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***VILLAGE OF FOX LAKE, ILLINOIS***  
***ANNUAL FINANCIAL REPORT***  
***APRIL 30, 2011***

# Village of Fox Lake, Illinois



Annual Financial Report  
Year Ended April 30, 2011

VILLAGE OF FOX LAKE, ILLINOIS  
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APRIL 30, 2011

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INDEPENDENT AUDITOR'S REPORT

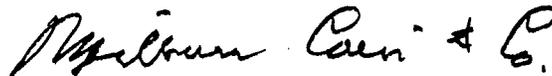
The Honorable President  
Members of the Board of Trustees  
Village of Fox Lake, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Fox Lake, Illinois (Village) as of and for the year ended April 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Fox Lake, Illinois. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, and each major fund of the Village of Fox Lake, Illinois as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information, which includes management's discussion and analysis (pages 2-9), budgetary information (pages 39-42), and supplemental financial information (page 43) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board or by contractual agreement with its bond holders. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
August 31, 2011

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REQUIRED SUPPLEMENTARY INFORMATION

# VILLAGE OF FOX LAKE, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2011

As management of Village of Fox Lake, Illinois (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the Village exceed its liabilities at April 30, 2011 by \$96,967,333 (total net assets). Of this amount, \$20,025,126 may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased \$1,322,375 from current year activities.
- At April 30, 2011, the Village's governmental funds reported combined ending fund balances of \$2,993,143, an increase from current year activities of \$1,310,893.
- At April 30, 2011, the unreserved fund balance for the General Fund was \$2,103,743, or 24% of total General Fund expenditures.
- The Village's total long-term debt decreased by \$768,877 due to scheduled repayments of long-term debt in both governmental and business-type activities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Both perspectives (government-wide and fund level financial statements) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating when comparing year to year results.

The Statement of Activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, and parks and recreation. The business-type activities of the Village include water and sewer, water reclamation, and commuter parking.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund, each as major funds, and for the Tax Increment Financing Fund as a non-major fund. The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

*Proprietary Funds.* The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village's enterprise funds are the Water and Sewer, Northwest Region Water Reclamation, and Commuter Parking Lot Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village's internal service fund is the Motor Pool Fund. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village's fiduciary funds include the Police Pension Trust Fund and Firefighter's Pension Trust Fund.

The basic fiduciary fund financial statements can be found on pages 19 and 20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 38 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comparing the Village's appropriation (budget) to actual revenues and expenditures for the General Fund and major special revenue funds. Required supplementary information can be found on pages 39 through 42 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$96,967,333 at April 30, 2011.

By far, the largest portion of the Village's net assets (77%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Current and Other Assets	\$ 6,673,985	\$ 5,324,685	\$ 20,070,546	\$ 20,376,182	\$ 26,744,531	\$ 25,700,867
Capital Assets	32,002,123	32,818,645	50,880,806	49,074,240	82,882,929	81,892,885
Total Assets	\$ 38,676,108	\$ 38,143,330	\$ 70,951,352	\$ 69,450,422	\$ 109,627,460	\$ 107,593,752
Long-Term Liabilities Outstanding	\$ 3,586,397	\$ 4,153,658	\$ 4,619,649	\$ 4,932,526	\$ 8,206,046	\$ 9,086,184
Other Liabilities	4,037,429	3,690,549	416,652	759,667	4,454,081	4,450,216
Total Liabilities	\$ 7,623,826	\$ 7,844,207	\$ 5,036,301	\$ 5,692,193	\$ 12,660,127	\$ 13,536,400
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 28,729,976	\$ 29,118,844	\$ 46,362,937	\$ 44,245,284	\$ 75,092,913	\$ 73,364,128
Restricted	856,527	653,263	992,767	983,244	1,849,294	1,636,507
Unrestricted	1,465,779	527,016	18,559,347	18,529,701	20,025,126	19,056,717
Total Net Assets	\$ 31,052,282	\$ 30,299,123	\$ 65,915,051	\$ 63,758,229	\$ 96,967,333	\$ 94,057,352

An additional portion of the Village's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$20,025,126) may be used to meet the Village's ongoing obligations to citizens and creditors.

**Governmental Activities.** Governmental activities increased the Village's net assets by \$767,382 (excluding a net assets adjustment). Key differences from the prior year are as follows:

**Village of Fox Lake, Illinois' Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 3,210,242	\$ 2,359,701	\$ 8,316,598	\$ 8,495,692	\$ 11,526,840	\$ 10,855,393
Operating Grants and Contributions	131,732	6,368	-	-	131,732	6,368
General Revenues						
Property Taxes	3,324,586	3,284,881	-	-	3,324,586	3,284,881
Sales and Use Taxes	2,649,975	2,531,356	-	-	2,649,975	2,531,356
Other Taxes	2,071,250	1,412,241	-	-	2,071,250	1,412,241
Other	1,897	2,479	84,838	260,543	86,735	263,022
<b>Total Revenues</b>	<b>\$ 11,389,682</b>	<b>\$ 9,597,026</b>	<b>\$ 8,401,436</b>	<b>\$ 8,756,235</b>	<b>\$ 19,791,118</b>	<b>\$ 18,353,261</b>
<b>Expenses</b>						
General Government	\$ 1,796,130	\$ 1,731,291	\$ -	\$ -	\$ 1,796,130	\$ 1,731,291
Public Safety	5,919,793	5,803,698	-	-	5,919,793	5,803,698
Public Works	2,536,708	2,260,829	-	-	2,536,708	2,260,829
Parks and Recreation	227,912	231,398	-	-	227,912	231,398
Interest and Fees	154,835	188,085	-	-	154,835	188,085
Water and Sewer	-	-	2,463,389	2,398,219	2,463,389	2,398,219
Water Reclamation	-	-	5,142,019	4,801,581	5,142,019	4,801,581
Commuter Parking	-	-	241,601	100,047	241,601	100,047
<b>Total Expenses</b>	<b>\$ 10,635,378</b>	<b>\$ 10,215,301</b>	<b>\$ 7,847,009</b>	<b>\$ 7,299,847</b>	<b>\$ 18,482,387</b>	<b>\$ 17,515,148</b>
<b>Increase/(Decrease) in Net Assets</b>						
Before Transfers	\$ 754,304	\$ (618,275)	\$ 554,427	\$ 1,456,388	\$ 1,308,731	\$ 838,113
Gain/(Loss) on Sale of Capital Assets	13,078	(37,690)	566	7,083	13,644	(30,607)
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 767,382</b>	<b>\$ (655,965)</b>	<b>\$ 554,993</b>	<b>\$ 1,463,471</b>	<b>\$ 1,322,375</b>	<b>\$ 807,506</b>
Net Assets Beginning of Year	30,299,123	31,179,041	63,758,229	62,424,198	94,057,352	93,603,239
Net Assets Adjustment	(14,223)	(223,953)	1,601,829	(129,440)	1,587,606	(353,393)
<b>Net Assets End of Year</b>	<b>\$ 31,052,282</b>	<b>\$ 30,299,123</b>	<b>\$ 65,915,051</b>	<b>\$ 63,758,229</b>	<b>\$ 96,967,333</b>	<b>\$ 94,057,352</b>

An increase in Charges for Services is the most significant change in revenues. Charges for Services increased mostly due to an increase in administrative revenue, which is the amount that can be charged to the other funds for administrative services performed for each. There was an increase in the amount of court fines that were collected. Other Taxes increased due mostly to the collection of utility taxes.

Other revenues and expenses remained relatively consistent with the prior year.

**Business-Type Activities.** Business-type activities increased the Village's net assets by \$554,993 (excluding a net assets adjustment). Charges for Services in the Northwest Region Water Reclamation Fund decreased due to lower tap-on fees revenues due to a slow growth rate within the Village. For the most part, all other increases in revenues and expenses for the business-type activities closely paralleled inflation and growth in the demand for services.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

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

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

At April 30, 2011, the Village's governmental funds reported combined ending fund balances of \$2,993,143, an increase of \$1,310,893 in comparison with the prior year. Approximately 71% of this total amount constitutes unreserved fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific restricted purposes.

The General Fund is the chief operating fund of the Village. At April 30, 2011, the fund balance of the General Fund was \$2,960,270, of which \$2,103,743 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 24% of total General Fund expenditures.

The General Fund fund balance increased \$1,365,221 during the year ended April 30, 2011 due to the extent that ongoing revenue exceeded ongoing expenses.

Other significant highlights in the governmental funds for the year ended April 30, 2011 are outlined below:

- The Village received additional taxes during the current year from the utility companies which increased the overall revenue for the General Fund.
- The Tax Increment Financing Fund's revenues and expenses were consistent with the prior year.

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

**Fiduciary Funds (Police and Fire Pension).** Pension Fund net assets increased from \$8,636,167 as of April 30, 2010 to \$9,894,013 as of April 30, 2011. This increase was due mostly to an increase in fair value of investments of \$759,981. \$624,857 was added to the Fund through employer and member contributions. Significant investment earnings reduce the Village's required contribution to the Pension Fund.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Village's budget was not amended during the year ended April 30, 2011. Actual revenue exceeded budgeted revenue by \$764,236. This difference was mostly due to more than expected charges for services, state sales and use tax, and utility tax. Budgeted expenditures exceeded actual expenditures by \$852,691. The majority of this difference was due to less than expected Public Safety, Public Works, and Capital Outlay expenditures.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The Village's investment in capital assets for its governmental and business-type activities as of April 30, 2011 amounts to \$82,882,929 (net of accumulated depreciation). This investment includes land, construction in progress, buildings and improvements, equipment, vehicles, water/sewer systems, and infrastructure.

	Village of Fox Lake, Illinois' Capital Assets (net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Land	\$ 12,278,186	\$ 12,232,988	\$ 698,468	\$ 698,468	\$ 12,976,654	\$ 12,931,456
Construction in Progress	-	-	9,074,302	10,306,100	9,074,302	10,306,100
Buildings and Improvements	5,180,430	5,363,366	14,494,884	15,105,494	19,675,314	20,468,860
Water/Sewer System	-	-	23,469,361	19,530,514	23,469,361	19,530,514
Vehicles and Equipment	2,393,749	2,725,116	3,143,791	3,433,664	5,537,540	6,158,780
Infrastructure	12,149,758	12,497,175	-	-	12,149,758	12,497,175
<b>Total</b>	<b>\$ 32,002,123</b>	<b>\$ 32,818,645</b>	<b>\$ 50,880,806</b>	<b>\$ 49,074,240</b>	<b>\$ 82,882,929</b>	<b>\$ 81,892,885</b>

Major capital asset events during the year ended April 30, 2011 included the following:

- Construction in Progress additions of \$1,344,366 for plant expansion I, plant expansion II, and the deletions of \$2,576,164 for the completion of an outfall structure/pipe project within the Northwest Region Water Reclamation Fund.
- Water/Sewer System additions of \$4,768,463 for an outfall structure/pipe project within the Northwest Region Water Reclamation Fund.
- Vehicles and Equipment additions for business-type activities of \$102,444 (including a RAS Control and cab for the Ford F450 purchased in the prior year).

For further information, please see Note 3 on pages 28 and 29 of this report.

**Long-Term Debt.** At April 30, 2011, the Village had total debt outstanding of \$7,949,147.

**Village of Fox Lake, Illinois' Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Debt Certificates	\$ 1,726,897	\$ 1,992,899	\$ 2,225,000	\$ 2,355,000	\$ 3,951,897	\$ 4,347,899
Bonds	1,535,407	1,706,902	2,430,000	2,605,000	3,965,407	4,311,902
Notes Payable	9,843	14,223	22,000	44,000	31,843	58,223
<b>Total</b>	<b>\$ 3,272,147</b>	<b>\$ 3,714,024</b>	<b>\$ 4,677,000</b>	<b>\$ 5,004,000</b>	<b>\$ 7,949,147</b>	<b>\$ 8,718,024</b>

State statutes limit the amount of general obligation debt a non-home rule governmental Village may issue to 8.625% of its equalized assessed valuation. The current debt limitation for the Village is \$30,301,048, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note 4 on pages 29 through 31 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Village of Fox Lake, along with the State of Illinois and the United States Government, through instability in the financial markets, has suffered economically. The downturn in our economy did negatively affect the Village's revenue stream. The Village of Fox Lake was not paid its share of income tax from the State of Illinois and there was a concern about the amount of sales tax that it would receive. This economic downturn has further increased the gap between increasing expenditures and sluggish revenue. Furthermore, the Village of Fox Lake did not increase fees for the 2011-12 fiscal year. There was obvious concern by the Village Board of Trustees about adding additional burden on the residents. The goal was to maintain services without increasing fees.

The Village of Fox Lake's 33 million dollar fiscal year 2012 budget represents the efforts of a great community that continues to navigate carefully through a recession without disrupting services to its residents. There is committed departmental leadership, combined with economic challenges, spurring innovation, creativity, and collaboration within the Village Government. The fiscal year 2012 budget is based on the philosophy of continuing with a team approach to serve its citizens efficiently and effectively.

The fiscal year 2012 budget has some changes. We have included in the General Fund the Motor Pool, 911-Dispatch Center and the Illinois Municipal Retirement Fund. These funds will be part of the General Fund and their revenues will be used by all of the departments in the General Fund. There will be no transferring of monies. In addition, from an auditing standpoint, these three funds are currently recorded as being part of the General Fund.

Revenue estimates were done very conservatively. There was an obvious uneasiness from past experiences of revenues promised and not received. There were, as has been previously mentioned, no new revenue included in this year's budget. Revenues that were included in last year's budget, i.e.: utility taxes, provided a much needed source of revenue replacing funds that were promised by the State of Illinois and did not materialize. There may be discussion in regard to conducting a survey and possibly raising water and sewer rates and adding additional penalty costs to residents who do not pay their fees on time. The Village will need to make sure that revenue that it is entitled to is collected, and expenditures that it makes are done with the understanding that they are getting the most value for each dollar spent. The Village cannot allow vendors to become too comfortable. Everyone needs to be conscious of the economic conditions and do his/her part to spend money wisely.

The Village of Fox Lake is developing a plan for the future. Currently, the Village is working with an urban planning consultant with the input of local businesses and residents to revitalize its downtown area. The goal is to stimulate new growth and a new tax base. It is extremely important to improve the Village's economic condition and plan on improving the Village's infrastructure. The Village of Fox Lake understands that it needs to improve, through careful planning, or it will decline.

Daily operational maintenance of the many miles of streets and the water and sewer systems in the Village challenges its employees to take pride in achieving this accomplishment. Planning is the key here as well. The budget identifies that money is set aside for streets and water and sewer systems that need repair or replacement. The institution of a plan to identify work that needs to be done and when is a cost effective measure. This will assist the budget process in developing a timeline to identify when aging roads and water and sewer systems are repaired or replaced. This is an arduous task considering the economic situation that we are in.

The Village of Fox Lake has improved its communication ability with its residents. Recently, the Village has added a new and improved website. This enhanced use of technology will make the Village more user friendly and aid in communicating to all the good things that are happening in the Village of Fox Lake. This new website will also increase customer service for its residents allowing them to conduct business more efficiently and with greater ease. This is yet another significant leap forward in making the business of government more transparent for the residents.

The coming years have many challenges that we must endure. The Village of Fox Lake will need to face the reality of the cost of the mandated Illinois police pension system coming upon us in 2015. We currently levy \$443,000, which is over 50% of the amount of dollars that we levy for the Corporate Fund. This is a very important issue that we must pay attention to. The State of Illinois has indicated that the Village will be required to make its total obligation to this fund. Currently we have an obligation of an additional \$206,000. The Illinois State Assembly will need to make changes to these laws to allow local communities to opt out of the state system and place all public safety employees on a more reasonable defined contribution pension system. If this is not done villages will have no choice but to implement drastic reductions in police departments or raise local property taxes through referendums.

The Village of Fox Lake will work to develop attainable goals for the future. There are many areas throughout the Village that should be assessed and examined as to its needs for today and tomorrow. We cannot operate as before and act on impulse when something needs attention. We must think smart and plan with a vision of what we want the Village of Fox Lake to look like in the future.

In addition, the Village of Fox Lake will be required to develop a workable plan for repairs and replacement of its infrastructure. We will plan on identifying what needs to be done and obtain funds via a referendum to pay for it. The Village has had an admirable quality of paying for its current repairs and replacement through monies it has in the General Fund. We cannot do this anymore. We must provide the services that are required with a new influx of revenue. The Village of Fox Lake will conduct itself as a business and react with a plan that makes sense.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Village of Fox Lake, 66 Thillen Drive, Fox Lake, Illinois, 60020.

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BASIC FINANCIAL STATEMENTS

VILLAGE OF FOX LAKE, ILLINOIS  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 APRIL 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,841,478	\$ 12,183,921	\$ 14,025,399
Deposit with Paying Agent	-	135,000	135,000
Investments	-	4,321,853	4,321,853
Prepaid Expenses	98,623	71,830	170,453
Inventory, at cost	77,923	-	77,923
Receivables (Net of Allowance for Estimated Uncollectible Amounts)			
Accounts Receivable	307,325	2,215,009	2,522,334
Property Taxes	3,217,095	-	3,217,095
Due from Other Governmental Units	1,097,678	-	1,097,678
Other Receivables	33,863	-	33,863
Restricted Assets			
Cash and Cash Equivalents	-	807,767	807,767
Deposit with Paying Agent	-	185,000	185,000
Capital Assets			
Land, Construction in Progress, and Other Non-Depreciable Assets	12,278,186	9,772,770	22,050,956
Other Capital Assets, Net of Depreciation	19,723,937	41,108,036	60,831,973
Unamortized Bond Cost (Net of Related Amortization)	-	150,166	150,166
<b>TOTAL ASSETS</b>	<b>\$ 38,676,108</b>	<b>\$ 70,951,352</b>	<b>\$ 109,627,460</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 402,824	\$ 387,997	\$ 790,821
Accrued Expenses	136,142	28,655	164,797
Due to Other Governmental Units	25,210	-	25,210
Deferred Revenue	3,217,095	-	3,217,095
Due to Depositors	6,610	-	6,610
Other Payables	14,908	-	14,908
Net Pension Obligations	234,640	-	234,640
Non-Current Liabilities			
Due Within One Year	456,387	326,087	782,474
Due in More Than One Year	3,130,010	4,293,562	7,423,572
<b>TOTAL LIABILITIES</b>	<b>\$ 7,623,826</b>	<b>\$ 5,036,301</b>	<b>\$ 12,660,127</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 28,729,976	\$ 46,362,937	\$ 75,092,913
Restricted for:			
Charitable Games	6,387	-	6,387
DUI	16,767	-	16,767
Parks	39,746	-	39,746
Motor Fuel Tax	446,227	-	446,227
Garbage	101,887	-	101,887
Insurance	245,513	-	245,513
Debt Service	-	992,767	992,767
Unrestricted/(Deficit)	1,465,779	18,559,347	20,025,126
<b>TOTAL NET ASSETS</b>	<b>\$ 31,052,282</b>	<b>\$ 65,915,051</b>	<b>\$ 96,967,333</b>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED APRIL 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
General Government	\$ 1,796,130	\$ 1,539,617	\$ 131,074
Public Safety	5,919,793	740,961	-
Public Works	2,536,708	842,783	-
Parks and Recreation	227,912	86,881	658
Interest and Fees on Long-Term Debt	154,835	-	-
	<u>\$ 10,635,378</u>	<u>\$ 3,210,242</u>	<u>\$ 131,732</u>
<b>Business-Type Activities</b>			
Water and Sewer	\$ 2,463,389	\$ 2,529,532	\$ -
Water Reclamation	5,142,019	5,637,736	-
Commuter Parking	241,601	149,330	-
	<u>\$ 7,847,009</u>	<u>\$ 8,316,598</u>	<u>\$ -</u>
<b>Total Primary Government</b>	<u>\$ 18,482,387</u>	<u>\$ 11,526,840</u>	<u>\$ 131,732</u>

General Revenues

Taxes

Property Tax, Levied for General Purposes  
 State Sales and Use Tax  
 State Income Tax  
 State Motor Fuel Tax  
 Other Taxes

Unrestricted Investment Earnings

Gain/(Loss) on Sale of Capital Assets

Total General Revenues and Transfers

Change in Net Assets

Net Assets - May 1, 2010

Net Assets Adjustment (Note 18)

Net Assets - April 30, 2011

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (125,439)	\$ -	\$ (125,439)
(5,178,832)	-	(5,178,832)
(1,693,925)	-	(1,693,925)
(140,373)	-	(140,373)
(154,835)	-	(154,835)
<u>\$ (7,293,404)</u>	<u>\$ -</u>	<u>\$ (7,293,404)</u>
\$ -	\$ 66,143	\$ 66,143
-	495,717	495,717
-	(92,271)	(92,271)
<u>\$ -</u>	<u>\$ 469,589</u>	<u>\$ 469,589</u>
<u>\$ (7,293,404)</u>	<u>\$ 469,589</u>	<u>\$ (6,823,815)</u>
\$ 3,324,586	\$ -	\$ 3,324,586
2,649,975	-	2,649,975
871,118	-	871,118
270,666	-	270,666
929,466	-	929,466
1,897	84,838	86,735
13,078	566	13,644
<u>\$ 8,060,786</u>	<u>\$ 85,404</u>	<u>\$ 8,146,190</u>
\$ 767,382	\$ 554,993	\$ 1,322,375
30,299,123	63,758,229	94,057,352
(14,223)	1,601,829	1,587,606
<u>\$ 31,052,282</u>	<u>\$ 65,915,051</u>	<u>\$ 96,967,333</u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 APRIL 30, 2011

	General Fund	Fire Protection Fund	Non-Major Tax Increment Financing Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,882,104	\$ -	\$ 129,724	\$ 2,011,828
Prepaid Expenses	97,742	-	-	97,742
Receivables (Net of Allowance for Estimated Uncollectible Amounts)				
Accounts Receivable	307,325	-	-	307,325
Property Taxes	2,068,476	1,148,619	-	3,217,095
Due from Other Governmental Units	1,097,678	-	-	1,097,678
Due from Other Funds	4,755	-	-	4,755
Other Receivables	33,863	-	-	33,863
<b>TOTAL ASSETS</b>	<b>\$ 5,491,943</b>	<b>\$ 1,148,619</b>	<b>\$ 129,724</b>	<b>\$ 6,770,286</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Overdrafts	\$ -	\$ 83,335	\$ -	\$ 83,335
Accounts Payable	374,452	7,326	-	381,778
Accrued Expenses	67,227	1,435	-	68,662
Due to Other Governmental Units	-	-	-	-
Due to Other Funds	-	-	4,755	4,755
Deferred Revenue	2,068,476	1,148,619	-	3,217,095
Due to Depositors	6,610	-	-	6,610
Other Payables	14,908	-	-	14,908
<b>TOTAL LIABILITIES</b>	<b>\$ 2,531,673</b>	<b>\$ 1,240,715</b>	<b>\$ 4,755</b>	<b>\$ 3,777,143</b>
<b>FUND BALANCES</b>				
Reserved for:				
Charitable Games	\$ 6,387	\$ -	\$ -	\$ 6,387
DUI	16,767	-	-	16,767
Parks	39,746	-	-	39,746
Motor Fuel Tax	446,227	-	-	446,227
Garbage	101,887	-	-	101,887
Insurance	245,513	-	-	245,513
Unreserved	2,103,743	(92,096)	-	2,011,647
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	124,969	124,969
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,960,270</b>	<b>\$ (92,096)</b>	<b>\$ 124,969</b>	<b>\$ 2,993,143</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,491,943</b>	<b>\$ 1,148,619</b>	<b>\$ 129,724</b>	<b>\$ 6,770,286</b>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 APRIL 30, 2011

Total Fund Balances - Governmental Funds		\$ 2,993,143
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets, net of accumulated depreciation		32,002,123
Net Pension Obligation is not included in the governmental funds.		(234,640)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and Notes Payable	\$ (3,272,147)	
Compensated Absences	(302,835)	
Accrued Interest on Long-Term Debt	<u>(64,612)</u>	
		(3,639,594)
Internal service funds are used by the Village to charge the cost of vehicle and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide Statement of Net Assets.		
		<u>(68,750)</u>
Net Assets of Governmental Activities		<u><u>\$ 31,052,282</u></u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2011

	General Fund	Fire Protection Fund	Non-Major Tax Increment Financing Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Taxes				
Property Tax	\$ 2,152,643	\$ 1,132,033	\$ 39,910	\$ 3,324,586
Intergovernmental				
State Sales and Use Tax	2,649,975	-	-	2,649,975
State Income Tax	871,118	-	-	871,118
State Replacement Tax	70,080	-	-	70,080
State Motor Fuel Tax	270,666	-	-	270,666
Hotel/Motel Tax	8,054	-	-	8,054
State Pull Tab/Games Tax	3,459	-	-	3,459
State Telecommunications Tax	258,347	-	-	258,347
Utility Tax	589,526	-	-	589,526
State Grants	3,080	-	-	3,080
Federal Grants	127,167	-	-	127,167
Other Local Sources				
Franchise Fees	117,157	-	-	117,157
Licenses and Permits	374,814	-	-	374,814
Fines and Forfeitures	446,704	-	-	446,704
Charges for Services	2,082,156	4,389	-	2,086,545
Interest	1,897	-	-	1,897
Miscellaneous				
Donations	1,485	-	-	1,485
Fire Department Reimbursements	-	51,020	-	51,020
Impact Fees	10,020	-	-	10,020
Other Miscellaneous	74,478	12,935	-	87,413
	<u>\$ 10,112,826</u>	<u>\$ 1,200,377</u>	<u>\$ 39,910</u>	<u>\$ 11,353,113</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,719,469	\$ -	\$ 3,415	\$ 1,722,884
Public Safety	4,084,430	1,285,187	-	5,369,617
Public Works	1,892,267	-	-	1,892,267
Parks and Recreation	186,295	-	-	186,295
Capital Outlay	228,457	45,198	-	273,655
Debt Service				
Principal	441,877	-	-	441,877
Interest and Fees	168,703	-	-	168,703
	<u>\$ 8,721,498</u>	<u>\$ 1,330,385</u>	<u>\$ 3,415</u>	<u>\$ 10,055,298</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,391,328</u>	<u>\$ (130,008)</u>	<u>\$ 36,495</u>	<u>\$ 1,297,815</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers	\$ (27,000)	\$ 27,000	\$ -	\$ -
Sale of Village Property	893	12,185	-	13,078
	<u>\$ (26,107)</u>	<u>\$ 39,185</u>	<u>\$ -</u>	<u>\$ 13,078</u>
NET CHANGE IN FUND BALANCES	\$ 1,365,221	\$ (90,823)	\$ 36,495	\$ 1,310,893
FUND BALANCES - MAY 1, 2010	<u>1,595,049</u>	<u>(1,273)</u>	<u>88,474</u>	<u>1,682,250</u>
FUND BALANCES - APRIL 30, 2011	<u>\$ 2,960,270</u>	<u>\$ (92,096)</u>	<u>\$ 124,969</u>	<u>\$ 2,993,143</u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED APRIL 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,310,893

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 Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense	\$ (936,094)	
Capital Outlays	<u>121,220</u>	
		(814,874)

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

Proceeds from Sale of Capital Assets	\$ (13,078)	
Gain/(Loss) on Sale of Capital Assets	<u>13,078</u>	
		-

The change in the Net Pension Obligation is not included in the governmental funds. (63,257)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Long-Term Debt	\$ 13,868	
Compensated Absences	<u>(32,419)</u>	
		(18,551)

Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Repayment of Long-Term Debt		441,877
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Internal service funds are used by the Village to charge the cost of vehicle and equipment maintenance to individual funds. The change in net assets of the internal service funds is reported with governmental activities in the government-wide Statement of Activities.

		<u>(88,706)</u>
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Change in Net Assets of Governmental Activities		<u>\$ 767,382</u>
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 APRIL 30, 2011

	Business-Type Activities - Enterprise Funds				Governmental
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major Commuter Parking Lot Fund	Total	Internal Service Fund
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 599,290	\$ 11,457,865	\$ 126,766	\$ 12,183,921	\$ -
Deposit with Paying Agent	135,000	-	-	135,000	-
Investments	302,183	4,019,670	-	4,321,853	-
Prepaid Expenses	23,618	42,569	5,643	71,830	881
Inventory	-	-	-	-	77,923
Receivables (Net of Allowance for Estimated Uncollectible Amounts)	426,346	1,788,663	-	2,215,009	-
Accounts Receivable	<u>426,346</u>	<u>1,788,663</u>	<u>-</u>	<u>2,215,009</u>	<u>-</u>
	<u>\$ 1,486,437</u>	<u>\$ 17,308,767</u>	<u>\$ 132,409</u>	<u>\$ 18,927,613</u>	<u>\$ 78,804</u>
<b>Non-Current Assets</b>					
<b>Restricted Assets</b>					
Cash and Cash Equivalents	\$ 807,767	\$ -	\$ -	\$ 807,767	\$ -
Deposit with Paying Agent	185,000	-	-	185,000	-
<b>Capital Assets</b>					
Non-Depreciable Capital Assets	939,018	8,687,902	145,850	9,772,770	-
Depreciable Capital Assets	21,218,384	50,387,289	741,137	72,346,810	23,947
Less: Accumulated Depreciation	(8,188,775)	(22,499,399)	(550,600)	(31,238,774)	(23,947)
Unamortized Bond Cost (Net of Related Amortization)	150,166	-	-	150,166	-
	<u>\$ 15,111,560</u>	<u>\$ 36,575,792</u>	<u>\$ 336,387</u>	<u>\$ 52,023,739</u>	<u>\$ -</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,597,997</u>	<u>\$ 53,884,559</u>	<u>\$ 468,796</u>	<u>\$ 70,951,352</u>	<u>\$ 78,804</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Overdrafts	\$ -	\$ -	\$ -	\$ -	\$ 87,015
Accounts Payable	174,349	208,452	5,196	387,997	21,046
Accrued Expenses	8,906	19,703	46	28,655	2,868
Due to Other Governments	-	-	-	-	25,210
Debt Certificates Payable	135,000	-	-	135,000	-
Bonds Payable	169,087	-	-	169,087	-
Notes Payable	22,000	-	-	22,000	-
	<u>\$ 509,342</u>	<u>\$ 228,155</u>	<u>\$ 5,242</u>	<u>\$ 742,739</u>	<u>\$ 136,139</u>
<b>Non-Current Liabilities</b>					
Compensated Absences	\$ 23,843	\$ 77,937	\$ -	\$ 101,780	\$ 11,415
Debt Certificates Payable	2,090,000	-	-	2,090,000	-
Bonds Payable	2,101,782	-	-	2,101,782	-
	<u>\$ 4,215,625</u>	<u>\$ 77,937</u>	<u>\$ -</u>	<u>\$ 4,293,562</u>	<u>\$ 11,415</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 4,724,967</u>	<u>\$ 306,092</u>	<u>\$ 5,242</u>	<u>\$ 5,036,301</u>	<u>\$ 147,554</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	\$ 9,450,758	\$ 36,575,792	\$ 336,387	\$ 46,362,937	\$ -
Restricted for:					
Debt Service	992,767	-	-	992,767	-
Unrestricted/(Deficit)	1,429,505	17,002,675	127,167	18,559,347	(68,750)
	<u>\$ 11,873,030</u>	<u>\$ 53,578,467</u>	<u>\$ 463,554</u>	<u>\$ 65,915,051</u>	<u>\$ (68,750)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 11,873,030</u>	<u>\$ 53,578,467</u>	<u>\$ 463,554</u>	<u>\$ 65,915,051</u>	<u>\$ (68,750)</u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 YEAR ENDED APRIL 30, 2011

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major Commuter Parking Lot Fund		Internal Service Fund
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 2,529,532	\$ 5,637,736	\$ 149,330	\$ 8,316,598	\$ 36,569
Interfund Services	-	-	-	-	209,477
	<u>\$ 2,529,532</u>	<u>\$ 5,637,736</u>	<u>\$ 149,330</u>	<u>\$ 8,316,598</u>	<u>\$ 246,046</u>
<b>OPERATING EXPENSES</b>					
Administration	\$ 192,216	\$ 518,283	\$ 113,578	\$ 824,077	\$ -
Operations	1,572,795	3,252,629	121,970	4,947,394	333,104
Depreciation	455,382	1,371,107	6,053	1,832,542	1,648
Amortization	30,103	-	-	30,103	-
	<u>\$ 2,250,496</u>	<u>\$ 5,142,019</u>	<u>\$ 241,601</u>	<u>\$ 7,634,116</u>	<u>\$ 334,752</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>\$ 279,036</u>	<u>\$ 495,717</u>	<u>\$ (92,271)</u>	<u>\$ 682,482</u>	<u>\$ (88,706)</u>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>					
Interest Income	\$ 7,217	\$ 77,538	\$ 83	\$ 84,838	\$ -
Interest Expense	(212,893)	-	-	(212,893)	-
Gain/(Loss) on Disposal of Assets	566	-	-	566	-
	<u>\$ (205,110)</u>	<u>\$ 77,538</u>	<u>\$ 83</u>	<u>\$ (127,489)</u>	<u>\$ -</u>
<b>CHANGE IN NET ASSETS</b>	\$ 73,926	\$ 573,255	\$ (92,188)	\$ 554,993	\$ (88,706)
<b>NET ASSETS - MAY 1, 2010</b>	11,799,104	51,403,383	555,742	63,758,229	19,956
<b>NET ASSETS ADJUSTMENT (Note 18)</b>	-	1,601,829	-	1,601,829	-
<b>NET ASSETS - APRIL 30, 2011</b>	<u>\$ 11,873,030</u>	<u>\$ 53,578,467</u>	<u>\$ 463,554</u>	<u>\$ 65,915,051</u>	<u>\$ (68,750)</u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED APRIL 30, 2011

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major Commuter Parking Lot Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 2,484,451	\$ 5,685,453	\$ 149,330	\$ 8,319,234	\$ 39,328
Receipts from Other Funds for Services	-	-	-	-	209,477
Payments to Suppliers for Goods and Services	(915,968)	(2,186,187)	(110,179)	(3,212,334)	(139,190)
Payments to Employees for Services	(594,466)	(1,393,360)	(2,842)	(1,990,668)	(184,692)
Payments to Other Funds for Services	(225,104)	(524,905)	(113,578)	(863,587)	25,210
Other Receipts/(Payments)	(15,000)	-	-	(15,000)	-
Net Cash Provided/(Used) by Operating Activities	<u>\$ 733,913</u>	<u>\$ 1,581,001</u>	<u>\$ (77,269)</u>	<u>\$ 2,237,645</u>	<u>\$ (49,867)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from the Sale of Capital Assets	\$ 566	\$ -	\$ -	\$ 566	\$ -
Purchase of Capital Assets	(797,216)	(2,841,892)	-	(3,639,108)	-
Interest Paid on Capital Debt	(212,893)	-	-	(212,893)	-
Principal Paid on Capital Debt	(327,000)	-	-	(327,000)	-
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ (1,336,543)</u>	<u>\$ (2,841,892)</u>	<u>\$ -</u>	<u>\$ (4,178,435)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on Cash and Cash Equivalents and Investments	\$ 7,217	\$ 443,753	\$ 83	\$ 451,053	\$ -
Purchase/Reclassification of Investments	(4,660)	1,578,476	-	1,573,816	-
Net Cash Provided/(Used) by Investing Activities	<u>\$ 2,557</u>	<u>\$ 2,022,229</u>	<u>\$ 83</u>	<u>\$ 2,024,869</u>	<u>\$ -</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (600,073)</u>	<u>\$ 761,338</u>	<u>\$ (77,186)</u>	<u>\$ 84,079</u>	<u>\$ (49,867)</u>
<b>CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2010 (INCLUDING RESTRICTED CASH AND OVERDRAFTS)</b>	<u>2,007,130</u>	<u>10,696,527</u>	<u>203,952</u>	<u>12,907,609</u>	<u>(37,148)</u>
<b>CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2011 (INCLUDING RESTRICTED CASH AND OVERDRAFTS)</b>	<u>\$ 1,407,057</u>	<u>\$ 11,457,865</u>	<u>\$ 126,766</u>	<u>\$ 12,991,688</u>	<u>\$ (87,015)</u>
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>					
Operating Income/(Loss)	\$ 279,036	\$ 495,717	\$ (92,271)	\$ 682,482	\$ (88,706)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation Expense	455,382	1,371,107	6,053	1,832,542	1,648
Amortization Expense	30,103	-	-	30,103	-
Change in assets and liabilities:					
Deposit with Paying Agent	(15,000)	-	-	(15,000)	-
Prepaid Expenses	16,061	26,869	6,757	49,687	(881)
Inventory	-	-	-	-	(6,982)
Accounts Receivable	(45,081)	47,717	-	2,636	2,759
Accounts Payable	11,580	(351,320)	2,185	(337,555)	17,163
Accrued Expenses	(462)	(5,005)	7	(5,460)	565
Due to Other Governmental Units	-	-	-	-	25,210
Compensated Absences	2,294	(4,084)	-	(1,790)	(643)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 733,913</u>	<u>\$ 1,581,001</u>	<u>\$ (77,269)</u>	<u>\$ 2,237,645</u>	<u>\$ (49,867)</u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
APRIL 30, 2011

	<u>POLICE AND FIRE PENSION TRUST FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 808,029
Investments	9,053,732
Receivables (Net of Allowance for Estimated Uncollectible Amounts)	
Accrued Interest	<u>32,252</u>
TOTAL ASSETS	<u>\$ 9,894,013</u>
 LIABILITIES	 <u>\$ -</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 9,894,013</u></u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED APRIL 30, 2011

	<u>POLICE AND FIRE PENSION TRUST FUNDS</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 459,735
Plan Members	165,122
Miscellaneous	806
Total Contributions	<u>\$ 625,663</u>
Investment Income	
Interest and Dividends	\$ 191,409
Gain/(Loss) on Sale of Investments	(2,449)
Net Increase/(Decrease) in Fair Value of Investments	759,981
	<u>\$ 948,941</u>
Less: Investment Management Fees	(16,552)
Net Investment Income	<u>\$ 932,389</u>
<b>TOTAL ADDITIONS</b>	<u>\$ 1,558,052</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 287,322
Administrative Expenses	12,884
<b>TOTAL DEDUCTIONS</b>	<u>\$ 300,206</u>
<b>NET INCREASE/(DECREASE)</b>	<b>\$ 1,257,846</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2010</b>	<u>8,636,167</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2011</b>	<u><u>\$ 9,894,013</u></u>

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

VILLAGE OF FOX LAKE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Fox Lake, Illinois' (Village) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, and the Village has chosen to do so. The more significant accounting policies established in GAAP and used by the Village are discussed below.

A. *Reporting Entity*

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

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

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's general government, public safety, public works, and parks and recreation services are classified as governmental activities. The Village's water and sewer, water reclamation, and commuter parking services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sale taxes, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

associated with the function (public safety, public works, parks and recreation, etc.) or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales and use taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

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

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

The following fund types are used by the Village:

1. **Governmental Funds**

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

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

Special Revenue Funds – The Special Revenue Funds (Fire Protection and Tax Increment Financing Funds) are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds

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

Enterprise Funds – Enterprise Funds (Water and Sewer, Northwest Region Water Reclamation, and Commuter Parking Lot Funds) are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Internal Service Funds – Internal Service Funds (Motor Pool Fund) are used to account for the financing of goods or services provided by an activity to other departments or funds of the Village on a cost-reimbursement basis. Because the principal users of the internal services are the Village's governmental activities, the financial statement of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements.

3. Fiduciary Funds

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

The Village's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type (pension and fire trust funds). Since by definition these assets are being held for the benefit of a third party (e.g. pension participants) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

D. *Basis of Accounting*

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

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property tax revenues are recognized in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements are met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. An exception was made to the 60 day recognition period for income tax revenues due to delayed payments from the State of Illinois. The exception was made to preserve the consistency of revenue recognition between years. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

The Village reports deferred revenue on its governmental funds Balance Sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. At April 30, 2011 the Village has \$3,217,095 of deferred revenue, all of which is from property taxes.

E. *Cash and Cash Equivalents and Investments*

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

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

At April 30, 2011 the Motor Pool Fund had a cash overdraft of \$87,015 and the Fire Protection Fund had a cash overdraft of \$83,335.

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

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

F. *Receivables*

Receivables are reported net of estimated uncollectible amounts. Allowances for uncollectible amounts are as follows:

Property Taxes Receivable	\$	6,447
General Fund Accounts Receivable		976
General Fund Other Receivables		21,492
Water and Sewer Fund Accounts Receivable		3,904
Northwest Region Water Reclamation Accounts Receivable		4,881

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Receivables* (Continued)

All other receivable allowances are estimated at \$0.

G. *Prepaid Expenses*

Prepaid expenses are for payments made by the Village in the current year for goods and services received in the subsequent fiscal year.

H. *Inventories*

Inventories are accounted for at cost within the Motor Pool Fund using the first-in, first-out method. Inventory accounts are not maintained within the other funds to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of these items is not deemed to be material.

I. *Interfund Activity*

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

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

J. *Restricted Assets*

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

K. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

Building and Improvements	15 - 50 years
Systems and Equipment	5 - 45 years
Vehicles	4 - 25 years
Infrastructure	50 years

The Village reports and depreciates infrastructure assets effective as of May 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets constitute the largest asset class of the Village's governmental activities.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Compensated Absences*

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term debt obligation in the government-wide Statement of Net Assets and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. *Long-Term Obligations*

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

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

N. *Government-Wide and Proprietary Fund Net Assets*

Government-wide and proprietary fund net assets are divided into three components:

1. Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net assets – consist of net assets that are restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
3. Unrestricted – all other net assets are reported in this category.

O. *Governmental Fund Balances*

Governmental fund balances are reported as "reserved" when the balances are not available for appropriation or expenditure or because they are legally segregated for a specific future use. The remaining balances are "unreserved" fund balances. From time to time, the Village agrees to set aside or "designate" resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management's tentative plans and can be changed.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. *Property Tax Calendar and Revenues*

The Village's property tax is levied each calendar year on all taxable real property located within the Village's borders on or before the last Tuesday in December. The 2010 levy was passed by the Board on December 14, 2010. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

Q. *Defining Operating Revenues and Expenses*

The Village's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Village's proprietary funds consist of charges for services (including tap fees for the water function and systems development charges for the sewer function) and the costs of providing those services, including depreciation and excluding interest cost. All other revenue and expenses are reported as nonoperating.

R. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6, and Chapter 40, Act 5/Article 4 – Pensions.

As of April 30, 2011, the Village had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
External Investment Pools	\$ 5,027,087	\$ 5,027,087	\$ -	\$ -	\$ -
US Treasury Notes/Strips	1,794,381	-	955,704	838,677	-
Federal Home Loan Bank	833,208	-	443,022	390,186	-
Federal Farm Credit Bank	670,772	-	164,282	506,490	-
Federal Home Loan Mtg Corp	115,807	-	115,807	-	-
Federal National Mtg Assn	170,387	-	-	170,387	-
Municipal Bonds	112,808	-	54,876	57,932	-
Insurance Contracts	705,894	-	-	-	705,894
Money Markets	211,694	211,694	-	-	-
Mutual Funds	4,369,854	4,369,854	-	-	-
<b>Total</b>	<b>\$ 14,011,892</b>	<b>\$ 9,608,635</b>	<b>\$ 1,733,691</b>	<b>\$ 1,963,672</b>	<b>\$ 705,894</b>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

*Interest Rate Risk.* The Village's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The Village minimized credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest type of securities.
- Pre-qualifying the financial institutions with which the Village will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of April 30, 2011, the Village's investments were rated as follows:

Investment	Credit Rating	Rating Source
Illinois Funds Investment Pool	AAA	Standard and Poor's
IMET Investment Pool	AAA	Standard and Poor's
Federal Home Loan Bank	AAA	Standard and Poor's
Federal Farm Credit Bank	AAA	Standard and Poor's
Federal Home Loan Mtg Corp	AAA	Standard and Poor's
Federal National Mtg Assn	AAA	Standard and Poor's
Municipal Bonds	AAA	Standard and Poor's
Insurance Contracts	Not Rated	
Mutual Funds	Not Rated	

*Concentration of Credit Risk.* The Village places no specific limit on the amount the Village may invest in any one issuer. More than 5% of the Village's investments, other than External Investment Pools, U.S. Government Obligations, and Mutual Funds, are in Federal Home Loan Bank (6%) and Federal Farm Credit Bank (5%).

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	Balance May 1, 2010	Increases	Decreases	Balance April 30, 2011
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 12,232,988	\$ 45,198	\$ -	\$ 12,278,186
Total Capital Assets not being depreciated	<u>\$ 12,232,988</u>	<u>\$ 45,198</u>	<u>\$ -</u>	<u>\$ 12,278,186</u>
Other Capital Assets				
Buildings and Improvements	\$ 7,906,201	\$ -	\$ -	\$ 7,906,201
Equipment	2,040,939	-	-	2,040,939
Vehicles	4,950,418	76,022	96,633	4,929,807
Infrastructure	17,370,862	-	-	17,370,862
Total Other Capital Assets at Historical Cost	<u>\$ 32,268,420</u>	<u>\$ 76,022</u>	<u>\$ 96,633</u>	<u>\$ 32,247,809</u>
Less Accumulated Depreciation for				
Buildings and Improvements	\$ 2,542,835	\$ 182,936	\$ -	\$ 2,725,771
Equipment	907,869	131,658	-	1,039,527
Vehicles	3,358,372	275,731	96,633	3,537,470
Infrastructure	4,873,687	347,417	-	5,221,104
Total Accumulated Depreciation	<u>\$ 11,682,763</u>	<u>\$ 937,742</u>	<u>\$ 96,633</u>	<u>\$ 12,523,872</u>
Other Capital Assets, Net	<u>\$ 20,585,657</u>	<u>\$ (861,720)</u>	<u>\$ -</u>	<u>\$ 19,723,937</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 32,818,645</u></u>	<u><u>\$ (816,522)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,002,123</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance May 1, 2010	Increases	Decreases	Balance April 30, 2011
<b>Business-Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 698,468	\$ -	\$ -	\$ 698,468
Construction in Progress	10,306,100	1,344,366	2,576,164	9,074,302
Total Capital Assets not being depreciated	<u>\$ 11,004,568</u>	<u>\$ 1,344,366</u>	<u>\$ 2,576,164</u>	<u>\$ 9,772,770</u>
Other Capital Assets				
Buildings and Improvements	\$ 27,830,131	\$ -	\$ -	\$ 27,830,131
Water/Sewer System	33,466,811	4,768,463	-	38,235,274
Vehicles and Equipment	6,178,962	102,443	-	6,281,405
Total Other Capital Assets at Historical Cost	<u>\$ 67,475,904</u>	<u>\$ 4,870,906</u>	<u>\$ -</u>	<u>\$ 72,346,810</u>
Less Accumulated Depreciation for				
Buildings and Improvements	\$ 12,724,637	\$ 610,610	\$ -	\$ 13,335,247
Water/Sewer System	13,936,297	829,616	-	14,765,913
Vehicles and Equipment	2,745,298	392,316	-	3,137,614
Total Accumulated Depreciation	<u>\$ 29,406,232</u>	<u>\$ 1,832,542</u>	<u>\$ -</u>	<u>\$ 31,238,774</u>
Other Capital Assets, Net	<u>\$ 38,069,672</u>	<u>\$ 3,038,364</u>	<u>\$ -</u>	<u>\$ 41,108,036</u>
Business-Type Activities Capital Assets, Net	<u>\$ 49,074,240</u>	<u>\$ 4,382,730</u>	<u>\$ 2,576,164</u>	<u>\$ 50,880,806</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 43,004
Public Safety	417,887
Public Works	435,283
Parks and Recreation	41,568
Total Governmental Activities Depreciation Expense	<u>\$ 937,742</u>
<b>Business-Type Activities</b>	
Water and Sewer	\$ 455,382
Water Reclamation	1,371,107
Commuter Parking	6,053
Total Business-Type Activities Depreciation Expense	<u>\$ 1,832,542</u>

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2011 was as follows:

	Balance* May 1, 2010	Additions	Retirements	Balance April 30, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>					
Long-Term Debt					
Debt Certificates	\$ 1,992,899	\$ -	\$ 266,002	\$ 1,726,897	\$ 272,493
Bonds	1,706,902	-	171,495	1,535,407	179,221
Notes Payable	14,223		4,380	9,843	4,673
Total Long-Term Debt	<u>\$ 3,714,024</u>	<u>\$ -</u>	<u>\$ 441,877</u>	<u>\$ 3,272,147</u>	<u>\$ 456,387</u>
Other Long-Term Obligations					
Compensated Absences	\$ 282,474	\$ 32,419	\$ 643	\$ 314,250	\$ -
Total Other Long-Term Obligations	<u>\$ 282,474</u>	<u>\$ 32,419</u>	<u>\$ 643</u>	<u>\$ 314,250</u>	<u>\$ -</u>
Governmental Activities Long-Term Obligations	<u>\$ 3,996,498</u>	<u>\$ 32,419</u>	<u>\$ 442,520</u>	<u>\$ 3,586,397</u>	<u>\$ 456,387</u>

\*Note: The balance for May 1, 2010 includes an adjustment for prior year fund balance (see note 18). Also, the Net Pension Obligation at May 1, 2010 of \$171,383 is now presented separately and is no longer included in this footnote.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

	Balance May 1, 2010	Additions	Retirements	Balance April 30, 2011	Amounts Due Within One Year
<b>Business-Type Activities</b>					
<b>Long-Term Debt</b>					
Debt Certificates	\$ 2,355,000	\$ -	\$ 130,000	\$ 2,225,000	\$ 135,000
Bonds	2,605,000	-	175,000	2,430,000	185,000
Notes Payable	44,000	-	22,000	22,000	22,000
<b>Total Long-Term Debt</b>	<b>\$ 5,004,000</b>	<b>\$ -</b>	<b>\$ 327,000</b>	<b>\$ 4,677,000</b>	<b>\$ 342,000</b>
<b>Other Long-Term Obligations</b>					
Deferred Loss on Refunding	\$ (175,044)	\$ -	\$ (15,913)	\$ (159,131)	\$ (15,913)
Compensated Absences	103,570	-	1,790	101,780	-
<b>Total Other Long-Term Obligations</b>	<b>\$ (71,474)</b>	<b>\$ -</b>	<b>\$ (14,123)</b>	<b>\$ (57,351)</b>	<b>\$ (15,913)</b>
<b>Business-Type Activities Long-Term Obligations</b>	<b>\$ 4,932,526</b>	<b>\$ -</b>	<b>\$ 312,877</b>	<b>\$ 4,619,649</b>	<b>\$ 326,087</b>

Bonds and notes payable consisted of the following at April 30, 2011:

	Maturity Dates	Interest Rates	Face Amount	Carrying Amount
<b>Governmental Activities:</b>				
Debt Certificates Series 2002 Dated 7/10/02	9/1/2017	3% - 5.3%	\$ 2,170,000	\$ 1,195,000
Debt Certificates Series 2004 Dated 7/15/04	7/15/2012	4.125%	260,000	25,297
Debt Certificates Series 2005 Dated 11/15/05	11/15/2013	3.95%	500,000	210,000
Debt Certificates Series 2006 Dated 5/15/06	5/15/2016	4.4%	249,000	116,600
Debt Certificates Series 2007 Dated 12/3/07	1/1/2023	4.4%	212,000	180,000
Bond Series 2002 Dated 7/1/02	12/1/2016	4.5%	1,400,000	656,870
Bond Series 2003 Dated 6/30/03	6/30/2019	4.375%	1,300,000	878,537
Note Payable Dated 4/22/03	4/30/2013	6.5%	40,000	9,843
<b>Business-Type Activities:</b>				
Debt Certificates Series 2002B Dated 8/6/02	5/1/2022	3% - 5.3%	\$ 2,030,000	\$ 1,425,000
Debt Certificates Series 2002C Dated 8/6/02	5/1/2022	3.25% - 6.75%	1,110,000	800,000
Refunding Bonds Series 2003 Dated 6/26/03	5/1/2021	2% - 3.875%	2,325,000	1,720,000
Refunding Bonds Series 2007 Dated 12/10/07	5/1/2021	4.2%	850,000	710,000
Note Payable Dated 9/6/06	9/26/2011	5%	160,000	22,000

At April 30, 2011 the annual debt service requirements to service long-term debt attributable to governmental activities are:

Year Ending April 30	Principal	Interest	Total
2012	\$ 456,387	\$ 147,499	\$ 603,886
2013	458,902	127,367	586,269
2014	465,424	106,259	571,683
2015	404,240	84,879	489,119
2016	419,455	65,645	485,100
2017	440,003	45,459	485,462
2018	315,818	24,327	340,145
2019	126,512	13,806	140,318
2020	131,406	8,200	139,606
2021	17,000	2,376	19,376
2022	18,000	1,628	19,628
2023	19,000	836	19,836
	<b>\$ 3,272,147</b>	<b>\$ 628,281</b>	<b>\$ 3,900,428</b>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

At April 30, 2011 the annual debt service requirements to service long-term debt attributable to business-type activities are:

Year Ending April 30	Principal	Interest	Total
2012	\$ 342,000	\$ 100,079	\$ 442,079
2013	335,000	191,174	526,174
2014	350,000	177,134	527,134
2015	365,000	162,077	527,077
2016	380,000	146,088	526,088
2017	405,000	128,971	533,971
2018	410,000	110,719	520,719
2019	595,000	88,295	683,295
2020	455,000	64,680	519,680
2021	385,000	43,034	428,034
2022	245,000	23,133	268,133
2023	410,000	7,181	417,181
	<u>\$ 4,677,000</u>	<u>\$ 1,242,565</u>	<u>\$ 5,919,565</u>

NOTE 5 - RESTRICTED/RESERVED EQUITY

The following amounts are restricted/reserved equity balances at April 30, 2011:

Restricted/ Reserved For	Restricted Net Assets	Reserved Fund Balance
Governmental Activities/ Governmental Funds		
Charitable Games	\$ 6,387	\$ 6,387
DUI	16,767	16,767
Parks	39,746	39,746
Motor Fuel Tax	446,227	446,227
Garbage	101,887	101,887
Insurance	245,513	245,513
	<u>\$ 856,527</u>	<u>\$ 856,527</u>
Business-Type Activities/ Proprietary Funds		
Debt Service	<u>\$ 992,767</u>	

NOTE 6 - DEFICIT FUND BALANCE/NET ASSETS

At April 30, 2011 a deficit fund balance/net assets existed in the following funds:

Fund	April 30, 2011 Fund Balance/Net Assets
Fire Protection Fund	\$ (92,096)
Internal Service Fund	(68,750)

NOTE 7 - PROPERTY TAXES

Property taxes receivable and deferred revenue recorded in these financial statements are from the 2010 tax levy. The deferred revenue is 100% of the 2010 tax levy, less an allowance for uncollectible amounts. These taxes are deferred as none of the taxes are collected before the end of the fiscal year and the Village does not consider the amounts to be available and does not budget for their use in fiscal year 2011. The Village has determined that 100% of the amount

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY TAXES (Continued)

collected for the 2009 and prior levies (\$3,324,586) is allocable for use in fiscal year 2011 and, therefore, are recorded in these financial statements as property taxes revenue. A summary of the assessed valuation, rates, and extensions for the years 2010, 2009, and 2008 follows:

Lake County

Tax Year	2010		2009		2008	
Assessed Valuation	\$329,351,168		\$344,327,343		\$349,927,999	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
General	0.2290	\$ 754,214	0.2170	\$ 747,190	0.2130	\$ 745,347
Ambulance	0.1590	523,668	0.1500	516,491	0.1480	517,893
Audit	0.0040	13,174	0.0030	10,330	0.0020	6,999
Fire Protection	0.1700	559,897	0.1610	554,367	0.1580	552,886
IMRF	0.0320	105,392	0.0300	103,298	0.0290	101,479
Police Pension	0.1280	421,570	0.1210	416,636	0.1180	412,915
Police Protection	0.0610	200,904	0.0570	196,267	0.0550	192,460
Social Security	0.0410	135,034	0.0380	130,844	0.0370	129,473
Insurance	0.0920	303,003	0.0870	299,565	0.0850	297,439
Total Taxes Extended	<u>0.9160</u>	<u>\$ 3,016,856</u>	<u>0.8640</u>	<u>\$ 2,974,988</u>	<u>0.8450</u>	<u>\$ 2,956,891</u>

McHenry County

Tax Year	2010		2009		2008	
Assessed Valuation	\$21,965,326		\$22,015,077		\$21,455,079	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
General	0.2489	\$ 54,674	0.2378	\$ 52,354	0.2174	\$ 46,650
Ambulance	0.1737	32,486	0.1654	30,998	0.1534	28,040
Audit	0.0034	756	0.0022	482	0.0013	289
Fire Protection	0.1864	34,869	0.1766	33,098	0.1643	30,025
IMRF	0.0344	7,558	0.0324	7,128	0.0296	6,355
Police Pension	0.1388	30,486	0.1318	29,014	0.1212	25,997
Police Protection	0.0654	14,361	0.0614	13,524	0.0565	12,132
Social Security	0.0436	9,574	0.0413	9,093	0.0377	8,088
Insurance	0.0998	21,920	0.0949	20,903	0.0875	18,776
Total Taxes Extended	<u>0.9944</u>	<u>\$ 206,684</u>	<u>0.9438</u>	<u>\$ 196,594</u>	<u>0.8689</u>	<u>\$ 176,352</u>

NOTE 8 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2011 the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
Fire Protection Fund	\$ 1,216,617	\$ 1,330,385	\$ 113,768

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND

A. *Plan Description*

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

B. *Funding Policy*

As set by statute, the Village's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 used by the Village was 10.29% of annual covered payroll. The Village's annual required contribution rate for calendar year 2010 was 11.21%. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

C. *Annual Pension Cost*

For calendar year ending December 31, 2010, the Village's actual contributions for pension cost for the Regular plan were \$310,681. Its required contribution for calendar year 2010 was \$338,459.

Three-Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 338,459	92%	\$ 27,778
12/31/2009	279,461	100%	-
12/31/2008	309,658	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

D. *Funded Status and Funding Progress*

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 78.56% funded. The actuarial accrued liability for benefits was \$6,769,999 and the actuarial value of assets was \$5,318,260, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,451,739. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$3,019,257 and the ratio of the UAAL to the covered payroll was 48%.

This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. *Funded Status and Funding Progress (Continued)*

REQUIRED SUPPLEMENTARY INFORMATION						
Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 5,318,260	\$ 6,769,999	\$ 1,451,739	78.56%	\$ 3,019,257	48.08%
12/31/2009	5,126,901	6,548,186	1,421,285	78.29%	3,326,918	42.72%
12/31/2008	5,204,427	6,554,367	1,349,940	79.40%	3,592,319	37.58%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$5,716,690. On a market basis, the funded ratio would be 84.44%.

NOTE 10 - POLICE PENSION PLAN

A. *Plan Description and Contribution Information*

The Police Pension Fund of the Village of Fox Lake (Plan) is a single-employer defined benefit pension plan that covers all full-time police sworn personnel of the Village. The Pension Board administers the Plan and the Illinois Department of Insurance is the oversight agency.

The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Chapter 40-Pensions-Act 5/Article 3 of the Illinois Compiled Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Illinois legislature. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at April 30, 2010, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Member not yet Receiving Benefits	1
Active Plan Members	<u>22</u>
Total	<u><u>30</u></u>

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

B. *Summary of Significant Accounting Policies*

1. *Basis of Accounting*

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Village contributions to the Plan are recognized when due and when the Village has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - POLICE PENSION PLAN (Continued)

B. *Summary of Significant Accounting Policies* (Continued)

2. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Any investments that do not have an established market are reported at estimated fair value.

C. *Annual Pension Cost and Net Pension Obligation*

The Village's annual pension cost and net pension obligation to the Plan as of April 30, 2010 (the date the most current actuarial information is available) is as follows:

Annual required contribution	\$ 469,808
Interest on net pension obligation (optional)	11,997
Adjustment to annual required contribution	<u>(8,479)</u>
Annual pension cost	\$ 473,326
Contributions made	<u>437,847</u>
Increase/(decrease) in net pension obligation	\$ 35,479
Net pension obligation beginning of year	<u>171,383</u>
Net pension obligation end of year	<u><u>\$ 206,862</u></u>

The annual required contribution for the current year was determined as part of the April 30, 2009 actuarial valuation using the entry-age-normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5%. Both (a) and (b) include an inflation component. The assumptions include postretirement benefit increases of 3%. The unfunded actuarial accrued liability is being amortized as a level percentage of pay method on a closed period. The remaining amortization period at April 30, 2010 was 23 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2010	\$ 473,326	92.5%	\$ 206,862
4/30/2009	425,069	99.3%	171,383
4/30/2008	485,913	99.4%	168,210

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2010	\$ 8,636,167	\$ 13,319,142	\$ 4,682,975	64.8%	\$ 1,623,585	288.4%
4/30/2009	7,116,983	13,280,784	6,163,801	53.6%	1,694,510	363.8%
4/30/2008	7,639,294	12,124,112	4,484,818	63.0%	1,584,171	283.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - FIREFIGHTERS' PENSION PLAN

A. *Plan Description and Contribution Information*

The Firefighters' Pension Fund of the Village of Fox Lake (Plan) is a single-employer defined benefit pension plan that covers all full-time sworn fire personnel of the Village. The Pension Board administers the Plan and the Illinois Department of Insurance is the oversight agency.

The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Chapter 40-Pensions-Act 5/Article 4 of the Illinois Compiled Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Illinois legislature. The Plan does not issue a stand-alone financial report.

There are no current covered employees of the Village.

Contribution requirements of both the Plan members and the Village are established and may be amended by the Illinois legislature. Plan members are required to contribute 9.455% of their annual covered salary. The Village is required to contribute at an actuarially determined rate. Administrative costs of the Plan are financed through investment earnings. Since there are no current covered employees no current contributions are made to the plan.

B. *Summary of Significant Accounting Policies*

1. *Basis of Accounting*

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Village contributions to the Plan are recognized when due and when the Village has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

2. *Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Any investments that do not have an established market are reported at estimated fair value.

C. *Annual Pension Cost and Net Pension Obligation*

There are no annual pension costs or net pension obligations of the Plan.

NOTE 12 - SOCIAL SECURITY

All employees are covered under Social Security except those on the police force. The Village paid \$198,211, the total required contribution for the current fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at April 30, 2011 consisted of the following:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Tax Increment Financing Fund	General Fund	\$ 4,755

All interfund balances resulted from a time lag between the dates that (1) revenue was collected and remitted to appropriate funds and (2) expenditures were incurred and reimbursed between funds.

Interfund transfers for the year ended April 30, 2011 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Fire Protection Fund	\$ 27,000

Transfers between the General Fund and Fire Protection Fund are used to fund deficit cash balances.

NOTE 14 - RISK MANAGEMENT

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

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

The relationship between the Village and IMLRMA is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Village is contractually obligated to make all annual and supplementary contributions for IMLRMA, to report claims on a timely basis, cooperate with IMLRMA, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by IMLRMA. Members have a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which they were a member. IMLRMA is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. IMLRMA also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members. During fiscal year 2011 there was no significant reduction in insurance coverage for any category.

There have been no settlement amounts that have exceeded insurance coverage. The Village is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2011, there were no significant adjustments in premiums based on actual experience.

NOTE 15 - CONSTRUCTION COMMITMENTS

The Village is currently involved in several ongoing construction projects. These projects, which are reported in the Northwest Region Water Reclamation Fund, include plant expansion I and plant expansion II projects.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 - CONTINGENCIES

The Village is not aware of any litigation which might have a material adverse affect on the Village's financial position.

NOTE 17 - LEGAL DEBT LIMITATION

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

2010 EAV	\$	351,316,494
		<u>8.625%</u>
Debt Margin	\$	30,301,048
Current Debt		<u>3,272,147</u>
Remaining Debt Margin	\$	<u><u>27,028,901</u></u>

NOTE 18 - FUND BALANCE/NET ASSETS ADJUSTMENTS

The following fund balance/net assets adjustments were made to correct prior year balances:

	Governmental Activities Net Assets	Business-Type Activities Net Assets	Northwest Region Water Reclamation Fund Net Assets
Record additional accrual of Fees from Lake County at 4/30/10	\$ -	\$ 1,601,829	\$ 1,601,829
Record prior year Parking Lot Land Loan	<u>(14,223)</u>	<u>-</u>	<u>-</u>
Total Adjustment	<u><u>\$ (14,223)</u></u>	<u><u>\$ 1,601,829</u></u>	<u><u>\$ 1,601,829</u></u>

NOTE 19 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through August 31, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF FOX LAKE, ILLINOIS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED APRIL 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original and Final</u>		
<b>REVENUES</b>			
Local Taxes			
Property Tax	\$	2,120,000	\$ 2,152,643
Intergovernmental			
State Sales and Use Tax		2,517,700	2,649,975
State Income Tax		823,000	871,118
State Replacement Tax		50,580	70,080
State Motor Fuel Tax		273,800	270,666
Hotel/Motel Tax		7,000	8,054
State Pull Tab/Games Tax		2,500	3,459
Auto Rental Tax		50	-
State Telecommunications Tax		300,000	258,347
Utility Tax		301,000	589,526
State Grants		-	3,080
Federal Grants		236,010	127,167
Other Local Sources			
Franchise Fees		112,000	117,157
Licenses and Permits		408,800	374,814
Fines and Forfeitures		291,000	446,704
Charges for Services		1,855,250	2,082,156
Interest		900	1,897
Miscellaneous			
Donations		-	1,485
Impact Fees		42,000	10,020
Other Miscellaneous		7,000	74,478
<b>Total Revenues</b>	<b>\$</b>	<b>9,348,590</b>	<b>\$ 10,112,826</b>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
<b>GENERAL GOVERNMENT</b>			
Administration	\$	935,473	\$ 884,659
Building Department		423,995	343,921
Retirement Contributions		248,343	234,054
Insurance		145,150	256,835
	<b>\$</b>	<b>1,752,961</b>	<b>\$ 1,719,469</b>
<b>PUBLIC SAFETY</b>			
Police Department	\$	3,388,607	\$ 3,262,505
Police and Fire Commission		20,510	12,667
911 Emergency System		809,645	809,258
	<b>\$</b>	<b>4,218,762</b>	<b>\$ 4,084,430</b>
<b>PUBLIC WORKS</b>			
Highways and Streets	\$	1,099,463	\$ 1,016,618
Motor Fuel Tax		201,500	109,349
Garbage Collection		746,500	766,300
	<b>\$</b>	<b>2,047,463</b>	<b>\$ 1,892,267</b>
<b>PARKS AND RECREATION</b>			
Parks and Recreation	\$	211,450	\$ 186,295

See Accompanying Independent Auditor's Report

VILLAGE OF FOX LAKE, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2011

	Budgeted Amounts	Actual
	Original and Final	Amounts
EXPENDITURES (Continued)		
CAPITAL OUTLAY		
GENERAL GOVERNMENT		
Administration	\$ 5,184	\$ -
PUBLIC SAFETY		
Police Department	85,000	76,022
911 Emergency System	7,850	-
PUBLIC WORKS		
Highways and Streets	370,000	-
Motor Fuel Tax	271,054	152,223
PARKS AND RECREATION	-	212
	\$ 739,088	\$ 228,457
DEBT SERVICE		
Principal	\$ 437,497	\$ 441,877
Interest and Fees	166,968	168,703
	\$ 604,465	\$ 610,580
Total Expenditures	\$ 9,574,189	\$ 8,721,498
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (225,599)	\$ 1,391,328
OTHER FINANCING SOURCES/(USES)		
Transfers	\$ (65,750)	\$ (27,000)
Sale of Village Property	-	893
	\$ (65,750)	\$ (26,107)
NET CHANGE IN FUND BALANCE	\$ (291,349)	\$ 1,365,221
FUND BALANCE - MAY 1, 2010	1,456,007	1,595,049
FUND BALANCE - APRIL 30, 2011	\$ 1,164,658	\$ 2,960,270

See Accompanying Independent Auditor's Report

VILLAGE OF FOX LAKE, ILLINOIS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 FIRE PROTECTION FUND  
 YEAR ENDED APRIL 30, 2011

	<u>Budgeted Amounts</u>	<u>Actual</u>
	Original and Final	Amounts
REVENUES		
Local Taxes		
Property Tax	\$ 1,138,000	\$ 1,132,033
Other Local Sources		
Charges for Services	15,000	4,389
Miscellaneous		
Fire Department Reimbursements	-	51,020
Other Miscellaneous	11,100	12,935
Total Revenues	\$ 1,164,100	\$ 1,200,377
EXPENDITURES		
CURRENT		
PUBLIC SAFETY		
Fire Protection	\$ 1,216,617	\$ 1,285,187
CAPITAL OUTLAY		
PUBLIC SAFETY		
Fire Protection	\$ -	\$ 45,198
Total Expenditures	\$ 1,216,617	\$ 1,330,385
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (52,517)	\$ (130,008)
OTHER FINANCING SOURCES/(USES)		
Transfers	\$ 27,000	\$ 27,000
Sale of Village Property	1,000	12,185
	\$ 28,000	\$ 39,185
NET CHANGE IN FUND BALANCE	\$ (24,517)	\$ (90,823)
FUND BALANCE - MAY 1, 2010	(24,431)	(1,273)
FUND BALANCE - APRIL 30, 2011	\$ (48,948)	\$ (92,096)

See Accompanying Independent Auditor's Report

VILLAGE OF FOX LAKE, ILLINOIS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
APRIL 30, 2011

NOTE 1 - BUDGET

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for all funds except agency funds. All annual budgets lapse at fiscal year end.

Budgeted expenditures are controlled at the departmental level with the Village Administrator's oversight. All transfers and any revision that changes the total expenditures not contemplated of any fund must be approved by the Village Board. All budget amendments must be approved by the Village Board.

The budget was approved on May 11, 2010.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2011, the following fund reported in Required Supplementary Information had expenditures that exceeded the budget:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Actual Over Budget</u>
Fire Protection Fund	\$ 1,216,617	\$ 1,330,385	\$ 113,768

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SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF FOX LAKE, ILLINOIS  
INFORMATION REQUIRED BY WATER AND  
SEWER REVENUE BOND ORDINANCE  
APRIL 30, 2011

MISCELLANEOUS

Number of sewer customers served by North Sewer Plant	1,384
Number of water customers metered, North and South	3,514
Number of water customers unmetered, North and South	-
Quantity of sewerage treated (gallons), North only	56,315,000
Quantity of water pumped (gallons), North only	68,111,000
Quantity of water pumped (gallons), South only	204,627,000
Quantity of water billed	251,601,110

SUMMARY OF RATES

South System (billed every two months)

Water rate first 7,000 gallons	51.38
Sewer rate first 15,000 gallons	46.52
Water rate per 1,000 gallons over 7,000	3.88
Sewer rate per 1,000 gallons over 15,000	2.91

North System (billed every two months)

Water rate first 6,000 gallons	41.22
Sewer rate first 15,000 gallons	46.14
Water rate per 1,000 gallons over 6,000	3.45
Sewer rate per 1,000 gallons over 15,000	3.20

See Accompanying Independent Auditor's Report

(Unaudited)