

**Village of Lily Lake,  
Illinois**

**Annual Financial Report**

**For the Year Ended  
April 30, 2012**

**Wolf & Company LLP**  
Certified Public Accountants

# VILLAGE OF LILY LAKE, ILLINOIS

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## INTRODUCTORY SECTION

**VILLAGE OF LILY LAKE, ILLINOIS**

Principal Officials  
April 30, 2012

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LEGISLATIVE

VILLAGE BOARD OF TRUSTEES

Jesse Heffernan, President

Mary Damisch

Carl Dekker

Geoff Goddard

Ashley Reed

Rick Overstreet

Steve Wise

Lisa Engberg, Treasurer

Michelle White, Clerk

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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, 2012, 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, 2012, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As further described in Note 1.G., the accompanying financial statements reflect certain changes in the reporting of fund balance classifications for governmental funds due to the implementation of Governmental Accounting Standards Board Statement No. 54.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and budgetary comparison information on pages 18 through 21, 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 and schedules 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 and schedules 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.

*Walf & Company LLP*

Oakbrook Terrace, Illinois  
April 30, 2013



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## VILLAGE OF LILY LAKE, ILLINOIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2012

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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, 2012. 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 993. The area surrounding the Village of Lily Lake is predominately rural and the principle economic base includes a retail food store, gasoline station, 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. 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.

Despite the temporary recession in the U.S. economy, Lily Lake remains in a desirable location within Kane County. District 301, 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 Waubensee Community College service the community. The quality of soils and moderate temperatures allow for successful farming. Job opportunities are within easy driving distance and a new commuter train station to Chicago is within 10 miles of Lily Lake in the neighboring town of Elburn.

In November of 2012, the gas station re-opened which should provide the Village with desperately needed sales tax revenue. It will take a few months before the Village sees any substantial increase in sales tax revenue, but projects which have been on hold for years can now be re-evaluated and completed.

### **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 7 and 8 of this report.

## VILLAGE OF LILY LAKE, ILLINOIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

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#### 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 15 of this report.

#### Financial Analysis

##### Statement of Net Assets

|                            | April 30,           |                     |
|----------------------------|---------------------|---------------------|
|                            | 2012                | 2011                |
| Current Assets             | \$ 746,840          | \$ 749,487          |
| Non-current Assets         | 1,338,312           | 1,427,530           |
|                            | <u>2,085,152</u>    | <u>2,177,017</u>    |
| Current Liabilities        | <u>31,182</u>       | <u>91,432</u>       |
| Net Assets                 |                     |                     |
| Invested in Capital Assets | 1,338,312           | 1,427,530           |
| Restricted                 | 326,646             | 281,224             |
| Unrestricted               | <u>389,012</u>      | <u>376,831</u>      |
|                            | <u>\$ 2,053,970</u> | <u>\$ 2,085,585</u> |

Restricted Net Assets at April 30, 2012 consist of \$153,808 of Motor Fuel Tax funds for Highways and Streets, and \$172,838 held for various Special Service Areas. Unrestricted balances include \$78,779 and \$166,119 at April 30, 2012 and 2011, respectively, which are committed to improvements at Sunset View Park.

## VILLAGE OF LILY LAKE, ILLINOIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

#### Liquidity and Investments

Within the General Fund, the Village maintains cash and investments (exclusive of cash separately held for park improvements of \$78,779) equivalent to 282% of General Fund current expenditures. Cash and investments are comprised principally of money market balances. Cash and investments decreased by \$16,503 during the year.

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.

|                                  | Fiscal Year        |                    |
|----------------------------------|--------------------|--------------------|
|                                  | 2011-2012          | 2010-2011          |
| Revenues                         |                    |                    |
| Charges for Services             | \$ 19,830          | \$ 11,595          |
| Capital Grants                   | 27,216             | 24,541             |
| Income Taxes                     | 84,132             | 63,845             |
| Sales and Use Taxes              | 19,294             | 19,405             |
| Utilities Taxes                  | 35,273             | 36,540             |
| Special Service Area Assessments | 34,401             | 33,162             |
| Road and Bridge Taxes            | 33,392             | 32,351             |
| Investment Earnings              | 495                | 890                |
| Other                            | 7,414              | 333                |
| Total Revenues                   | <u>261,447</u>     | <u>222,662</u>     |
| Expenses                         |                    |                    |
| General Government               | 103,694            | 100,319            |
| Planning and Zoning              | 6,272              | 11,889             |
| Building                         | 10,122             | 8,230              |
| Highways and Streets             | 172,974            | 185,665            |
| Total Expenses                   | <u>293,062</u>     | <u>306,103</u>     |
| Change in Net Assets             | <u>\$ (31,615)</u> | <u>\$ (83,441)</u> |

The decrease in net assets in fiscal 2011/2012 is primarily due to depreciation expense of \$176,610. See Note 5.

#### Capital Assets and Expenditures

Capital assets decreased in fiscal 2011/2012 representing depreciation of infrastructure, building and other assets previously reported. Additions to capital assets consisted of improvements to the Sunset View Park facility. Refer to Note 5 for more detailed information regarding capital asset balances.

#### Debt Obligations

The Village did not issue any debt in the 2011/2012 fiscal year. There are no plans to issue debt in the 2012/2013 fiscal year.

## **VILLAGE OF LILY LAKE, ILLINOIS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)**

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#### **Fund Balance**

The General Fund balance increased by \$12,181, primarily as a result of operating expenditures coming in less than budgeted. Expenditures in the General Fund were \$137,765 less than appropriated, including total appropriations for the park improvements. The Motor Fuel Tax Fund increased by the state allocations and interest earned, as no expenditures were paid from this fund. Separate funds were previously 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. Only legal and engineering costs were expended in those two major funds during fiscal 2011-2012.

#### **General Fund Budgetary Highlights**

Expenditures in fiscal 2011/2012 (exclusive of the park improvements) represented 63% of the total appropriation for operations. General Fund revenues for fiscal year ended April 30, 2012 were consistent with the prior year, and had been anticipated in developing the expenditure budget. Expenditures incurred for Contingencies and Other were \$22,136 under budget. Actual amounts for Streets were a total of \$26,492 less than budgeted.

A "Sunset Views" park committee was previously formed to manage the design and bidding process of a park site located at East Sunset Views Drive at Empire Road. The original budget for this project was \$166,000. At April 30, 2012, the committed General Fund balance of \$78,779 remains for this project.

#### **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, 2012

### ASSETS

|                                      |                  |
|--------------------------------------|------------------|
| Cash and Cash Equivalents            | \$ 684,317       |
| Receivables                          |                  |
| Due from Other Governments           | 62,523           |
| Capital Assets Not Being Depreciated | 279,887          |
| Capital Assets Being Depreciated     | <u>1,058,425</u> |
| Total Assets                         | <u>2,085,152</u> |

### LIABILITIES

|                   |               |
|-------------------|---------------|
| Accounts Payable  | 11,432        |
| Deposits          | <u>19,750</u> |
| Total Liabilities | <u>31,182</u> |

### NET ASSETS

|                            |                     |
|----------------------------|---------------------|
| Invested in Capital Assets | 1,338,312           |
| Restricted For             |                     |
| Highways and Streets       | 153,808             |
| Special Service Areas      | 172,838             |
| Unrestricted               | <u>389,012</u>      |
|                            | <u>\$ 2,053,970</u> |

See accompanying Notes to the Financial Statements.



# VILLAGE OF LILY LAKE, ILLINOIS

## Statement of Activities

For the Year Ended April 30, 2012

|                                  |                   | Program Revenues        |  | Net Revenue<br>(Expense)<br>and Changes<br>in Net Assets |
|----------------------------------|-------------------|-------------------------|--|--|
|                                  | Expenses          | Charges for<br>Services | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                               |
| Governmental Activities          |                   |                         |  |  |
| General Government               | \$ 103,694        |                         |  | (103,694)  |
| Planning and Zoning              | 6,272             |                         |  | (6,272)  |
| Building                         | 10,122            | 19,830                  |  | 9,708  |
| Highways and Streets             | 172,974           |                         | 27,216                                 | (145,758)  |
| Total Governmental Activities    | <u>\$ 293,062</u> | <u>19,830</u>           | <u>27,216</u>                          | <u>(246,016)</u>   |
| General Revenues                 |                   |                         |  |  |
| Taxes                            |                   |                         |  |  |
| Income Taxes                     |                   |                         |  | 84,132   |
| Sales and Use Taxes              |                   |                         |  | 19,294   |
| Utilities Taxes                  |                   |                         |  | 35,273   |
| Road and Bridge Taxes            |                   |                         |  | 33,392   |
| Special Service Area Assessments |                   |                         |  | 34,401   |
| Investment Earnings              |                   |                         |  | 495  |
| Other General Revenues           |                   |                         |  | 7,414  |
| Total General Revenues           |                   |                         |  | <u>214,401</u>   |
| Change in Net Assets             |                   |                         |  | (31,615)   |
| Net Assets, Beginning            |                   |                         |  | <u>2,085,585</u>   |
| Net Assets, Ending               |                   |                         |  | <u>2,053,970</u>   |

See accompanying Notes to the Financial Statements.

# VILLAGE OF LILY LAKE, ILLINOIS

## Governmental Funds

### Balance Sheet

April 30, 2012

|                                      | General<br>Fund | Motor<br>Fuel<br>Tax<br>Fund | Special<br>Service<br>Area #5 | Special<br>Service<br>Area #6 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                        |                 |                              |                               |                               |                                |                                |
| Cash and Investments                 | \$ 361,035      | 141,866                      | 72,865                        | 57,604                        | 50,947                         | 684,317                        |
| Receivables                          |                 |                              |                               |                               |                                |                                |
| Due from Other Governments           | 62,303          | 220                          |                               |                               |                                | 62,523                         |
| Due from General Fund                |                 | 11,722                       |                               |                               |                                | 11,722                         |
| Due from Special Service Areas       | 8,578           |                              |                               |                               |                                | 8,578                          |
| Total Assets                         | \$ 431,916      | 153,808                      | 72,865                        | 57,604                        | 50,947                         | 767,140                        |
| <b>LIABILITIES AND FUND BALANCES</b> |                 |                              |                               |                               |                                |                                |
| Liabilities                          |                 |                              |                               |                               |                                |                                |
| Accounts Payable                     | \$ 11,432       |                              |                               |                               |                                | 11,432                         |
| Deposits                             | 19,750          |                              |                               |                               |                                | 19,750                         |
| Due to General Fund                  |                 |                              | 594                           | 594                           | 7,390                          | 8,578                          |
| Due to Motor Fuel Tax Fund           | 11,722          |                              |                               |                               |                                | 11,722                         |
| Total Liabilities                    | 42,904          | -                            | 594                           | 594                           | 7,390                          | 51,482                         |
| Fund Balances                        |                 |                              |                               |                               |                                |                                |
| Restricted for                       |                 |                              |                               |                               |                                |                                |
| Highways and Streets                 |                 | 153,808                      |                               |                               |                                | 153,808                        |
| Special Service Areas                |                 |                              | 72,271                        | 57,010                        | 43,557                         | 172,838                        |
| Committed to                         |                 |                              |                               |                               |                                |                                |
| Park Development                     | 78,779          |                              |                               |                               |                                | 78,779                         |
| Unassigned                           | 310,233         |                              |                               |                               |                                | 310,233                        |
| Total Fund Balances                  | 389,012         | 153,808                      | 72,271                        | 57,010                        | 43,557                         | 715,658                        |
| Total Liabilities and Fund Balances  | \$ 431,916      | 153,808                      | 72,865                        | 57,604                        | 50,947                         |                                |

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.

1,338,312

2,053,970

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, 2012**

|                                     | General<br>Fund | Motor<br>Fuel<br>Tax<br>Fund | Special<br>Service<br>Area #5 | Special<br>Service<br>Area #6 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|-----------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                     |                 |                              |                               |                               |                                |                                |
| Income Taxes                        | \$ 84,132       |                              |                               |                               |                                | 84,132                         |
| Sales and Use Taxes                 | 19,294          |                              |                               |                               |                                | 19,294                         |
| Utilities Tax                       | 35,273          |                              |                               |                               |                                | 35,273                         |
| Road and Bridge Taxes               | 33,392          |                              |                               |                               |                                | 33,392                         |
| Motor Fuel Tax                      |                 | 27,216                       |                               |                               |                                | 27,216                         |
| Licenses and Permits                | 19,830          |                              |                               |                               |                                | 19,830                         |
| Special Service Area<br>Assessments |                 |                              |                               |                               | 34,401                         | 34,401                         |
| Interest Income                     | 302             | 82                           | 45                            | 39                            | 27                             | 495                            |
| Miscellaneous Income                | 7,414           |                              |                               |                               |                                | 7,414                          |
| Total Revenues                      | 199,637         | 27,298                       | 45                            | 39                            | 34,428                         | 261,447                        |
| <b>Expenditures</b>                 |                 |                              |                               |                               |                                |                                |
| Administration                      | 63,628          |                              |                               |                               |                                | 63,628                         |
| Planning and Zoning                 | 3,756           |                              |                               |                               |                                | 3,756                          |
| Building                            | 10,122          |                              |                               |                               |                                | 10,122                         |
| Streets                             | 22,558          |                              |                               |                               |                                | 22,558                         |
| Snow Removal and Salt               |                 |                              |                               |                               | 8,452                          | 8,452                          |
| Streetlights/Insurance              |                 |                              |                               |                               | 5,420                          | 5,420                          |
| Legal and Engineering               |                 |                              |                               | 2,305                         | 211                            | 2,516                          |
| Park Equipment                      | 87,392          |                              |                               |                               |                                | 87,392                         |
| Total Expenditures                  | 187,456         | -                            | -                             | 2,305                         | 14,083                         | 203,844                        |
| <b>Net Change in Fund Balances</b>  | 12,181          | 27,298                       | 45                            | (2,266)                       | 20,345                         | 57,603                         |
| <b>Fund Balances</b>                |                 |                              |                               |                               |                                |                                |
| May 1                               | 376,831         | 126,510                      | 72,226                        | 59,276                        | 23,212                         | 658,055                        |
| April 30                            | \$ 389,012      | 153,808                      | 72,271                        | 57,010                        | 43,557                         | 715,658                        |

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, 2012

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

|   |                    |
|---|--------------------|
| Net Change in Fund Balances - Total Governmental Funds  | \$ 57,603          |
| Governmental funds report capital outlays as expenditures. However, in the<br>Statement of Activities the cost of those assets is allocated over their estimated<br>useful lives and reported as depreciation expense. This is the amount that depreciation<br>(\$176,610) exceeded additions (\$87,392) in the current period. | <u>(89,218)</u>    |
| Change in Net Assets of Governmental Activities   | <u>\$ (31,615)</u> |

See accompanying Notes to the Financial Statements.

## VILLAGE OF LILY LAKE, ILLINOIS

### Notes to the Financial Statements

April 30, 2012

---

#### 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.

## VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements  
April 30, 2012

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### I. Summary of Significant Accounting Policies (Cont.)

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

##### *Fund Financial Statements (Cont.)*

**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.

**Special Service Areas #5 and #6 Funds** – The Village has collected assessments amount totaling \$138,430 per annexation agreement of Special Service Areas #5 and #6. Remaining amounts are restricted and are to be used only as stated in the annexation agreement. A major use for the SSA funds is to repair/resurface roads within that service area.

#### 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.

## VILLAGE OF LILY LAKE, ILLINOIS

### Notes to the Financial Statements

April 30, 2012

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#### 1. Summary of Significant Accounting Policies (Cont.)

##### 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).

##### F. 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 |
| Park Equipment                      | 10 years |

##### G. Fund Equity/Net Assets

In the government-wide financial statements, net assets are reported as Restricted when constraints placed on net assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Governmental funds non-spendable fund balances, if any, are reported for amounts that are not in spendable form (i.e. Prepaid Items) or legally or contractually required to be maintained intact. Fund balances classified as Restricted are balances with constraints placed on their use by external parties, including 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 Governmental Fund balances, the Village considers expenditure to be made from the most restrictive first when more than one classification is available.

##### H. 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.

## VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements  
April 30, 2012

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### 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) 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, 2012. The budget amounts included in the financial statements are the final adopted budget. Expenditures may not legally exceed budgeted appropriations at the fund level.

### 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 .103% at April 30, 2012. The Fund issues a publicly available financial report which may be obtained through their website. At April 30, 2012, the Village's balances in this Fund totaled \$478,211. 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 \$205,806 and the bank balances totaled \$206,885. 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, 2012, the Village's bank balance of \$206,885 was insured by the FDIC.

### 4. Receivables - Due from Other Governments

The following is a summary of receivables as of April 30, 2012:

|                           |                  |
|---------------------------|------------------|
| State Income Tax          | \$ 47,240        |
| Sales and Use Taxes       | 3,920            |
| Utilities Tax             | 4,337            |
| Kane County Reimbursement | 6,806            |
| Motor Fuel Taxes          | 220              |
|                           | <u>\$ 62,523</u> |



# VILLAGE OF LILY LAKE, ILLINOIS

Notes to the Financial Statements  
April 30, 2012

## 5. Capital Assets

Capital asset activity for the year ended April 30, 2012 was as follows:

|   | Beginning<br>Balance | Increases | Decreases | Ending<br>Balance |
|---|----------------------|-----------|-----------|-------------------|
| Capital Assets Not Being Depreciated        |                      |           |           |                   |
| Land  | \$ 279,887           |           |           | 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           |
| Park Equipment                              |                      | 87,392    |           | 87,392            |
| Total Capital Assets Being Depreciated      | 5,295,657            | 87,392    | -         | 5,383,049         |
| Less Accumulated Depreciation for           |                      |           |           |                   |
| Buildings and Improvements                  | 207,256              | 25,907    |           | 233,163           |
| Roads                                       | 3,900,092            | 121,631   |           | 4,021,723         |
| Drainage Project                            | 40,666               | 20,333    |           | 60,999            |
| Park Equipment                              |                      | 8,739     |           | 8,739             |
| Total Accumulated Depreciation              | 4,148,014            | 176,610   | -         | 4,324,624         |
| Total Capital Assets Being Depreciated, Net | 1,147,643            | (89,218)  | -         | 1,058,425         |
| Capital Assets, Net                         | \$ 1,427,530         | (89,218)  | -         | 1,338,312         |

Depreciation expense of \$34,646 and \$141,964 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 \$166,119 during prior years in developer donations to be used for park development. The unexpended balance of this amount is reflected in General Fund's equity as committed to park development in the fund 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, 2012

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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 Events

The Village has evaluated subsequent events through April 30, 2013, 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, 2012

|                                      | Budget       | Actual  | Variance<br>from<br>Budget<br>Over (Under) |
|--------------------------------------|--------------|---------|--|
| Revenues                             |              |         |  |
| Income Taxes                         | \$           | 84,132  | 84,132                                     |
| Sales and Use Taxes                  |              | 19,294  | 19,294                                     |
| Utilities Tax                        |              | 35,273  | 35,273                                     |
| Road and Bridge Taxes                |              | 33,392  | 33,392                                     |
| Licenses and Permits                 |              | 19,830  | 19,830                                     |
| Interest Income                      |              | 302     | 302  |
| Miscellaneous Income                 |              | 7,414   | 7,414                                      |
| Total Revenues                       | -            | 199,637 | 199,637                                    |
| Expenditures                         |              |         |  |
| Administration                       |              |         |  |
| Compensation for Regular Services    |              |         |  |
| Salaries - Administrative            | 18,500       | 15,602  | (2,898)                                    |
| Elected Officials                    | 7,500        | 6,900   | (600)                                      |
| Other                                | 12,480       | 12,480  |  |
| Insurance                            | 6,400        | 6,331   | (69)                                       |
| Payroll Taxes                        | 1,411        | 1,307   | (104)                                      |
| Office Supplies and Expenses         | 500          | 473     | (27)                                       |
| Telephone and Utilities              | 2,250        | 2,483   | 233  |
| Printing, Publication and Postage    | 2,250        | 955     | (1,295)                                    |
| Equipment                            | 500          | 80      | (420)                                      |
| Legal and Audit Fees                 | 20,500       | 15,223  | (5,277)                                    |
| Dues and Subscriptions               | 750          | 730     | (20)                                       |
| Other Expenditures and Contingencies | 23,200       | 1,064   | (22,136)                                   |
| Total Administrative                 | 96,241       | 63,628  | (32,613)                                   |
| Planning and Zoning                  |              |         |  |
| Planning Resources                   | 5,500        | 3,756   | (1,744)                                    |
| Building                             |              |         |  |
| Plan Review and Inspection           | 6,500        | 9,151   | 2,651                                      |
| Services                             | 1,800        | 971     | (829)                                      |
| Total Building                       | 8,300        | 10,122  | 1,822                                      |
| Streets                              |              |         |  |
| Drainage                             | 6,000        | 420     | (5,580)                                    |
| Maintenance                          | 5,700        | 5,404   | (296)                                      |
| Snow Removal                         | 37,350       | 16,734  | (20,616)                                   |
| Total Streets                        | 49,050       | 22,558  | (26,492)                                   |
| Park Equipment                       | 166,130      | 87,392  | (78,738)                                   |
| Total Expenditures                   | 325,221      | 187,456 | (137,765)                                  |
| Net Change in Fund Balance           | \$ (325,221) | 12,181  | 337,402                                    |
| Fund Balance - Beginning of Year     |              | 376,831 |  |
| Fund Balance - End of Year           |              | 389,012 |  |

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, 2012

|                                  | Budget             | Actual         | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|--------------------|----------------|--|
| Revenues                         |                    |                |  |
| Motor Fuel Tax Allocations       | \$                 | 27,216         | 27,216                                     |
| Interest Income                  |                    | 82             | 82   |
| Total Revenues                   | -                  | 27,298         | 27,298                                     |
| Expenditures                     |                    |                |  |
| Other                            | 40,000             |                | (40,000)                                   |
| Net Change in Fund Balance       | <u>\$ (40,000)</u> | 27,298         | <u>67,298</u>                              |
| Fund Balance - Beginning of Year |                    | <u>126,510</u> |  |
| Fund Balance - End of Year       |                    | <u>153,808</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, 2012

|                                  | Budget      | Actual        | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|-------------|---------------|--|
| Revenues                         |             |               |  |
| Interest Income                  | \$          | 45            | 45   |
| Net Change in Fund Balance       | <u>\$ -</u> | 45            | <u>45</u>                                  |
| Fund Balance - Beginning of Year |             | <u>72,226</u> |  |
| Fund Balance - End of Year       |             | <u>72,271</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, 2012

|                                  | Budget      | Actual         | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|-------------|----------------|--|
| Revenues                         |             |                |  |
| Interest Income                  | \$          | 39             | 39   |
| Expenditures                     |             |                |  |
| Legal and Engineering            |             | 2,305          | 2,305                                      |
| Net Change in Fund Balance       | <u>\$ -</u> | <u>(2,266)</u> | <u>(2,266)</u>                             |
| Fund Balance - Beginning of Year |             | <u>59,276</u>  |  |
| Fund Balance - End of Year       |             | <u>57,010</u>  |  |

**COMBINING AND INDIVIDUAL AND NONMAJOR FUNDS  
FINANCIAL STATEMENTS AND SCHEDULES**



**VILLAGE OF LILY LAKE, ILLINOIS**

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2012

|                                       | Special<br>Service<br>Area #2 | Special<br>Service<br>Area #3 | Special<br>Service<br>Area #4 | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| <hr/>                                 |                               |                               |                               |  |
| ASSETS                                |                               |                               |                               |  |
| Cash and Investments                  | \$ 18,485                     | 15,587                        | 16,875                        | 50,947                                     |
| <hr/>                                 |                               |                               |                               |  |
| LIABILITIES AND FUND BALANCES         |                               |                               |                               |  |
| Liabilities                           |                               |                               |                               |  |
| Due to General Fund                   | \$ 3,797                      | 1,211                         | 2,382                         | 7,390                                      |
| Fund Balances                         |                               |                               |                               |  |
| Restricted for Special Service Areas  | 14,688                        | 14,376                        | 14,493                        | 43,557                                     |
| <hr/>                                 |                               |                               |                               |  |
| Total Liabilities and Fund<br>Balance | \$ 18,485                     | 15,587                        | 16,875                        | 50,947                                     |
| <hr/>                                 |                               |                               |                               |  |

# VILLAGE OF LILY LAKE, ILLINOIS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances

For the Year Ended April 30, 2012

|                                  | Special<br>Service<br>Area #2 | Special<br>Service<br>Area #3 | Special<br>Service<br>Area #4 | Total<br>Nonmajor<br>Governmental<br>Funds |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| Revenues                         |                               |                               |                               |  |
| Special Service Area Assessments | \$ 14,849                     | 8,700                         | 10,852                        | 34,401                                     |
| Interest Income                  | 9                             | 9                             | 9                             | 27   |
| Total Revenues                   | 14,858                        | 8,709                         | 10,861                        | 34,428                                     |
| Expenditures                     |                               |                               |                               |  |
| Snow Removal and Salt            | 3,945                         | 1,371                         | 3,136                         | 8,452                                      |
| Streetlights/Insurance           | 4,706                         | 714                           |                               | 5,420                                      |
| Legal and Engineering            | 53                            | 53                            | 105                           | 211  |
| Total Expenditures               | 8,704                         | 2,138                         | 3,241                         | 14,083                                     |
| Net Change in Fund Balances      | 6,154                         | 6,571                         | 7,620                         | 20,345                                     |
| Fund Balances                    |                               |                               |                               |  |
| May 1                            | 8,534                         | 7,805                         | 6,873                         | 23,212                                     |
| April 30                         | \$ 14,688                     | 14,376                        | 14,493                        | 43,557                                     |

# **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, 2012

|                                  | Budget      | Actual        | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|-------------|---------------|--|
| Revenues                         |             |               |  |
| Special Service Area Assessments | \$ 16,400   | 14,849        | (1,551)                                    |
| Interest Income                  |             | 9             | 9  |
| Total Revenues                   | 16,400      | 14,858        | (1,542)                                    |
| Expenditures                     |             |               |  |
| Snow Removal and Salt            | 7,900       | 3,945         | (3,955)                                    |
| Streetlights/Insurance           | 6,000       | 4,706         | (1,294)                                    |
| Legal and Engineering            | 2,000       | 53            | (1,947)                                    |
| Mowing & Maintenance             | 500         |               | (500)                                      |
| Total Expenditures               | 16,400      | 8,704         | (7,696)                                    |
| Net Change in Fund Balance       | <u>\$ -</u> | 6,154         | <u>6,154</u>                               |
| Fund Balance - Beginning of Year |             | <u>8,534</u>  |  |
| Fund Balance - End of Year       |             | <u>14,688</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, 2012

|                                  | Budget   | Actual | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|----------|--------|--|
| Revenues                         |          |        |  |
| Special Service Area Assessments | \$ 5,300 | 8,700  | 3,400                                      |
| Interest Income                  |          | 9      | 9  |
| Total Revenues                   | 5,300    | 8,709  | 3,409                                      |
| Expenditures                     |          |        |  |
| Snow Removal and Salt            | 2,900    | 1,371  | (1,529)                                    |
| Streetlights/Insurance           | 300      | 714    | 414  |
| Legal and Engineering            | 1,800    | 53     | (1,747)                                    |
| Mowing and Maintenance           | 300      |        | (300)                                      |
| Total Expenditures               | 5,300    | 2,138  | (3,162)                                    |
| Net Change in Fund Balance       | \$ -     | 6,571  | 6,571                                      |
| Fund Balance - Beginning of Year |          | 7,805  |  |
| Fund Balance - End of Year       |          | 14,376 |  |

# 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, 2012

|                                  | Budget      | Actual        | Variance<br>from<br>Budget<br>Over (Under) |
|----------------------------------|-------------|---------------|--|
| Revenues                         |             |               |  |
| Special Service Area Assessments | \$ 9,700    | 10,852        | 1,152                                      |
| Interest Income                  |             | 9             | 9  |
| Total Revenues                   | 9,700       | 10,861        | 1,161                                      |
| Expenditures                     |             |               |  |
| Snow Removal and Salt            | 6,300       | 3,136         | (3,164)                                    |
| Streetlights/Insurance           | 100         |               | (100)                                      |
| Legal and Engineering            | 2,000       | 105           | (1,895)                                    |
| Mowing and Maintenance           | 1,000       |               | (1,000)                                    |
| Reserves                         | 300         |               | (300)                                      |
| Total Expenditures               | 9,700       | 3,241         | (6,459)                                    |
| Net Change in Fund Balance       | <u>\$ -</u> | 7,620         | <u>7,620</u>                               |
| Fund Balance - Beginning of Year |             | <u>6,873</u>  |  |
| Fund Balance - End of Year       |             | <u>14,493</u> |  |