

VILLAGE OF FOX LAKE, ILLINOIS

ANNUAL FINANCIAL REPORT

APRIL 30, 2014

Village of Fox Lake, Illinois



Annual Financial Report
Year Ended April 30, 2014

VILLAGE OF FOX LAKE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Village of Fox Lake
Fox Lake, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Village of Fox Lake, Fox Lake, Illinois (Village) as of and for the year ended April 30, 2014, and the related notes to financial statements which collectively comprise the Village's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Village of Fox Lake as of April 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension funding progress, and certain budgetary comparison information on pages 3-10 and 41-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fox Lake's financial statements as a whole. The supplemental data on page 48 is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental data is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
December 17, 2014

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF FOX LAKE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2014

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, 2014. 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 and deferred outflows of resources of the Village exceed its liabilities and deferred inflows of resources at April 30, 2014 by \$99,205,076 (total net position). Of this amount, \$15,192,398 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased \$666,691 from current year activities.
- At April 30, 2014, the Village's governmental funds reported combined ending fund balances of \$6,296,351, an increase from current year activities of \$1,300,019.
- At April 30, 2014, the unassigned fund balance for the General Fund was \$3,569,367, or 35% of total General Fund expenditures.
- The Village's total long-term debt decreased by \$958,655 due to required payments made during the year.

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 Position presents information on all of the Village's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 11 and 12 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 13 through 16 of this report.

Proprietary Funds. The Village maintains enterprise funds. These 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.

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 17 through 19 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 20 and 21 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 22 through 40 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 41 through 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$99,205,076 at April 30, 2014.

By far, the largest portion of the Village's net position (81%) 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.

Village of Fox Lake, Illinois' Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
Assets						
Current and Other Assets	\$ 10,145,749	\$ 9,894,711	\$ 13,706,387	\$ 14,108,721	\$ 23,852,136	\$ 24,003,432
Capital Assets	30,806,169	31,502,876	55,670,070	56,018,441	86,476,239	87,521,317
Total Assets	\$ 40,951,918	\$ 41,397,587	\$ 69,376,457	\$ 70,127,162	\$ 110,328,375	\$ 111,524,749
Liabilities						
Long-Term Liabilities						
Outstanding	\$ 3,881,649	\$ 4,259,118	\$ 3,093,273	\$ 3,659,289	\$ 6,974,922	\$ 7,918,407
Other Liabilities	429,736	1,259,791	272,886	182,679	702,622	1,442,470
Total Liabilities	\$ 4,311,385	\$ 5,518,909	\$ 3,366,159	\$ 3,841,968	\$ 7,677,544	\$ 9,360,877
Deferred Inflows of Resources						
Unavailable Revenue -						
Property Taxes	\$ 3,445,755	\$ 3,378,329	\$ -	\$ -	\$ 3,445,755	\$ 3,378,329
Total Deferred Inflows of Resources	\$ 3,445,755	\$ 3,378,329	\$ -	\$ -	\$ 3,445,755	\$ 3,378,329
Net Position						
Net Investment in						
Capital Assets	\$ 27,818,909	\$ 28,111,586	\$ 52,679,159	\$ 52,478,758	\$ 80,498,068	\$ 80,590,344
Restricted	2,534,972	2,027,468	979,638	961,706	3,514,610	2,989,174
Unrestricted	2,840,897	2,361,295	12,351,501	12,844,730	15,192,398	15,206,025
Total Net Position	\$ 33,194,778	\$ 32,500,349	\$ 66,010,298	\$ 66,285,194	\$ 99,205,076	\$ 98,785,543

An additional portion of the Village's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,192,398) may be used to meet the Village's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased the Village's net position by \$941,587. Key differences from the prior year are as follows:

Village of Fox Lake, Illinois' Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
Revenues						
Program Revenues						
Charges for Services	\$ 3,636,770	\$ 3,699,440	\$ 8,473,332	\$ 8,205,416	\$ 12,110,102	\$ 11,904,856
Operating Grants and Contributions	98,211	8,124	-	10,100	98,211	18,224
Capital Grants and Contributions	127,302	396,521	3,713	307,831	131,015	704,352
General Revenues						
Property Taxes	3,545,498	3,435,095	-	-	3,545,498	3,435,095
Sales and Use Taxes	3,049,615	2,901,893	-	-	3,049,615	2,901,893
Other Taxes	2,462,357	2,288,414	-	-	2,462,357	2,288,414
Other	792	1,563	11,119	24,693	11,911	26,256
Total Revenues	\$ 12,920,545	\$ 12,731,050	\$ 8,488,164	\$ 8,548,040	\$ 21,408,709	\$ 21,279,090
Expenses						
General Government	\$ 2,613,793	\$ 3,145,583	\$ -	\$ -	\$ 2,613,793	\$ 3,145,583
Public Safety	6,489,040	6,174,151	-	-	6,489,040	6,174,151
Public Works	2,509,298	2,543,672	-	-	2,509,298	2,543,672
Parks and Recreation	260,347	260,421	-	-	260,347	260,421
Interest and Fees	114,682	125,690	-	-	114,682	125,690
Water and Sewer	-	-	2,584,244	2,413,160	2,584,244	2,413,160
Water Reclamation	-	-	5,981,777	5,456,565	5,981,777	5,456,565
Commuter Parking	-	-	197,039	143,437	197,039	143,437
Total Expenses	\$ 11,987,160	\$ 12,249,517	\$ 8,763,060	\$ 8,013,162	\$ 20,750,220	\$ 20,262,679
Increase/(Decrease) in Net Position						
Before Transfers	\$ 933,385	\$ 481,533	\$ (274,896)	\$ 534,878	\$ 658,489	\$ 1,016,411
Gain/(Loss) on Sale of Capital Assets	8,202	19,886	-	-	8,202	19,886
Increase/(Decrease) in Net Position	\$ 941,587	\$ 501,419	\$ (274,896)	\$ 534,878	\$ 666,691	\$ 1,036,297
Net Position Beginning of Year	32,500,349	31,998,930	66,285,194	85,750,316	98,785,543	97,749,246
Net Position Adjustment (Note 20)	(247,158)	-	-	-	(247,158)	-
Net Position End of Year	\$ 33,194,778	\$ 32,500,349	\$ 66,010,298	\$ 66,285,194	\$ 99,205,076	\$ 98,785,543

The Village started receiving video gaming permit fees which was a major contributing factor in the increase in Other Tax Revenues. The Village also saw an increase in property tax revenue due to increased rates over the prior year. Expenditures decreased over the prior year largely due to a decrease in sales tax rebate payments related to sales tax agreements with several local businesses. The Village also purchased fewer capital assets when compared to the prior year.

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

Business-Type Activities. Business-type activities decreased the Village's net position by \$274,896. Revenue decreased over the prior year due to the Village receiving grants in the prior fiscal year, and not again in the current year. There was also an increase in administrative expenses and building service and maintenance.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year. At April 30, 2014, the Village's governmental funds reported combined ending fund balances of \$6,296,351, an increase of \$1,300,019 in comparison with the prior year. Approximately 56% of this

total amount constitutes unassigned 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, 2014, the fund balance of the General Fund was \$6,014,833, of which \$3,569,367 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35% of total General Fund expenditures. The General Fund's fund balance increased \$1,332,409 during the year ended April 30, 2014 partially due to an increase in revenues from video gaming permit fees received, a decrease in business incentive expenses and a decrease in the purchase of capital items.

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 \$11,595,324 as of April 30, 2013 to \$12,932,912 as of April 30, 2014. This increase was partially due to an increase in fair value of investments of \$863,487 and interest and dividends of \$337,671. \$667,668 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 amended during the year ended April 30, 2014. The amended budget was passed by the Board on June 11, 2013. The amendment increased the budget for expenses by \$281,903 and was mostly due to an increase in business incentives that were to be paid out in fiscal year 2014. The amendment also increased the budget for revenues by \$425,000, mainly due to an increase in anticipated state sales tax revenues to be received. Actual revenue exceeded the final budgeted revenue by \$194,909. This difference was mostly due to more than expected Charges for Services and State Income Tax. Charges for Services final budget to actual difference is mostly due to Administrative Revenue which was \$90,052 higher than budgeted. Actual Sales tax received was \$222,629 higher than budgeted. Final budgeted expenditures exceeded actual expenditures by \$997,551. The majority of this difference was due to less than expected administration expenditures, specifically business incentive payments. Actual business incentive payments were \$463,581 less than budgeted and was due to the Dominick's in Fox Lake closing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of April 30, 2014 amounts to \$86,476,239 (net of accumulated depreciation). This investment in capital assets 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	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
Land	\$ 12,278,186	\$ 12,278,186	\$ 708,468	\$ 698,468	\$ 12,986,654	\$ 12,976,654
Construction in Progress	-	-	565,380	16,772,493	565,380	16,772,493
Buildings and Improvements	5,237,842	5,427,222	30,145,257	13,287,132	35,383,099	18,714,354
Water/Sewer System	-	-	21,803,534	22,659,736	21,803,534	22,659,736
Vehicles and Equipment	2,087,492	2,342,545	2,447,431	2,600,612	4,534,923	4,943,157
Infrastructure	11,202,649	11,454,923	-	-	11,202,649	11,454,923
Total	\$ 30,806,169	\$ 31,502,876	\$ 55,670,070	\$ 56,018,441	\$ 86,476,239	\$ 87,521,317

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

- Plant expansions within the Northwest Region Water Reclamation Fund were completed and moved from Construction in Progress to Building and Improvements. The project totaled \$17,727,944 with \$1,081,897 of expenses incurred in the current fiscal year.
- Equipment and vehicle additions of \$192,752 for various trucks, excavators, vans and equipment within the Water and Sewer Fund.
- Governmental funds additions of \$97,084 for newly paved roads and \$132,201 for various vehicles purchased by the Village.

For further information, please see note 3 on pages 30 and 31 of this report.

Long-Term Debt. At April 30, 2014, the Village had total debt outstanding of \$5,996,033.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2014	4/30/2013	4/30/2014	4/30/2013	4/30/2014	4/30/2013
Debt Certificates	\$ 2,289,652	\$ 2,596,430	\$ 1,223,448	\$ 1,591,370	\$ 3,513,100	\$ 4,187,800
Bonds	622,933	711,888	1,860,000	2,055,000	2,482,933	2,766,888
Total	<u>\$ 2,912,585</u>	<u>\$ 3,308,318</u>	<u>\$ 3,083,448</u>	<u>\$ 3,646,370</u>	<u>\$ 5,996,033</u>	<u>\$ 6,954,688</u>

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 \$22,227,698, 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 31 and 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY 2014-15 budget reflects a balanced General Fund operating budget and emphasizes the Village's commitment to capital and infrastructure improvements. The budget was developed using the following five strategic objectives.

- *Economic Development*

Economic development, retail sales tax growth, and redeveloping vacant commercial properties continue to be a primary goal of the Village. In 2013, Safeway closed all Dominick's locations in the Chicago area market. The closing of the Fox Lake Dominick's is expected to have an adverse impact of the Village's sales tax base, however; the Village plans to continue its aggressive marketing campaign to attract new businesses and other economic opportunities. The planned opening of Ace Hardware in the summer of 2014 is an example of this ongoing pursuit of economic development. In 2013, the Village contracted with an economic development firm to market and recruit retail sales opportunity, and the Village will continue this partnership in FY 2014-15. The Business Façade Improvement Program (BFIP) was implemented in 2013 and businesses are steadily taking advantage of this redevelopment opportunity that will continue in 2014. The FY 2014-15 budget anticipates additional tax incentives for local retailers and an emphasis on marketing the Village to retail and commercial development.

Another important component of the Village's ongoing economic development and marketing plan is its commitment to community events. The Village of Fox Lake does not have a Park District, therefore; a majority of community events are subsidized by the Village. In FY 2014-15, the Village plans to continue coordinating or sponsoring multiple special events, including Venetian Night, Celebrate Fox Lake, Oktoberfest, the Polar Plunge and Holiday festivities. Village staff is also working to nurture and expand upon the positive relationship between the Fox Lake Chamber of Commerce and the Village to actively engage its business community.

- *Customer Service*

The Village's goal is to continuously improve its customer service levels, to both external and internal customers. In order to provide high quality services to residents and business owners, Village staff is continually exploring alternative service delivery methods and examining current service level expectations. For example, the FY 2014-15 budget includes the reinstatement of the Senior Bus Transit services through the Pace program. Staff will also be examining inter-departmental clerical resources training and opportunities for revitalizing the Village's website. Outsourcing the bi-weekly payroll process to a third-party vendor will be pursued in FY 2014-15, as a mechanism for improving its efficiency and reducing personnel costs.

- *Infrastructure*

Another important goal identified by the Village is a commitment to analyze the numerous infrastructure improvement needs of the community and develop plans to meet those needs. A major push on infrastructure improvements is planned during FY 2014-15, with more than \$8.6 million budgeted for capital improvement planning, projects, and purchases. For the first time, the Village has developed a five-year Capital Improvements Program (CIP), which will be re-evaluated every year to accurately budget and plan for infrastructure improvement projects. The FY 2014-15 budget includes the creation of two (2) new capital improvement funds; the General Services Capital Fund and the Street Improvements Capital Fund. Dedicated revenue sources have been allocated among six (6) different capital improvement funds.

To further finance the necessary infrastructure improvements in the community, the Village will work to identify alternative methods of financing, pursue grants, and implement new revenue sources.

- *Fiscal Management*

Sound fiscal management is another strategic principle of the Village. This goal is one that will expand beyond strict expenditure management and exploring new revenue sources. In FY 2014-15, a goal of fiscal management will include an analysis of Village fee structures and rates, reviews of existing service contracts and professional agreements, and updates of financial procedures and internal controls.

- *Conservation*

The Village of Fox Lake is a well-known resort and recreational community. Centrally located in the "Chain O' Lakes," Fox Lake offers its residents and visitors an environmentally rich lifestyle, focusing on conservation and leisure activities. As such, the Village will continue to promote and elevate its recreational opportunities with a focus on conserving natural resources such as groundwater, wetlands, and natural bodies of water that surround the community. During FY 2013-14, the Village actively pursued and applied for grants from the State of Illinois to improve the Lakefront Park Building and the grant recipients will be announced in 2014. Funds from a Safe Route to School grant will be used to improve sidewalks and walkways. The FY 2014-15 budget also includes funding for improvements to local parks. Expanding recycling programs and ongoing LED replacements in subdivisions are other examples of this strategic principle that is included in the FY 2014-15 annual budget.

The principal issues and challenges facing the Village of Fox Lake in the development of the fiscal year 2014-15 annual budget were:

- Fiscal sustainability - Ensure that operating revenues and expenditures are in balance and invest in critical infrastructure, while building solid cash reserves.

- Sewer/Water Capital Improvements - Provide safe water collection and distribution services by performing critical infrastructure improvements to sanitary sewers, water mains, hydrants, liftstations, water towers, and SCADA system.
- Maintaining Healthy Reserves - General Fund Reserves are to be maintained at a minimum of four months, maximum of six months of operating expenditures.
- Maximize taxable property value, reduce vacancies, and create an inviting environment for doing business, consistent with the needs and expectations of the community. Expand the sales tax base to reduce reliance on property tax, due to declining EAV's.
- Increasing Benefit Costs - Continue to offer quality benefits to employees while funding rising insurance costs and other costs associated with the Affordable Care Act (ACA).
- Infrastructure improvements - Fund and maintain safe and reliable infrastructure improvements to some of the Village's most needed areas such as roads, curb and gutter, municipal vehicles and equipment, storm water, and sidewalks.

Budget Highlights

Overall, the annual budget totals \$37,156,859. This is an increase of \$10,918,150, or 41.6%, from the FY 2013-14 budget total of \$26,238,709. The primary reason for this increase is associated with a drawdown of surplus cash reserves in the General Fund, Sewer/Water Fund and Northwest Regional Water Reclamation Fund and the implementation of a Capital Improvement Program.

Personnel changes in the FY 2014-15 budget reflect a slight increase of 1.75 in Full-Time Employees (FTE). The total authorized staff level for the Village is budgeted at 101.0 FTE. The increase in staffing levels is representative of the Village's resolve to maintain personnel costs. A full-time SCADA Specialist will be distributed among three departments and three funds; the General Fund (0.2), the Sewer and Water Fund (0.4) and the NWRWRF (0.6). A part-time clerical assistant is budgeted to be promoted to full-time and will assist Administration (0.4) and Sewer and Water (0.4). In addition, a part-time Receptionist (0.5) is planned to assist the Building and Development Department. Due to service demands, a part-time Mechanic is budgeted to increase full-time (0.5) during FY 2014-15. There is a 1.0 decrease in FTE budgeted in the Police Department.

This budget process is transparent and makes the Village Administration, Village Officials, employees, and residents more aware of the projects and their costs in operating the various departments within the Village. The budget's purpose is to maintain a sound financial base for the benefit of the residents of the community and the improvement of the Village's infrastructure.

This budget is a result of the combined leadership of the elected officials, support of the public, and experience and skills of the Village staff to focus on the importance of delivering uninterrupted, high quality service to the public. This budget will serve as a guide to maintain efficient and effective municipal service and accomplish many of the Village's financial objectives.

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.

BASIC FINANCIAL STATEMENTS

VILLAGE OF FOX LAKE, ILLINOIS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
APRIL 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,121,771	\$ 8,109,912	\$ 13,231,683
Investments	-	2,227,068	2,227,068
Prepaid Expenses	186,624	72,867	259,491
Inventory, at cost	74,193	-	74,193
Receivables (Net of Allowance for Estimated Uncollectible Amounts)			
Accounts Receivable	239,236	2,316,902	2,556,138
Property Taxes	3,445,755	-	3,445,755
Due from Other Governmental Units	946,126	-	946,126
Due from Other Funds	83,010	-	83,010
Other Receivables	49,034	-	49,034
Restricted Assets			
Cash and Cash Equivalents	-	774,638	774,638
Deposit with Paying Agent	-	205,000	205,000
Capital Assets			
Land, Construction in Progress, and Other Non-Depreciable Assets	12,278,186	1,273,848	13,552,034
Other Capital Assets, Net of Depreciation	18,527,983	54,396,222	72,924,205
TOTAL ASSETS	\$ 40,951,918	\$ 69,376,457	\$ 110,328,375
LIABILITIES			
Accounts Payable	\$ 212,913	\$ 178,524	\$ 391,437
Accrued Expenses	178,770	57,332	236,102
Due to Other Governmental Units	442	12,401	12,843
Due to Other Funds	-	24,629	24,629
Due to Depositors	33,081	-	33,081
Other Payables	4,530	-	4,530
Net Pension Obligations	484,544	-	484,544
Net OPEB Obligations	74,671	-	74,671
Non-Current Liabilities			
Due Within One Year	446,644	375,104	821,748
Due in More Than One Year	2,875,790	2,718,169	5,593,959
TOTAL LIABILITIES	\$ 4,311,385	\$ 3,366,159	\$ 7,677,544
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 3,445,755	\$ -	\$ 3,445,755
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,445,755	\$ -	\$ 3,445,755
NET POSITION			
Net Investment in Capital Assets	\$ 27,818,909	\$ 52,679,159	\$ 80,498,068
Restricted for:			
Debt Service	-	979,638	979,638
DUI	46,286	-	46,286
NW Region Improvements	778,042	-	778,042
Insurance	631,752	-	631,752
Motor Fuel Tax	832,681	-	832,681
Tax Increment Financing	246,211	-	246,211
Unrestricted/(Deficit)	2,840,897	12,351,501	15,192,398
TOTAL NET POSITION	\$ 33,194,778	\$ 66,010,298	\$ 99,205,076

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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 2,613,793	\$ 1,970,022	\$ 18,438	\$ -	\$ (625,333)	\$ -	\$ (625,333)
Public Safety	6,489,040	688,991	28,210	-	(5,771,839)	-	(5,771,839)
Public Works	2,509,298	872,013	51,563	127,302	(1,458,420)	-	(1,458,420)
Parks and Recreation	260,347	105,744	-	-	(154,603)	-	(154,603)
Interest and Fees on Long-Term Debt	114,682	-	-	-	(114,682)	-	(114,682)
	<u>\$ 11,987,160</u>	<u>\$ 3,636,770</u>	<u>\$ 98,211</u>	<u>\$ 127,302</u>	<u>\$ (8,124,877)</u>	<u>\$ -</u>	<u>\$ (8,124,877)</u>
Business-Type Activities							
Water and Sewer	\$ 2,584,244	\$ 3,163,423	\$ -	\$ -	\$ -	\$ 579,179	\$ 579,179
Water Reclamation	5,981,777	5,176,063	-	3,713	-	(802,001)	(802,001)
Commuter Parking	197,039	133,846	-	-	-	(63,193)	(63,193)
	<u>\$ 8,763,060</u>	<u>\$ 8,473,332</u>	<u>\$ -</u>	<u>\$ 3,713</u>	<u>\$ -</u>	<u>\$ (286,015)</u>	<u>\$ (286,015)</u>
Total Primary Government	<u>\$ 20,750,220</u>	<u>\$ 12,110,102</u>	<u>\$ 98,211</u>	<u>\$ 131,015</u>	<u>\$ (8,124,877)</u>	<u>\$ (286,015)</u>	<u>\$ (8,410,892)</u>
General Revenues							
Taxes							
Property Tax, Levied for General Purposes					\$ 3,545,498	\$ -	\$ 3,545,498
State Sales and Use Tax					3,049,615	-	3,049,615
State Income Tax					1,030,884	-	1,030,884
State Motor Fuel Tax					318,035	-	318,035
Other Taxes					1,113,438	-	1,113,438
Unrestricted Investment Earnings					792	10,683	11,475
Gain/(Loss) on Sale of Capital Assets					8,202	-	8,202
Miscellaneous					-	436	436
Total General Revenues and Transfers					<u>\$ 9,066,464</u>	<u>\$ 11,119</u>	<u>\$ 9,077,583</u>
Change in Net Position					\$ 941,587	\$ (274,896)	\$ 666,691
Net Position - May 1, 2013					32,500,349	66,285,194	98,785,543
Net Position Adjustment (Note 20)					<u>(247,158)</u>	<u>-</u>	<u>(247,158)</u>
Net Position - April 30, 2014					<u>\$ 33,194,778</u>	<u>\$ 66,010,298</u>	<u>\$ 99,205,076</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, 2014

	General Fund	Fire Protection Fund	Non-Major Tax Increment Financing Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,935,875	\$ -	\$ 250,231	\$ 5,186,106
Prepaid Expenses	82,512	104,112	-	186,624
Inventory, at cost	74,193	-	-	74,193
Receivables (Net of Allowance for Estimated Uncollectible Amounts)				
Accounts Receivable	239,236	-	-	239,236
Property Taxes	2,241,221	1,204,534	-	3,445,755
Due from Other Governmental Units	946,126	-	-	946,126
Due from Other Funds	87,030	-	-	87,030
Other Receivables	49,034	-	-	49,034
TOTAL ASSETS	\$ 8,655,227	\$ 1,308,646	\$ 250,231	\$ 10,214,104
LIABILITIES				
Overdrafts	\$ -	\$ 64,335	\$ -	\$ 64,335
Accounts Payable	208,885	4,028	-	212,913
Accrued Expenses	152,677	-	-	152,677
Due to Other Governmental Units	-	442	-	442
Due to Other Funds	-	-	4,020	4,020
Due to Depositors	33,081	-	-	33,081
Other Payables	4,530	-	-	4,530
TOTAL LIABILITIES	\$ 399,173	\$ 68,805	\$ 4,020	\$ 471,998
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	\$ 2,241,221	\$ 1,204,534	\$ -	\$ 3,445,755
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,241,221	\$ 1,204,534	\$ -	\$ 3,445,755
FUND BALANCES				
Nonspendable:				
Inventory	\$ 74,193	\$ -	\$ -	\$ 74,193
Prepaid Expense	82,512	104,112	-	186,624
Restricted for:				
DUI	46,286	-	-	46,286
NW Region Improvements	778,042	-	-	778,042
Insurance	631,752	-	-	631,752
Motor Fuel Tax	832,681	-	-	832,681
Tax Increment Financing	-	-	246,211	246,211
Unassigned	3,569,367	(68,805)	-	3,500,562
TOTAL FUND BALANCES	\$ 6,014,833	\$ 35,307	\$ 246,211	\$ 6,296,351
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,655,227	\$ 1,308,646	\$ 250,231	\$ 10,214,104

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 POSITION
 APRIL 30, 2014

Total Fund Balances - Governmental Funds		\$ 6,296,351
Amounts reported for governmental activities in the Statement of Net Position 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		30,806,169
Net Pension Obligation is not included in the governmental funds.		(484,544)
Net OPEB Obligation is not included in the governmental funds.		(74,671)
Deferred charges and credits for debt issue discounts or premiums and other debt issue costs are not financial resources and therefore are not reported in the funds.		
Bond Premiums, net of related amortization		(74,675)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and Notes Payable	\$ (2,912,585)	
Compensated Absences	(335,174)	
Accrued Interest on Long-Term Debt	(26,093)	
		(3,273,852)
Net Position of Governmental Activities		\$ 33,194,778

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, 2014

	General Fund	Fire Protection Fund	Non-Major Tax Increment Financing Fund	Total Governmental Funds
REVENUES				
Local Taxes				
Property Tax	\$ 2,318,976	\$ 1,189,017	\$ 37,505	\$ 3,545,498
Intergovernmental				
State Sales and Use Tax	3,049,615	-	-	3,049,615
State Income Tax	1,030,884	-	-	1,030,884
State Replacement Tax	67,124	-	-	67,124
State Motor Fuel Tax	318,035	-	-	318,035
Hotel/Motel Tax	5,627	-	-	5,627
State Pull Tab/Games Tax	156,668	-	-	156,668
Auto Rental Tax	35	-	-	35
State Telecommunications Tax	263,102	-	-	263,102
Utility Tax	620,882	-	-	620,882
State Grants	107,075	-	-	107,075
Federal Grants	100,000	-	-	100,000
Other Local Sources				
Franchise Fees	130,923	-	-	130,923
Licenses and Permits	289,431	-	-	289,431
Fines and Forfeitures	276,652	-	-	276,652
Charges for Services	2,771,785	-	-	2,771,785
Interest	792	-	-	792
Miscellaneous				
Donations	18,438	-	-	18,438
Fire Department Reimbursements	-	56,872	-	56,872
Impact Fees	4,000	-	-	4,000
Other Miscellaneous	107,107	-	-	107,107
	<u>\$ 11,637,151</u>	<u>\$ 1,245,889</u>	<u>\$ 37,505</u>	<u>\$ 12,920,545</u>
EXPENDITURES				
Current				
General Government	\$ 2,449,288	\$ -	\$ 2,100	\$ 2,451,388
Public Safety	4,719,273	1,303,854	-	6,023,127
Public Works	2,082,305	-	-	2,082,305
Parks and Recreation	224,605	-	-	224,605
Capital Outlay	318,624	9,830	-	328,454
Debt Service				
Principal	395,733	-	-	395,733
Interest and Fees	119,850	-	-	119,850
	<u>\$ 10,309,678</u>	<u>\$ 1,313,684</u>	<u>\$ 2,100</u>	<u>\$ 11,625,462</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,327,473	\$ (67,795)	\$ 35,405	\$ 1,295,083
OTHER FINANCING SOURCES/(USES)				
Sale of Village Property	4,936	-	-	4,936
NET CHANGE IN FUND BALANCES	\$ 1,332,409	\$ (67,795)	\$ 35,405	\$ 1,300,019
FUND BALANCES - MAY 1, 2013	4,929,582	103,102	210,806	5,243,490
FUND BALANCE ADJUSTMENT (Note 20)	(247,158)	-	-	(247,158)
FUND BALANCES - APRIL 30, 2014	<u>\$ 6,014,833</u>	<u>\$ 35,307</u>	<u>\$ 246,211</u>	<u>\$ 6,296,351</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 1,300,019

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	\$ (929,257)	
Capital Outlays	<u>229,285</u>	(699,972)

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 position differs from the change in fund balance by the undepreciated balance of the capital assets sold.

Proceeds from Sale of Capital Assets	\$ (4,936)	
Gain/(Loss) on Sale of Capital Assets	<u>8,202</u>	3,266

The change in the Net Pension Obligation is not included in the governmental funds. (53,526)

The change in the Net OPEB Obligation is not included in the governmental funds. (24,909)

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	\$ 5,168	
Compensated Absences	51,874	
Debt Issuance Costs - Amortization	(44,363)	
Bond Premium - Amortization	<u>8,297</u>	20,976

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 Position and is therefore not reported in the Statement of Activities.

Repayment of Long-Term Debt		<u>395,733</u>
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Change in Net Position of Governmental Activities		<u>\$ 941,587</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 POSITION
 PROPRIETARY FUNDS
 APRIL 30, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major Commuter Parking Lot Fund	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 462,572	\$ 7,589,016	\$ 58,324	\$ 8,109,912
Investments	204,069	2,022,999	-	2,227,068
Prepaid Expenses	25,960	39,800	7,107	72,867
Receivables (Net of Allowance for Estimated Uncollectible Amounts)				
Accounts Receivable	642,478	1,674,424	-	2,316,902
	<u>\$ 1,335,079</u>	<u>\$ 11,326,239</u>	<u>\$ 65,431</u>	<u>\$ 12,726,749</u>
Non-Current Assets				
Restricted Assets				
Cash and Cash Equivalents	\$ 774,638	\$ -	\$ -	\$ 774,638
Deposit with Paying Agent	205,000	-	-	205,000
Capital Assets				
Non-Depreciable Capital Assets	629,599	498,398	145,851	1,273,848
Depreciable Capital Assets	22,483,500	68,492,044	741,137	91,716,681
Less: Accumulated Depreciation	(9,633,192)	(27,120,030)	(567,237)	(37,320,459)
	<u>\$ 14,459,545</u>	<u>\$ 41,870,412</u>	<u>\$ 319,751</u>	<u>\$ 56,649,708</u>
TOTAL ASSETS	<u>\$ 15,794,624</u>	<u>\$ 53,196,651</u>	<u>\$ 385,182</u>	<u>\$ 69,376,457</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 37,047	\$ 139,346	\$ 2,131	\$ 178,524
Accrued Expenses	17,181	39,923	228	57,332
Due to Other Governments	-	12,401	-	12,401
Due to Other Funds	-	24,629	-	24,629
Debt Certificates Payable	186,017	-	-	186,017
Bonds Payable	189,087	-	-	189,087
	<u>\$ 429,332</u>	<u>\$ 216,299</u>	<u>\$ 2,359</u>	<u>\$ 647,990</u>
Non-Current Liabilities				
Compensated Absences	\$ 11,226	\$ 91,136	\$ -	\$ 102,362
Debt Certificates Payable	1,056,286	-	-	1,056,286
Bonds Payable	1,559,521	-	-	1,559,521
	<u>\$ 2,627,033</u>	<u>\$ 91,136</u>	<u>\$ -</u>	<u>\$ 2,718,169</u>
TOTAL LIABILITIES	<u>\$ 3,056,365</u>	<u>\$ 307,435</u>	<u>\$ 2,359</u>	<u>\$ 3,366,159</u>
NET POSITION				
Net Investment in Capital Assets	\$ 10,488,996	\$ 41,870,412	\$ 319,751	\$ 52,679,159
Restricted for:				
Debt Service	979,638	-	-	979,638
Unrestricted/(Deficit)	1,269,625	11,018,804	63,072	12,351,501
TOTAL NET POSITION	<u>\$ 12,738,259</u>	<u>\$ 52,889,216</u>	<u>\$ 382,823</u>	<u>\$ 66,010,298</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 POSITION
 PROPRIETARY FUNDS
 YEAR ENDED APRIL 30, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major Commuter Parking Lot Fund	
OPERATING REVENUES				
Charges for Services	\$ 3,163,423	\$ 5,176,063	\$ 133,846	\$ 8,473,332
	<u>\$ 3,163,423</u>	<u>\$ 5,176,063</u>	<u>\$ 133,846</u>	<u>\$ 8,473,332</u>
OPERATING EXPENSES				
Administration	\$ 216,473	\$ 877,487	\$ 87,353	\$ 1,181,313
Operations	1,648,517	3,298,782	104,650	5,051,949
Depreciation	495,781	1,805,508	5,036	2,306,325
Amortization	106,556	-	-	106,556
	<u>\$ 2,467,327</u>	<u>\$ 5,981,777</u>	<u>\$ 197,039</u>	<u>\$ 8,646,143</u>
OPERATING INCOME/(LOSS)	<u>\$ 696,096</u>	<u>\$ (805,714)</u>	<u>\$ (63,193)</u>	<u>\$ (172,811)</u>
NON-OPERATING REVENUE/(EXPENSE)				
Interest Income	\$ 1,079	\$ 9,604	\$ -	\$ 10,683
Interest Expense	(116,917)	-	-	(116,917)
State Grants	-	3,713	-	3,713
Miscellaneous Income	-	-	436	436
	<u>\$ (115,838)</u>	<u>\$ 13,317</u>	<u>\$ 436</u>	<u>\$ (102,085)</u>
CHANGE IN NET POSITION	\$ 580,258	\$ (792,397)	\$ (62,757)	\$ (274,896)
NET POSITION - MAY 1, 2013	<u>12,158,001</u>	<u>53,681,613</u>	<u>445,580</u>	<u>66,285,194</u>
NET POSITION - APRIL 30, 2014	<u>\$ 12,738,259</u>	<u>\$ 52,889,216</u>	<u>\$ 382,823</u>	<u>\$ 66,010,298</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, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Northwest Region Water Reclamation Fund	Non-Major	
			Commuter Parking Lot Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 2,938,784	\$ 5,288,968	\$ 133,846	\$ 8,361,598
Payments to Suppliers for Goods and Services	(1,020,885)	(3,080,905)	(103,722)	(4,205,512)
Payments to Employees for Services	(682,180)	(160,394)	(7,716)	(850,290)
Payments to Other Funds for Services	(216,473)	(852,859)	(87,354)	(1,156,686)
Other Receipts/(Payments)	-	12,401	-	12,401
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,019,246</u>	<u>\$ 1,207,211</u>	<u>\$ (64,946)</u>	<u>\$ 2,161,511</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	\$ (382,292)	\$ (1,575,662)	\$ -	\$ (1,957,954)
Interest Paid on Capital Debt	(116,917)	-	-	(116,917)
Proceeds from Government Grants	-	3,713	-	3,713
Principal Paid on Capital Debt	(562,922)	-	-	(562,922)
Other Receipts/(Payments)	(10,000)	-	-	(10,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ (1,072,131)</u>	<u>\$ (1,571,949)</u>	<u>\$ -</u>	<u>\$ (2,644,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Cash and Cash Equivalents and Investments	\$ 1,079	\$ 9,604	\$ 436	\$ 11,119
Purchase/Reclassification of Investments	99,646	(754,236)	-	(654,590)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 100,725</u>	<u>\$ (744,632)</u>	<u>\$ 436</u>	<u>\$ (643,471)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 47,840</u>	<u>\$ (1,109,370)</u>	<u>\$ (64,510)</u>	<u>\$ (1,126,040)</u>
CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2013 (INCLUDING RESTRICTED CASH AND OVERDRAFTS)	<u>1,189,370</u>	<u>8,698,385</u>	<u>122,834</u>	<u>10,010,589</u>
CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2014 (INCLUDING RESTRICTED CASH AND OVERDRAFTS)	<u>\$ 1,237,210</u>	<u>\$ 7,589,015</u>	<u>\$ 58,324</u>	<u>\$ 8,884,549</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES				
Operating income/(Loss)	\$ 696,096	\$ (805,714)	\$ (63,193)	\$ (172,811)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation Expense	495,781	1,805,508	5,036	2,306,325
Amortization Expense	106,556	-	-	106,556
Change in assets and liabilities:				
Prepaid Expenses	(13,934)	(19,691)	(6,162)	(39,787)
Accounts Receivable	(224,639)	112,905	-	(111,734)
Accounts Payable	(32,840)	70,029	(687)	36,502
Accrued Expenses	6,355	10,260	60	16,675
Due to Other Governmental Units	-	12,401	-	12,401
Compensated Absences	(14,129)	(3,115)	-	(17,244)
Due to Other Funds	-	24,628	-	24,628
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,019,246</u>	<u>\$ 1,207,211</u>	<u>\$ (64,946)</u>	<u>\$ 2,161,511</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 POSITION
 FIDUCIARY FUNDS
 APRIL 30, 2014

	<u>POLICE AND FIRE PENSION TRUST FUNDS</u>
Assets	
Cash and Cash Equivalents	\$ 1,156,132
Investments	11,798,296
Receivables (Net of Allowance for Estimated Uncollectible Amounts)	
Accrued Interest	<u>36,865</u>
Total Assets	<u>\$ 12,991,293</u>
Liabilities	
Due to General Fund	<u>\$ 58,381</u>
Total Liabilities	<u>\$ 58,381</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 12,932,912</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 POSITION
 FIDUCIARY FUNDS
 YEAR ENDED APRIL 30, 2014

	<u>POLICE AND FIRE PENSION TRUST FUNDS</u>
ADDITIONS	
Contributions	
Employer	\$ 475,218
Plan Members	<u>192,450</u>
Total Contributions	<u>\$ 667,668</u>
Investment Income	
Interest and Dividends	\$ 337,671
Gain/(Loss) on Sale of Investments	(57,064)
Net Increase/(Decrease) in Fair Value of Investments	<u>863,487</u>
	\$ 1,144,094
Less: Investment Management Fees	<u>(30,431)</u>
Net Investment Income	<u>\$ 1,113,663</u>
 TOTAL ADDITIONS	 <u>\$ 1,781,331</u>
 DEDUCTIONS	
Benefits	\$ 426,046
Administrative Expenses	<u>17,697</u>
TOTAL DEDUCTIONS	<u>\$ 443,743</u>
 NET INCREASE/(DECREASE)	 \$ 1,337,588
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2013	 <u>11,595,324</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2014	 <u>\$ 12,932,912</u>

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

VILLAGE OF FOX LAKE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Fox Lake, Illinois' (Village) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies used by the Village are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the Village. Component units are legally separate entities for which the Village (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Village. Using these criteria, the Village has determined that the Police 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 lot services are classified as business-type activities.

In the government-wide Statement of Net Position, 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 position is reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. 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 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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 position resulting from the current year's activities.

C. *Basic Financial Statements – Fund Financial Statements*

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 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.

2. Proprietary Funds

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds (Continued)

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.

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

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (police and fire pension 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

2. Modified Accrual (Continued)

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.

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, 2014 the Fire Protection Fund had a cash overdraft of \$64,335.

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	\$	6,905
General Fund Accounts Receivable		4,867
General Fund Other Receivables		16,015
Water and Sewer Fund Accounts Receivable		19,870
Northwest Region Water Reclamation Accounts Receivable		4,981

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 General 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position 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.

L. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheet and Statements of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resource until that time.

M. *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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Compensated Absences (Continued)*

Net Position 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.

N. *Long-Term Obligations*

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

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.

O. *Government-Wide and Proprietary Fund Net Position*

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

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

P. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

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

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

1. Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. *Governmental Fund Balances (Continued)*

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

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

4. Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to represent negative fund balances in special revenue funds.

The Village permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

Q. *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 2013 levy was passed by the Board on December 10, 2013. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

R. *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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. *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, 2014, the Village had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
External Investment Pools	\$ 3,527,102	\$ 3,527,102	\$ -	\$ -	\$ -
US Treasury Notes	989,582	125,890	639,670	224,022	-
US Treasury Bonds	250,062	-	-	-	250,062
Federal Home Loan Bank	930,338	203,076	494,246	233,016	-
Federal Farm Credit Bank	550,580	-	56,758	493,822	-
Federal Home Loan Mtg Corp	110,877	-	110,877	-	-
Federal National Mtg Assn	168,276	-	168,276	-	-
Municipal Bonds	272,573	127,589	144,984	-	-
Money Markets	673,471	673,471	-	-	-
Mutual Funds	8,526,008	8,526,008	-	-	-
Total	\$ 15,998,868	\$ 13,183,136	\$ 1,614,811	\$ 950,860	\$ 250,062

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investment	Credit Rating	Rating Source
Illinois Funds Investment Pool	AAAm	Standard and Poor's
IMET Investment Pool	Aaa-bf	Moody's
Federal Home Loan Bank	AA+	Moody's
Federal Farm Credit Bank	AA+	Moody's
Federal Home Loan Mtg Corp	AA+	Moody's
Federal National Mtg Assn	AA+	Moody's
Municipal Bonds	A- thru AA+	Standard and Poor's
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.

NOTE 3 - CAPITAL ASSETS

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

	Balance April 30, 2013	Increases	Decreases	Balance April 30, 2014
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 12,278,186	\$ -	\$ -	\$ 12,278,186
Total Capital Assets not being depreciated	\$ 12,278,186	\$ -	\$ -	\$ 12,278,186
Other Capital Assets				
Buildings and Improvements	\$ 8,543,293	\$ -	\$ -	\$ 8,543,293
Equipment	2,292,395	-	-	2,292,395
Vehicles	4,835,476	132,201	456,984	4,510,693
Infrastructure	17,370,862	97,084	-	17,467,946
Total Other Capital Assets at Historical Cost	\$ 33,042,026	\$ 229,285	\$ 456,984	\$ 32,814,327
Less Accumulated Depreciation for				
Buildings and Improvements	\$ 3,116,071	\$ 189,380	\$ -	\$ 3,305,451
Equipment	1,304,354	145,868	-	1,450,222
Vehicles	3,480,972	244,651	460,249	3,265,374
Infrastructure	5,915,939	349,358	-	6,265,297
Total Accumulated Depreciation	\$ 13,817,336	\$ 929,257	\$ 460,249	\$ 14,286,344
Other Capital Assets, Net	\$ 19,224,690	\$ (699,972)	\$ (3,265)	\$ 18,527,983
Governmental Activities Capital Assets, Net	\$ 31,502,876	\$ (699,972)	\$ (3,265)	\$ 30,806,169
Business-Type Activities				
Capital Assets not being depreciated				
Land	\$ 698,468	\$ 10,000	\$ -	\$ 708,468
Construction in Progress	16,772,493	438,927	16,646,040	565,380
Total Capital Assets not being depreciated	\$ 17,470,961	\$ 448,927	\$ 16,646,040	\$ 1,273,848
Other Capital Assets				
Buildings and Improvements	\$ 27,843,386	\$ 17,883,927	\$ -	\$ 45,727,313
Water/Sewer System	39,210,513	48,610	-	39,259,123
Vehicles and Equipment	6,507,715	222,530	-	6,730,245
Total Other Capital Assets at Historical Cost	\$ 73,561,614	\$ 18,155,067	\$ -	\$ 91,716,681
Less Accumulated Depreciation for				
Buildings and Improvements	\$ 14,556,254	\$ 1,025,802	\$ -	\$ 15,582,056
Water/Sewer System	16,550,777	904,812	-	17,455,589
Vehicles and Equipment	3,907,103	375,711	-	4,282,814
Total Accumulated Depreciation	\$ 35,014,134	\$ 2,306,325	\$ -	\$ 37,320,459
Other Capital Assets, Net	\$ 38,547,480	\$ 15,848,742	\$ -	\$ 54,396,222
Business-Type Activities Capital Assets, Net	\$ 56,018,441	\$ 16,297,669	\$ 16,646,040	\$ 55,870,070

Depreciation expense was charged to functions as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Governmental Activities	
General Government	\$ 54,728
Public Safety	395,446
Public Works	451,671
Parks and Recreation	27,412
Total Governmental Activities Depreciation Expense	<u>\$ 929,257</u>
Business-Type Activities	
Water and Sewer	\$ 495,781
Water Reclamation	1,805,508
Commuter Parking	5,036
Total Business-Type Activities Depreciation Expense	<u>\$ 2,306,325</u>

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

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

	Balance May 1, 2013	Additions	Retirements	Balance April 30, 2014	Amounts Due Within One Year
Governmental Activities					
Long-Term Debt					
Debt Certificates	\$ 2,596,430	\$ -	\$ 306,778	\$ 2,289,652	\$ 345,446
Bonds	711,888	-	88,955	622,933	92,901
Total Long-Term Debt	<u>\$ 3,308,318</u>	<u>\$ -</u>	<u>\$ 395,733</u>	<u>\$ 2,912,585</u>	<u>\$ 438,347</u>
Other Long-Term Obligations					
Bond Premiums, net of Amortization	\$ 82,972	\$ -	\$ 8,297	\$ 74,675	\$ 8,297
Compensated Absences	387,048	-	51,874	335,174	-
Total Other Long-Term Obligations	<u>\$ 470,020</u>	<u>\$ -</u>	<u>\$ 60,171</u>	<u>\$ 409,849</u>	<u>\$ 8,297</u>
Governmental Activities Long-Term Obligations	<u>\$ 3,778,338</u>	<u>\$ -</u>	<u>\$ 455,904</u>	<u>\$ 3,322,434</u>	<u>\$ 446,644</u>
Business-Type Activities					
Long-Term Debt					
Debt Certificates	\$ 1,591,370	\$ -	\$ 367,922	\$ 1,223,448	\$ 184,254
Bonds	2,055,000	-	195,000	1,860,000	205,000
Total Long-Term Debt	<u>\$ 3,646,370</u>	<u>\$ -</u>	<u>\$ 562,922</u>	<u>\$ 3,083,448</u>	<u>\$ 389,254</u>
Other Long-Term Obligations					
Deferred Loss on Refunding	\$ (154,243)	\$ -	\$ (18,907)	\$ (135,336)	\$ (18,906)
Bond Premiums, net of Amortization	47,556	-	4,756	42,800	4,756
Compensated Absences	119,606	-	17,244	102,362	-
Total Other Long-Term Obligations	<u>\$ 12,919</u>	<u>\$ -</u>	<u>\$ 3,093</u>	<u>\$ 9,826</u>	<u>\$ (14,150)</u>
Business-Type Activities Long-Term Obligations	<u>\$ 3,659,289</u>	<u>\$ -</u>	<u>\$ 566,015</u>	<u>\$ 3,093,274</u>	<u>\$ 375,104</u>

Bonds and notes payable consisted of the following at April 30, 2014:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities:				
Debt Certificates Series 2005 Dated 11/15/05	11/15/2013	3.95%	\$ 500,000	\$ -
Debt Certificates Series 2006 Dated 5/15/06	5/15/2016	4.4%	249,000	50,100
Debt Certificates Series 2007 Dated 12/3/07	1/1/2023	4.4%	212,000	143,000
Bond Series 2003 Dated 6/30/03	6/30/2019	4.375%	1,300,000	622,933
Debt Certificate Series 2011B Dated 11/15/11	11/1/2023	2.5% - 4.5%	2,298,630	2,096,552
Business-Type Activities:				
Refunding Bonds Series 2003 Dated 6/26/03	5/1/2021	2% - 3.875%	\$ 2,325,000	\$ 1,315,000
Refunding Bonds Series 2007 Dated 12/10/07	5/1/2021	4.2%	850,000	545,000
Refunding Debt Certificates Series 2011A Dated 11/15/11	11/1/2013	2% - 2.25%	795,000	-
Debt Certificate Series 2011B Dated 11/15/11	11/1/2023	2.5% - 4.5%	1,341,370	1,223,448

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 438,347	\$ 72,388	\$ 510,735
2016	443,468	95,693	539,161
2017	376,098	77,502	453,600
2018	278,691	62,164	340,855
2019	290,700	52,074	342,774
2020	298,751	41,132	339,883
2021	190,660	30,288	220,948
2022	197,975	23,462	221,437
2023	208,448	14,571	223,019
2024	189,447	6,630	196,077
	<u>\$ 2,912,585</u>	<u>\$ 475,904</u>	<u>\$ 3,388,489</u>

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

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 389,254	\$ 52,667	\$ 441,921
2016	394,254	96,962	491,216
2017	366,876	81,829	448,705
2018	317,127	67,904	385,031
2019	495,812	53,258	549,070
2020	347,655	37,783	385,438
2021	346,340	25,267	371,607
2022	205,025	14,801	219,826
2023	110,552	8,015	118,567
2024	110,553	3,870	114,423
	<u>\$ 3,083,448</u>	<u>\$ 442,356</u>	<u>\$ 3,525,804</u>

NOTE 5 - DEFICIT FUND BALANCE/NET POSITION

At April 30, 2014 no Village fund had a deficit fund balance/net position.

NOTE 6 - PROPERTY TAXES

Property taxes receivable and unavailable revenue recorded in these financial statements, in the amount of \$3,445,755, are from the 2013 tax levy. The unavailable revenue is 100% of the 2013 tax levy, less an allowance for uncollectible amounts. These taxes are unavailable 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 2014. The Village has determined that 100% of the amounts collected for the 2012 and prior levies are allocable for use in fiscal year 2014. Therefore, 100% of the amounts collected for the 2012 and prior levies (\$3,545,498) are recorded in these financial statements as property taxes revenue. A summary of the assessed valuations, rates, and extensions for the years 2013, 2012, and 2011 follows:

Lake County

Tax Year	2013		2012		2011	
Assessed Valuation	\$242,597,925		\$270,432,021		\$301,103,884	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
General	0.3380	\$ 819,981	0.2980	\$ 805,888	0.2590	\$ 779,859
Ambulance	0.2290	555,549	0.2030	548,977	0.1780	535,965
Audit	0.0070	16,982	0.0060	16,226	0.0050	15,055
Fire Protection	0.2430	589,513	0.2160	584,133	0.1900	572,097
IMRF	0.0490	118,873	0.0430	116,286	0.0370	111,408
Police Pension	0.1880	456,084	0.1660	448,917	0.1440	433,590
Police Protection	0.0900	218,338	0.0790	213,641	0.0690	207,762
Social Security	0.0620	150,411	0.0540	146,033	0.0470	141,519
Insurance	0.1360	329,933	0.1190	321,814	0.1040	313,148
Total Taxes Extended	<u>1.3420</u>	<u>\$ 3,255,664</u>	<u>1.1840</u>	<u>\$ 3,201,915</u>	<u>1.0330</u>	<u>\$ 3,110,403</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PROPERTY TAXES (Continued)

<u>McHenry County</u>						
Tax Year	2013		2012		2011	
Assessed Valuation	\$15,114,517		\$16,086,036		\$17,848,466	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
General	0.3481	\$ 52,631	0.3032	\$ 48,775	0.2663	\$ 47,528
Ambulance	0.2374	29,980	0.2085	28,036	0.1847	27,726
Audit	0.0070	1,057	0.0058	936	0.0046	819
Fire Protection	0.2526	31,905	0.2226	29,929	0.1976	29,652
IMRF	0.0502	7,590	0.0433	6,959	0.0372	6,637
Police Pension	0.1940	29,315	0.1686	27,126	0.1488	26,562
Police Protection	0.0923	13,956	0.0808	12,993	0.0709	12,648
Social Security	0.0631	9,538	0.0550	8,844	0.0476	8,497
Insurance	0.1391	21,024	0.1218	19,586	0.1070	19,092
Total Taxes Extended	<u>1.3838</u>	<u>\$ 196,996</u>	<u>1.2095</u>	<u>\$ 183,184</u>	<u>1.0646</u>	<u>\$ 179,161</u>

NOTE 7 - EXCESS OF EXPENDITURES OVER BUDGET

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

Fund	Budget	Actual	Excess of Actual Over Budget
Fire Protection Fund	\$ 1,291,003	\$ 1,313,684	\$ 22,681

NOTE 8 - 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.

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 2013 used by the Village was 12.08%. 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 and Net Pension Obligation*

The Village's annual pension cost and the net pension obligation to the plan as of December 31, 2013 (the date the most current actuarial information is available) is as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

C. *Annual Pension Cost and Net Pension Obligation (Continued)*

Annual required contribution	\$ 401,862
Adjustment to annual required contribution	(1,843)
Interest on net pension obligation	2,578
Annual Pension Cost	<u>\$ 402,597</u>
Contributions Made	<u>401,862</u>
Increase/(Decrease) in net pension obligation	\$ 735
Net pension obligation beginning of year	<u>34,373</u>
Net pension obligation end of year	<u>\$ 35,108</u>

The required contribution for calendar year 2013 was \$401,862.

Three-Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 401,862	100%	\$ 35,108
12/31/2012	369,118	100%	34,373
12/31/2011	359,132	99%	33,653

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.50% 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, 2011 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, 2013, the most recent actuarial valuation date, the Regular plan was 89.94% funded. The actuarial accrued liability for benefits was \$8,066,114 and the actuarial value of assets was \$7,254,988, resulting in an underfunded actuarial accrued liability (UAAL) of \$811,126. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$3,326,674 and the ratio of the UAAL to the covered payroll was 24%.

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

NOTE 9 - 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - POLICE PENSION PLAN (Continued)

A. *Plan Description and Contribution Information (Continued)*

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, 2013, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	8
Terminated Plan Members not yet Receiving Benefits	1
Active Plan Members	<u>26</u>
Total	<u><u>35</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.

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, 2013 (the date the most current actuarial information is available) is as follows:

Annual required contribution	\$ 506,114
Adjustment to annual required contribution	(21,981)
Interest on net pension obligation (optional)	<u>27,765</u>
Annual pension cost	\$ 511,898
Contributions made	<u>459,107</u>
Increase/(decrease) in net pension obligation	\$ 52,791
Net pension obligation beginning of year	<u>396,645</u>
Net pension obligation end of year	<u><u>\$ 449,436</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - POLICE PENSION PLAN (Continued)

C. *Annual Pension Cost and Net Pension Obligation (Continued)*

The annual required contribution for the current year was determined as part of the April 30, 2013 actuarial valuation using the entry-age-normal actuarial cost method. The actuarial assumptions included (a) 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 of 3%. 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, 2013 was 20 years.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2013	\$ 511,898	89.7%	\$ 449,436
4/30/2012	507,149	88.8%	396,645
4/30/2011	592,492	77.6%	339,619

NOTE 10 - 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 11.955% 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - FIREFIGHTERS' 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*

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

NOTE 11 - SOCIAL SECURITY

All employees are covered under Social Security. The Village made all required contributions for the current fiscal year.

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. *Plan Overview*

The Village provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides pre- and post-Medicare postretirement healthcare benefits to all employees who work for the Village and receive a pension from the Village through IMRF or the Police Pension. The Plan does not issue a stand-alone financial report.

B. *Funding Policy*

The required contribution is based on projected pay-as-you-go financing requirements.

C. *Annual OPEB Cost and Net OPEB Obligation*

The Village's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the Village, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Village's net OPEB obligation to the plan:

Annual required contribution	\$	47,913
Adjustment to annual required contribution		(1,659)
Interest on net pension obligation		2,488
Annual pension cost	\$	48,742
Contributions made		23,833
Increase/(decrease) In net pension obligation	\$	24,909
Net pension obligation beginning of year		49,762
Net pension obligation end of year	\$	74,671

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

C. *Annual OPEB Cost and Net OPEB Obligation (Continued)*

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Three-Year Trend Information for the Regular Plan			
Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2013	\$ 48,742	48.9%	\$ 74,671
4/30/2012	48,334	49.3%	49,762
4/30/2011	49,094	48.5%	25,261

D. *Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend.

Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following includes actuarial assumptions and methods:

Actuarial Cost Method	Entry Age
Amortization Period	Level Percentage of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market
Discount Rate	5%
Projected Salary Increases	5%
Healthcare Inflation Rate	8% initial, 6% ultimate (0.5% reduction per year)
Percentage of Active Employees Assumed to Elect Benefit	20%
Employer Provided Benefit	Explicit (eligible disabled pensioners only): 100% of premium for life Implicit: 40% of premium to age 65 (50% of \$664/month + 50% of \$1,345/year)

NOTE 13 - INTERFUND BALANCES

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

Due from	Due To	Amount
Tax Increment Financing Fund	General Fund	\$ 4,020
Police Pension Fund	General Fund	58,381
Northwest Region Water Reclamation Fund	General Fund	24,629

The amount due from the Tax Increment Financing Fund to the General Fund was a result of 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.

The amount owed from the Police Pension Fund to the General Fund was a result of the Police Pension Fund being allocated more property tax receipts than was calculated at year end.

The amount due from the Northwest Region Water Reclamation Fund to the General Fund was for an externality fee as per the Village's agreement with Lake County.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2014 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, 2014, 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. In the Water and Sewer Fund the Village is working on a water tower in Holiday Park. The projects reported in the Northwest Region Water Reclamation Fund include installation of four new pumps, covers for tanks, expansion, and new equipment purchases.

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.

2013 EAV	\$ 257,712,442
	8.625%
Debt Margin	\$ 22,227,698
Current Debt	2,912,585
Remaining Debt Margin	<u>\$ 19,315,113</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

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

NOTE 19 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through December 17, 2014, the date on which the financial statements were available to be issued.

NOTE 20 - PRIOR PERIOD ADJUSTMENT

The Village has determined that certain transactions were recorded incorrectly in a prior year. In the Government-Wide statements, Due from Other Governmental Units was overstated due to the estimate of accruals. In the future, the audit will not be completed until actual accrual amounts are available.

	General Fund Fund Balance	Government-Wide Statement of Net Position
Adjustments to Tax Accruals	<u>\$ (247,158)</u>	<u>\$ (247,158)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 7,254,988	\$ 8,066,114	\$ 811,126	89.94%	\$ 3,326,674	24.38%
12/31/2012	6,336,186	7,672,025	1,335,839	82.59%	3,136,093	42.60%
12/31/2011	5,725,151	7,238,212	1,513,061	79.10%	3,106,675	48.70%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$8,572,674. On a market basis, the funded ratio would be 106.28%.

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

See Accompanying Independent Auditor's Report

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

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

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)
4/30/2013	\$ 11,398,300	\$ 16,369,952	\$ 4,971,652	69.6%	\$ 1,843,570	269.7%
4/30/2012	10,241,606	15,188,474	4,946,868	67.4%	1,660,258	298.0%
4/30/2011	9,692,377	14,303,832	4,611,455	67.8%	1,713,878	269.1%

See Accompanying Independent Auditor's Report

VILLAGE OF FOX LAKE, ILLINOIS
 POST EMPLOYMENT BENEFIT COMMITMENTS
 SCHEDULE OF FUNDING PROGRESS
 APRIL 30, 2014

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

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)
4/30/2013	\$ -	\$ 865,131	\$ 865,131	0.00%	N/A	N/A
4/30/2012	-	865,131	865,131	0.00%	N/A	N/A
4/30/2011	-	865,131	865,131	0.00%	N/A	N/A

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, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Local Taxes			
Property Tax	\$ 2,307,183	\$ 2,307,183	\$ 2,318,976
Intergovernmental			
State Sales and Use Tax	3,001,500	3,414,500	3,049,615
State Income Tax	780,000	780,000	1,030,884
State Replacement Tax	36,300	36,300	67,124
State Motor Fuel Tax	250,000	250,000	318,035
Hotel/Motel Tax	7,000	7,000	5,627
State Pull Tab/Games Tax	3,000	15,000	156,668
Auto Rental Tax	-	-	35
State Telecommunications Tax	300,000	300,000	263,102
Utility Tax	540,000	540,000	620,882
State Grants	240,000	240,000	107,075
Federal Grants	85,000	85,000	100,000
Other Local Sources	-	-	-
Franchise Fees	100,000	100,000	130,923
Licenses and Permits	315,500	315,500	289,431
Fines and Forfeitures	373,500	373,500	276,652
Charges for Services	2,585,473	2,585,473	2,771,785
Interest	1,500	1,500	792
Miscellaneous			
Donations	-	-	18,438
Impact Fees	3,000	3,000	4,000
Other Miscellaneous	88,286	88,286	107,107
Total Revenues	<u>\$ 11,017,242</u>	<u>\$ 11,442,242</u>	<u>\$ 11,637,151</u>
EXPENDITURES			
CURRENT			
GENERAL GOVERNMENT			
Administration	\$ 1,171,228	\$ 1,621,205	\$ 1,092,643
Building Department	471,699	474,424	383,904
Retirement Contributions	638,358	467,559	288,171
Insurance	215,317	215,317	189,647
Motor Pool	473,525	473,525	494,923
	<u>\$ 2,970,127</u>	<u>\$ 3,252,030</u>	<u>\$ 2,449,288</u>
PUBLIC SAFETY			
Police Department	\$ 3,856,837	\$ 3,856,837	\$ 3,732,253
Police and Fire Commission	20,550	20,550	3,768
911 Emergency System	917,171	917,171	983,252
	<u>\$ 4,794,558</u>	<u>\$ 4,794,558</u>	<u>\$ 4,719,273</u>
PUBLIC WORKS			
Highways and Streets	\$ 1,104,218	\$ 1,104,218	\$ 1,039,084
Motor Fuel Tax	240,000	240,000	180,685
Garbage Collection	834,000	834,000	862,536
	<u>\$ 2,178,218</u>	<u>\$ 2,178,218</u>	<u>\$ 2,082,305</u>
PARKS AND RECREATION			
Parks and Recreation	\$ 222,326	\$ 222,326	\$ 224,605

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VILLAGE OF FOX LAKE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED APRIL 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
CAPITAL OUTLAY			
GENERAL GOVERNMENT			
Administration	\$ 5,180	\$ 5,180	\$ -
Motor Pool	48,002	48,002	64,614
PUBLIC SAFETY			
Police Department	175,900	175,900	150,630
PUBLIC WORKS			
Highways and Streets	16,000	16,000	189
Motor Fuel Tax	95,000	95,000	103,191
	<u>\$ 340,082</u>	<u>\$ 340,082</u>	<u>\$ 318,624</u>
DEBT SERVICE			
Principal	\$ 395,733	\$ 395,733	\$ 395,733
Interest and Fees	124,282	124,282	119,850
	<u>\$ 520,015</u>	<u>\$ 520,015</u>	<u>\$ 515,583</u>
 Total Expenditures	 <u>\$ 11,025,326</u>	 <u>\$ 11,307,229</u>	 <u>\$ 10,309,678</u>
 EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ (8,084)	 \$ 135,013	 \$ 1,327,473
 OTHER FINANCING SOURCES/(USES)			
Sale of Village Property	-	-	4,936
 NET CHANGE IN FUND BALANCE	 \$ (8,084)	 \$ 135,013	 \$ 1,332,409
 FUND BALANCE - MAY 1, 2013	 5,232,421	 5,232,421	 4,929,582
 FUND BALANCE ADJUSTMENT (Note 20)	 -	 -	 (247,158)
 FUND BALANCE - APRIL 30, 2014	 <u>\$ 5,224,337</u>	 <u>\$ 5,367,434</u>	 <u>\$ 6,014,833</u>

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VILLAGE OF FOX LAKE, ILLINOIS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FIRE PROTECTION FUND
 YEAR ENDED APRIL 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Local Taxes			
Property Tax	\$ 1,183,241	\$ 1,183,241	\$ 1,189,017
Other Local Sources			
Miscellaneous			
Fire Department Reimbursements	-	-	56,872
Other Miscellaneous	16,000	16,000	-
Total Revenues	<u>\$ 1,199,241</u>	<u>\$ 1,199,241</u>	<u>\$ 1,245,889</u>
EXPENDITURES			
CURRENT			
PUBLIC SAFETY			
Fire Protection	<u>\$ 1,286,003</u>	<u>\$ 1,286,003</u>	<u>\$ 1,303,854</u>
CAPITAL OUTLAY			
PUBLIC SAFETY			
Fire Protection	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 9,830</u>
Total Expenditures	<u>\$ 1,291,003</u>	<u>\$ 1,291,003</u>	<u>\$ 1,313,684</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (91,762)	\$ (91,762)	\$ (67,795)
OTHER FINANCING SOURCES/(USES)			
Sale of Village Property	<u>1,000</u>	<u>1,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ (90,762)	\$ (90,762)	\$ (67,795)
FUND BALANCE - MAY 1, 2013	<u>290,408</u>	<u>290,408</u>	<u>103,102</u>
FUND BALANCE - APRIL 30, 2014	<u><u>\$ 199,646</u></u>	<u><u>\$ 199,646</u></u>	<u><u>\$ 35,307</u></u>

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VILLAGE OF FOX LAKE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
APRIL 30, 2014

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 April 8, 2013 and amended on June 11, 2013.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2014, 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	\$ 1,291,003	\$ 1,313,684	\$ 22,681

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF FOX LAKE, ILLINOIS
INFORMATION REQUIRED BY WATER AND
SEWER REVENUE BOND ORDINANCE
APRIL 30, 2014

MISCELLANEOUS

Number of sewer customers served by North Sewer Plant	875
Number of water customers metered, North and South	3,314
Number of sewerage customers unmetered, North and South	1,073
Number of water customers unmetered, North and South	477
Quantity of sewerage treated (gallons), North only	51,241,000
Quantity of water pumped (gallons), North only	56,530,000
Quantity of water pumped (gallons), South only	204,851,000
Quantity of water billed	213,848,000

SUMMARY OF RATES

South System (billed every two months)

Water fixed cost - \$41.80 Cost per 1,000 gallons - \$3.10

Sewer fixed cost - \$41.80 Cost per 1,000 gallons - \$0.87

North System (billed every two months)

Water fixed cost - \$41.80 Cost per 1,000 gallons - \$3.10

Sewer fixed cost - \$41.80 Cost per 1,000 gallons - \$3.10

UNMETERED RATES

Water (North and South) fixed cost - \$41.80 8,000 gallons minimum charge - \$24.80

Sewer (North) Sewer fixed cost - \$41.80 15,000 gallons minimum charge (\$3.10 per thousand) - \$46.50

Sewer (South) Sewer fixed cost - \$41.80 15,000 gallons minimum charge (\$0.87 per thousand) - \$13.05

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(Unaudited)