay.

The General Fund 2010-2011 budgeted fund deficit of \$117,168 includes street improvement projects of \$350,000 and Squad Car replacements totaling \$50,200. The General Fund budget also includes the costs of providing services such as police protection, park maintenance, snowplowing, and leaf/branch pickup. The Water and Sewer Operating Fund 2010-2011 budgeted fund deficit of \$284,328 includes a water main replacement project on Grand Avenue and Route 83 estimated to cost \$650,000 as well as routine system maintenance programs. The Water and Sewer Operating Fund budget also includes \$50,000 to contribute to engineering for the Lake Michigan Water Study. The Motor Fuel Tax Fund 2010-2011 budgeted surplus of \$30,711 includes a street improvement project of \$285,000 as well as road salt in the amount of \$90,000.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village office at (847) 356-6100.

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
APRIL 30, 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,686,994 | \$ 4,108,182 | \$ 5,795,176 |
| Cash and investments - restricted | 674,807 | 1,459,499 | 2,134,306 |
| Internal balances | (303,019) | 303,019 | - |
| Due from fiduciary funds | 11,007 | - | 11,007 |
| Other receivables | 6,563 | 2,191 | 8,754 |
| Capital Assets: | | | |
| Construction in progress | - | - | - |
| Land | 3,404,635 | - | 3,404,635 |
| Buildings and improvements | 3,547,444 | 2,244,382 | 5,791,826 |
| Land improvements | 1,762,887 | 15,980 | 1,778,867 |
| Furniture and office equipment | 72,454 | 19,612 | 92,066 |
| Vehicles and equipment | 1,667,674 | 227,508 | 1,895,182 |
| Infrastructure | 939,961 | 23,247,821 | 24,187,782 |
| Accumulated depreciation | (2,569,955) | (6,767,056) | (9,337,011) |
| Total Capital Assets | <u>8,825,100</u> | <u>18,988,247</u> | <u>27,813,347</u> |
| Total assets | <u>10,901,452</u> | <u>24,861,138</u> | <u>35,762,590</u> |
| LIABILITIES | | | |
| Escrow deposits | \$ - | \$ 45,385 | \$ 45,385 |
| Miscellaneous payables | 73,773 | 10,253 | 84,026 |
| Due to other governments | 12,002 | 31,862 | 43,864 |
| Due to fiduciary funds | 24,262 | - | 24,262 |
| Noncurrent liabilities: | | | |
| Due within one year | 100,000 | 227,318 | 327,318 |
| Due in more than one year | 550,000 | 4,632,502 | 5,182,502 |
| Total liabilities | <u>760,037</u> | <u>4,947,320</u> | <u>5,707,357</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 8,175,100 | 14,128,427 | 22,303,527 |
| Restricted for: | | | |
| Parks | 524,045 | - | 524,045 |
| Drug and DUI | 11,543 | - | 11,543 |
| Bond project funds | (95) | 916,763 | 916,668 |
| Debt service | 130,341 | 542,737 | 673,078 |
| Rose garden | 8,957 | - | 8,957 |
| Street improvements | 66,781 | - | 66,781 |
| Unemployment | 18,704 | - | 18,704 |
| Unrestricted | <u>1,206,039</u> | <u>4,325,891</u> | <u>5,531,930</u> |
| Total net assets | <u>\$ 10,141,415</u> | <u>\$ 19,913,818</u> | <u>\$ 30,055,233</u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2010

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|----------------------------------|------------------|----------------------------|--|--|---|-----------------------------|---------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 557,397 | \$ 298,863 | \$ - | \$ 357,200 | \$ 98,666 | \$ - | \$ 98,666 |
| Police department | 2,409,059 | 239,397 | - | - | (2,169,662) | - | (2,169,662) |
| Streets | 899,003 | - | - | - | (899,003) | - | (899,003) |
| Buildings and grounds | 475,447 | 148,077 | - | - | (327,370) | - | (327,370) |
| Parks and recreation | 67,862 | 51,490 | 10 | - | (16,362) | - | (16,362) |
| Mansion | 147,309 | 65,595 | - | - | (81,714) | - | (81,714) |
| Debt service | 25,697 | - | - | - | (25,697) | - | (25,697) |
| Total governmental activities | 4,581,774 | 803,422 | 10 | 357,200 | (3,421,142) | - | (3,421,142) |
| Business-type activities | | | | | | | |
| Water and sewer | 2,116,411 | 1,617,498 | - | 10,675 | - | (488,238) | (488,238) |
| Total business-type activities | 2,116,411 | 1,617,498 | - | 10,675 | - | (488,238) | (488,238) |
| Total government | \$ 6,698,185 | \$ 2,420,920 | \$ 10 | \$ 367,875 | (3,421,142) | (488,238) | (3,909,380) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 1,970,997 | - | 1,970,997 |
| Sales taxes | | | | | 708,121 | - | 708,121 |
| Income tax | | | | | 555,831 | - | 555,831 |
| Local use tax | | | | | 102,823 | - | 102,823 |
| Utility taxes | | | | | 353,454 | - | 353,454 |
| Motor fuel tax | | | | | 227,013 | - | 227,013 |
| Other taxes | | | | | 13,578 | - | 13,578 |
| Impact fees | | | | | 8,340 | - | 8,340 |
| Investment income | | | | | 6,596 | 23,786 | 30,382 |
| Miscellaneous | | | | | 16,826 | 6,622 | 23,448 |
| Loss on asset disposal | | | | | - | - | - |
| Connection and permit fees (net) | | | | | - | 83,185 | 83,185 |
| Total general revenues | | | | | 3,963,579 | 113,593 | 4,077,172 |
| Changes in net assets | | | | | 542,437 | (374,645) | 167,792 |
| Beginning of year | | | | | 9,598,978 | 20,288,463 | 29,887,441 |
| End of year | | | | | \$ 10,141,415 | \$ 19,913,818 | \$ 30,055,233 |

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

EXHIBIT C

VILLAGE OF LAKE VILLA, ILLINOIS
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2010

| | General | Motor Fuel Tax Fund | Other Governmental Funds | Total |
|--|---------------------|------------------------|--------------------------------|---------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 1,607,116 | \$ 79,878 | \$ - | \$ 1,686,994 |
| Cash and Investments - restricted | 544,545 | - | 130,262 | 674,807 |
| Other receivables | 6,563 | - | - | 6,563 |
| Due from other funds | 24,104 | - | - | 24,104 |
| Total assets | <u>\$ 2,182,328</u> | <u>\$ 79,878</u> | <u>\$ 130,262</u> | <u>\$ 2,392,468</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Miscellaneous payables | \$ 73,773 | \$ - | \$ - | \$ 73,773 |
| Due to other governments | 12,002 | - | - | 12,002 |
| Due to other funds | 327,281 | 13,097 | - | 340,378 |
| Total liabilities | <u>413,056</u> | <u>13,097</u> | <u>-</u> | <u>426,153</u> |
| FUND BALANCES | | | | |
| Reserved (Note G) | 563,249 | 66,781 | 130,262 | 760,292 |
| Unreserved - designated (Note G) | 463,856 | - | - | 463,856 |
| Unreserved - undesignated | 742,167 | - | - | 742,167 |
| Unreserved, reported in nonmajor funds | - | - | - | - |
| Total fund balances | <u>1,769,272</u> | <u>66,781</u> | <u>130,262</u> | <u>1,966,315</u> |
| Total liabilities and fund balances | <u>\$ 2,182,328</u> | <u>\$ 79,878</u> | <u>\$ 130,262</u> | <u>\$ 2,392,468</u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
APRIL 30, 2010

| | |
|----------------------------------|--------------|
| Total governmental fund balances | \$ 1,966,315 |
|----------------------------------|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

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

8,825,100

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | |
|---------------------------|------------------|
| Due within one year | (100,000) |
| Due in more than one year | <u>(550,000)</u> |

| | |
|---------------------------------------|----------------------|
| Net assets of governmental activities | <u>\$ 10,141,415</u> |
|---------------------------------------|----------------------|

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2010

| | General | Motor Fuel Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|--------------------------------|
| RECEIPTS | | | | |
| Taxes | \$ 3,118,021 | \$ - | \$ - | \$ 3,118,021 |
| Intergovernmental revenue | 586,783 | 227,013 | - | 813,796 |
| Licenses & permits | 430,912 | - | - | 430,912 |
| Fines | 120,271 | - | - | 120,271 |
| Revenue from services | 133,361 | - | - | 133,361 |
| Investment income | 5,685 | 621 | 290 | 6,596 |
| Impact fees | 8,340 | - | - | 8,340 |
| Donations | 10 | - | - | 10 |
| School Resource Officer fees | 117,863 | - | - | 117,863 |
| State Grants | 357,200 | - | - | 357,200 |
| Miscellaneous | 17,841 | - | - | 17,841 |
| Total receipts | <u>4,896,287</u> | <u>227,634</u> | <u>290</u> | <u>5,124,211</u> |
| DISBURSEMENTS | | | | |
| General government | 571,853 | - | - | 571,853 |
| Police department | 2,338,203 | - | - | 2,338,203 |
| Streets | 660,690 | 466,237 | - | 1,126,927 |
| Buildings and grounds | 413,403 | - | - | 413,403 |
| Parks and recreation | 67,862 | - | - | 67,862 |
| Mansion | 35,768 | - | - | 35,768 |
| Capital expenditures | 481,145 | - | - | 481,145 |
| Debt service: | | | | |
| Principal retirement | - | - | 100,000 | 100,000 |
| Interest and fiscal charges | - | - | 24,458 | 24,458 |
| Total disbursements | <u>4,568,924</u> | <u>466,237</u> | <u>124,458</u> | <u>5,159,619</u> |
| Excess (deficiency) of receipts over disbursements | <u>327,363</u> | <u>(238,603)</u> | <u>(124,168)</u> | <u>(35,408)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of assets | - | - | - | - |
| Transfers in | - | - | 123,958 | 123,958 |
| Transfers out | (123,958) | - | - | (123,958) |
| Total other financing sources (uses) | <u>(123,958)</u> | <u>-</u> | <u>123,958</u> | <u>-</u> |
| Excess (deficiency) of receipts and other sources over (under) disbursements and other uses | <u>203,405</u> | <u>(238,603)</u> | <u>(210)</u> | <u>(35,408)</u> |
| FUND BALANCE - Beginning | <u>1,565,867</u> | <u>305,384</u> | <u>130,472</u> | <u>2,001,723</u> |
| FUND BALANCE - Ending | <u>\$ 1,769,272</u> | <u>\$ 66,781</u> | <u>\$ 130,262</u> | <u>\$ 1,966,315</u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
 RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL
 YEAR ENDED APRIL 30, 2010

| | | |
|--|----|----------|
| Net change in fund balances - total governmental funds | \$ | (35,408) |
|--|----|----------|

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

| | | |
|---|--|-----------|
| Capital outlay | | 791,944 |
| Depreciation expense | | (334,916) |
| Cost of property disposed net of depreciation | | - |

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of the governmental funds.

| | | |
|-------------------------|--|---------|
| Installment debt issued | | - |
| Repayment of principal | | 120,817 |

| | | |
|--|----|---------|
| Changes in net assets of governmental activities | \$ | 542,437 |
|--|----|---------|

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
APRIL 30, 2010

| | Water and Sewer Fund |
|---|----------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Investments | \$ 4,108,182 |
| Cash and Investments - restricted | 1,459,499 |
| Due from other funds | 303,019 |
| Other receivables | 2,191 |
| Capital Assets: | |
| Construction in progress | - |
| Land | - |
| Land improvements | 15,980 |
| Water system | 11,255,893 |
| Sewer System | 11,991,928 |
| Building | 2,244,382 |
| Vehicles and equipment | 227,508 |
| Office equipment | 19,612 |
| Accumulated depreciation | (6,767,056) |
| Total capital assets | <u>18,988,247</u> |
| Total assets | <u>24,861,138</u> |
| LIABILITIES | |
| Miscellaneous payables | 10,253 |
| Deposits and escrows | 45,385 |
| Due to other governments | 31,862 |
| Due to other funds | - |
| Noncurrent liabilities: | |
| Due within one year | 227,318 |
| Due in more than one year | 4,632,502 |
| Total liabilities | <u>4,947,320</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 14,128,427 |
| Restricted | 1,459,499 |
| Designated | 3,724,681 |
| Unrestricted | 601,211 |
| Total net assets | <u>\$ 19,913,818</u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF RECEIPTS, EXPENSES AND CHANGES IN NET ASSETS-
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2010

| | |
|----------------------------------|------------------|
| Operating Receipts | |
| Water Customer Sales | \$ 561,462 |
| Sewer Customer Sales | 1,048,571 |
| Meter Sales | 7,465 |
| | <u>1,617,498</u> |
| Operating Expenses | |
| Water | |
| Clerical - Water | 22,238 |
| Salary-Water | 112,655 |
| Overtime | 5,533 |
| Health & Life Insurance | 29,098 |
| IMRF - Employers Contribution | 10,612 |
| Social Security | 11,159 |
| Uniform Allowance | 1,330 |
| Training/Travel | 1,108 |
| Auditor | 2,525 |
| Engineering-Water | 32,748 |
| Legal Fees | 29,282 |
| Maintenance - Vehicles | 717 |
| Automotive Fuel/Oil | 6,511 |
| Supplies - Vehicles | 1,524 |
| Maintenance-Water System | 12,358 |
| Gas Heat-Well Houses | 3,836 |
| Electric-Wells | 102,939 |
| Meters - parts and repairs | 24,827 |
| Supplies - Water | 38,138 |
| JULIE Locates | 1,670 |
| Telephone | 2,217 |
| Printing/Billing | 5,899 |
| Liability Insurance | 20,321 |
| Office Supplies | 7,183 |
| Computer - Service & Maintenance | 6,072 |
| Capital Expenses | - |
| Depreciation Expense | 269,132 |
| Total Water Expenses | <u>761,632</u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF RECEIPTS, EXPENSES AND CHANGES IN NET ASSETS-
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2010

Operating Disbursements (continued)

Sewer

| | |
|--------------------------------|------------------|
| Clerical-Sewer | 22,238 |
| Salary-Sewer | 93,951 |
| Overtime | 4,764 |
| Health & Life Insurance | 20,098 |
| IMRF - Employers Contribution | 9,402 |
| Social Security | 8,350 |
| Uniform Allowance | 402 |
| Training/Travel | 12 |
| Auditor | 2,525 |
| Engineering-Sewer | 13,098 |
| Legal Fees | 1,496 |
| Maintenance - Vehicles | 882 |
| Automotive Fuel/Oil | 6,509 |
| Supplies-Vehicles | 2,227 |
| Maintenance-Sewer System | 24,322 |
| County Charges | 587,014 |
| Gas Heat-Sewer | 5,501 |
| Electric - Sewer | 46,163 |
| Meters - parts and repairs | 24,827 |
| Supplies - Sewer | 25,949 |
| Telephone | 1,914 |
| Printing/Billing | 5,899 |
| Liability Insurance | 3,721 |
| Office Supplies | 6,216 |
| Computer-Service & Maintenance | 5,196 |
| Capital Expenses | - |
| Depreciation Expense | 246,227 |
| Total Sewer Disbursements | <u>1,168,903</u> |

| | |
|--------------------------|------------------|
| Total Operating Expenses | <u>1,930,535</u> |
|--------------------------|------------------|

| | |
|-------------------------------|------------------|
| Income (loss) from operations | <u>(313,037)</u> |
|-------------------------------|------------------|

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF RECEIPTS, EXPENSES AND CHANGES IN NET ASSETS-
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2010

| | |
|--|-----------------------------|
| Nonoperating Receipts (Expenses) | |
| Connection Fees | 80,785 |
| Inspection Fees | 2,400 |
| Interest Received | 23,786 |
| Interest Expense | (185,876) |
| Loss on disposal of assets | - |
| Bond issue costs | - |
| Miscellaneous Revenue | 6,622 |
| Total nonoperating receipts (expenses) | <u>(72,283)</u> |
| Income (loss) | (385,320) |
| Contributed assets | 10,675 |
| Fund balance - beginning of year | <u>20,288,463</u> |
| Fund balance - end of year | <u><u>\$ 19,913,818</u></u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2010

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 1,617,665 |
| Cash payments to suppliers for goods and services | (1,153,797) |
| Cash payments to employees for services | (261,379) |
| Other operating revenues | <u>-</u> |
| Net cash provided (used) by operating activities | <u>202,489</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY: | |
| Interfund loan repayment | (129,910) |
| Interfund mansion loan receivable repayment | <u>88,581</u> |
| Net cash provided (used) by noncapital financing activities | <u>(41,329)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition and construction of capital assets | (290,492) |
| Debt service | (401,892) |
| Connection fees | 80,785 |
| Inspection fees | 2,400 |
| Miscellaneous receipts | <u>6,622</u> |
| Net cash provided (used) by capital and related financing activities | <u>(602,577)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment income | <u>23,786</u> |
| Net cash provided (used) by investing activities | <u>23,786</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (417,631) |
| CASH AND CASH EQUIVALENTS | |
| Beginning of year | 5,985,312 |
| End of year | <u><u>\$ 5,567,681</u></u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2010

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|---|-------------------|
| Operating income (loss) | \$ (313,037) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 515,359 |
| Increase (decrease) due to: | |
| Other receivables | 167 |
| Miscellaneous payables | - |
| Deposits and escrows | - |
| Due to other governments | - |
| Net cash provided (used) by operating activities | <u>\$ 202,489</u> |

RECONCILIATION OF ENDING CASH AND CASH
EQUIVALENTS TO CASH AND INVESTMENTS:

| | |
|---|---------------------|
| Ending cash and cash equivalents | \$ 4,108,182 |
| Ending cash and cash equivalents - restricted | 1,459,499 |
| Total | <u>\$ 5,567,681</u> |

Non Cash Transactions:
Northern Sewer Recapture

\$ 10,675

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

VILLAGE OF LAKE VILLA, ILLINOIS
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 FIDUCIARY FUNDS
 APRIL 30, 2010

| | Pension Trust Fund | Agency Fund Developer Escrow Fund | Total |
|---|-----------------------|---|---------------------|
| ASSETS | | | |
| Cash and Investments | \$ 2,486,348 | \$ 963,645 | \$ 3,449,993 |
| Due from contractors | - | 21,880 | 21,880 |
| Prepaid federal taxes | 552 | - | 552 |
| Due from other funds | - | 24,262 | 24,262 |
| Total assets | <u>\$ 2,486,900</u> | <u>\$ 1,009,787</u> | <u>\$ 3,496,687</u> |
| LIABILITIES | | | |
| Escrow deposits | \$ - | \$ 1,009,787 | \$ 1,009,787 |
| Due to other funds | 11,007 | - | 11,007 |
| Total liabilities | <u>11,007</u> | <u>1,009,787</u> | <u>1,020,794</u> |
| NET ASSETS | | | |
| Net plan assets held in trust for pension benefits | <u>2,475,893</u> | <u>-</u> | <u>2,475,893</u> |
| Total net assets | <u>\$ 2,475,893</u> | <u>\$ -</u> | <u>\$ 2,475,893</u> |

The accompanying notes are an integral part of these financial statements

VILLAGE OF LAKE VILLA, ILLINOIS
 STATEMENT OF CHANGES IN NET ASSETS -
 MODIFIED CASH BASIS
 FIDUCIARY FUND
 YEAR ENDED APRIL 30, 2010

| | Police Pension Fund |
|--|----------------------------|
| ADDITIONS | |
| Contributions | |
| Employer | \$ 310,235 |
| Employees | 111,701 |
| Total Contributions | <u>421,936</u> |
| Investment Income | |
| Interest | <u>33,263</u> |
| Total Additions | <u>455,199</u> |
| DEDUCTIONS | |
| Retirement benefits | 227,234 |
| Administrative Expenses | <u>2,774</u> |
| Total Deductions | <u>230,008</u> |
| NET INCREASE | 225,191 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Beginning of Year | <u>2,250,702</u> |
| End of Year | <u><u>\$ 2,475,893</u></u> |

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

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lake Villa, Illinois is a primary government as defined by Governmental Accounting Standards Board Statement 14. The Village operates under a Mayor/Board of Trustees form of government. The Village's major operations include police, streets, building and grounds, parks and recreation, mansion, water and sewer services and general governmental services.

1. Reporting Entity

The Village's financial reporting entity comprises the following:

Primary Government: Village of Lake Villa

Blended Component Unit: Police Pension Employees Retirement System

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Board or the Component Unit provides services entirely to the Village. These component units' funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

Blended Component Unit - Police Pension Employees Retirement System

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, with the advice and consent of the Board of Trustees, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a pension trust fund.

2. Basis of Presentation

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police, streets, building and grounds and general administrative 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 Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on the modified cash basis. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, police, streets, building and grounds, parks and recreation, and mansion). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (general government, police, streets, building and grounds, metra station, parks and recreation and mansion) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, permits and charges, 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 assets resulting from the current year's activities.

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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

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:

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The General Fund is a major fund.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally or contractually restricted to expenditures for specified purposes. The Motor Fuel Tax Fund is treated as a major fund.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a non major fund and records the Village's long-term debt activity.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business type/proprietary funds). The Debt Certificate Project Fund is treated as a non major fund.

Permanent funds are used to account for resources legally restricted so that only the earnings they generate, and not the resources themselves, may be used.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Village:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Village maintains one major enterprise fund. The Water and Sewer Fund accounts for the provision of water and sewer services to the residents and businesses of the Village.

Fiduciary Funds

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 assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

Pension Trust Funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's police force.

Agency Funds are used to account for assets held by the Village in a purely custodial capacity. The Village maintains one agency fund. The Developer Escrow Fund accounts for the collection of deposits used for permits and collections on behalf of the school, library, fire and park districts.

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

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the modified-cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts and disbursements when they result from cash transactions with a provision for depreciation in the government-wide and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In the fund financial statements, governmental funds are presented on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenses/expenditures are recognized and recorded upon the disbursement of cash.

As a result of the use of the modified cash and cash bases 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 (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 the basis of accounting recognized as generally accepted, 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 financials would be presented on the accrual basis of accounting.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the Village's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

Investments are reported at cost which approximates fair value, except for the Police Pension Fund, which reports investments at fair value.

Interfund Receivables, Payables and Activity

Interfund activity is reported 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 proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Restricted Assets

Certain general and enterprise fund resources required to be set aside for purchase and construction of capital projects are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additional general fund resources are required to be set aside for future audit fees and retirement expenses. Additional enterprise fund resources are required to be set aside for future payment of county sewer charges.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and buildings and general infrastructure assets with an original cost of \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is \$25,000 for infrastructure assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 20 - 45 Years |
| Vehicles and Equipment | 5 - 10 Years |
| Water and Sewerage Infrastructure | 30 - 50 Years |
| Other Infrastructure | 10 - 50 Years |

GASB Statement No. 34 requires the Village to report and depreciate new general infrastructure assets. General infrastructure assets include roads, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. The Village has not retroactively reported general infrastructure assets acquired prior to May 1, 2004.

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.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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 13, 2009.

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

The legally adopted budget is employed as a management control device during the year for the General and Special Revenue Funds.

Budget amounts reflected on Schedules 1 through 2 reflect the Village's internal working budget amounts which are lower than legal budget amounts. Therefore, all funds operated within legal budgets.

NOTE B — DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust fund and Motor Fuel Tax funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and investments."

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds Money Market may also invest in certain non-U.S. obligations, mortgages, veteran's loans, and life insurance company contracts. Pension Funds meeting or exceeding certain asset levels may invest in money market mutual funds and/or common and preferred stock. The Illinois Funds Investment Pool is an external investment pool regulated by state statutes, and values participant's shares on a fair value basis. The Village investment policy and the pension trust fund policy do not differ significantly from the statutes.

Deposits

Governmental Funds

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's custodial risk policy requires that deposits in excess of FDIC limits be secured by some form of collateral or insurance to protect public deposits in a single institution. As of April 30, 2010 the Village's bank balance of \$4,247,335 was covered by FDIC insurance in the amount of \$2,103,387. \$2,141,783 was collateralized with securities held by the financial institution's agent in the Village's name. \$2,165 was uncollateralized.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE B — DEPOSITS AND INVESTMENTS (continued)

Investments

As of April 30, 2010, the Village had the following investments and maturities:

| Investment Type | Total Fair Value | Investment Maturities (in Years) | |
|-----------------------------|----------------------|----------------------------------|-------------|
| | | < 1 | 1 - 5 |
| Money Markets | \$ 2,225,234 | \$ 2,225,234 | \$ - |
| Certificates of Deposit | 2,007,490 | 2,007,490 | - |
| Illinois Funds Money Market | 7,144,738 | 7,144,738 | - |
| Total Investments | <u>\$ 11,377,462</u> | <u>\$ 11,377,462</u> | <u>\$ -</u> |

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 case, in obligations of the US Treasury and US Agencies, repurchase agreements, certificates of deposit, and Illinois Treasurers' Investment Pool.

Credit Risk. The Village's investment in Illinois Funds Money Market accounts were rated AAAM by Standard and Poor's. The Illinois Funds Money Market accounts the Village invests in only make investments that are permitted by the Illinois Compiled Statutes.

Reconciliation to Government-Wide Statement of Net Assets

Statement of Net Assets

| | |
|---------------------------------|---------------------|
| Cash and investments | \$ 5,795,176 |
| Restricted cash and investments | 2,134,306 |
| | <u>\$ 7,929,482</u> |

| | Bank Balance | Carrying Value |
|---|----------------------|---------------------|
| Deposits and Investments | | |
| Cash and savings | \$ 2,013 | \$ 2,013 |
| Money Market Accounts | 2,238,832 | 2,225,234 |
| Certificates of Deposit | 2,007,490 | 2,007,490 |
| | <u>4,248,335</u> | <u>4,234,737</u> |
| Illinois Funds Money Market accounts | 7,144,738 | 7,144,738 |
| Total | <u>\$ 11,393,073</u> | <u>11,379,475</u> |
| Less: Fiduciary fund deposits and investments | | <u>(3,449,993)</u> |
| | | <u>\$ 7,929,482</u> |

NOTE C — PROPERTY TAX REVENUE

Property taxes are levied each year on taxable real property located in the Village on or after the last Tuesday in December. Property taxes attach as an enforceable lien on property as of January 1 and are payable to the County in two installments on June 1 and September 1 of the year following the levy year. Distributions are made to the Village shortly thereafter. The 2009 levy was adopted by the Village in November, 2009. The 2008 levy is reflected in current year receipts.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE D- CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|-------------------|---------------------|
| Capital assets - not being depreciated | | | | |
| Construction in progress | \$ 518,481 | \$ 369,420 | \$ 887,901 | \$ - |
| Land | 3,404,635 | - | - | 3,404,635 |
| | <u>3,923,116</u> | <u>369,420</u> | <u>887,901</u> | <u>3,404,635</u> |
| Other capital assets | | | | |
| Buildings and improvements | 3,452,763 | 94,681 | - | 3,547,444 |
| Land improvements | 1,107,050 | 655,837 | - | 1,762,887 |
| Furniture and office equipment | 72,454 | - | - | 72,454 |
| Vehicles and equipment | 1,535,003 | 183,670 | 50,999 | 1,667,674 |
| Infrastructure | 563,724 | 376,237 | - | 939,961 |
| | <u>6,730,994</u> | <u>1,310,425</u> | <u>50,999</u> | <u>7,990,420</u> |
| Less accumulated depreciation | | | | |
| Buildings | 695,365 | 89,721 | - | 785,086 |
| Land improvements | 395,084 | 64,626 | - | 459,710 |
| Furniture and office equipment | 62,097 | 5,565 | - | 67,662 |
| Vehicles and equipment | 1,025,719 | 128,088 | 50,999 | 1,102,808 |
| Infrastructure | 107,773 | 46,916 | - | 154,689 |
| | <u>2,286,038</u> | <u>334,916</u> | <u>50,999</u> | <u>2,569,955</u> |
| Total other capital assets | <u>4,444,956</u> | <u>975,509</u> | <u>-</u> | <u>5,420,465</u> |
| Total capital assets | <u>\$ 8,368,072</u> | <u>\$ 1,344,929</u> | <u>\$ 887,901</u> | <u>\$ 8,825,100</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------|-------------------|
| General government | \$ 3,577 |
| Police Department | 46,173 |
| Streets | 110,086 |
| Mansion | 111,517 |
| Building and grounds | 63,563 |
| | <u>\$ 334,916</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE D- CAPITAL ASSETS (continued)

Business-Type Activities

Business-type capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--------------------------------------|-----------------------|-------------------|-------------------|----------------------|
| Capital assets-not being depreciated | | | | |
| Construction in progress | \$ 462,093 | \$ 29,781 | \$ 491,874 | \$ - |
| Land | - | - | - | - |
| | <u>462,093</u> | <u>29,781</u> | <u>491,874</u> | <u>-</u> |
| Other capital assets | | | | |
| Buildings | 2,194,294 | 50,088 | - | 2,244,382 |
| Land Improvements | 15,980 | - | - | 15,980 |
| Furniture and office equipment | 19,612 | - | - | 19,612 |
| Infrastructure | 22,602,173 | 653,648 | 8,000 | 23,247,821 |
| Vehicles and equipment | 164,510 | 62,998 | - | 227,508 |
| | <u>24,996,569</u> | <u>766,734</u> | <u>8,000</u> | <u>25,755,303</u> |
| Less accumulated depreciation | | | | |
| Buildings | 56,363 | 45,236 | - | 101,599 |
| Land Improvements | 3,774 | 1,331 | - | 5,105 |
| Furniture and office equipment | 17,152 | 2,389 | - | 19,541 |
| Infrastructure | 6,076,806 | 454,206 | 8,000 | 6,523,012 |
| Vehicles and equipment | 105,602 | 12,197 | - | 117,799 |
| | <u>6,259,697</u> | <u>515,359</u> | <u>8,000</u> | <u>6,767,056</u> |
| Total other capital assets | <u>18,736,872</u> | <u>251,375</u> | <u>-</u> | <u>18,988,247</u> |
| Total capital assets | <u>\$ 19,198,965</u> | <u>\$ 281,156</u> | <u>\$ 491,874</u> | <u>\$ 18,988,247</u> |

Depreciation expense was charged to business type activities as follows:

| | |
|------------------|-------------------|
| Water operations | \$ 269,132 |
| Sewer operations | 246,227 |
| | <u>\$ 515,359</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE E – INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at April 30, 2009 were as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------------|---------------------------------|------------------------------|
| General Fund | \$ 24,104 | \$ 327,281 |
| Agency Fund | 24,262 | - |
| Motor Fuel Tax Fund | - | 13,097 |
| Police Pension Fund | - | 11,007 |
| Water and Sewer Fund | 303,019 | - |
| | <u>\$ 351,385</u> | <u>\$ 351,385</u> |

In March 2003, the General Fund borrowed \$2,233,065 from the Water and Sewer Fund for the purpose of paying off an installment contract for the purchase of the Lehmann Mansion and Property. The interfund loan is to be repaid over a period of 15 years, bearing an interest rate of 3.25%, and requires monthly payments of \$15,691. The balance remaining at April 30, 2010 is \$303,019.

Interfund transfers for the year ended April 30, 2010 were made up of the following amounts:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| General Fund | | 123,958 |
| Debt Certificate Project Fund | 123,958 | |
| | <u>\$ 123,958</u> | <u>\$ 123,958</u> |

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the year, the Village made a transfer of \$123,958 from the general fund to the Debt Certificate Project Fund to pay for debt service on the General Obligation Bond.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE F – LONG-TERM DEBT

The following is a summary of long-term liability transactions for the year ended April 30, 2010.

| | Beginning Balance | Additions | Deductions | Ending Balance | Due within one year |
|--------------------------------|----------------------|-------------|---------------------|---------------------|------------------------|
| Governmental activities | | | | | |
| GO Tax Certificates | \$ 750,000 | \$ - | \$ (100,000) | \$ 650,000 | \$ 100,000 |
| Installment Contract | 20,817 | - | (20,817) | - | - |
| Total governmental activities | <u>770,817</u> | <u>-</u> | <u>(120,817)</u> | <u>650,000</u> | <u>100,000</u> |
| Business-type activities | | | | | |
| GO Bonds | 4,370,000 | - | (165,000) | 4,205,000 | 175,000 |
| IEPA loan | 705,837 | - | (51,017) | 654,820 | 52,318 |
| Total business-type activities | <u>5,075,837</u> | <u>-</u> | <u>(216,017)</u> | <u>4,859,820</u> | <u>227,318</u> |
| Total government | <u>\$ 5,846,654</u> | <u>\$ -</u> | <u>\$ (336,834)</u> | <u>\$ 5,509,820</u> | <u>\$ 327,318</u> |

General obligation tax certificates – Lehmann Mansion

General obligation limited tax debt certificates, Series 2004 in the amount of \$1,120,000 were issued by the Village in August 2004. Annual payments range from \$90,000 to \$120,000 and are due on July 1 of each year through 2015. Interest at rates ranging from 1.45% to 3.8% is payable July 1 and December 1 of each year. The proceeds were used to renovate the Lehmann Mansion. The remaining balance on this bond issue at April 30, 2010 is \$650,000.

Installment Contract

In September, 2006 the Village purchased a new vehicle for \$80,910. Four annual payments of \$22,157 include interest at a rate of 6.43%. The loan was paid off in the current fiscal year.

General obligation bonds (Proprietary Fund)

General obligation bonds, Series 2006 in the amount of \$4,685,000 were issued by the Village October, 2006. Annual payments range from \$155,000 to \$340,000 and are due on December 15, of each year through 2026. Interest at rates ranging from 3.75% to 4.0% is payable June 15 and December 15 of each year. The proceeds are to be used to improve and extend the waterworks system. Repayment will be made from the Water and Sewer Fund. The remaining balance on this bond issue at April 30, 2010 is \$4,205,000.

IEPA Loan (Proprietary Fund)

In August 2001 the Village completed a project to improve four Village lift stations. The project was financed by the Illinois Environmental Protection Agency in the amount of \$1,038,400. The loan calls for semiannual principal and interest payments of \$34,294. Interest on the loan is calculated at an annual rate of 2.535%. The loan Matures December 2020. The balance remaining on the IEPA Loan at April 30, 2010 is \$654,820.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE F – LONG-TERM DEBT (continued)

Debt Service Requirements to Maturity

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

| Year Ending April 30, | Governmental Activities | | Business-type Activities | |
|--------------------------|----------------------------|------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2011 | 100,000 | 21,008 | 227,318 | 177,886 |
| 2012 | 100,000 | 17,858 | 233,653 | 169,990 |
| 2013 | 105,000 | 14,448 | 245,021 | 161,871 |
| 2014 | 110,000 | 10,710 | 251,425 | 153,342 |
| 2015 | 115,000 | 6,658 | 262,865 | 144,590 |
| 2016-2020 | 120,000 | 2,280 | 1,467,232 | 578,353 |
| 2021-2025 | - | - | 1,507,306 | 308,754 |
| 2026-2027 | - | - | 665,000 | 40,200 |
| Total | <u>\$ 650,000</u> | <u>\$ 72,962</u> | <u>\$ 4,859,820</u> | <u>\$ 1,734,986</u> |

NOTE G – FUND EQUITY

The following is a schedule of fund equity reservations/designations as of the date of this report:

| | Governmental Funds | Water and Sewer Fund | Police Pension Fund |
|--------------------------------------|-----------------------|-------------------------|---------------------------|
| Reserved - | | | |
| Parks | \$ 524,045 | \$ - | \$ - |
| Drug and DUI | 11,543 | - | - |
| Debt Project Fund | (95) | 916,762 | - |
| Debt Service | 130,357 | 542,737 | - |
| Rose Garden | 8,957 | - | - |
| Unemployment | 18,704 | - | - |
| Street Improvements | 66,781 | - | - |
| Pension Benefits | - | - | 2,475,893 |
| Total reserved | <u>760,292</u> | <u>1,459,499</u> | <u>2,475,893</u> |
| Designations | | | |
| Police car and equipment | 51,990 | - | - |
| Streets | 113,106 | - | - |
| Building | 90,436 | - | - |
| Equipment and system accumulation | 208,324 | 3,724,681 | - |
| Total designations | <u>\$ 463,856</u> | <u>\$ 3,724,681</u> | <u>\$ -</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE H – RISK MANAGEMENT

Illinois Municipal League Risk Management Association

The Village participates in the Illinois Municipal League Risk Management Association (IMLRMA). IMLRMA is an organization of Illinois municipalities and special districts in Northeastern Illinois which have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. IMLRMA administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers compensation claim administration and litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of IMLRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the by-laws of IMLRMA and experience modification factors based on past member loss experience. Each member assumes the first \$1,000 of each occurrence, and IMLRMA has self-insurance retentions at various amounts above that level. The Village incurred no losses in excess of coverage for each of the past three fiscal years.

Members have a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits. The Village's payments to IMLRMA are displayed on the financial statements as expenditures/expenses in the appropriate funds. The coverages provided by IMLRMA are generally consistent with the coverages in the prior year.

NOTE I – CONTINGENT LIABILITIES

Reserve for developer recapture

The Village has entered into an agreement with a developer in which the developer has constructed certain portions of water systems at their expense. The developer is allowed to recapture certain costs of these projects as the Village collects certain fees on the lots sold in those specific developments. At April 30, 2010 the total amount subject to recapture is \$10,253.

Solid Waste Agency of Lake County (SWALCO)

The Village's contract with the Solid Waste Agency of Lake County 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 tipping fees paid by refuse haulers. In addition, the Village is obligated for any costs arising from defaults in payment obligations by other members.

NOTE J – JOINT VENTURE

Solid Waste Agency of Lake County (SWALCO)

The Village is a member of the Solid Waste Agency of Lake County (SWALCO). The Agency is a municipal corporation with approximately 40 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.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE J – JOINT VENTURE (continued)

The following represents a summary of the Agency's balance sheet at November 30, 2009 and the statement of revenues and expenses for the year then ended.

| | |
|----------------------------|--------------------|
| Current assets | \$ 718,377 |
| Capital Assets | <u>1,617,516</u> |
| Total Assets | <u>2,335,893</u> |
| Current liabilities | <u>361,921</u> |
| Investment in fixed assets | 1,497,516 |
| Restricted | 120,000 |
| Unrestricted | <u>356,456</u> |
| Total net assets | <u>\$1,973,972</u> |
| Revenue | \$2,538,072 |
| Expenditures | \$2,631,041 |

November 30, 2009 is the latest date information is available. Audited financial statements of the Agency may be obtained from the Village or the Agency's administrative office located in Gurnee, Illinois. During the current fiscal year, the Village paid \$2,997 in membership fees to the Agency.

The entity is not considered to be a component unit of the Village.

NOTE K – EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PENSION PLANS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system and the Police Pension Plan which is a single-employer pension plan. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained at www.imrf.org or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. No separate financial statements are issued for the Police Pension Plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

Illinois Municipal Retirement System

Plan Description. The Village's defined benefit pension plan for its eligible 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.

Funding Policy. As set by statute, the Village's plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 8.16 percent of annual covered payroll. 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.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE K – EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PENSION PLANS
(continued)

Annual Pension Cost. For fiscal year ending December 31, 2009, the Village's annual pension cost of \$78,467 for the plan was equal to the Village's required and actual contributions.

Three-Year Trend Information for the Regular Plan

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|------------------------------|-------------------------------------|---------------------------|
| 12/31/09 | 78,467 | 100% | \$0 |
| 12/31/08 | 88,412 | 100% | 0 |
| 12/31/07 | 86,052 | 100% | 0 |

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% 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 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 15% corridor between actuarial and market value of assets. The Village's plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 23 years.

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the Village's plan was 86.16 percent funded. The actuarial accrued liability for benefits was \$2,284,759 and the actuarial value of assets was \$1,968,479, resulting in an underfunded actuarial accrued liability (UAAL) of \$316,280. The covered payroll (annual payroll of active employees covered by the plan) was \$961,606 and the ratio of the UAAL to the covered payroll was 33 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

The schedule of funding progress, presented as RSI 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.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE K – EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PENSION PLANS
(continued)

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. 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. At April 30, 2010 the Police Pension Plan membership consisted of:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 6 |
| Current employees vested and nonvested | 18 |
| Total | <u>24</u> |

The following is a summary of the Police Pension Plan as provided for in Illinois Compiled Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required to contribute 9.91% of their base salary, as of January 1, 2001, to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the modified cash basis of accounting. Employee and employer 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.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE K – EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PENSION PLANS
(continued)

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 national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Significant Investments

There are no investments (other than U.S. Government and U.S. Government - guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits for the Police Pension Plan. Information for IMRF is not available.

Related Party Transactions

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

Annual Pension Cost and Net Pension Obligation

The pension liability was determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers." There was no net pension obligation for the IMRF Plan. The pension liability for the Police Pension Plan is as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

| | <u>Police Pension</u> |
|-----------------------|--------------------------|
| Annual pension cost | \$ 309,100 |
| Actual contribution | <u>310,235</u> |
| Increase in the NPO | (1,135) |
| NPO beginning of year | <u>(2,647)</u> |
| NPO end of year | <u><u>\$ (3,782)</u></u> |

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE K – EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PENSION PLANS
(continued)

The Village's annual pension costs for the current period and related information is as follows:

| | IMRF | Police Pension |
|-------------------------------|--|--|
| Contribution rates | | |
| Employer | 8.16% | 16.89% |
| Employee | 4.50% | 9.91% |
| Annual pension cost | \$78,467 | \$309,100 |
| Contributions made | \$78,467 | \$310,235 |
| Actuarial valuation date | 12/31/2007 | 4/30/2007 |
| Actuarial cost method | Entry-age Normal | Entry-age Normal |
| Amortization method | Level percentage of projected payroll Closed Basis | Level percentage of projected payroll Closed Basis |
| Remaining amortization period | 23 | 30.6137 |
| Asset valuation method | 5-year Smoothed market | Actuary's value |
| Actuarial assumptions | | |
| Investment rate of return | 7.5% compounded annually | 7% compounded annually |
| Projected salary increases | .4-10% | 5.50% |
| Inflation rate included | 4.00% | not available |
| Cost-of-living adjustments | 3.00% | 3.00% |

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

Trend Information

Employer annual pension cost (APC) and actual contributions are as follows:

| | Year Ended | Illinois Municipal Retirement | Fiscal year Ended | Police Pension |
|-------------------------------|---------------|-------------------------------------|----------------------|-------------------|
| Annual pension cost (APC) | 12/31/2007 | 86,052 | 4/30/2005 | 258,491 |
| | 12/31/2008 | 88,412 | 4/30/2006 | 282,540 |
| | 12/31/2009 | 78,467 | 4/30/2007 | 309,100 |
| Actual contributions | 12/31/2007 | 86,052 | 4/30/2005 | 261,676 |
| | 12/31/2008 | 88,412 | 4/30/2006 | 283,572 |
| | 12/31/2009 | 78,467 | 4/30/2007 | 310,235 |
| Percentage of APC Contributed | 12/31/2007 | 100.00% | 4/30/2005 | 101.23% |
| | 12/31/2008 | 100.00% | 4/30/2006 | 100.37% |
| | 12/31/2009 | 100.00% | 4/30/2007 | 100.37% |
| Net Pension Obligation (NPO) | 12/31/2007 | - | 4/30/2005 | (1,615) |
| | 12/31/2008 | - | 4/30/2006 | (2,647) |
| | 12/31/2009 | - | 4/30/2007 | (3,782) |

NOTE L – SOCIAL SECURITY

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund or Police Pension Fund are considered "non-participating employees." These employees and those qualifying under the Illinois Municipal Retirement Fund are covered under Social Security. The Village paid \$177,978, the total required contribution, for the current fiscal year.

NOTE M – 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 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.

VILLAGE OF LAKE VILLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE N – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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, 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.

NOTE O – COMMITMENTS

At April 30, 2010, 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 is provided in Note J.

The Village pays sewerage usage and collects connection fees for and remits them to the County of Lake, Illinois, in accordance with an agreement for sewerage disposal dated August 23, 1991. During the fiscal year ended April 30, 2010 the Village remitted \$587,014 to the County, with a balance of approximately \$31,862 due to the county at that date.

The Village approved a contract for a water facilities building at a cost of \$1,631,095. At April 30, 2010, \$52,097 remains open on the contract.

The Village also approved two contracts for a MFT project in Ishnala Country Estates at a cost of \$386,717. At April 30, 2010, \$31,231 remains open on the contract.

A contract for a portion of the OLSAD project was approved by the Village at a cost of \$563,332. At April 30, 2010, \$28,167 remains open on the contract.

NOTE P – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the Combined Statements – Overview, of certain information concerning individual funds including:

1. Segment information for certain individual Enterprise Funds. This requirement is effectively met in this report by the Combined Statements because the Village maintains only one Enterprise Fund.
2. Excess of expenditures over appropriations in individual funds. There were no funds with expenditures in excess of appropriations.
3. Deficit fund balances or retained earnings of individual funds. There were none at April 30, 2010.

VILLAGE OF LAKE VILLA, ILLINOIS
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - CASH BASIS
BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2010

Schedule 1

(Page 1)

| Cash Receipts | Budget - Original and Final | Actual |
|--|-----------------------------------|------------------|
| Taxes | | |
| Real Estate Taxes | \$ 1,644,160 | \$ 1,643,388 |
| Real Estate Tax-Police Pension | 310,364 | 310,235 |
| Sales Tax | 690,000 | 708,121 |
| Local Use Tax | 126,880 | 102,823 |
| Telecommunications Tax | 359,000 | 342,025 |
| Utility Tax - Gas | - | 11,429 |
| Total Taxes | <u>3,130,404</u> | <u>3,118,021</u> |
| Intergovernmental Revenue | | |
| Road & Bridge Tax | 21,000 | 17,374 |
| State Income Tax | 794,825 | 555,831 |
| Replacement Tax | 12,000 | 13,578 |
| Total Intergovernmental Revenue | <u>827,825</u> | <u>586,783</u> |
| Licenses, permits, and fees | | |
| Liquor License | 12,300 | 14,544 |
| Vehicle Licenses | 86,500 | 85,562 |
| Amusement License | 4,100 | 4,150 |
| Vending License | 1,450 | 2,050 |
| Business Registration Fees | 5,800 | 5,225 |
| Building Permits | 148,500 | 128,229 |
| Watershed Permit | 375 | 375 |
| Site Development Permits | 4,800 | 17,090 |
| Landscape Inspection Fee | 750 | 550 |
| Subdivision Filing Fee | - | - |
| Zoning Hearing Fee | - | 1,600 |
| Impact Fees | 9,000 | 8,340 |
| Cable Franchise | 88,000 | 118,382 |
| Computer Fund | 1,485 | 1,665 |
| Grants - Federal | - | - |
| Grants - State | 358,000 | 357,200 |
| Parks and Recreation Fees | 50,000 | 50,938 |
| Parks and Recreation Advertising Revenue | 3,000 | 552 |
| Total Licenses, Permits and Fees | <u>774,060</u> | <u>796,452</u> |
| Fines | | |
| DUI Fines | 1,000 | 3,292 |
| Court Fines | 101,000 | 89,162 |
| Parking & Other Fines | 7,500 | 27,817 |
| Total Fines | <u>109,500</u> | <u>120,271</u> |
| Other | | |
| Zoning Books, Maps, & Fees | 300 | 233 |
| Police Reports | 700 | 1,263 |
| Metra Parking Fees | 40,000 | 41,283 |
| Interest | 10,000 | 5,685 |
| Donations | - | 10 |
| Rent - Tower | 24,600 | 24,987 |
| Rent - Mansion | 65,000 | 65,595 |
| School Resource Officer Fees | 105,000 | 117,863 |
| Other Revenue | 40,000 | 17,841 |
| Accumulation account transfers | 420,532 | - |
| Total Other | <u>706,132</u> | <u>274,760</u> |
| Total Cash Receipts | <u>5,547,921</u> | <u>4,896,287</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2010

Schedule 1
(Page 2)

| | Budget - Original and Final | Actual |
|--------------------------------|-----------------------------------|-----------|
| Cash Disbursements | | |
| Administrative | | |
| Salary-Clerical | 166,686 | 153,217 |
| Salary-Treasurer | 85,936 | 85,850 |
| Overtime | - | - |
| Special Census Employee | - | - |
| Salary - Village Clerk | 4,100 | 3,650 |
| Salary - Mayor & Trustees | 32,000 | 25,530 |
| Salary - Zoning & Planning | 3,500 | 695 |
| Health & Life Insurance | 47,242 | 47,661 |
| Imrf - Employer Contribution | 22,767 | 20,728 |
| Social Security | 22,355 | 20,034 |
| Training/Travel | 1,500 | 705 |
| Auditors | 5,033 | 6,525 |
| Engineering | 8,000 | 32,235 |
| Legal Fees | 120,000 | 84,934 |
| Planner | 1,500 | - |
| Computer Accum permits | - | - |
| Update Code Book | 5,000 | 1,101 |
| Publishing | 5,500 | 4,012 |
| Printing | 8,000 | 3,879 |
| Public Relations | 3,100 | 5,773 |
| Liability Insurance | 12,169 | 12,708 |
| Office Supplies | 10,000 | 4,093 |
| Computer-Service & Maintenance | 8,000 | 5,317 |
| Credit Card Fees | 2,000 | 1,939 |
| Miscellaneous Expenses | 31,000 | 24,619 |
| Tax Incentives | 19,000 | 19,673 |
| Special Census | - | - |
| Economic Development | 17,500 | 6,975 |
| Capital Expenditures | 19,750 | 4,023 |
| Computer Accumulation | 1,485 | - |
| Total Administrative | 663,123 | 575,876 |
| Police | | |
| Salary-Full-Time Officers | 1,126,487 | 1,156,677 |
| Salary-Police Clerical | 70,140 | 66,517 |
| Salary-Part-Time Officers | 80,000 | 92,300 |
| Mechanic | 35,969 | 35,265 |
| Overtime, Court, & Range | 100,000 | 58,489 |
| Other Pay | 65,309 | 31 |
| Health & Life Insurance | 160,373 | 165,526 |
| IMRF - Employers Contributions | 7,931 | 7,576 |
| Police Pension | 310,364 | 310,235 |
| Social Security | 113,060 | 107,354 |
| Unemployment Insurance | - | - |
| Uniform Allowance | 16,550 | 14,600 |
| Training/Travel | 10,210 | 5,898 |
| Range - Shoot & Supplies | 3,540 | 524 |

VILLAGE OF LAKE VILLA, ILLINOIS
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2010

Schedule 1
(Page 3)

| | Budget - Original and Final | Actual |
|---------------------------------------|-----------------------------------|------------------|
| Police (continued) | | |
| Auditors | 5,033 | 5,025 |
| Legal Fees/Court | 51,500 | 29,608 |
| Dispatching | 109,200 | 96,324 |
| Maintenance-Vehicles | 28,400 | 8,443 |
| Automotive Fuel/Oil | 70,000 | 47,540 |
| Supplies - Vehicle | 16,500 | 7,852 |
| Police Commissioner Payroll | 3,000 | 560 |
| Police Commission Legal Fees | 2,500 | 4,116 |
| Police Commission Expenses | 2,500 | 33 |
| Telephone | 12,000 | 12,598 |
| Printing | 3,500 | 270 |
| Public Relations | 2,000 | 966 |
| Liability Insurance | 57,746 | 61,761 |
| Radios - Rent & Repair | 12,190 | 9,756 |
| Office Supplies | 11,000 | 9,862 |
| Computer - Service & Maintenance | 13,751 | 9,420 |
| Supplies | 10,000 | 1,536 |
| Miscellaneous | 8,060 | 11,541 |
| Capital Expenditures | 65,700 | 65,227 |
| Squad Accumulation | - | - |
| Equipment Accumulation | - | - |
| Total Police | <u>2,584,513</u> | <u>2,403,430</u> |
| Streets | | |
| Part Time Wages Streets | 30,000 | - |
| Salary-Maintenance | 198,235 | 222,115 |
| Overtime | 11,900 | 4,310 |
| Replace Man Moved Water Dept | - | - |
| Health & Life Insurance | 46,117 | 44,917 |
| IMRF Contribution | 18,912 | 18,829 |
| Social Security | 18,370 | 16,844 |
| Uniform Allowance | 3,000 | 2,906 |
| Travel/Training | 1,000 | 209 |
| Engineering | 15,000 | 19,787 |
| Maintenance Vehicle | 12,000 | 9,538 |
| Automotive Fuel/Oil | 37,000 | 20,420 |
| Supplies-Vehicle | 35,000 | 20,527 |
| Maintenance - Streets | 38,000 | 24,444 |
| Maintenance - Storm Sewers | 20,000 | 13,313 |
| Maintenance - Signs & Lights | 8,000 | 11,014 |
| Maintenance - Sidewalks | 16,000 | 13,360 |
| Electric | 150,000 | 145,922 |
| Supplies | 25,000 | 12,258 |
| Liability Insurance | 40,956 | 37,921 |
| Hydrant Rental | - | - |
| Debt Service | 22,200 | 22,056 |
| Capital Expenditures | 86,700 | 38,227 |
| Equipment Accumulation | - | - |
| Street Accumulation | - | - |
| Street Light Replacement Accumulation | 5,000 | - |
| Total Streets | <u>838,390</u> | <u>698,917</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2010

| | Budget - Original and Final | Actual |
|------------------------------|-----------------------------------|----------------|
| Buildings and Grounds | | |
| Salary-Maintenance | 161,419 | 135,868 |
| Overtime | 5,900 | 1,774 |
| Salary-Maintenance Part Time | 29,500 | 32,707 |
| Health & Life Insurance | 33,134 | 26,841 |
| IMRF Contribution | 16,715 | 13,257 |
| Social Security | 15,057 | 12,906 |
| Uniform Allowance | 1,600 | 957 |
| Engineering | 2,000 | 4,170 |
| Building Inspectors | 70,975 | 76,523 |
| Maintenance-Vehicle | 2,000 | 527 |
| Supplies - Vehicle | 7,000 | 3,606 |
| Maintenance-Building | 15,000 | 14,852 |
| Maintenance-Parks | 20,000 | 11,033 |
| Maintenance-Cable Tower | 2,500 | - |
| Gas Heat | 2,000 | 211 |
| Water & Sewer | 1,000 | 763 |
| Electric | 8,500 | 5,745 |
| Supplies-Building | 13,000 | 12,751 |
| Supplies-Parks | 25,000 | 24,138 |
| Cleaning Service | 8,000 | 6,725 |
| Telephone | 12,600 | 9,203 |
| Liability Insurance | 9,323 | 7,431 |
| Mansion Payment | 100,000 | 11,415 |
| Capital Improvements | 620,382 | 373,644 |
| Park Accumulation | - | - |
| Total Buildings and Grounds | <u>1,182,605</u> | <u>787,047</u> |
| Parks and Recreation | | |
| Salary-clerical | 28,000 | 17,299 |
| IMRF Contribution | - | - |
| Social security | 2,206 | 1,330 |
| Class instruction | 35,000 | 30,350 |
| Legal fees | - | - |
| Printing/Publishing | 14,580 | 11,097 |
| Office Supplies | 3,000 | 2,965 |
| Class Supplies | 500 | 488 |
| Website | 500 | 225 |
| Field Trip Expenses | 3,000 | 1,660 |
| Facility Rental Expenses | 3,000 | 2,448 |
| Miscellaneous | 300 | - |
| Total Parks and Recreation | <u>90,086</u> | <u>67,862</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2010

| | Budget - Original and Final | Actual |
|---|-----------------------------------|---------------------|
| Mansion | | |
| Maintenance | 18,000 | 10,500 |
| Maintenance-grounds | 14,000 | 3,920 |
| Gas Heat | 8,200 | 7,052 |
| Water and Sewer | 3,000 | 1,733 |
| Electric | 11,000 | 8,556 |
| Supplies | 6,000 | 4,007 |
| Capital Expenditures | - | 24 |
| Total Mansion | <u>60,200</u> | <u>35,792</u> |
| Total Disbursements | <u>5,418,917</u> | <u>4,568,924</u> |
| Excess (Deficiency) of cash receipts over disbursements | 129,004 | 327,363 |
| OTHER SOURCES (USES) | | |
| Interfund transfer | <u>(127,000)</u> | <u>(123,958)</u> |
| Excess (deficiency) of receipts and other sources over (under) disbursements and other (uses) | 2,004 | 203,405 |
| Fund balance - beginning | <u>1,565,867</u> | <u>1,565,867</u> |
| Fund balance - ending | <u>\$ 1,567,871</u> | <u>\$ 1,769,272</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
 MOTOR FUEL TAX FUND
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE - CASH BASIS
 BUDGET AND ACTUAL
 YEAR ENDED APRIL 30, 2010

| | Budget - Original and Final | Actual |
|--|-----------------------------------|----------------------|
| Cash Receipts | | |
| Motor Fuel Tax | \$ 226,233 | \$ 227,013 |
| Interest | - | 621 |
| Total Cash Receipts | <u>226,233</u> | <u>227,634</u> |
| Cash Disbursements | | |
| Maintenance - Streets | 275,000 | 340,960 |
| Snow Removal | 210,000 | 73,676 |
| Engineering | - | 51,601 |
| Total Cash Disbursements | <u>485,000</u> | <u>466,237</u> |
| Excess (Deficiency) of cash receipts over disbursements | (258,767) | (238,603) |
| Fund Balance - Beginning of Year | <u>305,384</u> | <u>305,384</u> |
| Fund Balance - End of Year | <u>\$ 46,617</u> | <u>\$ 66,781</u> |

SCHEDULE 3

VILLAGE OF LAKE VILLA, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2010

| 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 |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|--|
| December 31, | | | | | | |
| 2009 | \$ 1,968,479 | \$ 2,284,759 | 316,280 | 86.16% | 961,606 | 32.89% |
| 2008 | 1,779,987 | 2,106,112 | 326,125 | 84.52% | 1,012,744 | 32.20% |
| 2007 | 1,918,694 | 1,899,772 | (18,922) | 101.00% | 975,645 | 0.00% |

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$1,920,849.

On a market basis the funded ratio would be 84.07%.

SCHEDULE 4

VILLAGE OF LAKE VILLA, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED APRIL 30, 2010

| <u>Fiscal Year</u> | <u>Annual Required Contributions</u> | <u>Percentage Contributed</u> |
|------------------------|--|-----------------------------------|
| 2010 | 309,100 | 100.37% |
| 2009 | 282,540 | 100.37% |
| 2008 | 258,491 | 101.23% |
| 2007 | 227,344 | 100.00% |
| 2006 | 181,129 | 98.55% |
| 2005 | 168,699 | 100.44% |
| 2004 | 140,266 | 99.63% |
| 2003 | 133,104 | 100.32% |
| 2002 | 107,000 | 99.08% |
| 2001 | 98,582 | 99.47% |

SCHEDULE 5

VILLAGE OF LAKE VILLA, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2010

| 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) |
|--------------------------------|--|---|--------------------------------------|--------------------------|-------------------------|--|
| April 30, | | | | | | |
| 2010 | | | Not Available | | | |
| 2009 | \$ 2,260,721 | \$ 6,648,585 | \$ 4,387,864 | 34.00% | 1,089,856 | 402.61% |
| 2008 | 2,002,853 | 5,790,403 | 3,787,550 | 34.59% | 1,008,348 | 375.62% |
| 2007 | 1,702,833 | 5,342,321 | 3,639,488 | 31.87% | 956,969 | 380.31% |
| 2006 | 1,442,796 | 4,470,654 | 3,027,858 | 32.27% | 949,446 | 318.91% |
| 2005 | 1,232,310 | 4,010,568 | 2,778,258 | 30.73% | 881,431 | 315.20% |
| 2004 | 1,082,656 | 3,442,996 | 2,360,340 | 31.45% | 804,698 | 293.32% |
| 2003 | 943,793 | 2,456,137 | 1,512,344 | 38.43% | 718,811 | 210.40% |
| 2002 | 773,326 | 2,171,350 | 1,398,024 | 35.61% | 670,994 | 208.35% |
| 2001 | 629,196 | 1,828,625 | 1,199,429 | 34.41% | 553,959 | 216.52% |

SCHEDULE 6

VILLAGE OF LAKE VILLA, ILLINOIS
COMBINING BALANCE SHEET - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2010

| ASSETS | Debt Certificate | | Debt Service | | Total |
|-------------------------------------|------------------|------|--------------|---------|------------|
| | Project Fund | | Reserve Fund | | |
| Cash and Investments | \$ | (95) | \$ | 130,357 | \$ 130,262 |
| Due from other funds | | - | | - | - |
| Total assets | \$ | (95) | \$ | 130,357 | \$ 130,262 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Due to other funds | \$ | - | \$ | - | \$ - |
| Total liabilities | | - | | - | - |
| FUND BALANCES | | | | | |
| Reserved for Capital projects | (95) | | - | | (95) |
| Reserved for debt service | - | | 130,357 | | 130,357 |
| Unreserved | - | | - | | - |
| Total fund balances | (95) | | 130,357 | | 130,262 |
| Total liabilities and fund balances | \$ | (95) | \$ | 130,357 | \$ 130,262 |

SCHEDULE 7

VILLAGE OF LAKE VILLA, ILLINOIS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2010

| | Debt Certificate Project Fund | Debt Service Reserve Fund | Total |
|---|----------------------------------|---------------------------------|------------|
| RECEIPTS | | | |
| Investment income | \$ - | \$ 290 | \$ 290 |
| DISBURSEMENTS | | | |
| Capital expenditures | - | - | - |
| Debt service | 123,958 | - | 123,958 |
| Miscellaneous | 500 | - | 500 |
| Total disbursements | 124,458 | - | 124,458 |
| Excess (deficiency) of receipts over disbursements | (124,458) | 290 | (124,168) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer (to) from other funds | 123,958 | - | 123,958 |
| Excess (deficiency) of receipts and other sources over (under) disbursements and other uses | (500) | 290 | (210) |
| FUND BALANCE - Beginning | 405 | 130,067 | 130,472 |
| FUND BALANCE - Ending | \$ (95) | \$ 130,357 | \$ 130,262 |

VILLAGE OF LAKE VILLA, ILLINOIS
WATER AND SEWER (PROPRIETARY) FUND
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND EXPENSES -
MODIFIED CASH BASIS

| | Year Ended April 30, | | | | |
|--|----------------------|---------------------|---------------------|-------------------|-------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Operating Receipts | | | | | |
| Water and Sewer Sales | \$ 1,610,033 | \$ 1,513,256 | \$ 1,597,348 | \$ 1,603,062 | \$ 1,472,922 |
| Meter Sales - Net | (42,189) | (67,100) | (38,927) | (15,877) | (1,662) |
| Total operating receipts | <u>1,567,844</u> | <u>1,446,156</u> | <u>1,558,421</u> | <u>1,587,185</u> | <u>1,471,260</u> |
| Operating Disbursements | | | | | |
| Salaries | 261,379 | 268,421 | 276,948 | 254,714 | 225,271 |
| Retirement Contributions | 39,523 | 43,139 | 41,795 | 40,475 | 34,302 |
| Employee Benefits | 50,928 | 48,850 | 28,571 | 22,079 | 16,970 |
| Supplies | 81,237 | 71,810 | 59,709 | 64,218 | 79,388 |
| Maintenance | 62,567 | 83,334 | 95,467 | 96,657 | 60,067 |
| Engineering Fees | 45,846 | 31,546 | 50,013 | 137,505 | 90,603 |
| Liability Insurance | 24,042 | 25,116 | 24,792 | 22,070 | 18,886 |
| Printing and Billing | 11,798 | 10,284 | 12,133 | 12,398 | 19,467 |
| Telephone | 4,131 | 6,274 | 6,615 | 5,842 | 3,969 |
| Legal and Audit Fees | 35,828 | 5,758 | 6,430 | 13,545 | 6,248 |
| Miscellaneous | 1,670 | 808 | 1,232 | 1,302 | 1,327 |
| Electricity | 149,102 | 130,512 | 128,372 | 76,905 | 92,685 |
| Heat - Disposal Plant | 9,337 | 11,858 | 8,717 | 4,792 | 6,951 |
| Depreciation | 515,359 | 461,118 | 443,535 | 433,008 | 418,166 |
| Travel and Training | 1,120 | 2,180 | 3,543 | 605 | 1,781 |
| Capital Expenditures | - | 72,790 | 207,946 | 73,924 | 14,670 |
| County Charges | 587,014 | 581,706 | 616,527 | 614,928 | 810,514 |
| Total operating disbursements | <u>1,880,881</u> | <u>1,855,504</u> | <u>2,012,345</u> | <u>1,874,967</u> | <u>1,901,265</u> |
| Net operating receipts in excess of (less than) disbursements | <u>(313,037)</u> | <u>(409,348)</u> | <u>(453,924)</u> | <u>(287,782)</u> | <u>(430,005)</u> |
| Nonoperating Receipts (Disbursements) | | | | | |
| Connection and Inspection Fees | 83,185 | 71,600 | 201,006 | 195,760 | 249,010 |
| Interest Received | 23,786 | 92,620 | 314,599 | 351,877 | 187,265 |
| Interest Expense | (185,876) | (192,895) | (199,945) | (58,206) | (22,462) |
| Excess Capacity Fees | - | - | - | - | - |
| Community Development Block Grant | - | - | - | - | - |
| Water service fee from developer | - | - | - | - | - |
| Bond issue costs | - | - | - | (75,557) | - |
| Loss on disposal of assets | - | - | - | (13,860) | - |
| Other Income (Expense) | 6,622 | 16,464 | 4,052 | 4,545 | 14,836 |
| Total Nonoperating Receipts | <u>(72,283)</u> | <u>(12,211)</u> | <u>319,712</u> | <u>404,559</u> | <u>428,649</u> |
| Excess Of Cash Receipts Over Disbursements | <u>\$ (385,320)</u> | <u>\$ (421,559)</u> | <u>\$ (134,212)</u> | <u>\$ 116,777</u> | <u>\$ (1,356)</u> |

VILLAGE OF LAKE VILLA, ILLINOIS
 ASSESSED VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS
 APRIL 30, 2010

| Levy Year | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSESSED VALUATIONS | <u>\$257,106,604</u> | <u>\$256,499,256</u> | <u>\$251,930,246</u> | <u>\$234,130,851</u> | <u>\$216,758,842</u> |
| TAX RATES (Per \$100 A.V.) | | | | | |
| Corporate | \$ 0.257 | \$ 0.257 | \$ 0.257 | \$ 0.250 | \$ 0.250 |
| Police protection | 0.228 | 0.231 | 0.231 | 0.225 | 0.225 |
| Tort & liability insurance | 0.022 | 0.021 | 0.011 | 0.006 | 0.012 |
| Municipal retirement | 0.018 | 0.017 | 0.016 | 0.022 | 0.032 |
| Unemployment insurance | 0.002 | 0.001 | 0.001 | 0.001 | 0.001 |
| Audit | 0.002 | 0.004 | 0.001 | 0.003 | 0.002 |
| Social security | 0.022 | 0.031 | 0.009 | 0.033 | 0.034 |
| Street and bridge | 0.092 | 0.079 | 0.093 | 0.091 | 0.092 |
| Police pension | 0.127 | 0.121 | 0.113 | 0.112 | 0.105 |
| | <u>\$ 0.770</u> | <u>\$ 0.762</u> | <u>\$ 0.732</u> | <u>\$ 0.743</u> | <u>\$ 0.753</u> |
| TAX EXTENSIONS | | | | | |
| Corporate | \$ 660,764 | \$ 659,203 | \$ 647,461 | \$ 585,327 | \$ 541,897 |
| Police protection | 586,203 | 592,513 | 581,959 | 526,794 | 487,707 |
| Liability insurance | 56,563 | 53,865 | 27,712 | 14,048 | 26,011 |
| Municipal retirement | 46,279 | 43,605 | 40,309 | 51,509 | 69,363 |
| Unemployment insurance | 5,142 | 2,565 | 2,519 | 2,341 | 2,168 |
| Audit | 5,142 | 10,260 | 2,519 | 7,024 | 4,335 |
| Social security | 56,564 | 79,515 | 22,674 | 77,263 | 73,698 |
| Street and bridge | 236,538 | 202,634 | 230,827 | 210,538 | 196,677 |
| Police pension | 326,526 | 310,364 | 284,681 | 262,227 | 227,597 |
| | <u>\$ 1,979,721</u> | <u>\$ 1,954,524</u> | <u>\$ 1,840,661</u> | <u>\$ 1,737,071</u> | <u>\$ 1,629,453</u> |
| COLLECTIONS | <u>(1)</u> | <u>1,953,624</u> | <u>\$ 1,835,306</u> | <u>\$ 1,733,826</u> | <u>\$ 1,626,996</u> |
| PERCENT COLLECTED | <u>(1)</u> | <u>99.95%</u> | <u>99.71%</u> | <u>99.81%</u> | <u>99.85%</u> |

(1) = collections are substantially received in June and September in the year following the levy year.