

**Village of Lily Lake,
Illinois**

Annual Financial Report

**For the Year Ended
April 30, 2010**

Wolf & Company LLP
Certified Public Accountants

VILLAGE OF LILY LAKE, ILLINOIS

Table of Contents

	PAGE
INTRODUCTORY SECTION	
Principal Officials	i
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to the Financial Statements	11-16
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	17
Motor Fuel Tax Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	18
Special Service Area #5 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19
Special Service Area #6 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20

VILLAGE OF LILY LAKE, ILLINOIS

Table of Contents

<u>OTHER SUPPLEMENTARY INFORMATION</u>	PAGE
Nonmajor Governmental Funds	
Combining Balance Sheet	21
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Special Service Area #2 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	23
Special Service Area #3 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	24
Special Service Area #4 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	25

INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Village of Lily Lake, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund for the Village of Lily Lake, Illinois, as of and for the year ended April 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Lily Lake, Illinois. 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 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. We believe that our audit provides a reasonable basis for our opinions.

In our 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, 2010, 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 2 through 5, and budgetary comparison information on pages 17 through 20, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lily Lake, Illinois' financial statements as a whole. The introductory section and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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.

Oakbrook Terrace, Illinois
March 23, 2012

Wolf & Company LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF LILY LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2010

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, 2010. 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 west Kane County at the intersections of State Route 64 and State Route 47. The population is estimated at 900. The area surrounding the Village of Lily Lake is predominately agricultural and large lot residential. Lily Lake's economic base includes a gas station, fast food restaurant, and a light manufacturer. Major revenue sources for the Village of Lily are Motor Fuel Tax, Communication Tax, State Income Tax, and Sales Tax. Since 2008, however, the gas station which provided sales tax revenue has been closed. With no revenue from this location, Lily Lake has had to put a hold on projects and improvements within the Village. Reflective of the current economic state, new construction has slowed dramatically in Lily Lake and approved subdivisions have been delayed until further notice.

Despite the current economic situation, Lily Lake remains a desirable location in Kane County. District 301, one of the highest ranked school districts in Illinois, serves Lily Lake. Advanced educational opportunities are also within driving distance from the Village. Northern Illinois University, Waubensee and Elgin Community Colleges serve the community. The high quality of soil and moderate climate offer successful farming. 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.

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 themselves. The Village adopted GASB Statement No. 34 as of May 1, 2004.

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.

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 activities presents information showing how the government'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.

The government-wide financial statements can be found on pages 6 and 7 of this report.

VILLAGE OF LILY LAKE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

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.

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

The Village utilizes seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund, Motor Fuel Tax Fund and Special Service Areas #5 and #6 which are considered to be major funds.

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 11 through 16 of this report.

Financial Analysis

Statement of Net Assets

	April 30,	
	2010	2009
Current Assets	\$ 608,142	\$ 436,249
Non-current Assets	<u>1,595,401</u>	<u>1,823,519</u>
	<u>2,203,543</u>	<u>2,259,768</u>
Current Liabilities	<u>34,517</u>	<u>66,191</u>
Net Assets		
Invested in Capital Assets	1,595,401	1,823,519
Restricted	413,786	258,619
Unrestricted	<u>159,839</u>	<u>111,439</u>
	<u>\$ 2,169,026</u>	<u>\$ 2,193,577</u>

VILLAGE OF LILY LAKE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Liquidity and Investments

Within the General Fund, the Village maintains cash and investments equivalent to 48% of General Fund expenditures. Cash and investments are comprised principally of money market balances. Cash and investments increased by \$148,878 during the year, in part due to Special Service Area balance.

The Motor Fuel Tax Fund is comprised 85% of cash and investments, principally held in money market investments. Liquidity in this fund increased over the previous fiscal year end as no projects were incurred using these funds. Village officials recognize the visual and safety significance of properly maintained roads and will adhere to the previously agreed ten-year road maintenance schedule.

Overview of the Statement of Activities

	Fiscal Year	
	2009-2010	2008-2009
Revenues		
Charges for Services	\$ 10,473	\$ 4,433
Capital Grants	25,473	85,517
Income Taxes	63,630	72,654
Sales and Use Taxes	19,879	33,689
Utilities Taxes	34,131	34,659
Other Taxes	39,604	27,319
Developer Contributions	138,480	
Investment Earnings	792	7,844
Other	1,365	1,041
Total Revenues	<u>333,827</u>	<u>267,156</u>
Expenses		
General Government	104,489	103,899
Planning and Zoning	15,232	23,063
Building	11,519	1,062
Highways and Streets	239,380	297,824
Total Expenses	<u>370,620</u>	<u>425,848</u>
Change in Net Assets	<u>\$ (36,793)</u>	<u>\$ (158,692)</u>

The decrease in net assets in fiscal 2009/2010 is primarily due to depreciation expense of \$228,118. See Note 5. The Village received contributions from the Developer in SSA #5 and #6 which are restricted to improvements to the infrastructure within those SSA's.

Capital Assets and Expenditures

Capital assets decreased in fiscal 2009/2010 representing depreciation of infrastructure, building and other assets previously reported. There were no additions to capital assets during the year, although the Indian Creek Project from the prior year was considered to be in service this year. Refer to Note 5 for more detailed information regarding capital asset balances.

VILLAGE OF LILY LAKE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Debt Obligations

The Village did not issue any debt in the 2009/2010 fiscal year. There are no plans to issue debt in the 2010/2011 fiscal year.

Fund Balance

The General Fund balance increased by \$36,961, primarily as a result of expenditures being significantly under budget, including contingencies budgets but not incurred. Expenditures in the General Fund were \$239,225 less than appropriated. The Motor Fuel Tax Fund increased by the state allocations and interest earned, as no expenditures were paid from this fund. Separate Funds were established for Special Service Areas, including SSA #5 and #6, which are considered Major Funds. These fund balances are reported as Reserved for specific projects within the SSA.

General Fund Budgetary Highlights

Expenditures in fiscal 2009/2010 represented 35% of the total appropriation.

A "Sunset Views" park committee was formed to manage the design and bidding process of a park site located at East Sunset Views Drive at Empire Road. The fiscal 2010 budget included \$177,000 for this project, while actual costs incurred totaled \$11,319. \$166,137 remains in restricted fund balance for this project.

Construction permit revenue has slowed as has engineering expenses as both reflect the slowdown in new construction.

Economic Factors and Next Year's Budgets

Road maintenance and drainage projects in progress will be completed but any further projects are being re-examined and postponed until Village finances are more certain.

Clearly, the housing bubble has popped and Lily Lake is no exception to the downturn. Yet, our Village remains in the crosshairs of Kane County growth. Metra daily commuter service arrived in Elburn in 2007 and will bring more long distance commuters into the vicinity. The incorporation of Campton Hills and the expansion of Elgin have further galvanized our residents' resolve to be self-determining. Finally, the national fears of recession make us all more cautious about frivolous spending.

We are continuing our efforts to reach out to our residents for opinion and guidance.

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.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LILY LAKE, ILLINOIS

Statement of Net Assets April 30, 2010

ASSETS

Cash and Cash Equivalents	\$ 516,232
Receivables	
Due from Other Governments	45,605
Prepaid Items	46,305
Capital Assets Not Being Depreciated	279,887
Capital Assets Being Depreciated	<u>1,315,514</u>
Total Assets	<u>2,203,543</u>

LIABILITIES

Accounts Payable	16,334
Deposits	<u>18,183</u>
Total Liabilities	<u>34,517</u>

NET ASSETS

Invested in Capital Assets	1,595,401
Restricted For	
Park Development	166,137
Highways and Streets	101,828
Special Service Areas	145,821
Unrestricted	<u>159,839</u>
	<u>\$ 2,169,026</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF LILY LAKE, ILLINOIS

Statement of Activities

For the Year Ended April 30, 2010

		Program Revenues		Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 105,252			(105,252)
Planning and Zoning	15,232			(15,232)
Building	10,756	10,473		(283)
Highways and Streets	239,380		25,473	(213,907)
Total Governmental Activities	\$ 370,620	10,473	25,473	(334,674)
General Revenues				
Taxes				
Income Taxes				63,630
Sales and Use Taxes				19,879
Utilities Taxes				34,131
Developer Contributions				138,480
Taxes				39,604
Investment Earnings				792
Other General Revenues				1,365
Total General Revenues				297,881
Change in Net Assets				(36,793)
Net Assets, Beginning, as restated				2,205,819
Net Assets, Ending				2,169,026

See accompanying Notes to the Financial Statements.

VILLAGE OF LILY LAKE, ILLINOIS

Governmental Funds

Balance Sheet
April 30, 2010

	General Fund	Motor Fuel Tax Fund	Special Service Area #5	Special Service Area #6	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 280,399	89,886	75,702	62,776	7,469	516,232
Receivables						
Due from Other Governments	45,385	220				45,605
Due from General Fund		11,722			1,062	12,784
Due from Special Service Areas	1,188					1,188
Prepaid Expenditures	46,305					46,305
Total Assets	<u>\$ 373,277</u>	<u>101,828</u>	<u>75,702</u>	<u>62,776</u>	<u>8,531</u>	<u>622,114</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 16,334					16,334
Deposits	18,183					18,183
Due to General Fund			594	594		1,188
Due to Special Service Areas	1,062					1,062
Due to Motor Fuel Tax Fund	11,722					11,722
Total Liabilities	<u>47,301</u>	<u>-</u>	<u>594</u>	<u>594</u>	<u>-</u>	<u>48,489</u>
Fund Balances						
Reserved for						
Prepaid Expenditures	46,305					46,305
Park Development	166,137					166,137
Highways and Streets		101,828				101,828
Special Service Areas			75,108	62,182	8,531	145,821
Unreserved						
Undesignated, Reported in General Fund	113,534					113,534
Total Fund Balances	<u>325,976</u>	<u>101,828</u>	<u>75,108</u>	<u>62,182</u>	<u>8,531</u>	<u>573,625</u>
Total Liabilities and Fund Balances	<u>\$ 373,277</u>	<u>101,828</u>	<u>75,702</u>	<u>62,776</u>	<u>8,531</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:
Capital assets used in governmental activities are not financial resources and, therefore, are
not reported in the funds.

1,595,401

2,169,026

See accompanying Notes to the Financial Statements.

VILLAGE OF LILY LAKE, ILLINOIS

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended April 30, 2010

	General Fund	Motor Fuel Tax Fund	Special Service Area #5	Special Service Area #6	Other Governmental Funds	Total Governmental Funds
Revenues						
Income Taxes	\$ 63,630					63,630
Sales Tax	19,879					19,879
Utilities Tax	34,131					34,131
Road and Bridge Taxes	29,985					29,985
Motor Fuel Tax		20,679				20,679
Intergovernmental	4,794					4,794
Licenses and Permits	10,473					10,473
Developer Contributions			75,705	62,775		138,480
Special Service Area Assessments					9,619	9,619
Interest Income	629	106	22	26	9	792
Miscellaneous Income	1,365					1,365
Total Revenues	164,886	20,785	75,727	62,801	9,628	333,827
Expenditures						
Administration	79,345					79,345
Planning and Zoning	655					655
Building	10,756					10,756
Streets	37,169					37,169
Legal and Engineering					14,577	14,577
Total Expenditures	127,925	-	-	-	14,577	142,502
Net Change in Fund Balances	36,961	20,785	75,727	62,801	(4,949)	191,325
Fund Balances						
May 1, as restated	289,015	81,043	(619)	(619)	13,480	382,300
April 30	\$ 325,976	101,828	75,108	62,182	8,531	573,625

See accompanying Notes to the Financial Statements.

VILLAGE OF LILY LAKE, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended April 30, 2010

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

Net Change in Fund Balances - Total Governmental Funds	\$ 191,325
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 that depreciation (\$228,118) exceeded additions (\$0) in the current period.	<u>(228,118)</u>
Change in Net Assets of Governmental Activities	<u>\$ (36,793)</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements
April 30, 2010

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, and other programs funded by general administrative services. The more significant of the Village's accounting policies are described below:

A. Financial Reporting Entity

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 Village has developed criteria to determine whether organizations with separate governing boards meet the criteria of a component unit. The criteria include whether the potential component unit is legally separate and whether the Village is financially accountable for the organization. There are currently no component units to be included in the government's reporting entity.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are required to be provided for governmental, proprietary and fiduciary funds. The Village has only governmental funds. Governmental 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 governmental funds are reported as separate columns in the fund financial statements.

The Village administers the following major governmental funds:

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

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements

April 30, 2010

1. Summary of Significant Accounting Policies (Cont.)

B. Government-wide and Fund Financial Statements (Cont.)

Fund Financial Statements (cont.)

Special Service Areas # 5 and #6 Funds - The Village collected an assessment amount totaling \$138,430 per annexation agreement of Special Service Areas #5 and #6. This amount is restricted and is to be used only as stated in the annexation agreement. A major use for the SSA funds is to repair/resurface roads within those service areas.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, if any, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village. The Village does not levy property taxes for General Fund purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include: 1) charges for goods, services, or privileges provided; and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due to/from Other Funds" (i.e., the current portion of interfund loans) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans).

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements

April 30, 2010

1. Summary of Significant Accounting Policies (Cont.)

F. Prepaid Items

Payments to vendors that benefit periods beyond this report date are recorded as prepaid items.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost if purchased or estimated historical cost if self-constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are 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

H. Fund Equity

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

I. Accounting Estimates

The preparation of the 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/expenses during the period. Actual results could differ from these estimates.

2. Budgets

The Village's budget is prepared on the modified accrual method of accounting on a basis consistent with accounting principles generally accepted in the United States of America. As set forth in the Village charter, the Village Board adopts an annual budget for the General Fund, Special Revenue (Motor Fuel Tax budgeted at \$0) Fund and Special Service Areas which is prepared by fund, function and department. All annual appropriations lapse at 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, 2010. The budget amounts included in the financial statements are the final adopted budget. Expenditures may not legally exceed budgeted appropriations at the fund level.

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements
April 30, 2010

3. Deposits and Investments

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest 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. Cash on hand of \$300 has been excluded from the amounts shown below.

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. The fair value of the position of this pool is the same as the value of the pool shares. The yield on the Illinois Funds Money Market Fund was .045% at April 30, 2010. The Fund issues a publicly available financial report which may be obtained through their website. At April 30, 2010, the Village's balances in this Fund totaled \$478,020. The Fund invests solely in U.S. Treasury Notes and Bills, and fully insured or collateralized time deposits and repurchase agreements, and mutual funds investing in U.S. Treasury obligations and repurchase obligations.

At year-end the carrying amount of the Village's deposits totaled \$37,912 and the bank balances totaled \$39,063. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for credit risk. As of April 30, 2010, the Village's bank balance of \$39,063 was insured by the FDIC.

4. Receivables - Due from Other Governments

The following is a summary of receivables as of April 30, 2010:

State Income Tax	\$ 30,925
Sales and Use Taxes	2,956
Utilities Tax	4,698
Kane County Reimbursement	6,806
Motor Fuel Taxes	220
	<hr/>
	\$ 45,605

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements
April 30, 2010

5. Capital Assets

Capital asset activity for the year ended April 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 279,887			279,887
Construction In Progress	406,658		406,658	
Total Capital Assets Not Being Depreciated	686,545	-	406,658	279,887
Capital Assets Being Depreciated				
Buildings and Improvements	518,148			518,148
Roads	4,370,851			4,370,851
Drainage Project		406,658		406,658
Total Capital Assets Being Depreciated	4,888,999	406,658	-	5,295,657
Less Accumulated Depreciation for				
Buildings and Improvements	155,442	25,907		181,349
Roads	3,596,583	181,878		3,778,461
Drainage Project		20,333		20,333
Total Accumulated Depreciation	3,752,025	228,118	-	3,980,143
Total Capital Assets Being Depreciated, Net	1,136,974	178,540	-	1,315,514
Capital Assets, Net	\$ 1,823,519	178,540	406,658	1,595,401

Depreciation expense of \$25,907 and \$202,211 was charged to general government and highway and streets, respectively.

6. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of 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 coverage has not decreased and the amount of settlements has not exceeded coverage in any of the past three fiscal years.

7. Fund Equity/Net Assets Balance

The Village received \$166,137 during prior years in developer donations to be used for park development. This amount is reflected in General Fund's equity as reserved for park development in the fund financial statements and as restricted in the government-wide financial statements. Unspent balances of Motor Fuel Tax allocations from the State of Illinois are restricted to use in road maintenance or improvements. Fund balances reported in Special Service Areas are restricted to municipal services to be provided to these areas.

VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements

April 30, 2010

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. Prior Period Adjustment

The following restatements to Special Service Area Funds and Net Assets of Governmental Activities have been reported:

	Special Service Area Fund #2	Special Service Area Fund #3	Special Service Area Fund #4	Special Service Area Fund #5	Special Service Area Fund #6	Governmental Activities Net Assets
Balance, April 30, 2009, as Previously Reported	\$					2,193,577
Adjustment to:						
Report Taxes Collected	8,038	4,182	3,523			15,743
Report Expenditures Paid	(525)	(273)	(1,465)	(619)	(619)	(3,501)
Total Adjustments	7,513	3,909	2,058	(619)	(619)	12,242
Balance, May 1, 2010, as Restated	\$ 7,513	3,909	2,058	(619)	(619)	2,205,819

In previous years, the Village had not reported fund balances of Special Service Areas, which are now included as Special Revenue funds of the Village.

10. Subsequent Events

The Village has evaluated subsequent events through March 23, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LILY LAKE, ILLINOIS

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Income Taxes	\$	63,630	63,630
Sales and Use Taxes		19,879	19,879
Utilities Tax		34,131	34,131
Road and Bridge Taxes		29,985	29,985
Intergovernmental		4,794	4,794
Licenses and Permits		10,473	10,473
Interest Income		629	629
Miscellaneous Income		1,365	1,365
Total Revenues	-	164,886	164,886
Expenditures			
Administration			
Compensation for Regular Services			
Salaries - Administrative	18,500	16,907	(1,593)
Elected Officials	8,900	6,000	(2,900)
Other	8,280	13,680	5,400
Insurance	5,300	5,359	59
Janitorial	400	327	(73)
Payroll Taxes	2,440	1,294	(1,146)
Police Protection	4,800	344	(4,456)
Office Supplies and Expenses	1,510	477	(1,033)
Telephone and Utilities	2,380	1,990	(390)
Printing, Publication and Postage	2,890	1,762	(1,128)
Equipment	500	158	(342)
Legal and Audit Fees	23,690	17,985	(5,705)
Dues and Subscriptions	1,000	980	(20)
Other Expenditures and Contingencies	199,700	12,082	(187,618)
Total Administrative	280,290	79,345	(200,945)
Planning and Zoning			
Planning Resources	10,000	655	(9,345)
Building			
Plan Review and Inspection	10,000	9,243	(757)
Services	1,460	1,513	53
Total Building	11,460	10,756	(704)
Streets			
Drainage	21,000	1,795	(19,205)
Maintenance	8,500	7,640	(860)
Mowing	300	125	(175)
Snow Removal	35,600	27,609	(7,991)
Total Streets	65,400	37,169	(28,231)
Total Expenditures	367,150	127,925	(239,225)
Net Change in Fund Balance	\$ (367,150)	36,961	404,111
Fund Balance - Beginning of Year		289,015	
Fund Balance - End of Year		325,976	

VILLAGE OF LILY LAKE, ILLINOIS

Motor Fuel Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Motor Fuel Tax Allocations	\$	20,679	20,679
Interest Income		106	106
Total Revenues	-	20,785	20,785
Expenditures			
Other			
Net Change in Fund Balance	<u>\$ -</u>	20,785	<u>20,785</u>
Fund Balance - Beginning of Year		<u>81,043</u>	
Fund Balance - End of Year		<u>101,828</u>	

VILLAGE OF LILY LAKE, ILLINOIS

Special Service Area #5 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Developer Contributions	\$	75,705	75,705
Interest Income		22	22
Total Revenues	-	75,727	75,727
Expenditures			
Legal and Engineering	2,000		(2,000)
Net Change in Fund Balance	<u>\$ (2,000)</u>	75,727	<u>77,727</u>
Fund Balance - Beginning of Year, as Restated		<u>(619)</u>	
Fund Balance - End of Year		<u>75,108</u>	

VILLAGE OF LILY LAKE, ILLINOIS

Special Service Area #6 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Developer Contributions	\$	62,775	62,775
Interest Income		26	26
Total Revenues	-	62,801	62,801
Expenditures			
Legal and Engineering	2,000		(2,000)
Net Change in Fund Balance	<u>\$ (2,000)</u>	62,801	<u>64,801</u>
Fund Balance - Beginning of Year, as Restated		<u>(619)</u>	
Fund Balance - End of Year		<u>62,182</u>	

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

VILLAGE OF LILY LAKE, ILLINOIS

Combining Balance Sheet

Nonmajor Governmental Funds

Balance Sheet

April 30, 2010

	Special Service Area #2	Special Service Area #3	Special Service Area #4	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	\$ 6,264	1,091	114	7,469
Due from General Fund	149	160	753	1,062
Total Assets	<u>\$ 6,413</u>	<u>1,251</u>	<u>867</u>	<u>8,531</u>
FUND BALANCES				
Fund Balances				
Reserved for Special Service Areas	<u>\$ 6,413</u>	<u>1,251</u>	<u>867</u>	<u>8,531</u>

VILLAGE OF LILY LAKE, ILLINOISCombining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended April 30, 2010

	Special Service Area #2	Special Service Area #3	Special Service Area #4	Total Nonmajor Governmental Funds
Revenues				
Special Service Area Assessments	\$ 3,894	2,010	3,715	9,619
Interest Income	5	2	2	9
Total Revenues	3,899	2,012	3,717	9,628
Expenditures				
Legal and Engineering	4,999	4,670	4,908	14,577
Net Change in Fund Balances	(1,100)	(2,658)	(1,191)	(4,949)
Fund Balances				
May 1, as Restated	7,513	3,909	2,058	13,480
April 30	\$ 6,413	1,251	867	8,531

VILLAGE OF LILY LAKE, ILLINOIS

Special Service Area #2 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Special Service Area Assessments	\$	3,894	3,894
Interest Income		5	5
Total Revenues	-	3,899	3,899
Expenditures			
Legal and Engineering	14,150	4,999	(9,151)
Net Change in Fund Balance	<u>\$ (14,150)</u>	(1,100)	<u>13,050</u>
Fund Balance - Beginning of Year, as Restated		<u>7,513</u>	
Fund Balance - End of Year		<u>6,413</u>	

VILLAGE OF LILY LAKE, ILLINOIS

Special Service Area #3 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Special Service Area Assessments	\$	2,010	2,010
Interest Income		2	2
Total Revenues	-	2,012	2,012
Expenditures			
Legal and Engineering	8,700	4,670	(4,030)
Net Change in Fund Balance	<u>\$ (8,700)</u>	(2,658)	<u>6,042</u>
Fund Balance - Beginning of Year, as Restated		<u>3,909</u>	
Fund Balance - End of Year		<u>1,251</u>	

VILLAGE OF LILY LAKE, ILLINOIS

Special Service Area #4 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2010

	Budget	Actual	Variance from Budget Over (Under)
Revenues			
Special Service Area Assessments	\$	3,715	3,715
Interest Income		2	2
Total Revenues	-	3,717	3,717
Expenditures			
Legal and Engineering	10,850	4,908	(5,942)
Net Change in Fund Balance	<u>\$ (10,850)</u>	(1,191)	<u>9,659</u>
Fund Balance - Beginning of Year, as restated		<u>2,058</u>	
Fund Balance - End of Year		<u>867</u>	