Long Grove, Illinois

## FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended April 30, 2013

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Baker Tilly Virchow Krause, LLP Ten Terrace Ct, PO Box 7398 Madison, WI 53707-7398 tel 608 249 6622 fax 608 249 8532 bakertilly.com

#### INDEPENDENT AUDITORS' REPORT

To the Village Board Village of Long Grove Long Grove, Illinois

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Long Grove, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Village of Long Grove's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

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

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



To the Village Board Village of Long Grove

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Long Grove, Illinois, as of April 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matters**

As discussed in Note I, the Village of Long Grove adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective May 1, 2012. Our opinions are not modified with respect to this matter.

As discussed in Note IV. I. to the financial statements, net position has been restated to correct an error in previously reported special assessment receivable amounts of the business-type activities and water utility fund. Our opinions are not modified with respect to this matter.

#### Other Matters

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

To the Village Board Village of Long Grove

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Long Grove's basic financial statements. The detailed schedule of revenues and expenditures - budget and actual for the general fund and the combining fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, restated for the adjustment described in Note IV. I., has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedule of revenues and expenditures - budget and actual for the general fund and the combining fund financial statements as listed in the table of contents are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Boker Jilly Virekour Krause, UP Madison, Wisconsin

October 31, 2013

## STATEMENT OF NET POSITION As of April 30, 2013

	Governmental	Business-type	
	Activities	Activities	Totals
ASSETS			
Cash and investments	\$ 5,217,083	\$ 85,531	\$ 5,302,614
Taxes receivable	1,207,409	-	1,207,409
Accounts receivable	819,947	7,342	827,289
Special assessments receivable	-	1,711,079	1,711,079
Delinquent special assessments receivable	-	1,702	1,702
Internal balances	559,266	(559,266)	-
Restricted cash and investments	445,002	38,755	483,757
Other assets	265,000	82,400	347,400
Capital Assets			
Land	15,497,887	116,801	15,614,688
Other capital assets, net of accumulated depreciation	3,852,913	3,094,515	6,947,428
Total Assets	27,864,507	4,578,859	32,443,366
LIABILITIES			
Accounts payable and accrued expenses	231,889	5,393	237,282
Accrued interest	111,250	12,529	123,779
Unearned revenue	501,832	-	501,832
Current maturities of long-term debt	75,000	30,000	105,000
Noncurrent Liabilities			
Due in more than one year	4,375,000	940,000	5,315,000
Total Liabilities	5,294,971	987,922	6,282,893
NET POSITION			
Net investment in capital assets	19,350,800	2,280,071	21,630,871
Restricted for:			
NHRM - infrastructure	142,874	-	142,874
Road projects	46,701	-	46,701
Economic development	26,976	-	26,976
Pathways	22	-	22
Open space	3,229,806	-	3,229,806
Unrestricted (deficit)	(227,643)	1,310,866	1,083,223
TOTAL NET POSITION	\$ 22,569,536	\$ 3,590,937	\$ 26,160,473

## STATEMENT OF ACTIVITIES For the Year Ended April 30, 2013

		Р	Program Revenu	es	Net (Expense)	Revenue and	
			Operating	Capital	Changes in I		
		Charges for	Grants and	Grants and	Governmental	Business-type	
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Totals
Governmental Activities							
General government	\$ 954,426	\$ 721,401	\$ -	\$ -	\$ (233,025)	\$ -	\$ (233,025)
Public safety	516,752	90,326	-	-	(426,426)	-	(426,426)
Public works	739,095	-	-	227,757	(511,338)	-	(511,338)
Culture, recreation and education	17,610	15,164	-	-	(2,446)	-	(2,446)
Conservation and development	456,283	184,641	158,753	-	(112,889)	-	(112,889)
Interest and fiscal charges	348,750				(348,750)		(348,750)
Total Governmental Activities	3,032,916	1,011,532	158,753	227,757	(1,634,874)		(1,634,874)
Business-type Activities							
Special service area - water	198,494	-	-	-	-	(198,494)	(198,494)
Water management	48,371	70,868	-	-	-	22,497	22,497
Total Business-type Activities	246,865	70,868				(175,997)	(175,997)
Totals	\$ 3,279,781	\$ 1,082,400	\$ 158,753	\$ 227,757	(1,634,874)	(175,997)	(1,810,871)
	General Rever	iues					
	Taxes						
	Income				756,049	-	756,049
	Sales				1,597,754	-	1,597,754
		nt/property taxes	3		175,312	-	175,312
	Telecommur	nications			365,481	-	365,481
	Other taxes				84,788	-	84,788
	Investment in				11,936	274	12,210
	Miscellaneous	3			17,369		17,369
	Total Gene	ral Revenues			3,008,689	274	3,008,963
	Change	in Net Position			1,373,815	(175,723)	1,198,092
	NET POS	SITION - Beginni	ing of Year (as r	estated)	21,195,721	3,766,660	24,962,381
	NET	POSITION - EN	ID OF YEAR		\$ 22,569,536	\$ 3,590,937	\$ 26,160,473

#### BALANCE SHEET GOVERNMENTAL FUNDS As of April 30, 2013

	General Fund		Open Spaces	Downtown TIF		lonmajor vernmental Funds		Totals
ASSETS						_		
Cash and investments	\$ 2,947,035	\$	1,001,724	\$ 1,130,636	\$	137,688	\$	5,217,083
Receivables								
Taxes	935,407		-	267,961		4,041		1,207,409
Accounts	67,898		88,480	649,737		13,832		819,947
Due from other funds	11,100		-	6,165		-		17,265
Advance to other funds	2,690,149		2,139,601	548,166		-		5,377,916
Restricted cash and investments			<u>-</u>	445,002		<u>-</u>		445,002
TOTAL ASSETS	\$ 6,651,589	\$	3,229,805	\$ 3,047,667	\$	155,561	\$ 1	3,084,622
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 224,942	\$	-	\$ -	\$	6,947		231,889
Due to other funds	-		-	-		6,165		6,165
Deferred revenues	563,479		-	227,573		70,047		861,099
Advance from other funds				4,829,750				4,829,750
Total Liabilities	788,421	_		5,057,323		83,159		5,928,903
Fund Balances								
Nonspendable	2,690,149		-	-		-		2,690,149
Restricted	142,874		3,229,805	445,002		72,402		3,890,083
Committed	9,552		-	-		-		9,552
Unassigned (deficit)	3,020,593	_		(2,454,658)	_	_		565,935
Total Fund Balances	5,863,168		3,229,805	(2,009,656)		72,402		7,155,719
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,651,589	\$	3,229,805	\$ 3,047,667	\$	155,561		
Amounts reported for governmental activities in the statement Capital assets used in governmental funds are not financial activities.								
in the funds. See Note II.A.							1	9,350,800
Some receivables that are not currently available are report	ted as deferred	rev	enues in the	fund financial				
statements but are recognized as revenue when earned in	the governmen	t-wi	de statemen	ts. See Note IV	'. B.			359,267
Some liabilities, including long-term debt, are not due and p	ayable in the c	urre	ent period and	d, therefore, are	e not			
reported in the funds. See Note II. A.	-		•	•			(	4,296,250

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended April 30, 2013

	General Fund		Open Spaces	Downtown TIF	Nonmajor Governmental Funds	Tota Governn Fund	nental
REVENUES							
Taxes	\$ 2,710,369	\$	-	\$ 413,803	\$ 15,570	\$ 3,13	39,742
Intergovernmental	-		-	-	227,757		27,757
Fees, licenses and permits	721,401		88,480	-	-		09,881
Fines, forfeitures and penalties	90,326		-	-	-	(	90,326
Public charges for services	111,325		-	-	-	11	11,325
Investment income	121,561		103,985	18	378	22	25,942
Miscellaneous	17,369						17,369
Total Revenues	3,772,351		192,465	413,821	243,705	4,62	22,342
EXPENDITURES							
Current							
General government	948,309		-	-	-	94	48,309
Public safety	506,014		-	-	-	50	06,014
Public works	552,216		-	-	-		52,216
Conservation and development	195,519		271	41,315	192	23	37,297
Capital Outlay	282,036		-	94,035	216,809	59	92,880
Debt Service							
Interest on bonds	-		-	333,750	-		33,750
Interest on advance			<u>-</u>	214,004		2	14,004
Total Expenditures	2,484,094	_	271	683,104	217,001	3,38	84,470
Excess (deficiency) of revenues							
over (under) expenditures	1,288,257		192,194	(269,283)	26,704	1,23	37,872
OTHER FINANCING SOURCES (USES)							
Transfer in	_		_	17,531	_		17,531
Transfer out	(17,531)		_	-	_		17,531)
Total Other Financing Sources (Uses)	(17,531)			17,531			
Net Change in Fund Balance	1,270,726		192,194	(251,752)	26,704	1,23	37,872
FUND BALANCES (DEFICIT) - Beginning of Year	4,592,442		3,037,611	(1,757,904)	45,698	5,9	17,847
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 5,863,168	\$	3,229,805	\$ (2,009,656)	\$ 72,402	\$ 7,15	55,719

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended April 30, 2013

Net change in fund balances - total governmental funds	\$ 1,237,872
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements Some items reported as capital outlay were not capitalized Depreciation is reported in the government-wide statements	592,880 (252,903) (187,428)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements	(1,606)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	 (15,000)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,373,815

# STATEMENT OF NET POSITION - PROPRIETARY FUND As of April 30, 2013

	Water Utility
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$ 85,531
Accounts receivable	7,342
Total Current Assets	92,873
Noncurrent Assets	
Special assessments receivable	1,711,079
Delinquent special assessments receivable	1,702
Restricted Assets	20.755
Bond reserve account Capital Assets	38,755
Land	116,801
Plant in service	3,434,797
Accumulated depreciation	(340,282)
Other Assets	,
Unamortized debt issuance costs	82,400
Total Noncurrent Assets	5,045,252
Total Assets	5,138,125
LIABILITIES	
Current Liabilities	
Accounts payable	5,393
Due to other funds	11,100
Accrued interest	12,529
Current portion of special service area bonds	30,000
Total Current Liabilities	59,022
Noncurrent Liabilities	
Advances from other funds	548,166
Special service area bonds payable	940,000
Total Noncurrent Liabilities	1,488,166
Total Liabilities	1,547,188
NET POSITION	
Net investment in capital assets	2,280,071
Unrestricted	1,310,866
TOTAL NET POSITION	\$ 3,590,937

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND For the Year Ended April 30, 2013

	Water Utility
OPERATING REVENUES	
Charges for services	\$ 70,868
OPERATING EXPENSES	
Utility operations	25,809
Administrative	23,864
Depreciation	114,965
Total Operating Expenses	164,638
Operating Income (Loss)	(93,770)
NONOPERATING REVENUES (EXPENSES)	
Investment income	274
Amortization of debt issuance costs	(5,150)
Interest expense	(77,077)
Total Nonoperating Revenues (Expenses)	(81,953)
Change in Net Position	(175,723)
TOTAL NET POSITION - Beginning of Year (as restated)	3,766,660
TOTAL NET POSITION - END OF YEAR	\$ 3,590,937

### STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended April 30, 2013

	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 71,514
Paid to suppliers for good and services	(67,279)
Net Cash Flows From Operating Activities	4,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	470.040
Special assessments received	176,010
Interest paid	(77,500)
Debt retired	(30,000)
Acquisition and construction of capital assets	(3,300)
Net Cash Flows From Capital and Related Financing Activities	65,210
CASH FLOWS FROM INVESTING ACTIVITIES	074
Investment income	274
Net Cash Flows From Investing Activities	274
Net Change in Cash and Cash Equivalents	69,719
CASH AND CASH EQUIVALENTS - Beginning of Year	54,567
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 124,286
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	\$ (93,770)
Operating income (loss) Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided From Operating Activities	\$ (93,770)
Depreciation expense Changes in assets and liabilities	114,965
Accounts receivable	646
Accounts payable	1,394
Due to other funds	(19,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 4,235
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUND	
Cash and investments - statement of net position-proprietary fund	\$ 85,531
Restricted cash and investments - statement of net position -	φ 05,551
proprietary fund	38,755
proprietary fund	
TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 124,286
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	<u>\$</u>

## STATEMENT OFASSETS AND LIABILITIES FIDUCIARY FUNDS As of April 30, 2013

ASSETS	Agency
Cash and investments	\$ 1,054,453
Accounts receivable	63,971
TOTAL ASSETS	\$ 1,118,424
LIABILITIES	
Liabilities	
Accounts payable	\$ 956,640
Due to bond holders or homeowners	161,784
TOTAL LIABILITIES	\$ 1,118,424

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NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Long Grove, Illinois conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### A. REPORTING ENTITY

This report includes all of the funds of the Village of Long Grove (the village). The reporting entity for the village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### Government-Wide Financial Statements

In June 2011, the GASB issued statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The village made the decision to implement this standard effective May 1, 2012.

The statement of net position and statement of activities display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

#### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **B.** GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

#### Government-Wide Financial Statements (cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues rather than as program revenues.

#### Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the village or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the village believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The village reports the following major governmental funds:

General Fund – Accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue – Open Spaces – Accounts for resources legally restricted to supporting expenditures for the open space program.

Special Revenue – Downtown Tax Incremental Financing (TIF) – Accounts for resources legally restricted to supporting expenditures for the Downtown TIF fund.

#### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **B.** GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The village reports the following major enterprise fund:

Water Utility – Accounts for the operations of the water system.

The village reports the following nonmajor governmental funds:

Special Revenue Funds – Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Motor Fuel Tax – Accounts for specific revenue sources that are legally restricted to expenditures for local road and related improvements.

Business District – Accounts for resources legally restricted to supporting expenditures for the business district.

Pathway Grant – Accounts for specific revenue sources that are legally restricted to expenditures for a pedestrian/bike path.

In addition, the village reports the following fund types:

Agency funds are used to account for assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Interagency Control Fees Builders' Refundable Bonds Fees Refundable to Others Heron's Landing SSA

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments, if any, are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

#### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include sales and income taxes, property tax increment, miscellaneous taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes earned in the current year which are not collected until the subsequent year. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

#### Fund Financial Statements (cont.)

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

#### 1. Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the village considers all cash on hand, demand deposits, and highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Illinois Statutes authorize the village to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds Investment Pool, and the Illinois Metropolitan Investment Fund.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

The village has deposits and investments subject to custodial credit risk. The village's investment policy requires all deposits and investments to be securitized by insurance or collateral.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

#### 1. Cash, Cash Equivalents and Investments (cont.)

The Illinois Metropolitan Investment Fund (IMET) is a not-for-profit investment fund established under the Illinois Municipal Code. The pooled funds are invested exclusively in U.S. government-backed securities. This fund is not registered with the SEC as an investment company, but makes investments only in those investments specifically authorized in the Public Investment Act of the State of Illinois (30 ILCS 235/1). Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

See Note IV.A. for further information.

#### 2. Receivables

Property taxes for levy year 2012 attach as an enforceable lien on January 1, 2012, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The tax levy, which attached as an enforceable lien on the property as of January 1, has been recorded as a receivable as of April 30, 2013.

Tax bills for levy years are prepared by Lake County and issued on or about March 1, and September 1, and are payable in two installments, on or about April 1, and October 1, or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2012 property tax levy is recognized as a receivable and deferral in fiscal 2013, net of amounts already collected. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2013, the property taxes receivable and deferred tax revenue consisted of the estimated amount collectible from the 2012 levy.

Accounts receivable have been shown net of an allowance for uncollectible accounts. The amount recorded as accounts receivable has been reduced by an allowance for uncollectible accounts of \$35,550.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

#### 3. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

#### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

#### D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

#### 4. Capital Assets

#### Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$15,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings 40 Years
Machinery and Equipment 5-10 Years
Infrastructure 10-50 Years

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

#### 5. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

#### 6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. The benefits are not material to the financial statements; therefore, there are no amounts accrued in these financial statements.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **D.** ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

#### 7. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist entirely of bonds payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

#### 8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

#### 9. Basis for Existing Rates - Proprietary Fund

#### Water Management Fund

The village approved Ordinance No. 2009-O-19 "Water Service Charge Ordinance" on April 14, 2009 and amended it on January 25, 2011 and April 26, 2011.

Current water service charge rates were approved by the village board and took effect on April 26, 2011.

#### 10. Equity Classifications

#### Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position Consists of net position with constraints placed on their use either by
   external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

#### **Fund Statements**

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the village classifies governmental fund balance as follows:

- Nonspendable Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted Consists of fund balances with constraints placed on their 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 legislation.
- c. Committed Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) of the village. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the village that originally created the commitment.
- d. Assigned Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The village has adopted a financial policy authorizing the Village Board to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- Unassigned Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The village adopted a minimum fund reserve policy effective April 26, 2011. The recommended minimum reserve balance shall be equal to 100% of the projected and actual total annual revenues. Until such reserve levels are established, the village annual budget should be balanced or revenue positive. Non-budgeted expenditures reducing the reserve below the minimum established level shall be limited to emergency or crisis situations and shall only be approved after a two-reading process, unless such process is waived pursuant to a 2/3 vote by the Board of Trustees.

See Note IV.H. for further information.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

## A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental funds balance sheet includes a reconciliation between total fund balance and net position of governmental activities as reported in the government-wide statement of net position. The reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Land	\$ 15,497,887
Land improvements	3,604,485
Buildings	205,630
Machinery and equipment	172,505
Infrastructure	787,893
Less: Accumulated depreciation	 (917,600)
Adjustment for Capital Assets	\$ 19,350,800

Long-term liabilities applicable to the village's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position.

Bonds payable	\$ 4,450,000
Accrued interest	111,250
Unamortized bond issuance costs	 (265,000)
Combined Adjustment for Long-Term	
Liabilities	\$ 4,296,250

#### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for all funds except for the Business District.

The budgeted amounts are as presented in the original budget and no amendments were adopted during the year. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action. There were no supplemental appropriations during the year.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$-0-. Budgets are adopted at the departmental level of expenditure.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

						Excess penditures
	В	udgeted		Actual		Over
Fund	Ex	penditures	Ex	penditures		Budget
	_		_		_	
Open Spaces Fund	\$	-	\$	271	\$	271
Downtown TIF		138,000		683,104		545,104
Motor Fuel Tax		200,000		216,809		16,809

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's yearend budget to actual report.

#### C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of April 30, 2013, the following individual fund held a deficit balance:

Fund	Amount	Reason
Downtown TIF fund	\$ 2,009,656	Expenditures in excess of revenues

The TIF district deficit is anticipated to be funded with future incremental taxes levied over the life of the district.

#### D. WATER SYSTEM DISCLOSURES

The village approved ordinance establishing the water service charge requires the following annual disclosures:

- 1. Total volume of water received at the water plant for fiscal year 2012-13: 4,684,000 gallons.
- 2. Total volume of water billed for fiscal year 2012-13: 4,093,000 gallons.
- 3. Debt service for fiscal year 2013-14: \$107,077.
- 4. Number of users connected to the system: 13.
- 5. Number of non-metered users: 0.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS**

#### A. CASH, CASH EQUIVALENTS AND INVESTMENTS

The village's cash and investments at year end were comprised of the following:

	 Carrying Value	 Bank Balance	Associated Risks
Demand deposits Money market Illinois Metropolitan Investment Fund	\$ 497,498 989,732 3,588,168	\$ 526,694 989,744 3,588,168	Custodial credit risk Custodial credit risk Credit risk and interest
Open-ended money market mutual fund Petty cash	 1,765,176 250	 1,765,176 <u>-</u>	rate risk Custodial credit risk N/A
Total Cash and Investments	\$ 6,840,824	\$ 6,869,782	
Reconciliation to financial statements Per statement of net position Unrestricted cash and investments Restricted cash and investments Per statement of net position — Fiduciary	\$ 5,302,614 483,757		
Agency	 1,054,453		
Total Cash and Investments	\$ 6,840,824		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

#### **Custodial Credit Risk**

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

As of April 30, 2013, the village's deposits were exposed to custodial credit risk as follows:

Deposits	
Uninsured and uncollateralized	 \$ 38,426

#### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

#### Credit Risk

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of April 30, 2013, the village's investments were rated as follows:

Investment Type	Moody's
Illinois Metropolitan Investment Fund (IMET)	Not Rated

#### Interest Rate Risk

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

As of April 30, 2013, the village's investments were as follows:

			 N	/latu	rity (In Mo	nths	s)		
Investment Type	Fa	ir Value	_ess than 6 months		6 – 18 Months		_	18 – 30 Months	
IMET	\$	3,588,168	\$ 3,588,168	\$		_	\$		_

#### B. RECEIVABLES

Accounts receivable are reported net of uncollectible amounts. Uncollectible amounts related to tree replacement revenues totaled \$35,500. The village continues to pursue collection of this amount.

All receivables are expected to be collected within one year, with the exception of the special assessments reported in the water utility fund. These amounts are anticipated to be collected over the remaining life of the assessments levied upon benefitting property owners within the SSA. Amounts reported as receivable are at present value using the same interest rate as the special service area bonds used to finance the related deep water well that was constructed.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Taxes levied or collectible for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Ur	navailable	 Inearned	 Totals
Taxes receivable Grants	\$	359,267 -	\$ 433,082 68,750	\$ 792,349 68,750
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$</u>	359,267	\$ 501,832	\$ 861,099

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### C. RESTRICTED ASSETS

The Downtown TIF special revenue fund reports restricted assets in the amount of \$445,002. This balance is to account for resources set aside in a reserved bank account called the Reserve Fund.

The water utility proprietary fund reports \$38,755 of restricted assets being held in a separate bond reserve account as required by the 2011 Special Service Area Bonds.

#### **CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2013 was as follows:

Total Capital Assets Not Being Depreciated  Land improvements Suildings Machinery and equipment Total Capital Assets Being Depreciated  Land improvements  Machinery and equipment  Total Capital Assets Being Depreciated  Less: Accumulated depreciation for Land improvements  Land improvements  Less: Accumulated depreciation for Land improvements  Machinery and equipment  Land improvements  Land impro		Beginning Balance	Additions	Deletions	Ending Balance
Land       \$ 15,497,887       -       \$ 15,497,88         Total Capital Assets       15,497,887       -       -       15,497,88         Not Being Depreciated       15,497,887       -       -       15,497,88         Capital assets being depreciated       205,630       -       -       3,604,48         Buildings       205,630       -       -       205,63         Machinery and equipment       172,505       -       -       172,50         Bridges       180,943       -       -       180,94         Roads       266,973       339,977       -       606,95         Total Capital Assets       3604,485       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71         Buildings       (66,322)       (5,444)       -       (71,76         Machinery and equipment       (111,574)       (4,537)       -       (116,11	Governmental Activities				
Total Capital Assets     Not Being Depreciated					
Not Being Depreciated         15,497,887         -         -         15,497,88           Capital assets being depreciated         -         -         3,604,485         -         -         3,604,48           Buildings         205,630         -         -         205,63           Machinery and equipment         172,505         -         -         172,50           Bridges         180,943         -         -         180,94           Roads         266,973         339,977         -         606,95           Total Capital Assets         -         -         4,430,536         339,977         -         4,770,51           Less: Accumulated depreciation for Land improvements         (432,537)         (144,179)         -         (576,71           Buildings         (66,322)         (5,444)         -         (71,76           Machinery and equipment         (111,574)         (4,537)         -         (116,11		\$ 15,497,887	\$ -	\$ -	\$ 15,497,887
Capital assets being depreciated       3,604,485       -       3,604,485         Buildings       205,630       -       -       205,636         Machinery and equipment       172,505       -       -       172,505         Bridges       180,943       -       -       180,94         Roads       266,973       339,977       -       606,95         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71)         Buildings       (66,322)       (5,444)       -       (71,76)         Machinery and equipment       (111,574)       (4,537)       -       (116,11)					
Land improvements       3,604,485       -       -       3,604,48         Buildings       205,630       -       -       205,63         Machinery and equipment       172,505       -       -       172,50         Bridges       180,943       -       -       180,94         Roads       266,973       339,977       -       606,95         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71         Buildings       (66,322)       (5,444)       -       (71,76         Machinery and equipment       (111,574)       (4,537)       -       (116,11	Not Being Depreciated	15,497,887			15,497,887
Land improvements       3,604,485       -       -       3,604,48         Buildings       205,630       -       -       205,63         Machinery and equipment       172,505       -       -       172,50         Bridges       180,943       -       -       180,94         Roads       266,973       339,977       -       606,95         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71         Buildings       (66,322)       (5,444)       -       (71,76         Machinery and equipment       (111,574)       (4,537)       -       (116,11	Capital assets being depreciated			-	
Buildings       205,630       -       -       205,63         Machinery and equipment       172,505       -       -       172,50         Bridges       180,943       -       -       180,94         Roads       266,973       339,977       -       606,95         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71)         Buildings       (66,322)       (5,444)       -       (71,76)         Machinery and equipment       (111,574)       (4,537)       -       (116,11)		3,604,485	-	-	3,604,485
Bridges       180,943       -       -       180,948         Roads       266,973       339,977       -       606,958         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,518         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,718         Buildings       (66,322)       (5,444)       -       (71,768)         Machinery and equipment       (111,574)       (4,537)       -       (116,118)		, ,	-	-	205,630
Bridges       180,943       -       -       180,948         Roads       266,973       339,977       -       606,958         Total Capital Assets       -       -       4,430,536       339,977       -       4,770,518         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,718         Buildings       (66,322)       (5,444)       -       (71,768)         Machinery and equipment       (111,574)       (4,537)       -       (116,118)	Machinery and equipment	172,505	-	-	172,505
Roads         266,973         339,977         -         606,95           Total Capital Assets         4,430,536         339,977         -         4,770,51           Less: Accumulated depreciation for Land improvements         (432,537)         (144,179)         -         (576,71)           Buildings         (66,322)         (5,444)         -         (71,76)           Machinery and equipment         (111,574)         (4,537)         -         (116,11)		180,943	-	-	180,943
Being Depreciated       4,430,536       339,977       -       4,770,51         Less: Accumulated depreciation for Land improvements       (432,537)       (144,179)       -       (576,71)         Buildings       (66,322)       (5,444)       -       (71,76)         Machinery and equipment       (111,574)       (4,537)       -       (116,11)		266,973	339,977	-	606,950
Less: Accumulated depreciation for  Land improvements (432,537) (144,179) - (576,71  Buildings (66,322) (5,444) - (71,76  Machinery and equipment (111,574) (4,537) - (116,11	Total Capital Assets				
Land improvements       (432,537)       (144,179)       -       (576,71         Buildings       (66,322)       (5,444)       -       (71,76         Machinery and equipment       (111,574)       (4,537)       -       (116,11	Being Depreciated	4,430,536	339,977		4,770,513
Land improvements       (432,537)       (144,179)       -       (576,71         Buildings       (66,322)       (5,444)       -       (71,76         Machinery and equipment       (111,574)       (4,537)       -       (116,11	Less: Accumulated depreciation for				
Buildings (66,322) (5,444) - (71,76 Machinery and equipment (111,574) (4,537) - (116,11		(432,537)	(144,179)	-	(576,716)
Machinery and equipment (111,574) (4,537) - (116,11			, ,	-	(71,766)
			(4,537)	-	(116,111)
Driuges (113,064) (18,094) - (131,15	Bridges	(113,064)	(18,094)	-	(131,158)
Roads (6,675 (15,174) - (21,84	Roads	(6,675	(15,174)	-	(21,849)
Total Accumulated Depreciation (730,172) (187,428) - (917,60	<b>Total Accumulated Depreciation</b>	(730,172)	(187,428)		(917,600)
Governmental Activities Capital	Governmental Activities Capital				
		\$ 19,198,251	\$ 152,549	<u>\$</u>	\$ 19,350,800
Depreciation expense was charged to functions as follows:	Depreciation expense was charged to functi	ons as follows:			
Governmental Activities					

Governmental Activities	
General government	\$ 9,848
Public works	34,087
Culture and recreation	17,610
Conservation and development	 125,883
Total Governmental Activities Depreciation Expense	\$ 187,428

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

## D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities Capital assets not being depreciated Land	\$ 116,801	\$ -	\$ -	\$ 116,801
Capital assets being depreciated Public water system infrastructure Equipment Total Capital Assets	3,422,116 9,381	3,300		3,422,116 12,681
Being Depreciated	3,431,497	3,300		3,434,797
Less: Accumulated depreciation	(225,317)	(114,965)		(340,282)
Business-type Activities Capital Assets, Net of Depreciation	\$ 3,322,981	<u>\$ (111,665</u> )	<u>\$</u>	\$ 3,211,316

Depreciation expense was charged to functions as follows:

Water utility <u>\$ 114,965</u>

#### E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

#### Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables:

Receivable Fund		Amount	
Downtown TIF General fund	Business district Water management	\$	6,165 11,100
Total – Fund Financial Statements			17,265
Less: Fund eliminations Add: Advances			(6,165) 548,166
Total Internal Balances – Govern	ment-Wide Statement of Net Position	\$	559,266
Receivable Fund	Payable Fund		Amount
Governmental Activities	Business-type Activities	\$	559,266
Total		<u>\$</u>	559,266

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

#### Interfund Receivables/Payables (cont.)

The principal purpose of the \$11,100 general fund receivable is to record amounts owed from the water management fund's start up costs. The principal purpose of the \$6,165 Downtown TIF fund receivable is to account for timing issues for sales taxes collected

All amounts are expected to be repaid within one year.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

#### Advances

The general fund is advancing funds to the Downtown TIF special revenue fund. The amount advanced at April 30, 2013 was \$2,690,149. The advance is the combination of four amounts: 1) \$2,501,205 from funds advanced since the TIF's inception as authorized on December 8, 2009, the date upon which Ordinance No. 2009-O-44 was approved by the village board. This ordinance provided for the borrowing of up to \$3,000,000 between the general fund and TIF at a rate of 4% with scheduled principal payments of \$250,000 every December 1, commencing on December 1, 2010 and continuing through December 1, 2021; 2) \$96,426 of interest due on the advance; 3) \$16,102 of arrearage charges applied to the unpaid, scheduled principal and interest payments; and 4) \$76,416 of interest being charged on the portion of the advance prior to December 8, 2009. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception.

The open spaces fund is advancing funds to the downtown TIF fund. The advance has been authorized by two Ordinances. Ordinance No. 2009-O-43 provides for the borrowing of up to \$1,500,000 between open spaces and the TIF fund, and 2011-O-07 provides for the borrowing of up to \$950,000 between Open Spaces and the TIF fund. The rate being charged according to these ordinances is 4%. Scheduled principal payments are required every December 1, commencing December 1, 2010 and continuing through December 1, 2019. The balance between open spaces and the downtown TIF fund consists of: 1) \$2,038,125 from funds advanced since the TIF's inception; 2) \$81,525 of interest due on the advance; and 3) \$19,951 of arrearage charges applied to the unpaid, scheduled principal and interest payments. All interest and arrearage charges are paid current as of April 30, 2013.

The Downtown TIF fund has advanced \$548,166 to the Special Service Area Water fund to record amounts that have been paid by the TIF fund for costs incurred within the Special Service Area Water fund, which lies within and is a part of the TIF district, for the deep water well construction costs. No interest is being charged.

The following is a schedule of the interfund advances:

Receivable Fund	Payable Fund	Amount
General fund Open spaces fund Downtown TIF	Downtown TIF Downtown TIF SSA Water	\$ 2,690,149 2,139,601 548,166
Total – Fund Financial Statem	nents	5,377,916
Less: Fund eliminations		(4,829,750)
Total Interfund Advances		<u>\$ 548,166</u>
		5 00

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

#### **Transfers**

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount		Amount		Amount		Principal Purpose
Downtown TIF	General fund	\$	17,531	To account for amounts owed to the TIF as required by Illinois State Statute 651LCS 5/11-74.4-8.				
Total – Fund Financial	Statements		17,531					
Less: Fund eliminatio	ns		(17,531)					
Total Transfers – G of Activities	overnment-wide Statement	\$						

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended April 30, 2013, was as follows:

Governmental Activities  Bonds Payable Limited obligation tax	Beginning Balance	Inci	eases	De	ecreases	 Ending Balance	Du	mounts le Within ne Year
increment revenue bonds  Total Governmental Activities	\$ 4,450,000	\$		\$	<u> </u>	\$ 4,450,000	\$	75,000
Long-Term Liabilities	\$ 4,450,000	\$	-	\$		\$ 4,450,000	\$	75,000
Business-type Activities Bonds and Notes Payable Special service area bonds								
(tax-exempt obligations)	\$ 1,000,000	\$		\$	30,000	\$ 970,000	\$	30,000
Total Business-type Activities Long-Term Liabilities	\$ 1,000,000	\$		\$	30,000	\$ 970,000	\$	30,000

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### F. LONG-TERM OBLIGATIONS (cont.)

The village is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the village. As of April 30, 2013, the statutory debt limit for the village was \$48,339,264, providing a debt margin of \$47,369,264.

#### Revenue Debt

The village has pledged future tax increment and other tax revenues, net of specified operating expenses, to repay \$4,500,000 in limited obligation tax increment revenue bonds issued in September of 2010. Proceeds from the bonds provided financing for the Sunset Grove project. The bonds are payable solely from incremental taxes, business district taxes, and certain sales tax revenues from property described as the Sunset Grove Property pursuant to the Indenture and by other pledged revenues and are payable through January 1, 2030. Annual principal and interest payments on the bonds are expected to require 38.46% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$8,303,875. Principal and interest paid for the current year and total gross revenues were \$333,750 and \$413,803, respectively.

Revenue debt payable at April 30, 2013, consists of the following:

#### Governmental Activities Revenue Debt

Revenue Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebted- ness	Balance April 30, 2013
Limited obligation tax increment revenue bonds, Series 2010	9/29/2010	01/01/2030	7.50%	\$ 4,450,000	\$ 4,450,000
Total Governmental Activi	ties – Revent	ue Debt			\$ 4,450,000

Debt service requirements to maturity are as follows:

	Governmental Activities Revenue Debt					
<u>Years</u>	Principal Interes					
2014	\$ 75,000	\$	333,750			
2015	110,000		328,125			
2016	150,000		319,875			
2017	120,000		308,625			
2018	130,000		299,625			
2019 – 2023	1,010,000		1,317,750			
2024 – 2028	1,815,000		826,500			
2029 – 2030	1,040,000		119,625			
Totals	\$ 4,450,000	\$	3,853,875			

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

## F. LONG-TERM OBLIGATIONS (cont.)

#### Special Service Area Bonds

The special service area bonds are payable from special taxes levied by the county, on behalf of the village, upon benefitting properties.

Special service area bonds payable at April 30, 2013, consists of the following:

## **Business-type Activities**

Special Service Area Bonds	Date of Issue	Final Maturity	Interest Rates	_	Original Indebted- ness	_	Balance April 30, 2013
2011 Special service area bonds	2/01/2011	3/01/2030	7.75%	\$	1,000,000	\$	970,000
Total Business-type Activ	vities – Specia	al Service Area	Bonds			\$	970,000

Debt service requirements to maturity are as follows:

	Business-type Activities Special Service Area Bonds					
.,			je F			
<u>Years</u>		Principal		Interest		
2014	\$	30,000	\$	75,175		
2015		35,000		72,850		
2016		40,000		70,138		
2017		40,000		67,037		
2018		45,000		63,938		
2019 – 2023		275,000		263,500		
2024 – 2028		405,000		137,563		
2029 – 2030		100,000		7,750		
				_		
Totals	\$	970,000	\$	757,951		

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2013

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### F. LONG-TERM OBLIGATIONS (cont.)

#### No Commitment Debt

#### Heron's Landing Special Service Area

The village has issued \$1,365,000 of tax-exempt special tax bonds and \$435,000 of taxable special tax bonds. Series 2011A was issued in the amount of \$1,365,000 and Series 2011B was issued in the amount of \$435,000. The bonds are dated December 8, 2011 with interest rates ranging from 4.5% to 6.0%. Amounts are payable on June 15 and December 15 each year with a maturity date of December 15, 2041 for Series A and December 15, 2024 for Series B. These bonds are payable from specific user fees or a tax levy from the Heron's Landing Special Service Area (SSA) only and are obligations of the SSA only, and are not village obligations. Proceeds from the bonds are being used to finance water mains and associated water distribution and storage facilities and equipment, and connections to single family homes in the Heron's Landing subdivision. The village has entered into an Intergovernmental Agreement with Lake County. The county is responsible for overseeing and bidding the construction of the project and will accept conveyance of the water project from the village, as well as operate and maintain the water system. Lake County is reporting the construction activity in its financial statements.

These SSA bonds are treated as special assessment debt without village obligation. The village acts only as an agent for the property owners in collecting the assessments and forwarding them to the bond paying agent. Transactions for this activity are being recorded in the Heron's Landing agency fund.

#### G. LEASE DISCLOSURES

The village has no material leases as lessee or lessor.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at April 30, 2013 includes the following:

## **Governmental Activities**

Invested in capital assets	
Land	\$ 15,497,887
Other capital assets, net of accumulated depreciation	3,852,913
Total Net Investment in Capital Assets	19,350,800
Restricted	
Non-home rule infrastructure	142,874
Road projects	46,701
Economic development	26,976
Pathways	22
Open spaces	3,229,806
Total Restricted	3,446,379
Unrestricted (deficit)	(227,643)
Total Governmental Activities Net Position	\$ 22,569,536

Governmental fund balances reported on the fund financial statements at April 30, 2013 include the following:

FUND BALANCES	 General Fund	 Open Spaces	 Downtown TIF	Non-major overnmental Funds	 Totals
Nonspendable: Advances to other funds	\$ 2,690,149	\$ -	\$ -	\$ -	\$ 2,690,149
Restricted for: Land purchases Economic development Debt service – reserve fund Road projects Non-home rule infrastructure Pathway	- - - 142,874 -	3,229,805	445,002 - - -	25,679 - 46,701 - 22	3,229,805 25,679 445,002 46,701 142,874 22
Committed for: Infrastructure	9,552	-	-	-	9,552
Unassigned (deficit):	 3,020,593	 	 (2,454,658)	 <u>-</u>	 565,935
Totals	\$ 5,863,168	\$ 3,229,805	\$ (2,009,656)	\$ 72,402	\$ 7,155,719

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### H. NET POSITION/FUND BALANCES (cont.)

#### **Business-type Activities**

Net investment in capital assets Land Other capital assets, net of accumulated depreciation Less: Related long-term debt outstanding	\$ 116,801 3,094,515 (931,245)
Total Net Investment in Capital Assets	2,280,071
Unrestricted	 1,310,866
Total Business-type Activities Net Position	\$ 3,590,937

#### I. RESTATEMENT OF NET POSITION

Net position has been restated to correct an error in special assessments receivable of the Business-Type Activities and Water Utility Fund. In prior years, special assessments receivable were understated. The original receivables balance did not include all of the costs to be recovered and paid by the property owners and was not discounted to a present value as required by accounting principles generally accepted in the United States of America. These known future payments have been established by village ordinance to finance the infrastructure costs of a deep water well. There was no material change in the prior year's change in net assets.

#### Water Utility Enterprise Fund/Business-type Activities Net Position

Net Position – April 30, 2012 (as reported)	\$	3,223,733
Add: Increase in special assessments receivable – record additional amounts to be paid by the property owners		1,577,375
Less: Decrease in special assessments receivable – discounting to present value	_	(1,034,448)
Net Position – April 30, 2012 (as restated)	\$	3,766,660

#### **NOTE V – OTHER INFORMATION**

#### A. EMPLOYEES' RETIREMENT SYSTEM

The village's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE V – OTHER INFORMATION** (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2012 was 15.18%. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30 year basis.

For December 31, 2012, the employer's annual pension cost of \$57,130 was equal to the employer's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% per year attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor.

#### TREND INFORMATION

The village began participating in the plan in January, 2003.

Actuarial	A	nnual	Percentage	Net				
Valuation	Р	ension	of APC	Pension				
Date	Cos	st (APC)	Contributed	Obligation				
12/31/12	\$	57,130	100%	\$ -				
12/31/11		38,938	100%	-				
12/31/10		45,257	100%	-				

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$299,191. On a market basis, the funded ratio would be 41.49%. This funded ratio only represents the funded status for village employees not yet retired. Retirees are always 100% funded, and if retirees and active employees were combined, the funded status would be 65.72% in the aggregate.

Actuarial Valuation Date	-	Actuarial Value of Assets	Lia	Actuarial Accrued bility (AAL) Entry Age	Funded Ratio	_	Infunded AAL (UAAL)	-	Covered Payroll	UAAL as a Percentage of Covered Payroll	
12/31/12	\$	282,075	\$	721,139	39.12%	\$	439,064	\$	376,349	116.66%	

#### B. RISK MANAGEMENT

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2013

#### **NOTE V – OTHER INFORMATION** (cont.)

#### C. COMMITMENTS AND CONTINGENCIES

From time to time, the village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is of the opinion of management and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

The Downtown TIF fund has incurred cumulative costs of \$512,037 through April 30, 2013 for the initial development costs of a project within the TIF district. The village has entered into a Redevelopment Agreement with the developer that requires the developer to reimburse the village for these costs if certain conditions within the agreement are not met. If conditions are met, the village is required to waive specified maximum amounts as stipulated in the agreement.

#### D. JOINT VENTURE

The village is a member of the Solid Waste Agency of Lake County ("SWALCO"). SWALCO is a municipal corporation formed by Lake County and 41 municipalities within Lake County for the purpose of implementing the Lake County Solid Waste Management Plan. SWALCO has a Board of Directors made up from these members, an Executive Committee, a Legislative Committee and five staff members. SWALCO is established pursuant to the Intergovernmental Cooperation Act of the State of Illinois, the Illinois Local Solid Waste Disposal Act, the Illinois Planning and Recycling Act and Lake County Board Resolution #38 of September 12, 1989. Operations began on February 21, 1991.

SWALCO is funded from a surcharge imposed at sanitary landfills. The surcharge also funds the Lake County Health Department's enforcement program. SWALCO also receives a yearly operations and maintenance fee from its members based on the number of households in each member community.

SWALCO generates revenue from user charges. The village paid \$466 to SWALCO during the year.

Complete financial statements for SWALCO can be obtained from SWALCO's website at www.swalco.org.

#### E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities;* Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62;* Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25;* and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2013

	Original and		Variance with
	Final Budget	Actual	Final Budget
REVENUES			
Taxes	\$ 2,040,153	\$ 2,710,369	\$ 670,216
Fees, licenses and permits	400,000	721,401	321,401
Fines, forfeitures and penalties	65,000	90,326	25,326
Public charges for services	45,100	111,325	66,225
Investment income	2,800	121,561	118,761
Miscellaneous revenues	34,000	17,369	(16,631)
Total Revenues	2,587,053	3,772,351	1,185,298
EXPENDITURES			
Current			
General government	887,270	948,309	(61,039)
Public safety	505,459	506,014	(555)
Public works	581,800	552,216	29,584
Conservation and development	193,753	195,519	(1,766)
Capital Outlay	324,471	282,036	42,435
Total Expenditures	2,492,753	2,484,094	8,659
Excess of revenues over expenditures	94,300	1,288,257	1,193,957
OTHER FINANCING SOURCES			
Transfer out		(17,531)	(17,531)
Total Other Financing Sources		(17,531)	(17,531)
Net Change in Fund Balance	94,300	1,270,726	1,176,426
FUND BALANCE - Beginning of Year	4,592,442	4,592,442	
FUND BALANCE - END OF YEAR	\$ 4,686,742	\$ 5,863,168	\$ 1,176,426

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - OPEN SPACES For the Year Ended April 30, 2013

REVENUES Fees, licenses and permits Investment income Interest and arrearages on advance to TIF fund Total Revenues	Original and Final Budget  \$ 12,855 12,855	Actual \$ 88,480 2,509 101,476 192,465	Variance with Final Budget  \$ 75,625
EXPENDITURES  Current			
Conservation and development		271	(271)
Total Expenditures		<u>271</u>	(271)
Net Change in Fund Balance	12,855	192,194	179,339
FUND BALANCE - Beginning of Year	3,037,611	3,037,611	
FUND BALANCE - END OF YEAR	\$ 3,050,466	\$ 3,229,805	\$ 179,339

SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DOWNTOWN TIF For the Year Ended April 30, 2013

DEVENUE	Original and Final Budget	Actual	Variance with Final Budget
REVENUES	Φ 400.000	<b>A</b> 440.000	<b>A</b> 040 000
Taxes	\$ 100,000	\$ 413,803	\$ 313,803
Investment income	400.000	18	18
Total Revenues	100,000	413,821	313,821
EXPENDITURES			
Conservation and development	13,000	41,315	(28,315)
Capital outlay	25,000	94,035	(69,035)
Debt service			
Interest expense	-	333,750	(333,750)
Interest on advances	100,000	214,004	(114,004)
Total Expenditures	138,000	683,104	(545,104)
Total Exportation			
Excess (deficiency) of revenues			
over (under) expenditures	(38,000)	(269,283)	(231,283)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	17,531	17,531
Total Other Financing Sources (Uses)		17,531	17,531
Total Other Financing Oddrees (Oses)			
Net Change in Fund Balance	(38,000)	(251,752)	(213,752)
FUND DALANCE (DEFICIT) Decision of Vern	(4.757.004)	(4 757 004)	
FUND BALANCE (DEFICIT) - Beginning of Year	(1,757,904)	(1,757,904)	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (1,795,904)	\$ (2,009,656)	\$ (213,752)
,			

#### SCHEDULE OF FUNDING PROGRESS ILLINOIS MUNICIPAL RETIREMENT PLAN For the Year Ended April 30, 2013

Actuarial Valuation Date	-	Actuarial Value of Assets	Liak	Actuarial Accrued bility (AAL) Entry Age	ι	Jnfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	\$	282,075	\$	721,139	\$	439,064	39.12%	\$ 376,349	116.66%
12/31/11		193,753		653,950		460,197	29.63%	356,903	128.94%
12/31/10		106,875		536,195		429,320	19.93%	420,217	102.17%

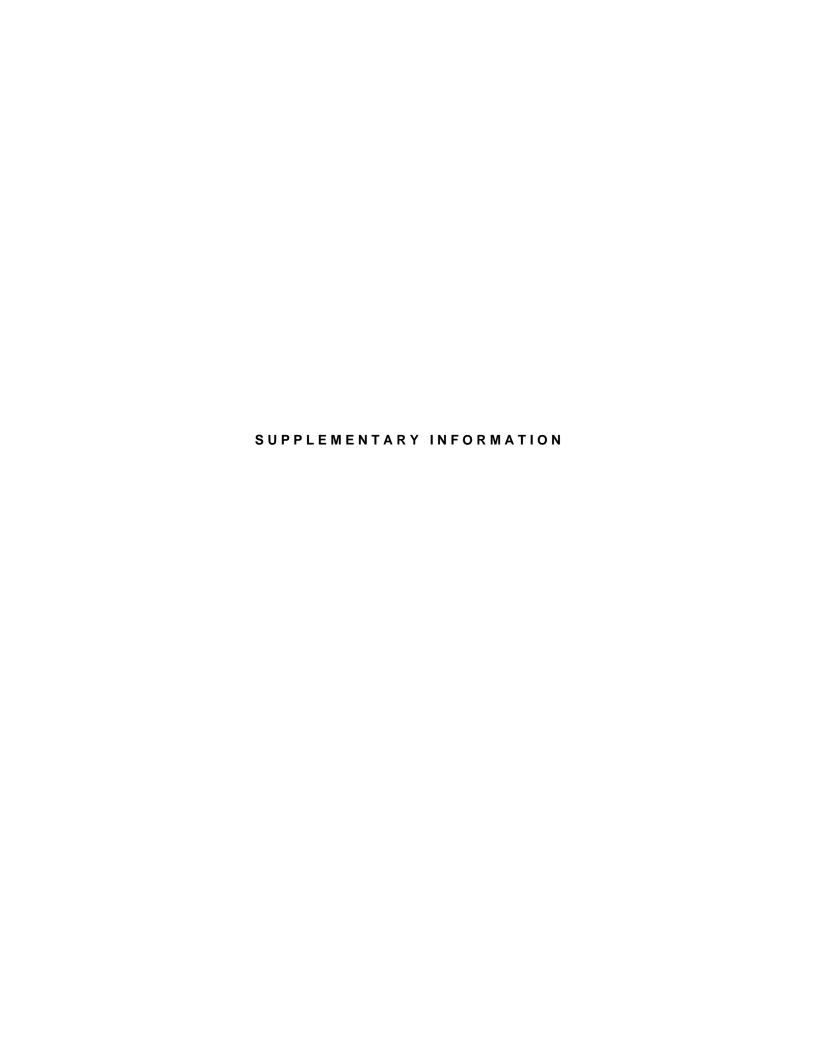
#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended April 30, 2013

#### **BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	Original and Final Budget			enditures	Excess		
General Fund			Lyberiditules				
General government Public safety Conservation and development	\$	887,270 505,459 193,753	\$	948,309 506,014 195,519	\$	61,039 555 1,766	
Open Spaces							
General government		-		271		271	
Downtown TIF							
Conservation and development Capital outlay Debt service – interest expense Debt service – interest on advance		13,000 25,000 - 100,000		41,315 94,035 333,750 214,004		28,315 69,035 333,750 114,004	



## DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance with Final Budget
TAXES			
Sales tax	\$ 1,140,000	\$ 1,341,533	\$ 201,533
Income tax	500,000	794,443	294,443
Road and bridge tax	45,000	43,467	(1,533)
Telecommunications tax	190,000	365,481	175,481
Downtown SSA - Business and community partners	158,753	158,753	-
Other taxes	6,400	6,692	292
TOTAL TAXES	\$ 2,040,153	\$ 2,710,369	\$ 670,216
FEES, PERMITS AND LICENSES			
Franchise fees	\$ 125,000	\$ 147,308	\$ 22,308
Permits	230,000	527,252	297,252
Licenses	45,000	46,841	1,841
TOTAL FEES, PERMITS AND LICENSES	\$ 400,000	\$ 721,401	\$ 321,401
FINES, FORFEITURES AND PENALTIES			
Citations	\$ 65,000	\$ 89,576	\$ 24,576
Fines		750	750
TOTAL FINES, FORFEITURES AND PENALTIES	\$ 65,000	\$ 90,326	\$ 25,326
PUBLIC CHARGES FOR SERVICES			
Long Grove Commons	\$ 15,100	\$ 15,164	\$ 64
Stormwater review fees	30,000	96,161	66,161
TOTAL PUBLIC CHARGES FOR SERVICES	\$ 45,100	\$ 111,325	\$ 66,225
INVESTMENT INCOME			
Investment income	\$ 2,800	\$ 9,033	\$ 6,233
Interest and arrearages on advance to TIF fund	<u> </u>	112,528	112,528
TOTAL INVESTMENT INCOME	\$ 2,800	\$ 121,561	\$ 118,761
MISCELLANEOUS REVENUES			
SWALCO capacity agreement	\$ 12,000		\$ 369
CERT	5,000	5,000	-
Forfeited escrow	2,000	-	(2,000)
Business district sales tax	10,000	-	(10,000)
Other	5,000		(5,000)
TOTAL MISCELLANEOUS REVENUES	\$ 34,000	\$ 17,369	<u>\$ (16,631)</u>
TOTAL GENERAL FUND REVENUES	\$ 2,587,053	\$ 3,772,351	\$ 1,185,298

## DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2013

	Original and		Variance with		
	Final Budget	Actual	Final Budget		
GENERAL GOVERNMENT					
Employee Compensation					
Salaries and wages	\$ 409,000	\$ 407,287	\$ 1,713		
Fringe benefits	138,600	153,007	(14,407)		
Total Employee Compensation	547,600	560,294	(12,694)		
Office					
Utilities	12,000	8,564	3,436		
Supplies	17,200	13,681	3,519		
Equipment leases and maintenance	7,700	9,568	(1,868)		
Other maintenance	2,080	1,680	400		
Total Office	38,980	33,493	5,487		
Administrative and Professional					
Insurance	46,000	25,693	20,307		
Dues, memberships and travel	3,090	3,235	(145)		
Professional development and training	1,000	1,082	(82)		
Legal	75,100	103,593	(28,493)		
Building and zoning plan reviews	1,000	41,701	(40,701)		
Bookkeeping	25,500	31,448	(5,948)		
Audit	26,000	26,000	-		
Inspections	72,000	67,646	4,354		
Bridge supplement	7,100	70	7,030		
Computer consultant	5,500	4,838	662		
Internet home page	11,900	10,917	983		
Administrative services	3,000	4,550	(1,550)		
Legal notices and subscriptions	800	602	198		
Total Administrative and Professional	277,990	321,375	(43,385)		
Miscellaneous					
Donations	6,000	8,500	(2,500)		
Mosquito abatement	16,000	21,083	(5,083)		
Other	700	3,564	(2,864)		
Total Miscellaneous	22,700	33,147	(10,447)		
TOTAL GENERAL GOVERNMENT	\$ 887,270	\$ 948,309	\$ (61,039)		
PUBLIC SAFETY					
Village security	\$ 499,500	\$ 499,812	\$ (312)		
Emergency communication system	5,300	5,002	298		
Other public safety	659	1,200	(541)		
TOTAL PUBLIC SAFETY	\$ 505,459	\$ 506,014	<u>\$ (555)</u>		

## DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2013

	Original and Final Budget			Actual	riance with
PUBLIC WORKS	<u></u>	<u> </u>			 <u> </u>
Snow removal and salting	\$	310,000	\$	240,872	\$ 69,128
Emergency operations		80,000		215	 79,785
Subtotal - snow removal and emergency operations		390,000		241,087	148,913
Mowing		35,000		14,950	20,050
Road signs and traffic calming		2,500		7,642	(5,142)
Utilities		18,000		14,545	3,455
Engineering		129,000		260,882	(131,882)
Bridge inspections		-		4,479	(4,479)
Grading and maintenance - municipal parking lots		-		4,188	(4,188)
SWALCO		2,600		466	2,134
Planting/Trees		1,700		1,708	(8)
Vehicle maintenance - gas and oil		3,000		2,269	 731
TOTAL PUBLIC WORKS	\$	581,800	\$	552,216	\$ 29,584
CONSERVATION AND DEVELOPMENT					
Community development grant	\$	30,000	\$	30,000	\$ -
Park District Grants		-		1,000	(1,000)
Downtown SSA - Business and community partners		158,753		158,753	-
CERT		5,000		4,940	60
Other				826	 (826)
TOTAL CONSERVATION AND DEVELOPMENT	<u>\$</u>	193,753	\$	195,519	\$ (1,766)
CAPITAL OUTLAY					
Office building improvements	\$	3,471	\$	7,008	(3,537)
Road paving, culvert and ditch		300,000		274,580	25,420
Office equipment		2,500		-	2,500
Bridge repair		1,000		-	1,000
Open space maintenance		1,000		-	1,000
Sewer matters		6,500		-	6,500
Sidewalk and pathway installation		10,000		448	 9,552
TOTAL CAPITAL OUTLAY	\$	324,471	\$	282,036	\$ 42,435
TOTAL GENERAL FUND EXPENDITURES	\$ :	2,492,753	\$	2,484,094	\$ 8,659

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS As of April 30, 2013

ASSETS	Motor Fuel Tax		usiness District	Total Nonmajor Governmental Funds		
Cash and investments	\$	39,816	\$ 29,100	\$ 68,772	\$	137,688
Receivables						
Taxes Accounts		12 022	4,041	-		4,041
Accounts		13,832		 		13,832
TOTAL ASSETS	\$	53,648	\$ 33,141	\$ 68,772	\$	155,561
LIABILITIES AND FUND BALANCES						
Liabilities						
Deferred revenues	\$	-	\$ 1,297	\$ 68,750	\$	70,047
Accounts payable		6,947	-	-		6,947
Due to other funds			 6,165	 		6,165
Total Liabilities		6,947	 7,462	 68,750		83,159
Fund Balances						
Restricted		46,701	 25,679	 22		72,402
Total Fund Balances		46,701	 25,679	 22		72,402
TOTAL LIABILITIES AND FUND BALANCES	\$	53,648	\$ 33,141	\$ 68,772	\$	155,561

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended April 30, 2013

REVENUES	<u>Motor</u>	· Fuel Tax		usiness District		Pathway Grant	Gov	Total onmajor rernmental Funds
Taxes	\$	_	\$	15,570	\$	_	\$	15,570
Intergovernmental	Ψ	227,757	Ψ	10,070	Ψ	_	Ψ	227,757
Investment income		281		75		22		378
Total Revenues		228,038		15,645		22		243,705
EXPENDITURES Current								
Conservation and development		_		192		_		192
Capital Outlay		216,809		-		-		216,809
Total Expenditures		216,809		192				217,001
Net Change in Fund Balance		11,229		15,453		22		26,704
FUND BALANCES - Beginning of Year		35,472		10,226				45,698
FUND BALANCES - END OF YEAR	\$	46,701	\$	25,679	\$	22	\$	72,402

## COMBINING SUBFUNDS BALANCE SHEET PROPRIETARY FUND As of April 30, 2013

ASSETS	-	ecial Service rea - Water		Water nagement		Totals
Current Assets						
Cash and investments	\$	74,270	\$	11,261	\$	85,531
Accounts receivable			-	7,342		7,342
Total Current Assets		74,270	-	18,603		92,873
Noncurrent Assets						
Special assessments receivable		1,711,079		-		1,711,079
Delinquent special assessments receivable Restricted Assets		1,702		-		1,702
Bond reserve account Capital Assets		38,755		-		38,755
Land		116,801		-		116,801
Plant in service		3,422,116		12,681		3,434,797
Accumulated depreciation Other Assets		(339,153)		(1,129)		(340,282)
Unamortized debt issuance costs		82,400				82,400
Total Noncurrent Assets		5,033,700		11,552		5,045,252
Total Assets		5,107,970		30,155		5,138,125
<b>LIABILITIES</b> Current Liabilities						
Accounts payable		360		5,033		5,393
Due to other funds		-		11,100		11,100
Accrued interest		12,529				12,529
Current portion of special service area bonds		30,000		-		30,000
Total Current Liabilities		42,889		16,133		59,022
Noncurrent Liabilities		E 40 400				E 40, 400
Advances from other funds Special service area bonds payable		548,166 940,000		-		548,166 940,000
Total noncurrent liabilities		1,488,166	-			1,488,166
rotal honouront habilities		.,,			_	1,100,100
Total Liabilities		1,531,055		16,133		1,547,188
NET POSITION						
Net investment in capital assets		2,268,519		11,552		2,280,071
Unrestricted		1,308,396		2,470		1,310,866
TOTAL NET POSITION	\$	3,576,915	\$	14,022	\$	3,590,937

# COMBINING SUBFUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended April 30, 2013

	Special Service Area - Water	Water Management	Totals
OPERATING REVENUES	Φ.	Ф 70.000	ф <del>7</del> 0,000
Charges for services	<u>\$</u> _	\$ 70,868	\$ 70,868
OPERATING EXPENSES			
Utility operations	-	25,809	25,809
Administrative	2,196	21,668	23,864
Depreciation	114,071	894	114,965
Total Operating Expenses	116,267	48,371	164,638
Operating Income (Loss)	(116,267)	22,497	(93,770)
NONOPERATING REVENUES (EXPENSES)			
Investment income	262	12	274
Amortization of debt issuance costs	(5,150)	-	(5,150)
Interest expense	(77,077)		(77,077)
Total Nonoperating Revenues (Expenses)	(81,965)	12	(81,953)
Change in Net Position	(198,232)	22,509	(175,723)
TOTAL NET POSITION (DEFICIT) - Beginning of Year (as restated)	3,775,147	(8,487)	3,766,660
TOTAL NET POSITION - End of Year	\$ 3,576,915	\$ 14,022	\$ 3,590,937

#### COMBINING SUBFUNDS CASH FLOWS PROPRIETARY FUND For the Year Ended April 30, 2013

	Sna	cial Service		Water		
	•	ea - Water	Management			Totals
CASH FLOWS FROM OPERATING ACTIVITIES		<u> </u>				
Received from customers	\$	-	\$	71,514	\$	71,514
Paid to suppliers for good and services	•	(2,176)	·	(65,103)	•	(67,279)
Net Cash Flows From Operating Activities		(2,176)		6,411		4,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Special assessments received		176,010		-		176,010
Interest paid		(77,500)		-		(77,500)
Debt retired		(30,000)		- (0.000)		(30,000)
Acquisition and construction of capital assets				(3,300)		(3,300)
Net Cash Flows From Capital and Related Financing Activities		68,510		(3,300)		65,210
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income		262		12		274
Net Cash Flows From Investing Activities		262		12		274
Net Change in Cash and Cash Equivalents		66,596		3,123		69,719
CASH AND CASH EQUIVALENTS - Beginning of Year		46,429		8,138		54,567
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	113,025	\$	11,261	\$	124,286
RECONCILIATION OF OPERATING INCOME (LOSS) TO						
NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$	(116,267)	\$	22,497	\$	(93,770)
Adjustments to Reconcile Operating Income (Loss)						
to Net Cash Provided From Operating Activities		111071		904		111.065
Depreciation expense Changes in assets and liabilities		114,071		894		114,965
Accounts receivable		_		646		646
Accounts payable		20		1.374		1.394
Due to other funds				(19,000)		(19,000)
	•	(0.470)	Φ.	0.444	•	4.005
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$	(2,176)	\$	6,411	\$	4,235
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINING SUBFUNDS BALANCE SHEET- PROPRIETARY FUND						
Cash and investments - combining subfunds balance sheet-proprietary fund	\$	74,270	\$	11,261	\$	85,531
Restricted cash and investments - combining subfunds balance sheet- proprietary fund		38,755				38,755
TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR	\$	113,025	\$	11,261	\$	124,286

## COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of April 30, 2013

	In	teragency Control Fees	Builders' efundable Bonds	 Fees efundable o Others		Heron's Landing SSA	Totals
ASSETS Cash and investments Accounts receivable	\$	126,400	\$ 544,777	\$ 221,492 63,971	\$	161,784	\$ 1,054,453 63,971
TOTAL ASSETS	\$	126,400	\$ 544,777	\$ 285,463	\$	161,784	\$ 1,118,424
LIABILITIES Liabilities Accounts payable Due to bond holders or homeowners	\$	126,400	\$ 544,777 <u>-</u>	\$ 285,463 <u>-</u>	\$	- 161,784	\$ 956,640 161,784
TOTAL LIABILITIES	\$	126,400	\$ 544,777	\$ 285,463	\$	161,784	\$ 1,118,424