Village of Lily Lake, Illinois

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED APRIL 30, 2013

Kenneth G. Vella
Certified Public Accountant
Geneva, Illinois

VILLAGE OF LILY LAKE, ILLINOIS
Annual Financial Report
For the Fiscal Year Ended April 30, 2013

Table of Contents

Description	Page
Principal Officials	2
Independent Auditor's Report	3
Management Discussion and Analysis	4-6
Financial Statements	7-12
Notes to the Financial Statements	13-16

Village Board of Trustees

Jesse Heffernan, President

John Belli
Mary Damisch
Wendy Ivanic
Rick Overstreet
Ashley Reed
Steve Wise

Lisa Engberg, Treasurer

Michelle White, Clerk

Members of the Board of Trustees
Village of Lily Lake

I have audited the accompanying financial statements of the government activities and each major fund for the Village of Lily Lake, Illinois for the fiscal year ended April 30, 2013. These financial statements are the responsibility of the management of the Village of Lily Lake, Illinois. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lily Lake, Illinois as of April 30, 2013, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6, and the budgetary comparison information on pages 11 and 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate context. I have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

KGVella

Kenneth G. Vella
Certified Public Accountant
Geneva, Illinois

August 1, 2013

This section of the Village of Lily Lake's Annual Financial Report presents management's discussion and analysis of the Village's financial activity during the fiscal year ended April 30, 2013. Please read this discussion and analysis in conjunction with the Village's basic financial statements and footnotes.

Profile of the Village

The Village of Lily Lake is located in Kane County, west of St. Charles, Illinois, and has an estimated population of 1,000. The area surrounding the Village of Lily Lake is predominately rural and the economic base includes a limited number of retail businesses and one light manufacturer. Major revenue sources of the Village of Lily Lake include State Income Tax, Motor Fuel Tax, Communications Tax, and Sales Tax.

Lily Lake is a desirable location within Kane County. One of the highest ranked school districts in Illinois, serves Lily Lake. Advanced educational opportunities are also within driving distance as Northern Illinois University, Elgin Community College and Waubonsee Community College service the community. Job opportunities are within easy driving distance and a commuter train station to Chicago is within 10 miles of Lily Lake in the neighboring town of Elburn. In addition, the community has several farming operations.

Some of the significant highlights of fiscal year 2013 include:

- $50,000 award from the Kane County Riverboat Grant program
- some progression of home building and development
- re-opening of the gasoline station on the corner of Routes 47 and 64
- major road improvements to the same corner completed by Illinois Department of Transportation
- new sidewalk providing access from the Great Western Trail to the intersection of Routes 47 and 64
- new Board of Trustee members
- completing back-logged financial audits from fiscal years 2009 through 2012

In addition, planning and construction continues on the Simon Anderson Park with developer donations and grants received from the Kane County Riverboat Grant program. An application has been submitted to the Illinois Department of Resources for an Open Space Land Acquisition Development (OSLAD) grant. This grant application is currently under review by the state of Illinois. The Village expects approval during fiscal year 2014 and will use these funds for further development of the Simon Anderson Park.
Working closely with the three Special Service Area homeowner presidents, the Village is putting a maintenance plan in place for road maintenance within those corresponding subdivisions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. These statements include net assets and revenue and expense activities for the fiscal year and can be found on pages 7 and 8.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of revenue and expense presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Government 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.

The Village utilizes seven individual governmental funds. Information is presented separately in the government fund balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, Motor Fuel Tax Fund and five Special Service Areas. In addition, the Village has a fund committed to park development. These statements can be found on pages 9 and 10.

On pages 13 through 16, there are notes to the Financial Statements. These notes provide additional information which is significant to understanding the information provided in the government-wide and fund financial statements.

Financial Highlights

Cash and Investments

The Village maintains cash and investments of approximately 3 times total cash expenditures. Cash and investments are comprised principally of money market balances. The Village total cash on hand and investments increased by over $127,000 during the year. This increase includes the Kane County grant funds. The liquidity of all of the active funds increased over the previous fiscal year end as the incurred maintenance costs were less than the tax revenues. The Village officials recognize the visual and safety significance of properly maintained roads and will adhere to a ten-year road maintenance schedule.

The Village net assets declined approximately $56,000 from the prior fiscal year, however this decrease was primarily from depreciation of capital assets (a non-cash expense).

Capital Assets and Expenditures

Capital assets decreased in fiscal 2013 representing depreciation of infrastructure, building and other assets previously reported. There were no additions to capital assets during the year. Refer to Note 5 for more information regarding capital asset balances.

Debt Obligations

The Village did not issue any debt in fiscal year 2013 and there are no plans to issue debt.

Fund Balances

The General Fund balance (including the Park Development fund) increased by over $172,000 primarily as a result of the county grant, additional income tax revenue and expenditures coming in less than budget. Expenditures in the General Fund were $34,000 less than appropriated, primarily for Planning and Zoning and street maintenance.

The Motor Fuel Tax Fund increased by approximately $12,000 as street maintenance expenditures were less than the state allocations. Separate Funds were previously established for Special Service Areas. These fund balances are reserved for specific projects within each SSA. The fiscal 2013 SSA expenses including street maintenance, legal and engineering services.

Risk Management

The Village management do not believe there are any substantial risks to the ongoing operations of the Village. The Village has purchased insurance from private insurance companies to minimize risks of loss with coverage limits the Village management believes is adequate.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Lily Lake at 43W680 Empire Road, Lily Lake, Illinois 60175.

Assets	
Cash and Cash Equivalents	$ 812,106
Receivables	39,460
Land	279,888
Captial Assets Net of Depreciation	881,815
Total Assets	2,013,269
Liabilties	
Accounts Payable	37,504
Accrued Expenses	77,131
Deposits	5,000
Total Liabilities	119,635
Net Assets	$1,893,633
Net Assets:	
Invested in Capital Assets	$1,161,703
Restricted Funds	230,890
Committed to Park Development	128,875
Unrestricted	372,164
	$1,893,632

VILLAGE OF LILY LAKE, ILLINOIS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF REVENUE AND EXPENSE
As of April 30th

	FY 2013	FY 2012
Revenue		
Income Taxes	$101,303	$ 84,132
County Grant	50,000	
Utility Taxes	40,806	35,273
Road and Bridge Taxes	36,950	33,392
Motor Fuel Tax	32,520	27,216
Special Service Area Assessments	30,058	34,401
Sales and Use Taxes	39,014	19,294
Service, License and Permit Fees	44,988	27,244
Investment Earnings	763	495
Total Revenues	376,402	261,447
Expenses		
General Government	167,201	63,628
Planning and Zoning	2,358	3,756
Building	10,428	10,122
Streets	77,261	38,946
Depreciation of Capital Assets	176,610	176,610
Total Expenses	433,858	293,062
Change in Net Assets	$ (57,456)	$(31,615)

VILLAGE OF LILY LAKE, ILLINOIS
GOVERNMENT FUND FINANCAL STATEMENTS
BALANCE SHEET
As of April 30, 2013

	General Fund	Motor Fuel Tax Fund	Special Service Area 2	Special Service Area 3	Special Service Area 4	Special Service Area 5 & 6	Committed to Park Development	Total Government Funds
Assets								
Cash and Investments	$ 349,451	$ 149,251	$18,443	$16,329	$19,689	$ 130,068	$ 128,875	$ 812,106
Receivables from Other Governments	37,752	1,708						39,460
Due from Special Service Area	42,771							42,771
Due from the General Fund		15,305						15,305
Total Assets	429,974	166,264	18,443	16,329	19,689	130,068	128,875	909,641
Liabilities								
Accounts Payable	37,504							37,504
Accrued Expenses						77,131		77,131
Deposits	5,000							5,000
Due to the General Fund						42,771		42,771
Due to the Motor Fuel Tax Fund	15,305							15,305
Total Liabilities	57,809	0	0	0	0	119,902	0	177,711
Fund Balances								
Restricted		166,264	18,443	16,329	19,689	10,166		230,890
Committed to Park Development							128,875	128,875
Unrestricted	372,164							372,164
Total Fund Balances	$ 372,164	$ 166,264	$18,443	$16,329	$19,689	$ 10,166	$ 128,875	$ 731,930

VILLAGE OF LILY LAKE, ILLINOIS
GOVERNMENT FUND FINANCAL STATEMENTS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES TO FUND BALANCES
As of April 30, 2013

	General Fund	Motor Fuel Tax Fund	Special Service Area 2	Special Service Area 3	Special Service Area 4	Special Service Area 5 & 6	Committed to Park Development	Total Government Funds
Revenue								
Income Taxes	101,303							101,303
County Grant							50,000	50,000
Utility Taxes	40,806							40,806
Road and Bridge Taxes	36,950							36,950
Motor Fuel Tax		32,520						32,520
Special Service Area Assessments			15,057	5,300	9,700			30,058
Sales and Use Taxes	39,014							39,014
Service, License and Permit Fees	44,988							44,988
Investment Earnings	377	126	23	16	19	110	92	763
Total Revenues	$263,438	$ 32,646	$ 15,080	$ 5,316	$ 9,719	$ 110	$ 50,092	376,402
Expenditures								
Administration	89,570					77,631		167,201
Planning and Zoning	2,358							2,358
Building	10,428							10,428
Streets	38,924	20,186	11,549	3,204	3,398			77,261
Total Expenditures	141,280	20,186	11,549	3,204	3,398	77,631	0	257,248
Change in Net Assets	122,158	12,460	3,531	2,113	6,321	(77,521)	50,092	119,154
Fund Balances May 1st	250,006	153,804	14,911	14,216	13,368	87,687	78,783	612,775
Fund Balances April 30th	$372,164	$ 166,264	$ 18,442	$ 16,329	$ 19,689	$ 10,166	$ 128,875	$ 731,929

VILLAGE OF LILY LAKE, ILLINOIS
GENERAL AND MOTOR FUEL TAX FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES TO FUND BALANCES - BUDGET AND ACTUAL
As of April 30, 2013

	General Fund (including Park Development)			Motor Fuel Tax Fund		
	Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
Revenue						
Income Taxes	$ 66,700	$ 101,303	$ 34,603			
County Grant		50,000	50,000			
Utility Taxes	38,310	40,806	2,496			
Road and Bridge Taxes	34,400	36,950	2,550			
Motor Fuel Tax				30,000	32,520	2,520
Sales and Use Taxes	20,000	39,014	19,014			
Service, License and Permit Fees	20,610	44,988	24,378			
Investment Earnings	400	469	69	100	126	26
Total Revenues	$180,420	$ 313,530	$ 133,110	$ 30,100	$ 32,646	$ 2,546
Expenditures						
Administration	83,090	89,570	6,480			
Planning and Zoning	17,765	2,358	(15,407)			
Building	16,900	10,428	(6,472)			
Streets	57,610	38,924	(18,686)	42,000	20,186	(21,814)
Total Expenditures	175,365	141,280	(34,085)	42,000	20,186	(21,814)
Change in Net Assets	5,055	172,250	167,195	(11,900)	12,460	24,360
Fund Balances May 1st	328,789	328,789		153,804	153,804	
Fund Balances April 30th	$333,844	$ 501,039	$ 167,195	$141,904	$166,264	$ 24,360

VILLAGE OF LILY LAKE, ILLINOIS
SPECIAL SERVICE AREA FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES TO FUND BALANCES - BUDGET AND ACTUAL
As of April 30, 2013

	Special Service Area 2,3 and 4			Special Service Area 5 and 6		
	Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
Revenue						
Assessments	$ 30,000	$ 30,058	$ 58			
Investment Earnings	50	58	8		110	
Total Revenues	$ 30,050	$ 30,116	$ 66	$ -	$ 110	$ -
Expenditures						
Administration	3,000		(3,000)	6,540	77,631	71,091
Streets	36,600	18,151	(18,449)			
Total Expenditures	39,600	18,151	(21,449)	6,540	77,631	71,091
Change in Net Assets	(9,550)	11,965	21,515	(6,540)	(77,521)	(70,981)
Fund Balances May 1st	42,495	42,495		87,687	87,687	
Fund Balances April 30th	$ 32,945	$ 54,460	$ 21,515	$ 81,147	$ 10,166	$ (70,981)

1. Summary of Significant Accounting Policies

The Village of Lily Lake, Illinois (Village) located in Kane County, was incorporated under the laws of the State of Illinois and operates under a Board of Trustees form of government. The Village provides the following services as authorized:

- maintenance of highways and streets
- public improvements
- programs funded by general administrative services

The Village's financial statements include all government activities, organizations and functions for which the Board of Trustees (Board) has oversight responsibility. Therefore, they include all funds of the Village whose expenditures are approved by the Board.

The government-wide financial statements report information on all activities of the Village. The fund financial statements are required to be provided for governmental, propriety and fiduciary funds. The Village has only government funds. Government funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds). Major individual government funds are reported as separate columns in the fund financial statements.

The Village administers the following major funds:

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

Motor Fuel Tax Fund – is used to account for the collection and disbursement of earmarked monies for a particular purpose. In this case, the receipt of tax allocations from the State of Illinois for streets and roads projects.

Special Service Areas - the Village collects assessments from specific communities for the maintenance, repair and resurfacing of roads within that service area. Therefore, these assessments are restricted to projects within the specific service area.

Accounting Policies

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are considered recognized in the financial statements when they are collected within 60 days of the end of the current fiscal period, if these revenues were collectable as of April 30th. All other revenue items are considered to be measureable and therefore recordable when cash is received by the Village. Expenditures are generally recognized when a liability is incurred.

Cash and Cash Equivalents – are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months of less from the date of acquisition.

Receivables and Payables – are tax revenues due from other governments that were not received by the Village as of April 30th. These receivables are primarily state income, sales and use taxes. The payables include amounts due to contractors and professional service providers which were not paid in full as of April 30th. Finally, transactions between funds that are representative of lending/borrowing arrangements are referred to as either "due to" or "due from" other funds.

Capital Assets – include property, plant, equipment and infrastructure assets which are reported in the government-wide statement of net assets. Capital assets are defined by the Village as items with an initial individual cost of more than $1,000 and a useful life exceeding one year. Such assets are recorded at historical cost or estimated cost if self-constructed. Donated assets, if any, are recorded at estimated fair market value of the date of donation.
The cost of nominal maintenance and repairs that do not add to the value of the asset or materially extend the asset life is expensed as incurred and not capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	20 years
Roads	20 years
Drainage Project	20 years
Park Equipment	10 years

Fund Equity/Net Assets – include fund balances classified as *restricted*, which are constrained by external parties, statutes, tax levies and similar restrictions. *Committed* fund balances can only be used for specific purposes pursuant to constraints imposed by the Village Board through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither legally restricted nor committed. For the classification of Government Fund balances, the Village considers expenditures to be made from the most restrictive first when more than one classification is available.

Accounting Estimates – preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

2. Budgets

The Village budget is prepared on the modified accrual basis of accounting consistent with the accounting policies. As set forth in the Village charter, the Village Board adopts an annual budget for the General Fund, Special Revenue (Motor Fuel Tax) Fund and the Special Service Areas which is prepared by fund, function and department. All annual appropriations lapse at the fiscal year end. Proposed budgets are prepared and submitted to the full Board of Trustees for approval. The budget is legally enacted through passage of an appropriations ordinance.

The budget may be amended by the governing body. There were no budgetary amendments during the year ended April 30, 2013. The budget amounts included in the financial statements are the final adopted budget. Expenditures many not legally exceed budgeted appropriations at the fund level.

3. Deposits and Investments

statutes authorize the Village to make deposits and investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit unions shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short term commercial paper rated within the three higher classifications by at least two standard rating services, and the Illinois Funds Money Market Fund. The Village has no investment policy that would further limit its investment choices or limits.

The Illinois Funds Money Market Fund is an external investment pool developed and implemented in 1975 by the Illinois General Assembly under the jurisdiction of the Treasurer, who has regulatory oversight for the pool. The Fund is not registered with the SEC and has an affirmed AAAm Standard & Poor's credit quality rating (highest available rating). The fair value of the position in this pool is the same as the value of the pool shares. The Fund invests solely in U.S. Treasury Notes and Bills and fully insured or collateralized time deposits and mutual funds investing in U.S. Treasury obligations. The yield on the Illinois Funds Money Market Fund was .06% as of April 30, 2013 and the total fund portfolio exceeded $5 billion.

As of April 30, 2013, The Village had a cash balance in the Illinois Funds Money Market Fund of $421,161. Additional bank accounts aggregated to $390,945 which were insured by the FDIC.

4. Receivables from Other Governments – as of April 30, 2013 were $39,460 as follows:

State of Illinois Income Tax	$16,423
State of Illinois Sales & Use Tax	$12,917
State of Illinois Motor Fuel Tax	$1,708
Other County and Local Taxes and Fees	$8,412

5. Capital Assets

Capital Assets, which include property, plant and equipment and infrastructure assets, are reported in the government-wide financial statements. For the fiscal year ended April 30, 2013 there were no additions to capital assets with an initial individual cost of more than $1,000. The asset balances as of April 30, 2013 were as follows:

Land	$279,888
Buildings and Improvements	$518,148
Roads	$4,370,851
Drainage Project	$406,658
Park Equipment	$87,392
Total Capital Assets	$5,662,937
Less Accumulated Depreciation	$4,501,234
Net Capital Assets	$1,161,703

Depreciation expense of $34,646 and $141,964 was charged to general government and streets, respectively.

6. Risk Management

   The Village is exposed to various risks of loss related to torts, theft, damage, and destruction of assets. Additional risks include errors and omissions, injuries to employees, and natural disasters. The Village has purchased insurance from private insurance companies to minimize these risks. The policies call for various levels of deductibles. The amount of insurance coverage has not decreased and the amount of settlements has not exceeded insurance coverage.

7. Park Development Fund

   The Village received developer donations of $166,119 in prior fiscal years to be used for park development. An additional $50,000 county grant was received in Fiscal Year 2013 for park development. The unexpended balance of these amounts is reflected in the General Fund's equity as committed to park development in the financial statements.

8. Interfund Receivable and Payable

   Interfund balances are comprised of timing differences in reimbursements between the funds as a result of transactions occurring at the end of the fiscal year.

9. Subsequent Transactions

   The Village has not incurred any substantial subsequent events after April 30, 2013 through the date of this annual financial report.