

COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

2017



FOR THE FISCAL  
YEAR ENDED  
DECEMBER 31,  
2017



**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
December 31, 2017

Prepared by Finance Department

Jodie K. Hartman  
Finance Director/Treasurer

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## **INTRODUCTORY SECTION**

This section includes miscellaneous data regarding the Village of Lake Zurich including:

- List of Elected and Appointed Officials
- Village Organizational Chart
- Certificate of Achievement for Excellence in Financial Reporting
- Letter of Transmittal from the Finance Director and Treasurer

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

December 31, 2017

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**VILLAGE BOARD OF TRUSTEES**

Tom Poynton, Mayor

Jim Beaudoin

Mary Beth Euker

John Shaw

Marc Spacone

Jonathan W. Sprawka

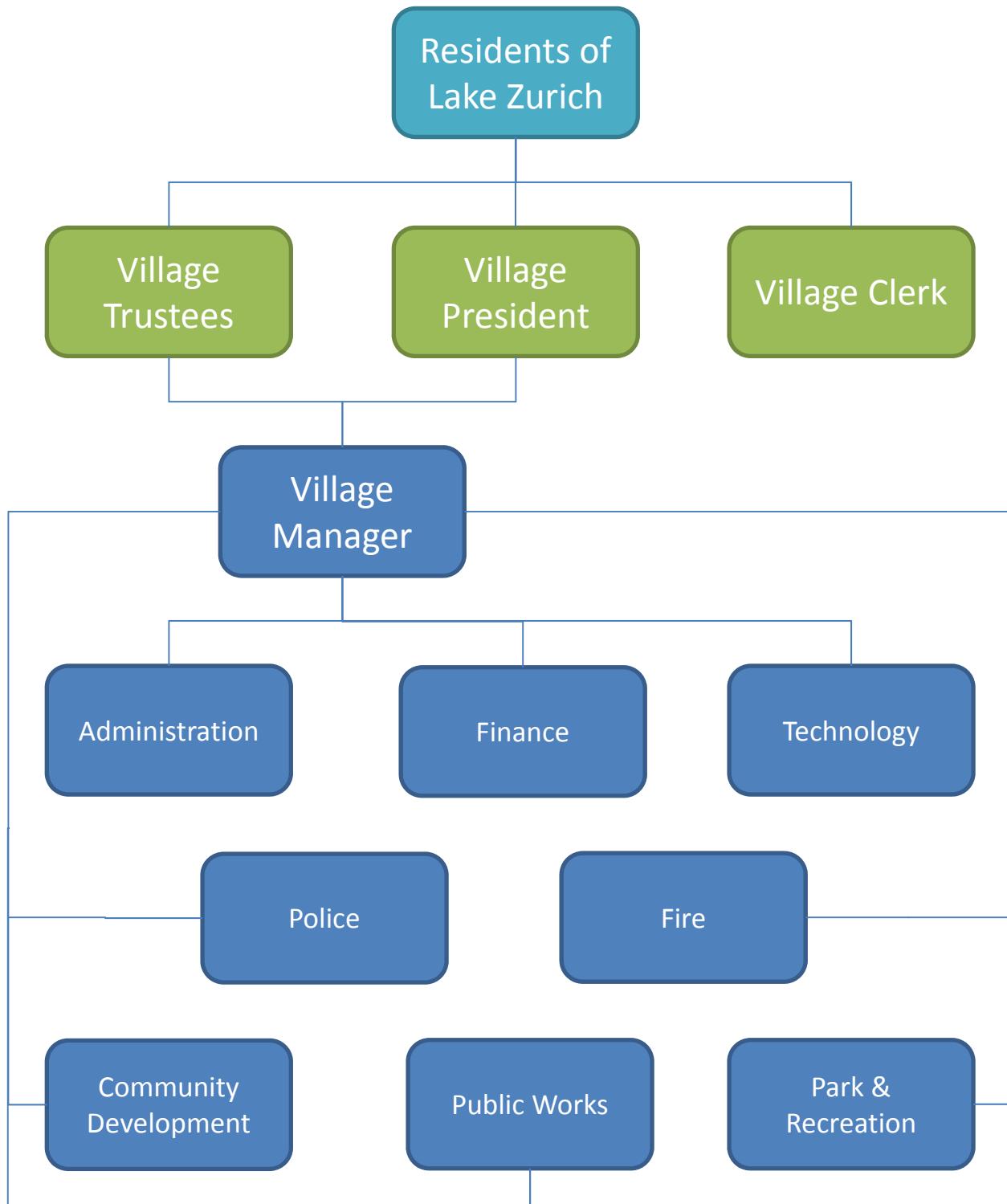
Greg Weider

Kathleen Johnson, Village Clerk

Ray Keller, Village Manager

Jodie K. Hartman, Finance Director/Treasurer

# Village of Lake Zurich Organization Chart





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Village of Lake Zurich**  
**Illinois**

For its Comprehensive Annual  
Financial Report  
for the Eight Months Ended

**December 31, 2016**

*Christopher P. Monill*

Executive Director/CEO



OFFICE OF THE VILLAGE MANAGER

Ray Keller

June 26, 2018

The Honorable Tom Poynton, Village President

Members of the Village Board of Trustees

Citizens of the Village of Lake Zurich, Illinois

The Finance Department is pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) of the Village of Lake Zurich, Illinois (the Village) for the fiscal year ended December 31, 2017. This report provides a broad view of the Village's financial activities for the twelve month 2017 fiscal year and its financial position at December 31, 2017. This fiscal year is the first year of a full calendar fiscal year, running January through December. The previous fiscal year, 2016B, represented eight months of activity of May through December of 2016.

Although addressed to the elected officials and citizens of the Village, this report has a number of other users. Foremost among these other users are bondholders of the Village, financial institutions, credit rating agencies, educational institutions, and other government entities. Illinois statutes require that Illinois municipalities publish financial statements on an annual basis that are prepared in accordance with generally accepted accounting principles and are audited by independent accountants. In producing a CAFR, the Village of Lake Zurich has chosen to provide financial information that is significantly greater than that which is required under state law.

Responsibility for both the accuracy of the information presented in the CAFR as well as the completeness and fairness of the presentation, including all disclosures, rests with the Village. We believe that the information, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position of the Village and the results of its operations; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Village's financial affairs have been included.

Sikich LLP (Certified Public Accountants) has issued an unmodified ("clean") opinion on the Village's financial statements for the fiscal year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management of the Village has established a system of internal control designed to assure that the assets of the Village are safeguarded against loss, theft, or misuse. The system of internal control also assures that the accounting system compiles reliable financial data for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, not absolute, assurance that these objectives will be met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of the costs and benefits requires estimates and judgments by management.

This letter of transmittal should be read in conjunction with management's discussion and analysis to obtain the most complete assessment of the Village's current financial status and its future prospects.

### **Profile of the Government**

The Village of Lake Zurich is located in southwestern Lake County, 37 miles northwest of downtown Chicago. The Village is an established residential community which traditionally served as a market center for surrounding rural areas and, earlier in the 20th century, as a popular summer resort. The population has increased by more than five times since 1960, as the Village has shared in the economic growth from an expanding Chicago metropolitan area. Lake Zurich has developed into a stable community with above-average wealth and housing values, and a balanced tax and revenue base.

Settlers first came to the area in the 1830's. George Ela settled in the area of Deer Grove, not far from Cedar Lake (now Lake Zurich) in 1935. Seth Paine, a Chicagoan, came to the area in 1836, and built a number of commercial establishments in what is now downtown Lake Zurich. New England farmers and German immigrants followed, and the Village was incorporated on September 19, 1896.

The Village grew slowly after its incorporation. The Palatine and Lake Zurich and Wauconda Railroad was built in 1910, but the line was discontinued in 1920. Rand Road (now U.S. Route 12) was paved through town in 1922, and helped establish Lake Zurich, with its rural setting and 250-acre lake, as a summer resort community. The east-west State Route 22, which also runs through Lake Zurich, was constructed in 1927. Population growth accelerated after World War II, with the Village's population increasing from 850 in 1950 to 3,458 in 1960, and further to 4,082 in 1970, 8,225 in 1980, and 14,927 in 1990 (up 81.5% from 1980). The 2000 Census reported a population of 18,104 up 21.3% from 1990. The Village estimates its current population at 19,932. The land area of the Village is 6.9 square miles.

The Village's municipal neighbors include North Barrington to the west, Deer Park to the south, Kildeer to the southeast and east, and Hawthorn Woods to the north. Transportation links include U.S. Route 12 and State Route 22, and freight rail service by the CN Railroad. Commuter train service to Chicago is available in Barrington, five miles from Lake Zurich. O'Hare International Airport is approximately 30 miles from the Village.

The Village is a non-home rule community operating under the management form of municipal government as provided in 65 ICLS 5. Lake Zurich is governed by a President and six-member Board of Trustees. All are elected at an at-large basis in non-partisan elections to overlapping four year terms. The Board and President are charged with (among other things) setting policy, passing ordinances, adopting the budget and hiring the Village Manager. In turn, the Village Manager oversees day-to-day operations of the Village. Additional demographic information about the Village can be found in the statistical section of this report.

### **The Reporting Entity**

This report includes all activities and functions of the Village that are under the jurisdiction of the Board of Trustees, as set forth in state and local law. There are two blended component units included in this report, those being the Police Pension Fund and the Firefighters' Pension Fund. These two pension plans are governed by separate boards, but the Village is obligated by state statute to fund the two plans based on actuarial valuations.

## **Accounting System and Budgetary Control**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Village's accounting records are generally maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when measurable and available to liquidate obligations of the current period. Expenditures are recorded when a liability is incurred that is expected to draw upon current financial resources. The modified accrual accounting records are the basis for assessing budgetary compliance. After the end of the year, the Village's management makes certain adjustments to the accounting records to permit the preparation of required financial statements on the accrual basis of accounting to comply with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

The annual budget serves as the foundation for the Village's financial planning and control. It also serves as the legal authority to spend public funds. The Village Board has adopted the Budget Act for purposes of legally appropriating public funds. The Village Manager was designated by the Village Board as the Budget Officer. All departments submit their budget requests to the Village Manager approximately four months before the start of the next fiscal year. The Director of Finance prepares a projection of revenues to be received during the fiscal year. The Village Manager, Director of Finance, and appropriate staff review all budget requests and revenue estimates and develop a proposed budget. The proposed budget is presented to the Village Board and a formal public hearing is held prior to its adoption by the Village Board, which is required by state law prior to the first day of the fiscal year. The Budget Officer may approve the transfer of budgeted funds from one account to another, provided the two accounts are within the same object class and within the same department and fund. Any other amendments or increases to the annual budget may be done only by a two-thirds vote of the Village Board.

This fiscal year, 2017, is the first fiscal year to begin on January 1<sup>st</sup>. An eight-month budget was adopted for FY 2016B, which ran from May 1, 2016 to December 31, 2016. Hereafter, the Village's fiscal periods coincide with the calendar year.

## **Factors Affecting Economic Condition**

**Local Economy:** Lake Zurich is primarily a white collar community and therefore the residents have been less affected by the loss of manufacturing jobs impacting other states and counties. Revenues are showing modest increases, while expenditures continued to increase, especially in the areas of pension and health care costs.

Lake Zurich has a very strong retail sales tax base primarily located on the Rand Road Corridor. Sales tax revenue for the Village continues to be stable. The Village has a strong mix of retail superstores, such as Costco, Home Depot, Wal-Mart, Target and Mariano's, which has helped in weathering the recession. The Village is also home to Peapod, a nationwide grocery delivery company. Peapod's sales have remained strong and the Village has a sales tax sharing incentive with Peapod. Despite a strong sales tax base, the rising cost of operations limits the Village's ability to properly maintain and improve the citizens' investment in Village infrastructure. Village management is continuously looking for ways to cut costs and/or increase revenues. However, a large proportion of the increasing costs are mandated by statute, regulatory agencies, and/or labor contracts.

Retail vacancy rates remained steady over the last year, with the latest analysis indicating a continued retail vacancy rate of 7.3% reported at the end of Quarter 4 of 2017 but with a trend of increasing into financial year 2018. The industrial vacancy rate on the other hand has shown an increase from the previous year with the latest rate of 5.1% as of the end of Quarter 4 of 2017, and with a continuing trend of increasing into financial year 2018.

Interest in new construction remained high with several new projects getting underway or completed in 2017. New construction activity in the industrial sector consisted of a new 15,000 square foot building for a machining company and a new 44,500 building for a manufacturer of piano parts and accessories. Lake Zurich's largest private employer, Echo, Inc., completed and began use of their new 51,000 square foot addition to its corporate headquarters.

In the retail sector, construction began on a new commercial shopping center containing a new gas station, a daycare facility, and a commercial building construction activity consisted of the complete interior and building remodeling and parking lot replacement of a major retail anchor. In the residential sector, construction of the two apartment buildings on Main Street commenced and a new assisted living facility was completed.

The village also completed and approved a comprehensive update to its sign code. The process of updating the village comprehensive plan was also begun through a series of educational videos and presentations to the Planning and Zoning Commission which were viewed by the entire community.

The Village is directly impacted by the financial condition of the State of Illinois. Due to the state's budget shortfall, shared revenue payments to the Village continue to be a target for fixing the State's own financial difficulties. Local share of the state Income Tax have been reduced and an administrative fee has been applied to the Non-Home Rule Sales Tax collection. The State continues to look at freezing property tax rates and/or other reductions to revenue sharing with local governments, both of which could be of severe financial detriment to the Village. We are closely monitoring the political environment in Springfield. Either change alone would further decrease the resources available to the Village, especially if both are adopted, and in turn the level of services we can provide our residents would likely be impacted. As a non-home rule community, options for replacing the lost revenue are virtually non-existent.

**Long-Term Financial Planning:** The Village uses a number of processes and resultant planning documents to accomplish its financial planning. As discussed above, the Village adopts an annual budget. The village board adopted the formal Community Investment Plan in September 2017, forecasting out funding needs for capital items that are expected to exceed \$20,000 and have a useful life of more than a year, such as road improvements, large machinery and equipment, and building improvements. Projects were prioritized by mandatory, essential, deferrable and contributory.

The Finance Department has developed five-year financial forecasts for funds, which are updated at least quarterly. These forecasts project revenues, expenditures, fund balance levels, and cash and investment levels. The forecasts are used for purposes of monitoring the long-term financial outlook of the Village, determining available funding for the capital projects, and assisting the Village Manager in setting budget goals for department directors.

## **Major Accomplishments and Initiatives for Fiscal Year 2017**

The fiscal year ended December 31, 2017 saw many accomplishments and major initiatives come to fruition, including:

- 95% of residents rated Lake Zurich as an excellent or good place to live and 97% rated our Village as a great place to raise children as the Village conducted its 2nd National Citizen Survey over the summer months of 2017. Resident opinions on every single aspect of “Governance” improved from the 2015 survey to the 2017 survey.
- Collective bargaining agreements between the Village, the Fraternal Order of Police, and the International Association of Firefighters were successfully renegotiated for another three years.
- The Village has evaluated the capital needs of the community for the next two decades in the new 20-year Community Investment Plan, prioritizing infrastructure projects worth over \$130 million, including roads, water mains, sanitary and storm sewers, buildings, and equipment.
- The Village funded municipal operations for another year without drawing down the fund balance of the General Fund. Better-than-expected budgetary performance for this fund resulted in a General Fund unreserved balance of \$8.4 million (32%). The Village has a General Fund Reserve Target of 40% of current year expenditures.
- Developed five-year financial forecasts for all municipal funds to monitor the long-term financial outlook of the Village, to determine available funding for capital projects and to assist in setting budget goals for departments.
- Increased public safety pension contributions to \$4 million annually to ensure adequate funding of police and fire long-term statutory and actuarial obligations.
- In August 2017, the Village officially sold the 1.4-acre downtown Block C for the development of 48 apartment units, currently under construction..
- Increased organizational efficiencies through a partnership with Lake County to provide full-time building inspection services. The Village full-time personnel count decreased by one position in 2017. Full-time staffing is down twenty-one positions from just nine years ago, a drop of almost 12%.
- Lake Zurich was certified as a StormReady Community by the United States Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service Forecast Office Chicago, acknowledging the Village’s leadership and weather preparedness.
- In times where State grants are extremely limited and Federal grants are extremely competitive, Lake Zurich does well at earning grants for local projects and initiatives. In 2017, the Village earned \$75,800 in grants.
- The Village partnered with ComEd, Comcast, and AT&T to bury overheard utilities along West Main Street to further facilitate redevelopment on Main Street.
- Received first GFOA award for the Popular Annual Financial Report, which provides a condensed version of the Comprehensive Annual Financial Report.
- The Village joined the Intergovernmental Personnel Benefits Cooperative (IPBC), a group of over 100 local governments that provides economies of scale and insurance pooling.
- The Police Department underwent an organizational assessment in 2017, resulting in a more efficient staffing structure that has reduced personnel costs while also increasing the capacity of Lake Zurich’s 911-dispatch center.
- The Village has partnered with homeowner associations to create 20 year forecasts for the tax revenue collected in Special Service Areas.
- Lake Zurich renewed its partnership with Kildeer to provide fuel sharing and fleet repairs for municipal vehicles, decreasing administration costs and minimizing government redundancy.

- Finalized a new three-year emergency dispatch agreement with the Village of Island Lake.
- Conducted community oriented police citizen engagement events.
- Partnered with neighbors at the Lake Property Owners Association on an updated five-year agreement for the Village's lake patrol services.
- The Village attracted many new businesses in 2017 including, but not limited to, BBQ'd Productions, Roaring Table Brewery, Sushi Yoru, Zin, Franco's Pescheria, JJ Twiggs, Molly's Pancakes, Beer Ability, and a new Secretary of State facility.
- The Village completed and approved a comprehensive update to its Sign Code.

**Some of the more significant initiatives planned for the 2018 fiscal year are as follows:**

- Develop an implementation strategy for the Village's proposed Block A redevelopment concept by leveraging private sector investment.
- Complete the replacement of nearly 7,000 water meters to improve meter accuracy with new technology that will provide alerts on high-water usage, tampering, and aid in leak detection.
- Construct storm-water improvements near the CN railroad crossing in downtown Lake Zurich.
- Implement new Enterprise Resource Platform system to provide increased efficiency and accuracy of data across all municipal financing and permitting systems.
- Update the Comprehensive Plan to better reflect key community issues and guide future development for the next 10 to 15 years.
- Codify and publish a unified schedule of all Village fees, a new unified fee schedule that will increase transparency and ease of use for external and internal stakeholders.
- Update agreement with Lake Zurich Rural Fire Protection District to better reflect the costs and contributions of both the Village and District.
- Implement new Smoke Detector Program with Office of State Fire Marshal and Illinois Fire Safety Alliance.
- Update 2018 Comprehensive Emergency Operations Plan.
- Reach agreement with Fraternal Order of Police for new collective bargaining agreement for dispatchers unit.
- Invest \$650,000 to replace and relocate the Buffalo Creek sanitary sewer lift station that has been in operation since the 1970's.
- Celebrate the first season of the new Breezewald Park Beverage Pavilion, providing the public with a new downtown destination and community amenity.
- Invest \$1.54 million into local street infrastructure, providing complete pavement resurfacing, concrete repair, and utility structure repair for village streets.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Lake Zurich for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This

represented the twenty-ninth consecutive year that the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, particularly Accounting Supervisor Miriam Hernandez. The Village President and Village Board of Trustees must be acknowledged and thanked for setting the highest standards of professionalism in the oversight and management of the Village's finances.

Respectfully submitted,



Ray Keller  
Village Manager



Jodie Hartman  
Director of Finance/  
Village Treasurer

## **FINANCIAL SECTION**

This section includes:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Financial Statements and Schedules
- Supplemental Data

**INDEPENDENT AUDITOR'S REPORT**

1415 West Diehl Road, Suite 400  
Naperville, IL 60563  
630.566.8400

**SIKICH.COM**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Lake Zurich, Illinois (the Village), as of and for the year ended December 31, 2017 and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lake Zurich, Illinois, as of December 31, 2017, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The introductory and statistical sections have 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 them.

*Sikich LLP*

Naperville, Illinois

June 26, 2018

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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This section of the financial report is management's overview and analysis of the financial position and financial performance of the Village of Lake Zurich for the fiscal year ended December 31, 2017. This was a twelve month fiscal year as the village transitioned to a calendar year fiscal year for 2017 forward. This statement should be read along with the transmittal letter and financial statements for the most complete understanding of the Village of Lake Zurich's financial activities for the year.

**FINANCIAL HIGHLIGHTS**

**VILLAGE FUNDS AS A WHOLE:**

- Total assets of the village exceeded liabilities by \$84 million.
- Total net position of the village increased \$2.8 million
- Combined revenues totaled \$41 million, a 34% increase primarily due to the change in fiscal year
- Overall expenses totaled \$38.3 million, a 39% increase also primarily due to the change in fiscal year.

**GENERAL FUND:**

- Fund balance increased by \$96k.
- Total fund balance at the end of the year was \$10.6 million, of which \$1.7 million was nonspendable as advances to other funds, inventory and prepaid expenditures.
- Cash and investments totaled \$7.4 million.

**BUSINESS-TYPE ACTIVITIES (Water and Sewer Fund)**

- Net position increased \$478k. From an operations perspective, the fund had operating income of \$250k.
- Total net position at the end of the year was \$43.5 million, of which \$38.8 million was invested in fixed assets and \$4.7 million in unrestricted funds.
- Working capital of the fund increased from \$4.1 million to \$7.6 million. Lease proceeds of \$3 million were recorded to fund the water meter replacement project in 2018.

**LONG-TERM DEBT**

- Total long-term debt decreased \$6.8 million to \$76.8 million outstanding as of December 31, 2017.
- Bonded debt alone decreased \$1.8 million to \$29.6 million outstanding as of December 31, 2017.

**CAPITAL ASSETS**

- Total capital assets, net of accumulated depreciation, decreased \$1 million to \$129 million.
- Capital assets for governmental activities, net of accumulated depreciation, decreased to \$84.5 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

In accordance with generally accepted accounting principles, the village presents its financial statements so as to offer two perspectives of its financial position and results of operation. The government-wide perspective presents financial information for the government as a whole. The fund perspective involves the presentation of financial information for individual accounting entities established by the village for specific purposes. The focus of the fund statements is on major funds. Both perspectives (government-wide and major fund) address likely user questions, provide a broad basis for comparison, and enhance the village's accountability.

**VILLAGE OF LAKE ZURICH  
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**Government wide statements**

The government-wide statements are intended to provide a view of the financial position and operations of the Village in a manner similar to the private sector. These statements provide a long-term view of the financial position of the Village of Lake Zurich. The *Statement of Net Position* reflects all of the Village's assets, liabilities, with the net difference between the two reported as net position. Over time, the change in net position may serve as a useful indicator to reflect the improving or deteriorating position of the Village.

The government-wide *Statement of Activities* reflects the change in Village net position for the current year. These activities are reported on a full accrual basis. Thus revenues and expenses are recorded as they are incurred, regardless of when cash flow is affected. Both the *Statement of Net Position* and the *Statement of Activities* include the Village's governmental and business-type activities.

Governmental activities encompass general government, public safety, highways and streets, culture and recreation and economic development. In general, taxes and intergovernmental revenues support governmental funds. The business-type activities of the Village consist of water and sewer operations, which are funded primarily from user fees. Revenues generated from water and sewer operations are intended to cover all or a significant amount of total costs. The government-wide financial statements can be found on pages 4-7 of this report.

**Fund Financial Statements**

The Village of Lake Zurich utilizes fund accounting. 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. Fund accounting is used to ensure and demonstrate compliance with specific financial and legal requirements. The Village of Lake Zurich has three fund types; governmental, proprietary and fiduciary.

***Governmental Funds***

Governmental funds included in the fund financial statements are fundamentally the same as those reflected in the government-wide statements. The major difference is that the fund statements focus almost entirely on the short-term with emphasis on fiscal responsibility with relation to the current budgetary year. As such, the statements are prepared on the modified accrual basis. A reconciliation provided on the face of the governmental fund financial statements provides those items that were used to convert the fund modified accrual basis to the governmental-wide full accrual basis.

The Village of Lake Zurich has fifteen governmental funds to account for governmental functions. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, TIF Tax Allocation, Debt Service, TIF Debt Service, Capital Improvements, Downtown TIF Capital and the Downtown TIF #2 Funds, all of which are considered to be "major" funds. The purposes of these major funds are as follows:

*The General Fund* is the general operating fund for the Village and is utilized to account for all activity that is not accounted for in another fund.

*The TIF (#1) Tax Allocation Fund* accounts for all revenues and transfers to pay for administrative, debt service, and capital improvement activity necessary to stimulate and induce redevelopment of Downtown Lake Zurich pursuant to the Tax Increment Finance (TIF) Act.

**VILLAGE OF LAKE ZURICH  
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*The Downtown TIF #2 Special Revenue Fund* captures all the costs and revenue associated with the construction and improvements to TIF District #2.

*The Debt Service Fund* accounts for the accumulation of financial resources to pay principal and interest for general obligation bond issues, including the debt generated by the establishment of the Tax Increment Financing District.

*The TIF Debt Service Fund* accounts for the accumulation of financial resources to pay principal and interest expenses generated related to TIF District #1.

*The Capital Improvements Fund* accounts for the financial resources used for the acquisition and construction of capital projects. This includes street construction costs financed by the motor fuel tax allocation and park facility improvements financed by park donations, grants and contributions.

*The Downtown TIF Capital Projects Fund* captures all the costs and revenue associated with the construction and improvements to TIF District #1.

Data from the other eight (8) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report. Budgetary comparisons are included at the fund level in the combining and individual fund financial statements. The basic governmental fund financial statements can be found on pages 8 through 13 of this report.

***Proprietary Funds***

The Village of Lake Zurich maintains one proprietary fund – the Waterworks and Sewerage Fund. This proprietary fund is categorized as an enterprise fund, which are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. As proprietary funds are reported on a full accrual basis, the Village of Lake Zurich fund statements for its Waterworks and Sewerage fund mirror the government-wide statements. The basic proprietary fund financial statements can be found on pages 14 through 18 of this report.

***Fiduciary Funds***

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Hence, fiduciary funds are not included in the government-wide statements, as their resources are not available to support the Village's own programs. The Village of Lake Zurich has three fiduciary funds – the Police Pension Fund, the Firefighters Pension Fund, and the Performance Escrow Fund. Like proprietary funds, fiduciary funds are accounted for on a full accrual basis. The basic fiduciary fund statements can be found on pages 19 and 20 of this report.

***Notes to the Financial Statements***

The notes to the financial statements provide information that is critical to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement are on pages 21 through 73 of this report.

**VILLAGE OF LAKE ZURICH  
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***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Included in this report is a budgetary comparison statement for the General Fund and the special revenue funds, as well as information regarding the Village's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information is available on pages 74 through 86.

***Amendments to Budget***

Amendments to the budget are typically made throughout the year. The Village Manager, as Budget Officer, is authorized to implement a budget transfer between accounts within the same object class, provided it is within the same department and fund. No transfers were authorized by the Budget Officer during the year. Budget transfers between object classes and any increases or decreases to the total budget must be approved by the Village Board. Two (2) budget amendments were approved during the fiscal year.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

The combined net position for the fiscal year ended December 31, 2017 totaled \$83.7 million and consisted of net position from both governmental activities and business-type activities of \$40.2 million and \$43.5 million respectively. Following is a table that shows total net position of the Village as of December 31, 2017 with a comparison to the preceding fiscal year. Note: The historical data for fiscal year ending December 31, 2016 is for eight months of activity compared to twelve months of activity for fiscal year ended December 31, 2017.

Statement of Net Position  
As of December 31, 2016 and 2017

	Governmental Activities		Business-type Activities		Total Village Wide	
Category	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current and other assets	\$ 37,578,248	\$ 36,258,504	\$ 9,437,075	\$ 5,655,480	\$ 47,015,323	\$ 41,913,984
Capital assets	84,526,783	84,569,663	44,575,572	45,577,641	129,102,355	130,147,304
<b>Total assets</b>	<b>122,105,031</b>	<b>120,828,167</b>	<b>54,012,647</b>	<b>51,233,121</b>	<b>176,117,678</b>	<b>172,061,288</b>
Deferred Outflows	9,606,360	12,315,603	172,653	276,835	9,779,013	12,592,438
<b>Total assets &amp; deferred outflows</b>	<b>131,711,391</b>	<b>133,143,770</b>	<b>54,185,300</b>	<b>51,509,956</b>	<b>185,896,691</b>	<b>184,653,726</b>
Current and other liabilities	3,862,925	3,975,079	1,815,377	1,598,631	5,678,302	5,573,710
Long-term liabilities	65,842,092	74,306,462	8,232,663	6,819,055	74,074,755	81,125,517
<b>Total liabilities</b>	<b>69,705,017</b>	<b>78,281,541</b>	<b>10,048,040</b>	<b>8,417,686</b>	<b>79,753,057</b>	<b>86,699,227</b>
Deferred Inflows	21,754,025	16,929,686	662,316	95,672	22,416,341	17,025,358
<b>Total liabilities and deferred inflows</b>	<b>91,459,042</b>	<b>95,211,227</b>	<b>10,710,356</b>	<b>8,513,358</b>	<b>102,169,398</b>	<b>103,724,585</b>
Net position:						
Net invest capital assets	83,071,165	82,623,774	38,774,738	39,849,034	121,845,903	122,472,808
Restricted	11,260,966	12,026,955	-	-	11,260,966	12,026,955
Unrestricted	(54,079,782)	(56,718,186)	4,700,206	3,147,564	(49,379,576)	(53,570,622)
<b>Total net position</b>	<b>\$ 40,252,349</b>	<b>\$ 37,932,543</b>	<b>\$ 43,474,944</b>	<b>\$ 42,996,598</b>	<b>\$ 83,727,293</b>	<b>\$ 80,929,141</b>

**VILLAGE OF LAKE ZURICH  
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The Village's net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure less any related debt used to acquire those assets still outstanding), is the largest portion of the Village's net position. As of December 31, 2017, capital assets net of related debt totaled \$121.8 million. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

In the governmental activities, the total net position increased by \$2.3 million. The General Fund was able to transfer additional funds to the Capital Improvement and the Equipment Replacement funds to accumulate resources for upcoming capital needs. General Fund was still able to post a surplus of \$96k.

Cash and investments for governmental activities increased \$3.0 million. Total assets and deferred outflows for the governmental activities decreased to \$132 million. This is attributable to the decreased deferred outflow of resources relating to pensions. Total liabilities and deferred inflows shrunk as well, from \$95.2 million to \$91.5 million.

For the business-type activities, total net position increased by \$478k. Lease proceeds were recorded for \$3 million to fund the meter replacement project. This contributed to non-capital assets (cash, investments, receivables, etc.) increasing by roughly \$3.8 million, as well as total liabilities increasing \$1.6 million. The village continues to pay down existing debt.

During the current fiscal year, total net position of the Village improved by \$2.8 million. A more detailed explanation of the change in net position of the governmental activities and business-type activities is provided in the following sections.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

**Statement of Activities**

The following summarizes the changes in the Village's net position for the 2017 fiscal year:

**Change in Net Position  
For the Fiscal Years Ended December 31, 2016 and 2017**

Category	Governmental Activities		Business-type Activities		Total Village Wide	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 9,958,614	\$ 6,663,015	\$ 5,672,242	\$ 3,545,694	\$ 15,630,856	\$ 10,208,709
Operating grants	610,354	392,568	-	-	610,354	392,568
Capital grants	66,442	-	-	-	66,442	-
General revenues:						
Taxes	12,696,253	11,879,908	-	-	12,696,253	11,879,908
Intergovernmental	11,523,983	7,658,570	-	-	11,523,983	7,658,570
Investment earnings	143,796	35,346	41,891	14,436	185,687	49,782
Other	360,054	404,522	-	-	360,054	404,522
<b>Total revenues</b>	<b>35,359,496</b>	<b>27,033,929</b>	<b>5,714,133</b>	<b>3,560,130</b>	<b>41,073,629</b>	<b>30,594,059</b>
<b>Expenses:</b>						
General Government	1,769,844	772,641	-	-	1,769,844	772,641
Public Safety	22,066,110	16,155,251	-	-	22,066,110	16,155,251
Highways and Streets	4,522,520	3,518,270	-	-	4,522,520	3,518,270
Culture and Recreation	1,526,825	920,054	-	-	1,526,825	920,054
Economic Development	2,186,755	1,231,598	-	-	2,186,755	1,231,598
Interest on long-term debt	967,636	1,088,971	-	-	967,636	1,088,971
Water/Sewer	-	-	5,235,787	3,772,676	5,235,787	3,772,676
<b>Total expenses</b>	<b>33,039,690</b>	<b>23,686,785</b>	<b>5,235,787</b>	<b>3,772,676</b>	<b>38,275,477</b>	<b>27,459,461</b>
<b>Change in Net Position</b>	<b>2,319,806</b>	<b>3,347,144</b>	<b>478,346</b>	<b>(212,546)</b>	<b>2,798,152</b>	<b>3,134,598</b>
Beginning net position	37,932,543	34,585,399	42,996,598	43,209,144	80,929,141	77,794,543
<b>Ending net position</b>	<b>40,252,349</b>	<b>37,932,543</b>	<b>43,474,944</b>	<b>42,996,598</b>	<b>83,727,293</b>	<b>80,929,141</b>

**Governmental Activities**

As is typical for governmental activities of local governments, program revenues cover a small percentage of program expenses, with general revenues covering the majority of expenses. For fiscal year 2017, governmental program expenses of \$33 million exceeded program revenues of \$10.6 million by \$22.4 million. General revenues of \$24.7 million made up for the deficiency.

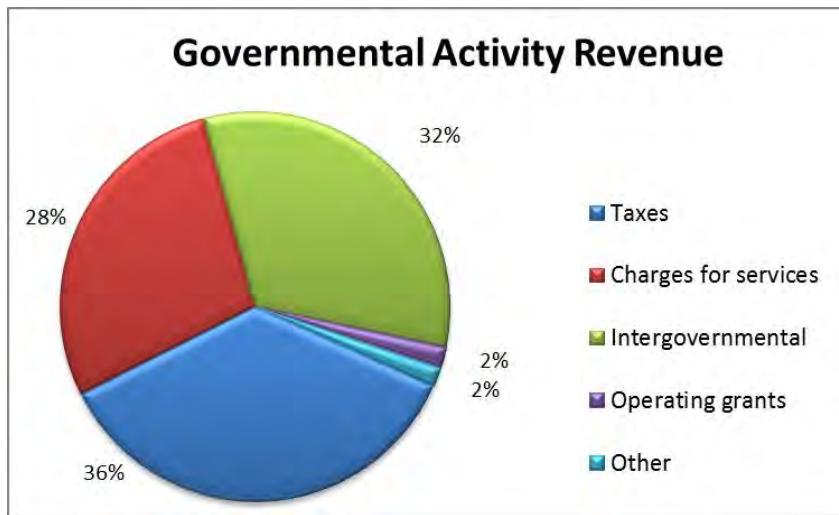
**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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*Revenues*

The following graph indicates the breakdown of 2017 revenues by type.



Total revenues of \$35 million were higher than last year, which is to be expected with a full twelve-month fiscal year. No new major revenue sources were implemented. Even though the prior year was shorter with only eight months of activity, the timing of the May through December fiscal year allowed for a full-year of property tax distributions and other seasonal revenues such as camps and permitting.

Utility taxes have been fluctuating, particularly the gas tax. Rates have been lower than recent history due to the increased supply from fracking. The tax on electric has been balancing on the gas tax. Overall, the two taxes combined were at \$1.3 million for the year, up 48% from the prior short year. The telecommunications tax has been unpredictable in the past few years. Receipts for the full year were up 39% at \$722k. Receipts have been declining due to changes in how customers receive their phone service, such as free long-distance with most cellular plans.

Sales tax revenues came in at \$9.1 million, a 50% increase from the short year. Lake Zurich's mix of retailers has weathered the recession better than localities that are selling more luxury or specialty products.

The State Income Tax receipts of \$1.8 million have also been fluctuating as the State of Illinois changed the total rate and sharing percentage, effective July 2017. While the tax rate was increased, the sharing rate was decreased by 10%. The State has also declared additional credits for businesses not previously offered, decreasing the amounts available for distribution to local governments.

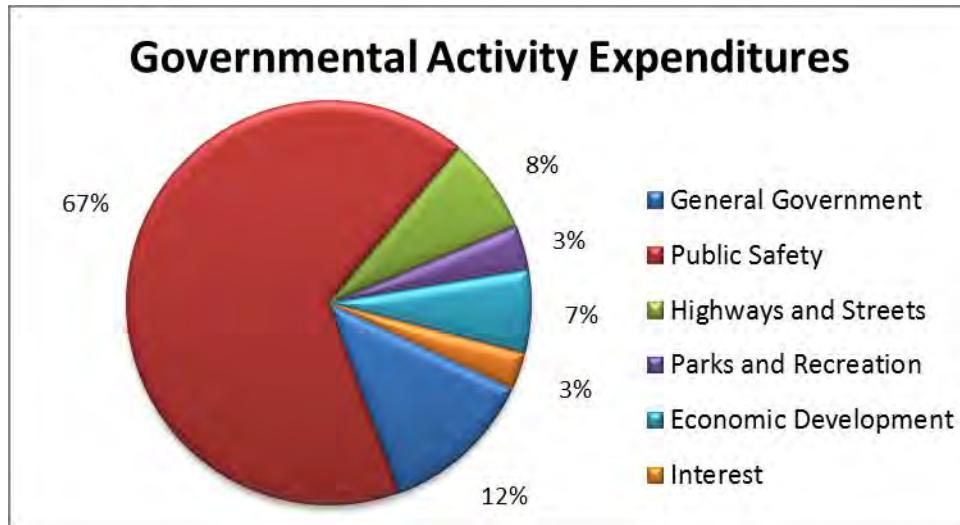
Charges for Services make up 28% of the village's governmental revenue. Charges for services increased by 49% from the short year, coming in at \$9.96 million.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

*Expenditures*

Governmental activity expenditures represent the costs to operate the village core services, excluding water and sewer service. The following chart shows the breakdown of governmental expenditures by activity.



Expenditures associated with governmental activities increased from the short year by \$9 million, or 39%. By far the most significant category of expenditures relate to public safety, which totaled \$22 million of the total \$33 million. In the short 2016B fiscal year, public safety expenditures included a full-year of contributions to both the Police and Firefighters' Pension Funds, taking advantage of the full revenue and opportunity to increase funding status.

**Business Type Activities**

For business-type activities, net position increased a total of \$478k. Program revenues of \$5.7 million exceeded program expenses of \$5.2 million. Depreciation of water and sewer fund capital assets is a large portion of the expenses at \$1.7 million (34% of operating expenses).

Revenues associated with business-type activities totaled \$5.7 million, up 60% from the short year. Charges for services increased as well, from \$3.5 to \$5.7 million (60%). Consumption continues to report at lower than seven year averages, reducing the billed charges for services. An increase to water and sewer rates was effective the first day of the fiscal year, countering some of the effect of the reduced consumption figures.

Business-type expenses increased \$1.5 million compared to the prior short fiscal year, up to \$5.2 million from \$3.8 million in fiscal 2016B. The village has prioritized a few large capital projects for the past three years, utilizing bond funds specifically issued to address these concerns. As the infrastructure continues to age, capital expenses will continue to be a large drain of resources for this fund.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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**FINANCIAL ANALYSIS OF GOVERNMENT FUNDS**

***Governmental Funds***

As noted earlier, the focus of fund reporting is the short-term inflow and outflow of expendable resources. Fund balance is a useful indicator in assessing available resources with respect to meeting future obligations.

At December 31, 2017 governmental funds reported combined fund balances of \$21.5 million. Of this amount, \$7.3 million is unreserved and is available for future obligations. About \$11.2 million is restricted, with \$3.2 million restricted for Tax Increment Financing (TIF), \$3.3 million for capital projects and \$1.3 million for debt service. The remainder of restricted funds relate to special recreation, public safety, highway and streets, special events and a small amount for tourism, generated by the hotel tax.

**GENERAL FUND:**

The General Fund is the Village's primary operating fund. For the fiscal year ended December 31, 2017, fund balance in the General Fund increased by \$96k from current year activities. Change to fund balance is a combination of revenues of \$28.5 million compared to expenditures of \$26.2 million. Other financing uses of \$2.2 million are also included, representing a transfer of \$920k to the Capital Improvement Fund, \$818k to the Dispatch Services Fund, \$136k to the Special Events Fund and \$300k to the Equipment Replacement Fund. After all activity and adjustments are accounted for, the General Fund has an ending fund balance of \$10.6 million.

**OTHER MAJOR FUNDS:**

- The TIF Tax Allocation Fund has a fund balance of \$64k, restricted entirely for TIF purposes. This is \$14k higher than the previous year.
- The Debt Service Fund has a positive fund balance of \$1.3 million that is restricted entirely for the payment of future debt service. This is \$10k higher than the previous year, as funds were set aside for the upcoming principal and interest payments in January 2018.
- All fund balance of the TIF Debt Service Fund, (\$910k), is restricted for payment of future debt service. This is \$157k higher than the previous year. The TIF Debt Service Fund has received a long-term advance of over \$1.5 million to cover its expenditures to date. Now that the TIF has been extended, the debt restructured, and several negative increment parcels removed, the TIF is working on rebuilding the fund balance of future years.
- The Capital Improvements Fund fund balance increased \$729k to \$2.6 million. The majority of the increase is due to advanced funding from the General Fund for upcoming capital projects. \$280k of this fund balance is earmarked for noise mitigation related to the CN rail, which will be drawn down over the next few fiscal years.
- The Downtown TIF Fund had no activity for the year, holding the fund balance at (\$182,000). The fund has received \$185,000 from the General Fund as a long-term advance to cover expenditures to date. The TIF is working on rebuilding the fund balance for possible repayment in future years.
- The Downtown TIF Fund #2 decreased fund balance by \$1.7 million over the year. Property in the heart of downtown was sold for development, reducing the land held for resale asset. Fund balance at year-end of \$3.2 million is restricted entirely for TIF purposes, nearly all of which is land held for resale.

**VILLAGE OF LAKE ZURICH  
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**December 31, 2017**

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***Proprietary Funds***

The focus for the proprietary fund at the fund level is synonymous with that found at the government-wide level. Reporting is on a full-accrual basis with short-term and long-term emphasis on financial data. The Waterworks and Sewerage Fund is the sole proprietary fund for the Village of Lake Zurich. This fund records all financial activity relating to the municipality's water and sewer operations. The Waterworks and Sewerage Fund provides the same type of information in the government-wide financial statements reflected as "Business-type" activities, but in more detail.

At December 31, 2017, net position of the proprietary fund totaled \$43.5 million. Cash and investments totaled \$5.5 million, an increase of \$496k (10%). Lease proceeds of \$3 million for the water meter replacement project were recorded. This was a major factor in working capital increasing from \$4 million to \$7.6 million. Operating revenues increased 53% from the previous short year to \$5.3 million. A rate increase to the Lake Zurich portion of water bills took effect January 1, 2017. Consumption was down dramatically over the prior year due to weather, changes to water usage behaviors and old meter equipment. Operating expenses (including depreciation) of \$5.1 million were 39% higher than the previous short year. Depreciation increased by \$600k (53%), on target after the shortened fiscal year.

***Fiduciary Funds***

**Police and Firefighters' Pension Funds:** The Village's two single-employer pension plans experienced growth in the fiscal year ended December 31, 2017. Combined, the funds reported a \$8.3 million increase in plan fiduciary net position. Investment earnings (net related expenses) posted a combined gain of \$6.3 million between the two funds. Cash and investments totaled \$56.8 million as of December 31<sup>st</sup>.

**Agency Funds:** The village has several agency funds, including an escrow performance fund and several special service area funds. These funds do not have budgets, nor do they have measures of operations. They are used to account for assets and liabilities of funds kept in a custodial manner. Total assets of agency funds decreased over last fiscal year by \$180k, primarily as growth in deposits payable liabilities. Total cash and investments as of December 31, 2017 was \$1.8 million, about \$183k lower than the end of the previous fiscal year. The activity of the special service areas has been broken out from the escrow performance fund activity for transparent reporting.

**GENERAL FUND HIGHLIGHTS**

**Amendments to Budget**

The Village Manager as Budget Officer is authorized to implement a budget transfer between accounts within the same object class, provided it is within the same department and fund. Budget transfers between object classes and any increases or decreases to the total budget must be approved by the Village Board. The revenues and expenditures were monitored closely throughout the year compared to stay in compliance with the fund level budgetary policy.

Two budget amendments were approved for this fiscal year that affected the General Fund. Revenues were increased by \$146k. The largest revenue adjustment was a decrease to income tax of \$167k due to the State of Illinois reduction in revenue sharing. The budget for expenditures also decreased by \$173k for the General Fund. No major adjustments were made to individual expenditure accounts. With additional savings apparent, an increase was also made to transfer out to the Capital Improvement Fund to help fund several upcoming expensive but necessary capital projects and replacements.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

**Change in Fund Balance**

*General Fund*

When the original budget was adopted in December of 2016, a surplus of \$10k was expected for the General Fund. After the budget amendments, the expected surplus was adjusted to \$59k. The actual Fund Balance for General Fund, however, shows a surplus at year-end of \$96k. Revenues and other financing sources came in at \$28.5 million for the year, \$471k more than budgeted. Expenditures totaled \$26.2 million, which was \$116k less than budgeted, which allowed for an increase to other financing uses (transfers out). Transfers out to other funds were increased by \$550k. Overall, expenditures and other financing uses totaled \$28.4 million, \$434k higher than budgeted. The following table summarizes General Fund revenues and expenditures, with a comparison to budget, for the fiscal year ended December 31, 2017.

**General Fund Budgetary Highlights  
Fiscal Year Ended December 31, 2017**

	Final Budget	Actual
<b>Revenues &amp; Other Financing Sources</b>		
Taxes	\$ 9,818,718	\$ 9,755,593
Licenses and permits	735,070	783,630
Intergovernmental	14,855,363	15,152,648
Charges for services	1,737,175	1,861,081
Fines and forfeits	686,000	708,198
Other revenue	144,550	187,931
Sub-total revenues	\$ 27,976,876	\$ 28,449,081
Other financing sources	20,000	18,533
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 27,996,876</b>	<b>\$ 28,467,614</b>
<b>Expenditures and Other Financing Uses</b>		
General government	\$ 3,856,016	\$ 1,766,005
Public safety	19,685,114	19,801,087
Highways and streets	849,887	2,796,522
Culture and recreation	1,019,582	969,402
Economic development	901,944	863,578
Sub-total expenditures	\$ 26,312,543	\$ 26,196,594
Other financing uses		
Transfers to Other Funds	1,625,271	2,175,271
<b>Total Expenditures and Other Financing Sources</b>	<b>27,937,814</b>	<b>28,371,865</b>
<b>Change in Fund Balance</b>	<b>\$ 59,062</b>	<b>\$ 95,749</b>

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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**CAPITAL ASSETS**

The Village of Lake Zurich's investment in capital assets, net of accumulated depreciation, amounted to \$129.1 million at December 31, 2017. The investment includes land, buildings, improvements, machinery and equipment, vehicles and infrastructure as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>FYE 17</b>	<b>FYE 16B</b>	<b>FYE 17</b>	<b>FYE 16B</b>	<b>FYE 17</b>	<b>FYE 16B</b>
Land and Improvements	\$34,429,458	\$34,719,760	\$ 249,652	\$ 249,652	\$ 34,679,110	\$ 34,969,412
Building and Improvements	7,456,382	7,794,806	-	-	7,456,382	7,794,806
Machinery & Equipment	1,065,097	1,225,016	947,216	897,010	2,012,313	2,122,026
Vehicles	2,021,236	1,648,584	100,589	122,722	2,121,825	1,771,306
Other	156,081	1,653,644	14,341	3,259,769	170,422	4,913,413
Infrastructure	39,398,529	37,527,853	43,263,774	41,048,488	82,662,303	78,576,341
<b>Total</b>	<b>\$84,526,783</b>	<b>\$84,569,663</b>	<b>\$44,575,572</b>	<b>\$45,577,641</b>	<b>\$129,102,355</b>	<b>\$130,147,304</b>

Capital additions for the year totaled \$2.4 million for governmental funds and \$734K for the business-type activities of the water and sewer fund. Additions included the following major projects:

**Governmental Funds:**

- \$1.7 million on Infrastructure, for the relocation of dry utilities along Main Street and the annual road resurfacing program.

**Business-Type Fund:**

- \$625k on Infrastructure, for improvements to the Deerpath Road sewer line and other sanitary sewer transmission line improvements.
- \$110k on Machinery and Equipment, for lift station control equipment.

Additional information on the Village's capital assets is presented in the notes to the basic financial statements on pages 32 and 33.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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**DEBT ADMINISTRATION**

During the fiscal year, bonded debt was decreased by \$1.8 million. Series 2017 was issued for \$1,083,000 on a short-term basis and was repaid before the end of the fiscal year. During the year, \$3 million was recorded as a capital lease to fund the water meter replacement project.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Village Wide</b>	
	<b>FYE 17</b>	<b>FYE 16B</b>	<b>FYE 17</b>	<b>FYE 16B</b>	<b>FYE 17</b>	<b>FYE 16B</b>
General Obligation Bonds	\$ 1,450,000	\$ 1,885,000	\$ -	\$ -	\$ 1,450,000	\$ 1,885,000
TIF Alternate Revenue Bonds	24,660,000	25,545,000	-	-	24,660,000	25,545,000
TIF Revenue Bonds	-	-	-	-	-	-
Water Alternate Revenue Bonds	-	-	3,500,000	3,990,000	3,500,000	3,990,000
<b>Bonded Debt Total</b>	<b>26,110,000</b>	<b>27,430,000</b>	<b>3,500,000</b>	<b>3,990,000</b>	<b>29,610,000</b>	<b>31,420,000</b>
IEPA Loan	-	-	2,115,799	2,302,804	2,115,799	2,302,804
Compensated Absences	1,101,366	1,250,414	70,558	65,122	1,171,924	1,315,536
Net Pension Liability	39,680,561	46,359,669	180,623	946,400	39,861,184	47,306,069
Capital Lease Obligation	378,767	551,196	3,000,000	-	3,378,767	551,196
Other	476,597	493,523	205,575	233,978	682,172	727,501
<b>Total Other LT Debt</b>	<b>41,637,291</b>	<b>48,654,802</b>	<b>5,572,555</b>	<b>3,548,304</b>	<b>47,209,846</b>	<b>52,203,106</b>
<b>Combined LT Debt Total</b>	<b>67,747,291</b>	<b>76,084,802</b>	<b>9,072,555</b>	<b>7,538,304</b>	<b>76,819,846</b>	<b>83,623,106</b>

The village maintains a AAA, stable outlook, bond rating from Standard and Poors, which had been upgraded from AA in 2013. Maintaining the AAA stable was based on the following factors:

- Very strong economy, with a projected per capita buying income at 167% the national average.
- Very strong budgetary flexibility
- Strong overall budgetary performance.
- Strong debt and contingent liabilities profile.

Additional information on the Village's long-term debt is presented in the notes to the basic financial statements, note seven (7), on pages 36 through 42.

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

- The Village is directly impacted by the financial condition of the State of Illinois. The political environment in Springfield is being closely monitored for legislation that could reduce or eliminate the shared revenue, and in turn impact the level of service to the residents. The State reduced the local sharing of the Income Tax starting July 2017 and implemented an administration fee on local taxes such as the Non-Home Rule Sales Tax. Preliminary information on the State's upcoming budget for 2018/19 show partial restoration of these revenues, but the budget is not yet finalized.
- The Illinois Department of Revenue certified the CPI used for calculating the Village's 2018 Tax Levy to be 2.1%. Any increase in CPI along with the value of new construction will be used to offset the growing cost of funding for both police and fire pension funds for the village.

**VILLAGE OF LAKE ZURICH  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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- Minimizing retail vacancies continue to be a priority for the village, as sales tax is a significant revenue source. The village will continue to monitor economic trends relating to retail sales and adjust forecasts/spending as appropriate.
- One of the four union contracts expire mid-2018 but hopefully will be successfully negotiated and ratified before expiration. Negotiated salary and benefit increases are expected to be reasonable and in-line with market conditions, allowing for increased stability in the operating budget of the village.

The above factors were taken into consideration for funding and planning purposes for current and future fiscal years. At December 31, 2017 the unrestricted fund balance of the General Fund was 32% of total expenditures of the upcoming year. Village policy states a minimum unrestricted fund balance be maintained of 25% with a target of 40%.

The Water/Sewer Fund had cash and investments of \$5.5 million at December 31, 2017. The fund also had unrestricted net position of \$4.7 million. The Village monitors both revenues and expenses to determine the rate levels necessary to cover the maintenance and long term replacement infrastructure needs of the Water/Sewer Fund. The Village Board approved a rate increase effective January 1, 2018.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village of Lake Zurich's financial position and activities for the fiscal year ended December 31, 2017. Questions and requests for additional information should be directed to the Finance Director, Village of Lake Zurich, 70 E. Main Street, Lake Zurich, Illinois 60047.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF NET POSITION**

December 31, 2017

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	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 18,319,139	\$ 5,539,807	\$ 23,858,946
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	10,624,725	-	10,624,725
Accounts	1,480,873	879,896	2,360,769
Accrued interest	12,912	1,616	14,528
Internal balances	299	(299)	-
Due from fiduciary funds	4,738	10,937	15,675
Due from other governments	2,736,631	-	2,736,631
Cash at paying agent	491,300	-	491,300
Deposits	-	3,002,575	3,002,575
Prepays	371,161	83	371,244
Inventory	18,069	2,460	20,529
Land held for resale	3,518,401	-	3,518,401
 Total current assets	 37,578,248	 9,437,075	 47,015,323
<b>NONCURRENT ASSETS</b>			
Capital assets not being depreciated	30,619,251	263,993	30,883,244
Capital assets (net of accumulated depreciation)	53,907,532	44,311,579	98,219,111
 Total noncurrent assets	 84,526,783	 44,575,572	 129,102,355
 Total assets	 122,105,031	 54,012,647	 176,117,678
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items	6,575,274	172,653	6,747,927
Unamortized loss on refunding	3,031,086	-	3,031,086
 Total deferred outflows of resources	 9,606,360	 172,653	 9,779,013
 Total assets and deferred outflows of resources	 131,711,391	 54,185,300	 185,896,691
<b>CURRENT LIABILITIES</b>			
Accounts payable	361,138	916,921	1,278,059
Accrued payroll	445,094	25,373	470,467
Other payables	556,056	-	556,056
Accrued interest payable	146,447	33,191	179,638
Unearned revenues	448,991	-	448,991
Due within one year	1,905,199	839,892	2,745,091
 Total current liabilities	 3,862,925	 1,815,377	 5,678,302
<b>NONCURRENT LIABILITIES</b>			
Due in more than one year	65,842,092	8,232,663	74,074,755
 Total liabilities	 69,705,017	 10,048,040	 79,753,057

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2017

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<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension items	\$ 11,122,972	\$ 662,316	\$ 11,785,288
Deferred property taxes	10,631,053	-	10,631,053
 Total deferred inflows of resources	 21,754,025	 662,316	 22,416,341
 Total liabilities and deferred inflows of resources	 91,459,042	 10,710,356	 102,169,398
 <b>NET POSITION</b>			
Net investment in capital assets	83,071,165	38,774,738	121,845,903
Restricted for			
Special recreation	337,644	-	337,644
Public safety	299,079	-	299,079
TIF	3,249,943	-	3,249,943
Debt service	1,336,531	-	1,336,531
Noise mitigation	279,729	-	279,729
Capital projects	3,318,870	-	3,318,870
Highways and streets	2,037,469	-	2,037,469
Tourism	401,701	-	401,701
Special events	-	-	-
Unrestricted (deficit)	(54,079,782)	4,700,206	(49,379,576)
 <b>TOTAL NET POSITION</b>	 \$ 40,252,349	 \$ 43,474,944	 \$ 83,727,293

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

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<b>FUNCTIONS/PROGRAMS</b> <b>PRIMARY GOVERNMENT</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities				
General government	\$ 1,769,844	\$ 670,333	\$ -	\$ -
Public safety	22,066,110	8,312,753	33,302	-
Highways and streets	4,522,520	63,544	577,052	-
Culture and recreation	1,526,825	817,009	-	66,442
Economic development	2,186,755	94,975	-	-
Interest	967,636	-	-	-
Total governmental activities	<u>33,039,690</u>	<u>9,958,614</u>	<u>610,354</u>	<u>66,442</u>
Business-Type Activities				
Waterworks and sewerage	5,235,787	5,672,242	-	-
Total business-type activities	<u>5,235,787</u>	<u>5,672,242</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ 38,275,477</u></b>	<b><u>\$ 15,630,856</u></b>	<b><u>\$ 610,354</u></b>	<b><u>\$ 66,442</u></b>

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
	\$ (1,099,511)	\$ -	\$ (1,099,511)
	(13,720,055)	-	(13,720,055)
	(3,881,924)	-	(3,881,924)
	(643,374)	-	(643,374)
	(2,091,780)	-	(2,091,780)
	(967,636)	-	(967,636)
	(22,404,280)	-	(22,404,280)
		436,455	436,455
		436,455	436,455
	(22,404,280)	436,455	(21,967,825)
General Revenues			
Taxes			
Property	10,521,260	-	10,521,260
Utility	1,259,610	-	1,259,610
Telecommunications	722,076	-	722,076
Other	193,307	-	193,307
Intergovernmental			
Replacement	69,971	-	69,971
Sales	9,143,132	-	9,143,132
Local use	507,789	-	507,789
Shared income tax	1,803,091	-	1,803,091
Special events	193,260	-	193,260
Investment income	143,796	41,891	185,687
Miscellaneous	166,794	-	166,794
Total	24,724,086	41,891	24,765,977
CHANGE IN NET POSITION	2,319,806	478,346	2,798,152
NET POSITION, JANUARY 1	37,932,543	42,996,598	80,929,141
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 40,252,349</b>	<b>\$ 43,474,944</b>	<b>\$ 83,727,293</b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2017

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	<b>General</b>	<b>TIF Tax Allocation</b>	<b>Debt Service</b>	<b>TIF Debt Service</b>	<b>Capital Improvements</b>	<b>Downtown TIF</b>	<b>Downtown TIF #2</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>ASSETS</b>									
Cash and investments	\$ 7,428,932	\$ 64,365	\$ 844,812	\$ 514,701	\$ 2,532,469	\$ 2,659	\$ 70,869	\$ 4,101,124	\$ 15,559,931
Receivables (net, where applicable, of allowances for uncollectibles)									
Property taxes	7,627,650	1,256,222	1,657,227	-	-	-	83,626	-	10,624,725
Accounts	817,449	-	-	-	-	-	8,290	650,602	1,476,341
Accrued interest	9,601	-	-	676	2,220	-	-	415	12,912
Due from other funds	30,349	-	-	-	250,000	-	-	-	280,349
Advances to other funds	1,665,000	-	-	-	-	-	-	400,000	2,065,000
Due from other governments	2,736,631	-	-	-	-	-	-	-	2,736,631
Cash at paying agent	-	-	491,300	-	-	-	-	-	491,300
Prepaid items	22,161	-	-	-	-	-	-	14,197	36,358
Inventory	18,069	-	-	-	-	-	-	-	18,069
Land held for resale	-	-	-	-	-	-	3,518,401	-	3,518,401
<b>TOTAL ASSETS</b>	<b>\$ 20,355,842</b>	<b>\$ 1,320,587</b>	<b>\$ 2,993,339</b>	<b>\$ 515,377</b>	<b>\$ 2,784,689</b>	<b>\$ 2,659</b>	<b>\$ 3,681,186</b>	<b>\$ 5,166,338</b>	<b>\$ 36,820,017</b>

	General	TIF Tax Allocation	Debt Service	TIF Debt Service	Capital Improvements	Downtown TIF	Downtown TIF #2	Nonmajor Governmental	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 315,552	\$ -	\$ -	\$ -	\$ 10,947	\$ -	\$ 4,314	\$ 18,217	\$ 349,030
Accrued payroll	415,906	-	-	-	-	-	-	29,188	445,094
Other payables	334,207	-	-	-	215,000	-	-	6,849	556,056
Due to other funds	491,493	-	-	-	-	-	-	4	491,497
Advances due to other funds	-	-	-	1,425,000	-	185,000	400,000	55,000	2,065,000
Unearned revenue	328,346	-	-	-	-	-	-	120,645	448,991
Total liabilities	1,885,504	-	-	1,425,000	225,947	185,000	404,314	229,903	4,355,668
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue - due from other governments	284,475	-	-	-	-	-	-	-	284,475
Unavailable revenue - property taxes	7,626,729	1,255,958	1,656,808	-	-	-	91,558	-	10,631,053
Total deferred inflows of resources	7,911,204	1,255,958	1,656,808	-	-	-	91,558	-	10,915,528
Total liabilities and deferred inflows of resources	9,796,708	1,255,958	1,656,808	1,425,000	225,947	185,000	495,872	229,903	15,271,196
<b>FUND BALANCES</b>									
Nonspendable									
Prepaid items	22,161	-	-	-	-	-	-	14,197	36,358
Inventory	18,069	-	-	-	-	-	-	-	18,069
Advances to other funds	1,665,000	-	-	-	-	-	-	-	1,665,000
Restricted									
Special recreation	337,644	-	-	-	-	-	-	-	337,644
Public safety	74,273	-	-	-	-	-	-	224,806	299,079
TIF	-	64,629	-	-	-	-	3,185,314	-	3,249,943
Debt service	-	-	1,336,531	-	-	-	-	-	1,336,531
Noise mitigation	-	-	-	-	279,729	-	-	-	279,729
Capital projects	-	-	-	-	1,359,013	-	-	1,959,857	3,318,870
Highways and streets	-	-	-	-	-	-	-	2,037,469	2,037,469
Tourism	-	-	-	-	-	-	-	401,701	401,701
Assigned									
Capital projects	-	-	-	-	920,000	-	-	183,405	1,103,405
Special events	-	-	-	-	-	-	-	97,372	97,372
Dispatch services	-	-	-	-	-	-	-	69,031	69,031
Unrestricted									
Unassigned (deficit)	8,441,987	-	-	(909,623)	-	(182,341)	-	(51,403)	7,298,620
Total fund balances (deficit)	10,559,134	64,629	1,336,531	(909,623)	2,558,742	(182,341)	3,185,314	4,936,435	21,548,821
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
	\$ 20,355,842	\$ 1,320,587	\$ 2,993,339	\$ 515,377	\$ 2,784,689	\$ 2,659	\$ 3,681,186	\$ 5,166,338	\$ 36,820,017

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**

December 31, 2017

---

**FUND BALANCES OF GOVERNMENTAL FUNDS** \$ 21,548,821

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds

Total governmental capital assets	\$ 84,526,783
Less internal service fund portion	<u>1,791,013</u>
	<u>82,735,770</u>

The loss on refunding of bonds is capitalized as amortized over the life  
of the bonds on the statement of net position 3,031,086

Certain assets are not available to report as revenue in the governmental  
funds but are revenue on the accrual basis of accounting 284,475

Net pension liability for the Illinois Municipal Retirement Fund is shown  
as a liability on the statement of net position (722,395)

Differences between expected and actual experiences, assumption changes,  
net differences between projected and actual earnings and contributions  
subsequent to the measurement date for the Illinois Municipal Retirement  
Fund are recognized as deferred outflows of resources on the statement  
of net position (1,958,391)

Net pension liability for the Police Pension Fund and Firefighters' Pension  
Fund are shown as a liability on the statement of net position (38,958,166)

Differences between expected and actual experiences, assumption changes,  
net differences between projected and actual earnings and contributions  
subsequent to the measurement date for the Police Pension Fund and  
Firefighters' Pension Fund are recognized as deferred outflows and inflows  
of resources on the statement of net position (2,589,307)

Long-term liabilities are not due and payable in the current period and,  
therefore, are not reported in the governmental funds

Bonds payable	(26,110,000)
Unamortized premium	(289,992)
Other postemployment benefit payable	(186,605)
Compensated absences payable	(1,101,366)
Capital lease obligation	(378,767)
Accrued interest payable	(146,447)

The net position of the internal service funds is included in the governmental  
activities in the statement of net position 5,093,633

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 40,252,349

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2017

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	<b>General</b>	<b>TIF Tax Allocation</b>	<b>Debt Service</b>	<b>TIF Debt Service</b>	<b>Capital Improvements</b>	<b>Downtown TIF</b>	<b>Downtown TIF #2</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>REVENUES</b>									
Taxes	\$ 9,755,593	\$ 1,257,480	\$ 1,604,071	\$ -	\$ -	\$ -	\$ 83,710	\$ 2,197,004	\$ 14,897,858
Licenses and permits	783,630	-	-	-	-	-	-	-	783,630
Intergovernmental	15,152,648	-	-	31,056	66,442	-	-	508,702	15,758,848
Charges for services	1,861,081	-	-	-	-	-	-	-	1,861,081
Fines and forfeits	708,198	-	-	-	-	-	-	795,960	1,504,158
Special events	-	-	-	-	-	-	-	193,667	193,667
Investment income	83,777	3,333	9,939	2,735	15,129	-	116	28,767	143,796
Miscellaneous	104,154	-	-	-	17,380	-	94,924	-	216,458
 Total revenues	 28,449,081	 1,260,813	 1,614,010	 33,791	 98,951	 -	 178,750	 3,724,100	 35,359,496
<b>EXPENDITURES</b>									
Current									
General government	1,766,005	-	-	-	-	-	-	16,452	1,782,457
Public safety	19,801,087	-	-	-	-	-	-	1,503,751	21,304,838
Highways and streets	2,796,522	-	-	-	-	-	-	1,544,819	4,341,341
Culture and recreation	969,402	-	-	-	-	-	-	341,180	1,310,582
Economic development	863,578	491,446	-	-	-	-	824,307	8,691	2,188,022
Capital outlay	-	-	-	-	289,986	-	-	10,566	300,552
Debt service									
Principal retirement	-	-	435,000	885,000	-	-	-	-	1,320,000
Interest and fiscal charges	-	-	85,773	829,666	-	-	-	-	915,439
 Total expenditures	 26,196,594	 491,446	 520,773	 1,714,666	 289,986	 -	 824,307	 3,425,459	 33,463,231
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>									
	2,252,487	769,367	1,093,237	(1,680,875)	(191,035)	-	(645,557)	298,641	1,896,265

	General	TIF Tax Allocation	Debt Service	TIF Debt Service	Capital Improvements	Downtown TIF	Downtown TIF #2	Nonmajor Governmental	Total
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from sale of capital assets	\$ 18,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,533
Loss on disposal of land held for resale	-	-	-	-	-	-	(1,047,636)	-	(1,047,636)
Transfers in	-	-	-	1,838,000	920,000	-	-	999,271	3,757,271
Transfers (out)	(2,175,271)	(755,000)	(1,083,000)	-	-	-	-	(44,000)	(4,057,271)
Total other financing sources (uses)	(2,156,738)	(755,000)	(1,083,000)	1,838,000	920,000	-	(1,047,636)	955,271	(1,329,103)
NET CHANGE IN FUND BALANCES	95,749	14,367	10,237	157,125	728,965	-	(1,693,193)	1,253,912	567,162
FUND BALANCES (DEFICIT), JANUARY 1	10,463,385	50,262	1,326,294	(1,066,748)	1,829,777	(182,341)	4,878,507	3,682,523	20,981,659
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 10,559,134</b>	<b>\$ 64,629</b>	<b>\$ 1,336,531</b>	<b>\$ (909,623)</b>	<b>\$ 2,558,742</b>	<b>\$ (182,341)</b>	<b>\$ 3,185,314</b>	<b>\$ 4,936,435</b>	<b>\$ 21,548,821</b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 567,162
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	
Capital assets purchased	1,695,273
The gain (loss) on disposal of capital assets is reported on the statement of activities as a reduction/increase of expense	-
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,444,217)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(94,824)
The change in the net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities	2,737,060
The change in deferred inflows and outflows of resources for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(2,620,615)
The change in the net pension liability for the Police Pension Fund and the Firefighters' Pension Fund are reported only in the statement of activities	3,942,048
The change in deferred inflows and outflows for the Police Pension Fund and the Firefighters' Pension Fund are reported only in the statement of activities	(4,422,174)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds	
Change in compensated absences payable	149,048
Change in net other postemployment benefit payable	(6,959)
Issuance of debt	-
Retirement of debt	1,320,000
Amortization of loss on refunding	(258,750)
Amortization of premium/discount of debt issuance	23,885
Capital lease obligation payments	172,429
Changes to accrued interest on long-term debt in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	182,668
The change in net position of certain activities of internal service funds is in governmental funds	1,145,177
Less internal service fund depreciation	<u>232,595</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><b>\$ 2,319,806</b></u>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

December 31, 2017

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 5,539,807	\$ 2,759,208
Receivables - net of allowances		
Accounts	879,896	4,532
Accrued interest	1,616	-
Due from other funds	10,937	265,678
Deposits	3,002,575	-
Prepaid items	83	334,803
Inventories	2,460	-
	<hr/>	<hr/>
Total current assets	9,437,374	3,364,221
<b>NONCURRENT ASSETS</b>		
Capital assets		
Nondepreciable	263,993	-
Depreciable	79,205,269	2,209,734
Accumulated depreciation	(34,893,690)	(418,721)
	<hr/>	<hr/>
Net capital assets	44,575,572	1,791,013
	<hr/>	<hr/>
Total assets	54,012,946	5,155,234
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension items - IMRF	<hr/>	<hr/>
	172,653	-
	<hr/>	<hr/>
Total deferred outflows of resources	172,653	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	54,185,599	5,155,234
<b>CURRENT LIABILITIES</b>		
Accounts payable	916,921	12,108
Accrued payroll	25,373	-
Accrued interest payable	33,191	-
Due to other funds	299	49,493
Compensated absences payable	14,112	-
Unamortized bond premium	29,220	-
IEPA loan payable	191,710	-
Capital lease obligation	74,850	-
Alternate revenue bonds payable	530,000	-
	<hr/>	<hr/>
Total current liabilities	1,815,676	61,601
	<hr/>	<hr/>

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (Continued)**

December 31, 2017

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	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable	\$ 56,446	\$ -
Other postemployment benefit	20,541	-
IMRF net pension liability	180,623	-
Unamortized bond premium	155,814	-
IEPA loan payable	1,924,089	-
Capital lease obligation	2,925,150	-
Alternate revenue bonds payable	<u>2,970,000</u>	-
Total noncurrent liabilities	<u>8,232,663</u>	-
Total liabilities	<u>10,048,339</u>	<u>61,601</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension items - IMRF	<u>662,316</u>	-
Total deferred inflows of resources	<u>662,316</u>	-
Total liabilities and deferred inflows of resources	<u>10,710,655</u>	<u>61,601</u>
<b>NET POSITION</b>		
Net investment in capital assets	38,774,738	1,791,013
Unrestricted	<u>4,700,206</u>	<u>3,302,620</u>
<b>TOTAL NET POSITION</b>	<u>\$ 43,474,944</u>	<u>\$ 5,093,633</u>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2017

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	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 5,312,396	\$ -
Contributions	- -	4,657,150
Miscellaneous	- -	- -
 Total operating revenues	 5,312,396	 4,657,150
<b>OPERATING EXPENSES</b>		
Administration	586,104	- -
Operations	2,739,631	165,491
Insurance and claims	- -	3,420,545
Depreciation	1,736,169	232,595
 Total operating expenses	 5,061,904	 3,818,631
<b>OPERATING INCOME</b>		
	 250,492	 838,519
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Connection fees	359,846	- -
Investment income	41,891	6,658
Interest and fiscal charges	(173,883)	- -
 Total non-operating revenues (expenses)	 227,854	 6,658
<b>INCOME BEFORE TRANSFERS</b>		
	 478,346	 845,177
<b>TRANSFERS</b>		
Transfers in	 - -	 300,000
Total transfers	 - -	 300,000
<b>CHANGE IN NET POSITION</b>		
	 478,346	 1,145,177
<b>NET POSITION, JANUARY 1</b>	 42,996,598	 3,948,456
<b>NET POSITION, DECEMBER 31</b>	 \$ 43,474,944	 \$ 5,093,633

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2017

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	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 5,227,894	\$ 357,570
Receipts from internal service transactions	-	4,301,277
Payments to employees	(1,534,186)	(2,644,675)
Payments to suppliers	<u>(2,009,951)</u>	<u>(1,245,568)</u>
Net cash from operating activities	<u>1,683,757</u>	<u>768,604</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Connection fees	359,846	-
Transfer in	-	300,000
Receipt (payment) on interfund loan	<u>(199,931)</u>	<u>145,408</u>
Net cash from noncapital financing activities	<u>159,915</u>	<u>445,408</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(524,604)	(706,064)
Proceeds from issuance of bonds	-	-
Principal paid on capital debt	(677,005)	-
Interest paid on capital debt	<u>(187,465)</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(1,389,074)</u>	<u>(706,064)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	40,981	6,658
Purchase of investments	<u>(33,398)</u>	<u>-</u>
Net cash from investing activities	<u>7,583</u>	<u>6,658</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	462,181	514,606
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>4,653,066</u>	<u>2,244,602</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 5,115,247</u>	<u>\$ 2,759,208</u>

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2017

---

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 250,492	\$ 838,519
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	1,736,169	232,595
Changes in assets and liabilities		
Accounts receivable	(84,502)	1,697
Prepays	(83)	(100,805)
Inventories	(590)	-
Accounts payable	(131,512)	3,970
Accrued payroll	2,480	-
Claims payable	-	(207,372)
Compensated absences payable	5,436	-
Pension related items	(94,951)	-
Other postemployment benefit	818	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 1,683,757</b>	<b>\$ 768,604</b>
<b>CASH AND INVESTMENTS</b>		
Cash and cash equivalents	\$ 5,115,247	\$ 2,759,208
Investments	<u>424,560</u>	-
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 5,539,807</b>	<b>\$ 2,759,208</b>
<b>NONCASH TRANSACTIONS</b>		
Issuance of capital lease	\$ 3,000,000	-
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ 3,000,000</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

December 31, 2017

---

	<b>Pension Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 50,577	\$ 1,761,536
Investments		
U.S. Treasury obligations	2,727,551	-
U.S. agencies securities	14,028,761	-
Mutual funds	31,848,303	-
Corporate bonds	5,089,454	-
State and local obligations	2,249,643	-
Money market funds	182,931	-
Certificates of deposit	249,529	-
Insurance contracts	411,385	-
Receivables		
Accrued interest	193,437	-
Other	-	32,921
Due from other funds	-	-
Prepays	4,348	-
	<hr/>	<hr/>
Total assets	<hr/>	<hr/>
	<b>57,035,919</b>	<b>\$ 1,794,457</b>
<b>LIABILITIES</b>		
Accounts payable	16,142	\$ 673,723
Due to primary government	-	15,675
Deposits payable	-	1,105,059
	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>
	<b>16,142</b>	<b>\$ 1,794,457</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
	<hr/>	<hr/>
	<b>\$ 57,019,777</b>	<b><u><u></u></u></b>

See accompanying notes to financial statements.

## **VILLAGE OF LAKE ZURICH, ILLINOIS**

### **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS**

For the Year Ended December 31, 2017

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#### **ADDITIONS**

Contributions - employer	\$ 3,948,974
Contributions - employee	<u>867,116</u>
Total contributions	<u>4,816,090</u>
Investment income	
Net appreciation in fair value of investments	4,388,386
Interest earned on investments	<u>1,976,608</u>
Total investment income	6,364,994
Less investment expense	<u>(105,837)</u>
Net investment income	<u>6,259,157</u>
Total additions	<u>11,075,247</u>

#### **DEDUCTIONS**

Benefits and refunds	2,641,403
Administrative	<u>111,296</u>
Total deductions	<u>2,752,699</u>
NET INCREASE	8,322,548

#### **NET POSITION RESTRICTED FOR PENSIONS**

JANUARY 1	<u>48,697,229</u>
December 31	<u>\$ 57,019,777</u>

# **VILLAGE OF LAKE ZURICH, ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Lake Zurich, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

#### **a. Reporting Entity**

The Village was incorporated in 1896. The Village is a municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present the Village (the primary government).

The Village's financial statements include:

Pension Trust Fund

Police Pension Employees Retirement System

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

The Village's firefighters' employees participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected firefighters' employees constitute the pension board. The Village and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's firefighters' employees and because of the fiduciary nature of such activities. FPERS is reported as a pension trust fund.

b. Fund Accounting

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Village (internal service funds).

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Fund Accounting (Continued)**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. When these assets are held under the terms of a formal trust agreement, a pension trust fund is used. The Village has police and firefighters' pension funds. Agency funds are used to account for funds that the Village holds on behalf of others as their agent.

**c. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program 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 standard revenues 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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General (Corporate) Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The TIF Tax Allocation Fund is used to account for all restricted revenues and to record fund transfers to pay for administrative, debt service and capital improvement activity necessary to stimulate and induce redevelopment of Downtown Lake Zurich pursuant to the TIF act.

The Debt Service Fund is used to account for the accumulation of restricted resources for, and the payment of, general long-term debt principal and interest.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Government-Wide and Fund Financial Statements (Continued)**

The TIF Debt Service Fund is used to account for the accumulation of restricted resources for, and the payment of, TIF long-term debt principal and interest. The Village has elected to present this fund as a major fund.

The Capital Improvements Fund is used to account for all restricted, committed or assigned resources used for the acquisition of general capital assets including infrastructure capital assets. The Village has elected to present this fund as a major fund.

The Downtown TIF Fund is used to account for all restricted revenues and activities associated with improvements within the Tax Increment Financing District.

The Downtown TIF #2 Fund is used to account for all restricted revenues and activities associated with improvements within the Tax Increment Financing District.

The Village reports the following major proprietary fund:

The Waterworks and Sewerage Fund is used to account for the provision of potable water and wastewater treatment services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance, financing and related debt service, billing and collection.

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. The Village also reports agency funds to account for performance deposits (Escrow Performance Fund) for refundable deposits held by the Village to ensure the completion of public improvements by private developers that the Village holds on behalf of others as their agent and special service areas which accounts for receipts and disbursements related to maintenance within special service areas within the Village.

**d. Measurement Focus, 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, as are the proprietary fund and fiduciary fund financial statements (agency funds have no measurement focus). Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period. The Village recognizes property taxes when they become both measurable and available in the period intended to finance, generally within 60 days of year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales tax, telecommunication tax, local use tax and motor fuel tax and fines owed to/collected by the state at year end on behalf of the Village also are recognized as revenue. Permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Village reports unearned and deferred/unavailable revenue on its financial statements. Deferred/unavailable revenues arises when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period for government funds. Unearned revenues arise when a potential revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the Village before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability and deferred inflows of resources for unearned and deferred/unavailable revenue are removed from the financial statements and revenue is recognized.

**e. Cash and Investments**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Village’s proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e. Cash and Investments (Continued)

Investments

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans, if any, are classified as “interfund receivables/payables.”

g. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances between funds in the fund financial statements.

h. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses. Prepaid items/expenses are recorded using the consumption method.

j. Capital Assets

Capital assets, which include property, plant, equipment, water and sewer system and infrastructure assets (e.g., roads, bridges and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of \$10,000 to \$250,000 as shown in the table below, depending on classification and an estimated useful life in excess of one year.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. Capital Assets (Continued)**

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment, water/sewer systems and vehicles is computed using the straight-line method over the following useful lives:

	<u>Threshold</u>	<u>Years</u>
Land improvements	\$ 25,000	20-30
Buildings	50,000	45
Building improvements	50,000	10-30
Vehicles	15,000	3-25
Computers and software	10,000	5
Furniture and fixtures	15,000	5-20
Machinery and equipment	25,000	10-30
Infrastructure	250,000	40-50

**k. Compensated Absences**

Vested or accumulated vacation leave, including related Social Security and Medicare, that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements and the remainder is reported in long-term debt. Vested or accumulated vacation leave and vested sick leave of proprietary funds at both levels and governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

**l. Long-Term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts and gains/losses on refundings, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains/losses on refunding are reported as deferred inflows of resources.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. Long-Term Obligations (Continued)

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

m. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

n. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Village's Finance Director through the fund balance policy adopted by the Village Board of Trustees. Any residual fund balance of the General Fund and deficit fund balances in other funds are reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Fund Balance/Net Position (Continued)

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the Village's book value of capital assets to construct or acquire the capital assets less any outstanding debt issued to construct said assets.

o. Interfund Transactions

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

p. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The Village and pension funds categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. DEPOSITS AND INVESTMENTS (Continued)**

Permitted Deposits and Investments - Statutes and the Village's investment policy 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, obligations of states and their political subdivisions, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government 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, Illinois Funds and the Illinois Metropolitan Investment Fund (IMET).

The Illinois Public Treasurers' Investment Pool, known as the Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than market value. The investment in the Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for the Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

IMET is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. Investments in IMET are valued at IMET's share price (\$1), the price for which the investment could be sold.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

a. Village Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Village's agent in the Village's name. The Village had no uninsured uncollateralized deposits at December 31, 2017.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. DEPOSITS AND INVESTMENTS (Continued)**

b. Village Investments

The following table presents the Village's investments in and maturities of debt securities as of December 31, 2017:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Negotiable CDs	\$ 3,684,952	\$ -	\$ 3,684,952	\$ -	\$ -
U.S. agency obligations	1,334,689	-	1,334,689	-	-
<b>TOTAL</b>	<b>\$ 5,019,641</b>	<b>\$ -</b>	<b>\$ 5,019,641</b>	<b>\$ -</b>	<b>\$ -</b>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio in a manner that provides sufficient liquidity to enable the Village to meet all operating requirements which may be reasonably anticipated in any fund. The investment policy limits the maximum maturity length of investments to three years from the date of purchase unless the funds invested are earmarked for a special purpose, in which case the maximum maturity length shall be five years from the date of purchase, but must coincide as nearly as possible with the expected use of the funds.

The Village has the following recurring fair value measurements as of December 31, 2017. The U.S. agency obligations and negotiable certificates of are valued using quoted matrix pricing models (Level 2 inputs).

Besides investing in security instruments authorized under state statute, the Village's investment policy does not further limit investment choices to mitigate credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity. The U.S. agency obligations are rated AAA and AA+ by Standard & Poor's (S&P). Illinois Funds and IMET are rated Aaa.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by the Village; in safekeeping by the Village's custodian bank; or by a third party bank trust department, acting as agent for the Village under the terms of a custody or trustee agreement executed by the bank and by the Village. Illinois Funds and IMET are not subject to custodial credit risk.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. DEPOSITS AND INVESTMENTS (Continued)**

b. Village Investments (Continued)

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. The Village's investment policy states that no more than 25% of the Village's total investment portfolio may be invested in a single security type or with a single financial institution, with the exception of U.S. Treasury securities and authorized pools. At year end, the Village's investments in United States Government agencies securities and negotiable CDs represented 26.6% and 73.4%, respectively, of the Village's total investments. The negotiable CDs were held by various financial institutions.

The Village's investment policy does not specifically prohibit the use of or the investment in derivatives.

**3. RECEIVABLES - TAXES**

Property taxes for 2017 attach as an enforceable lien on January 1, 2017 on property values assessed as of the same date. Taxes were levied on December 12, 2017 by passage of a Tax Levy Ordinance. Tax bills are prepared by the County and issued on or about May 1, 2018 and August 1, 2018 and are payable in two installments, on or about June 1, 2018 and September 1, 2018. The County collects such taxes and remits them periodically.

The 2017 tax levy collections are intended to finance the 2018 fiscal year and are not considered available for current operations and, therefore, are shown as deferred/unavailable revenue.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 30,463,170	\$ -	\$ -	\$ 30,463,170
Construction in progress	1,653,644	25,771	1,523,334	156,081
Total capital assets not being depreciated	32,116,814	25,771	1,523,334	30,619,251

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. CAPITAL ASSETS (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES (Continued)</b>				
Capital assets being depreciated				
Land improvements	\$ 6,776,958	\$ -	\$ -	\$ 6,776,958
Buildings	12,219,888	-	-	12,219,888
Building improvements	729,162	-	-	729,162
Vehicles	4,603,965	682,747	76,650	5,210,062
Machinery and equipment	2,490,283	23,317	-	2,513,600
Computers/software	311,172	-	41,142	270,030
Infrastructure	68,478,572	3,192,836	-	71,671,408
Total capital assets being depreciated	95,610,000	3,898,900	117,792	99,391,108
Less accumulated depreciation for				
Land improvements	2,520,368	290,302	-	2,810,670
Buildings	5,029,743	271,553	-	5,301,296
Building improvements	124,501	66,871	-	191,372
Vehicles	2,955,381	310,095	76,650	3,188,826
Machinery and equipment	1,307,241	152,932	-	1,460,173
Computers/software	269,198	30,304	41,142	258,360
Infrastructure	30,950,719	1,322,160	-	32,272,879
Total accumulated depreciation	43,157,151	2,444,217	117,792	45,483,576
Total capital assets being depreciated, net	52,452,849	1,454,683	-	53,907,532
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 84,569,663	\$ 1,480,454	\$ 1,523,334	\$ 84,526,783
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 249,652	\$ -	\$ -	\$ 249,652
Construction in progress	3,259,769	-	3,245,428	14,341
Total capital assets not being depreciated	3,509,421	-	3,245,428	263,993
Capital assets being depreciated				
Infrastructure	73,197,035	3,869,739	-	77,066,774
Machinery and equipment	1,493,917	109,789	-	1,603,706
Vehicles	534,789	-	-	534,789
Total capital assets being depreciated	75,225,741	3,979,528	-	79,205,269
Less accumulated depreciation for				
Infrastructure	32,148,547	1,654,453	-	33,803,000
Machinery and equipment	596,907	59,583	-	656,490
Vehicles	412,067	22,133	-	434,200
Total accumulated depreciation	33,157,521	1,736,169	-	34,893,690
Total capital assets being depreciated, net	42,068,220	2,243,359	-	44,311,579
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 45,577,641	\$ 2,243,359	\$ 3,245,428	\$ 44,575,572

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 113,778
Public safety	502,381
Highways and streets	1,620,381
Culture and recreation	<u>207,677</u>
DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 2,444,217</u>

**5. 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.

Intergovernmental Risk Management Agency

The Village participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in Northeastern Illinois which have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

The Village's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence and IRMA has a mix of self-insurance and commercial insurance at various amounts about that level.

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the by-laws of IRMA and experience modification factors based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**5. RISK MANAGEMENT (Continued)**

Intergovernmental Personnel Benefit Cooperative

The Village participates in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC is a public entity risk pool established by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental and life insurance coverage) offered by these members to their officers and employees and to the officers and employees of certain governmental, quasi governmental and nonprofit public service entities.

The IPBC receives, processes and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers; a Benefit Administrator and a Treasurer. The Village does not exercise any control over the activities of the IPBC beyond its representation on the Board of Directors.

**6. SHORT-TERM DEBT**

Changes in Short-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in short-term liabilities:

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Bond Series of 2017 (\$1,083,000 dated June 12, 2017; matured October 5, 2017; payable in annual installments; interest rate of 3.50%)	Debt Service	\$ -	\$ 1,083,000	\$ 1,083,000	\$ -	\$ -
<b>TOTAL</b>		<b>\$ -</b>	<b>\$ 1,083,000</b>	<b>\$ 1,083,000</b>	<b>\$ -</b>	<b>\$ -</b>

The General Obligation Series 2017 Bonds were issued to refund certain outstanding general obligation alternate bonds.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT**

a. General Obligation TIF Alternate Revenue Bonds

The Village has issued TIF Alternate Revenue Source Bonds for which they have pledged future revenue streams. The Series 2009A, 2014A, 2015A and 2016A General Obligation TIF Alternate Revenue Source Bonds, issued for various TIF improvements, are payable from a pledge of the Village's sales tax revenues, with a remaining total pledge of \$32,206,083 and the bonds maturing between December 15, 2017 and December 15, 2034. During the current fiscal year, the pledge of sales tax revenues of \$1,696,427 was approximately 18.6% of total sales tax revenues.

General obligation tax increment financing alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation TIF Alternate Revenue Bonds Series of 2009A (\$7,830,000 dated April 1, 2009; maturing February 1, 2029; payable in annual installments; interest rates from 3.30% to 6.15%)	TIF Debt Service	\$ 1,295,000	\$ -	\$ 240,000	\$ 1,055,000	\$ 300,000
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2014A (\$6,325,000 dated September 8, 2014; maturing December 15, 2024; payable in annual installments; interest rates from 2.00% to 3.00%)	TIF Debt Service	5,690,000	-	645,000	5,045,000	655,000
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2015A (\$11,775,000 dated April 23, 2015; maturing December 15, 2034; payable in annual installments; interest rates from 3.25% to 3.75%)	TIF Debt Service	11,775,000	-	-	11,775,000	-
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2016A (\$6,785,000 dated May 16, 2016; maturing February 1, 2029; payable in annual installments; interest rates from 1.10% to 3.05%)	TIF Debt Service	6,785,000	-	-	6,785,000	120,000
<b>TOTAL</b>		<b>\$ 25,545,000</b>	<b>\$ -</b>	<b>\$ 885,000</b>	<b>\$ 24,660,000</b>	<b>\$ 1,075,000</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT (Continued)**

**b. General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Bond Series of 2008A (\$4,265,000 dated August 1, 2008; maturing January 1, 2020; payable in annual installments; interest rates from 3.50% to 5.00%)	Debt Service	\$ 1,885,000	\$ -	\$ 435,000	\$ 1,450,000	\$ 460,000
<b>TOTAL</b>		<b>\$ 1,885,000</b>	<b>\$ -</b>	<b>\$ 435,000</b>	<b>\$ 1,450,000</b>	<b>\$ 460,000</b>

**c. General Obligation Waterworks and Sewerage Alternate Revenue Bonds**

The Village has issued General Obligation Waterworks and Sewerage Alternate Revenue Source Bonds for which they have pledged future revenue streams. The Series 2013A and 2016B General Obligation Waterworks and Sewerage Alternate Revenue Source Bonds, issued for various water and sewerage system improvements, are payable from a pledge of the Village's water and sewerage fees, with a remaining total pledge of \$3,927,050 and the bonds maturing between December 15, 2017 and December 15, 2026. During the current fiscal year, the pledge of water and sewerage fees of \$621,056 was approximately 11.7% of total water and sewerage fees.

General obligation waterworks and sewerage alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Waterworks and Sewerage System Alternate Revenue Bonds Series of 2013A (\$3,800,000 dated September 4, 2013; maturing December 15, 2023; payable in annual installments; interest rates from 3.00% to 4.00%)	Waterworks and Sewerage	\$ 2,990,000	\$ -	\$ 400,000	\$ 2,590,000	\$ 435,000

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT (Continued)**

**c. General Obligation Waterworks and Sewerage Alternate Revenue Bonds (Continued)**

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation						
Waterworks and Sewerage						
System Alternate Revenue						
Bonds Series of 2016B						
(\$1,000,000 dated August 1, 2016; maturing December 15, 2026; payable in annual installments; interest rate of 2.00%)	Waterworks and Sewerage	\$ 1,000,000	-	\$ 90,000	\$ 910,000	\$ 95,000
TOTAL		<u>\$ 3,990,000</u>	-	\$ 490,000	\$ 3,500,000	\$ 530,000

Water and sewerage fees are pledged for the retirement of the 2013A and 2016B Alternate Revenue Bonds. Property taxes have been abated to date.

**d. Illinois EPA Loans**

The Village entered into loan agreements with the Illinois EPA for the construction of waterworks and sewerage capital assets. Illinois EPA loans currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
Illinois EPA loan of 2006, due in annual installments of \$65,107, including interest at 2.50% through December 16, 2026	Waterworks and Sewerage	\$ 1,135,480	-	\$ 102,464	\$ 1,033,016	\$ 105,042
Illinois EPA loan of 2008, due in annual installments of \$56,600, including interest at 1.25% through August 11, 2028	Waterworks and Sewerage	1,167,325	-	84,542	1,082,783	86,668
TOTAL		<u>\$ 2,302,805</u>	-	\$ 187,006	\$ 2,115,799	\$ 191,710

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT (Continued)**

e. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Governmental Activities

Fiscal Year Ending December 31,	General Obligation TIF Alternate Revenue Bonds			General Obligation Bonds			Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,075,000	\$ 764,095	\$ 460,000	\$ 51,100	\$ 1,535,000	\$ 815,195		
2019	1,140,000	733,975	485,000	29,900	1,625,000	763,875		
2020	1,210,000	700,004	505,000	10,100	1,715,000	710,104		
2021	1,360,000	662,711	-	-	1,360,000	662,711		
2022	1,400,000	628,691	-	-	1,400,000	628,691		
2023-2027	7,655,000	2,540,239	-	-	7,655,000	2,540,239		
2028-2032	7,705,000	1,340,883	-	-	7,705,000	1,340,883		
2033-2037	3,115,000	175,486	-	-	3,115,000	175,486		
<b>TOTAL</b>	<b>\$ 24,660,000</b>	<b>\$ 7,546,084</b>	<b>\$ 1,450,000</b>	<b>\$ 91,100</b>	<b>\$ 26,110,000</b>	<b>\$ 7,637,184</b>		

Fiscal Year Ending December 31,	General Obligation Waterworks and Sewerage Alternate Revenue Bonds			Illinois EPA Loans			Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 530,000	\$ 110,700	\$ 191,710	\$ 51,704	\$ 721,710	\$ 162,404		
2019	545,000	95,750	196,532	46,882	741,532	142,632		
2020	550,000	79,225	201,476	41,938	751,476	121,163		
2021	550,000	61,475	206,545	36,870	756,545	98,345		
2022	505,000	42,600	211,741	31,673	716,741	74,273		
2023-2027	820,000	37,300	996,682	76,885	1,816,682	114,185		
2028-2032	-	-	111,113	62,088	111,113	62,088		
<b>TOTAL</b>	<b>\$ 3,500,000</b>	<b>\$ 427,050</b>	<b>\$ 2,115,799</b>	<b>\$ 348,040</b>	<b>\$ 5,615,799</b>	<b>\$ 775,090</b>		

f. Capital Leases

During fiscal year 2013, the Village entered into a capital lease obligation for copier equipment. The interest rate for the lease is 6.00%.

During fiscal year 2013, the Village entered into a capital lease obligation for street sweeper. The interest rate for the lease is 2.69%.

During fiscal year 2014, the Village entered into a capital lease obligation for copier equipment. The interest rate for the lease is 6.78%.

During fiscal year 2015, the Village entered into a capital lease obligation for a police records management system. The interest rate for the lease is 3.02%.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT (Continued)**

f. Capital Leases (Continued)

During fiscal year 2017, the Village entered into a capital lease obligation for a water meters. The interest rate for the lease is 2.50%.

The cost of equipment acquired through capital lease and included in governmental activities is \$1,237,491.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payments:

Fiscal Year  
Ending  
December 31,

2018	\$ 212,283
2019	306,823
2020	306,546
2021	174,571
2022	174,571
2023-2027	1,177,188
2028-2032	1,497,978
2033-2037	<u>314,403</u>
 Total minimum lease payments	 4,164,364
 Amount representing interest	 <u>785,598</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 3,378,767</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. LONG-TERM DEBT (Continued)**

**g. Changes in Long-Term Liabilities**

During the fiscal year, the following changes occurred in long-term liabilities:

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
General obligation TIF alternate revenue bonds	Debt Service	\$ 25,545,000	\$ -	\$ 885,000	\$ 24,660,000	\$ 1,075,000
General obligation bonds	Debt Service	1,885,000	-	435,000	1,450,000	460,000
Unamortized premium (discount) on debt issuance	N/A	313,877	-	23,885	289,992	23,885
Compensated absences	General	1,250,414	101,035	250,083	1,101,366	220,273
Capital lease obligation	General	551,196	-	172,429	378,767	126,041
Net pension liability	General	46,359,669	-	6,679,108	39,680,561	-
Other postemployment benefit	General	179,646	6,959	-	186,605	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>		<b>\$ 76,084,802</b>	<b>\$ 107,994</b>	<b>\$ 8,445,505</b>	<b>\$ 67,747,291</b>	<b>\$ 1,905,199</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
General obligation waterworks and sewerage alternate revenue bonds	Waterworks and Sewerage	\$ 3,990,000	\$ -	\$ 490,000	\$ 3,500,000	\$ 530,000
Unamortized premium (discount) on debt issuance	Waterworks and Sewerage	214,255	-	29,221	185,034	29,220
Illinois EPA loans	Waterworks and Sewerage	2,302,804	-	187,005	2,115,799	191,710
Compensated absences	Waterworks and Sewerage	65,122	18,460	13,024	70,558	14,112
Capital lease	Waterworks and Sewerage	-	3,000,000	-	3,000,000	74,850
Net pension liability	Waterworks and Sewerage	946,400	-	765,777	180,623	-
Other postemployment benefit	Waterworks and Sewerage	19,723	818	-	20,541	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ 7,538,304</b>	<b>\$ 3,019,278</b>	<b>\$ 1,485,027</b>	<b>\$ 9,072,555</b>	<b>\$ 839,892</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. LONG-TERM DEBT (Continued)**

h. Defeased Debt

The Village has defeased the General Obligation Bonds (Alternative Revenue Source) Series 2009B, 2009C, 2011B, 2011C and 2012 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Village's financial statements. Outstanding bonds for these issues are considered defeased. A total of \$14,610,000 remains outstanding at December 31, 2017.

i. Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

ASSESSED VALUATION - 2016	\$ 831,155,897
Legal debt limit - 8.625% of assessed value	\$ 71,687,196
Amount of debt applicable to debt limit:	
General obligation bonds	<u>1,450,000</u>
LEGAL DEBT MARGIN	<u>\$ 70,237,196</u>

**8. INTERFUND ASSETS/LIABILITIES**

a. Interfund Transfers

Transfers From	Transfers To	Amount
General	Dispatch Services Fund	\$ 818,771
General	Capital Improvements	920,000
General	Special Events	136,500
General	Equipment Replacement	300,000
Hotel Tax	Special Events	44,000
Debt Service	TIF Debt Service	1,083,000
TIF Tax Allocation	TIF Debt Service	<u>755,000</u>
 TOTAL		\$ 4,057,271

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. INTERFUND ASSETS/LIABILITIES (Continued)**

a. Interfund Transfers (Continued)

The purpose of significant transfers from/to other funds is as follows:

- \$818,771 transferred from the General Fund to the Dispatch Services Fund to fund the dispatch center.
- \$920,000 transferred from the General Fund to the Capital Improvements Fund to fund capital projects.
- \$136,500 transferred from the General Fund to the Special Events Fund to fund the administration of multiple events held by the Village.
- \$250,000 transferred from the General Fund to the Equipment Replacement Fund to fund equipment replacement.
- \$44,000 transferred from the Hotel Tax Fund to the Special Events Fund to fund the administration of multiple events held by the Village.
- \$1,083,000 transferred from the Debt Service Fund to the TIF Debt Service Fund for principal payment on the General Obligation Bond, Series 2017.
- \$755,000 transferred from the TIF Tax Allocation Fund to the TIF Debt Service Fund for principal and interest payments on general obligation TIF alternate revenue and TIF alternate revenue bonds.

b. Due To/From Other Funds

Due to/from other funds at December 31, 2017 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Waterworks and Sewerage	\$ 299
General	Performance Escrow Fund	4,738
General	Dispatch Center Fund	4
General	Medical Self Insurance	25,308
Capital Improvements	General	250,000
Equipment Replacement Fund	General	241,493
Equipment Replacement Fund	Risk Management Fund	24,185
Waterworks and Sewerage	Special Service Area	<u>10,937</u>
 TOTAL		 <u>\$ 556,964</u>

The due to/from other funds represent temporary financing that will be repaid within one year.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. INTERFUND ASSETS/LIABILITIES (Continued)**

c. Advance To/From Other Funds

Advances to/from other funds at December 31, 2017 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	TIF Debt Service	\$ 1,425,000
General	Downtown TIF	185,000
General	TIF #3	55,000
Non-Home Rule Sales Tax		
Capital Projects	Downtown TIF #2	<u>400,000</u>
<b>TOTAL</b>		<b><u>\$ 2,065,000</u></b>

The advances to/from other funds represent amounts advanced to fund TIF debt service due to cash flow issues in the fund. This amount will be repaid.

**9. CONTINGENT LIABILITIES**

a. Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

b. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, to be immaterial.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**10. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Village's governmental and business-type activities.

b. Benefits Provided

The Village provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Village's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the Village's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the Village's plan becomes secondary.

All retirees contribute 100% of the actuarially determined premium to the plan. For the year ended December 31, 2017, retirees contributed \$134,433. Active employees do not contribute to the plan until retirement.

c. Membership

At December 31, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	156
 TOTAL	 171
Participating employers	1

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

d. Funding Policy

The Village is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Village first had an actuarial valuation performed for the plan as of May 1, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution for the fiscal year ended April 30, 2009. The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2016	\$ 156,306	\$ 151,838	97.10%	\$ 200,892
December 31, 2016	99,702	101,225	101.53%	199,369
December 31, 2017	163,664	155,888	95.25%	207,145

The net OPEB obligation as of December 31, 2017 was calculated as follows:

Annual required contribution	\$ 162,335
Interest on net OPEB obligation	7,975
Adjustment to annual required contribution	<u>(6,646)</u>
Annual OPEB cost	163,664
Contributions made	<u>155,888</u>
Decrease in net OPEB obligation	7,776
Net OPEB obligation, beginning of year	<u>199,369</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 207,145</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2017 was as follows:

Actuarial accrued liability (AAL)	\$ 3,369,418
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	3,369,418
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 13,228,170
UAAL as a percentage of covered payroll	25.47%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.00% investment rate of return and a healthcare cost trend rate of 6.50% with an ultimate rate of 5.00%. Both rates include a 3.00% inflation assumption and 4.00% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30-year basis.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS**

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. Neither of the pension funds issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at [www.imrf.org](http://www.imrf.org).

The aggregate pension expense and net pension liability for the three defined benefit pension plans was \$4,837,186 and \$39,861,184, respectively, for the year ended December 31, 2017.

a. Plan Descriptions

Illinois Municipal Retirement Fund

*Plan Administration*

All employees (other than those covered by the Police Pension and Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2017, IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	85
Active employees	70
 TOTAL	 261

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided*

All employees (other than those covered by the Police Pension and Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all are established by state statute.

*Contributions*

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the year ended December 31, 2017 was 12.01% of covered payroll.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions*

The Village's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2017	\$ 32,974,943	\$ 28,569,088	\$ 4,405,855
Changes for the period			
Service cost	515,984	-	515,984
Interest	2,437,948	-	2,437,948
Difference between expected and actual experience	(97,822)	-	(97,822)
Changes in assumptions	(1,056,112)	-	(1,056,112)
Employer contributions	-	619,482	(619,482)
Employee contributions	-	232,112	(232,112)
Net investment income	-	4,957,532	(4,957,532)
Benefit payments and refunds	(1,453,935)	(1,453,935)	-
Other (net transfer)	-	(506,291)	506,291
Net changes	346,063	3,848,900	(3,502,837)
BALANCES AT DECEMBER 31, 2017	\$ 33,321,006	\$ 32,417,988	\$ 903,018

Assumptions related to salary increases were changed from 3.75% to 14.50% to 3.39% to 14.25%. Assumptions related to price inflation were changed from 2.75% to 2.50%. Additionally, certain demographic assumptions were changed, which impacted mortality rates and retirement rates.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2017, the Village recognized pension expense of \$408,086.

At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 248,407
Changes in assumption	5,011	777,679
Net difference between projected and actual earnings on pension plan investments		1,426,979
<b>TOTAL</b>	<b>\$ 5,011</b>	<b>\$ 2,453,065</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ (664,042)
2019	(540,700)
2020	(672,028)
2021	(571,284)
2022	-
Thereafter	-
<b>TOTAL</b>	<b>\$ (2,448,054)</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate Sensitivity*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.50% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension(asset) liability	\$ 5,382,823	\$ 903,018	\$ (2,724,075)

Police Pension Plan

*Plan Administration*

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Plan Membership*

At December 31, 2017, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>32</u>
 TOTAL	 <u>57</u>

*Benefits Provided*

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Benefits Provided (Continued)*

and receive a reduced benefit (i.e.,  $\frac{1}{2}\%$  for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or  $\frac{1}{2}$  of the change in the Consumer Price Index for the proceeding calendar year.

*Contributions*

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the Village has chosen to fund 100% of the past service cost by 2040. For the year ended December 31, 2017, the Village's contribution was 58.02% of covered payroll.

*Investment Policy*

ILCS limits the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, direct obligations of the State of Israel, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations; interest-bearing bonds of the State of Illinois; interest-bearing bonds or tax anticipation warrants of any county, township or municipal corporation of the State of Illinois; mutual funds; and corporate equity securities and real estate investment trusts. During the year, there were no changes to the Fund's investment policy.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy (Continued)*

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	45.00%	1.60%
Large cap domestic equities	38.50%	6.60%
Small cap domestic equities	11.00%	8.60%
International equities	5.50%	6.50%
Cash and cash equivalents	0.00%	0.00%

ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are listed in the table above.

*Investment Valuations*

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Concentrations*

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Plan's investments.

*Investment Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

*Fair Value Measurements*

The Fund has the following recurring fair value measurements as of December 31, 2017: the U.S. Treasury obligations, money market mutual funds and equity mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency securities and state and local obligations are valued using quoted matrix pricing models (Level 2 inputs).

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 1,328,403	\$ 179,972	\$ 1,022,025	\$ 126,406	\$ -
U.S. agency securities	7,123,247	298,399	1,514,479	3,801,337	1,509,032
State and local obligations	1,302,726	76,205	753,369	367,282	105,870
<b>TOTAL</b>	<b>\$ 9,754,376</b>	<b>\$ 554,576</b>	<b>\$ 3,289,873</b>	<b>\$ 4,295,025</b>	<b>\$ 1,614,902</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Interest Rate Risk (Continued)*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

*Credit Risk*

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The agency securities are rated AA+ by Standard and Poor's and Aaa by Moody's. The municipal bonds are rated at or above AA+ by Standard and Poor's and Aa3 or above by Moody's.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
<b>BALANCES AT JANUARY 1, 2017</b>	<b>\$ 41,483,871</b>	<b>\$ 19,657,970</b>	<b>\$ 21,825,901</b>
Changes for the period			
Service cost	718,675	-	718,675
Interest	2,795,706	-	2,795,706
Difference between expected and actual experience	985,053	-	985,053
Changes in assumptions	(1,168,984)	-	(1,168,984)
Employer contributions	-	1,772,589	(1,772,589)
Employee contributions	-	304,715	(304,715)
Net investment income	-	2,535,432	(2,535,432)
Benefit payments and refunds	(1,569,353)	(1,569,353)	-
Administrative expense	-	(26,555)	26,555
Net changes	1,761,097	3,016,828	(1,255,731)
<b>BALANCES AT DECEMBER 31, 2017</b>	<b>\$ 43,244,968</b>	<b>\$ 22,674,798</b>	<b>\$ 20,570,170</b>

For measurement date December 31, 2017, amounts reported as changes of assumptions resulted from the following changes:

- The assumptions for retirement, disability, and termination rates were updated to the rates determined in the State of Illinois Department of Insurance experience study dated October 5, 2017.
- The percentage of active deaths and disablements assumed to occur in the line of duty were updated to 10% and 60%, respectively, in accordance with the experience study.
- Assumed salary increases were updated from a flat 3.50% annual rate to a service-based table, which was determined based on pay information from contracts between the Village and plan membership for years 2011 to 2020.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	Service based
Interest rate	6.75%
Cost of living adjustments	3.00% (Tier 1) 1.25% (Tier 2)
Asset valuation method	Market

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated October 5, 2017.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 6.75% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 27,207,185	\$ 20,570,170	\$ 15,196,540

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2017, the Village recognized police pension expense of \$1,878,737. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 844,332	\$ 2,359,292
Changes in assumption	1,632,746	1,001,988
Net difference between projected and actual earnings on pension plan investments	-	281,547
<b>TOTAL</b>	<b>\$ 2,477,078</b>	<b>\$ 3,642,827</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the police pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ (14,323)
2019	(14,323)
2020	(83,004)
2021	(533,430)
2022	(494,393)
Thereafter	<u>(26,276)</u>
 TOTAL	 <u>\$ (1,165,749)</u>

Firefighters' Pension Plan

*Plan Administration*

Firefighter sworn personnel are covered by the Firefighters' Pension Plan, a single-employer defined benefit pension plan sponsored by the Village. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-101) and may be amended only by the Illinois legislature. The Village accounts for the Firefighters' Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Plan Membership*

At December 31, 2017, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>53</u>
 TOTAL	 <u>81</u>

*Benefits Provided*

The following is a summary of benefits of the plan as provided for in ILCS:

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Benefits Provided (Continued)*

and receive a reduced benefit (i.e.,  $\frac{1}{2}\%$  for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or  $\frac{1}{2}\%$  of the change in the Consumer Price Index for the proceeding calendar year.

*Contributions*

Employees are required by ILCS to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has chosen to fund 100% of the past service cost by 2040. For the year ended December 31, 2017, the Village's contribution was 41.78% of covered payroll.

*Investment Policy*

ILCS limits the Firefighters' Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations; interest-bearing bonds of the State of Illinois; interest-bearing bonds or tax anticipation warrants of any county, township or municipal corporation of the State of Illinois; mutual funds; and corporate equity securities and real estate investment trusts. During the year, there were no changes to the Fund's investment policy.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Policy (Continued)*

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	40.00%	1.60%
Large cap domestic equity	42.00%	6.60%
Small cap domestic equity	12.00%	8.60%
International equities	6.00%	6.50%

ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are listed in the table above.

*Concentrations*

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

*Fair Value Measurements*

The Fund has the following recurring fair value measurements as of December 31, 2017. The money market mutual funds and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Treasury obligations, U.S. agency securities, state and local obligations and corporate bonds are valued using quoted matrix pricing models (Level 2 inputs). The insurance contracts are valued at contract surrender value (Level 3 inputs).

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 1,399,148	\$ 398,640	\$ 498,438	\$ 502,070	\$ -
U.S. agency securities	6,905,514	537,496	2,339,601	3,656,774	371,643
State and local obligations	1,048,213	-	629,106	419,107	-
Corporate bonds	5,089,454	202,791	3,123,385	1,763,278	-
Certificates of deposit	249,529	200,089	49,440	-	-
<b>TOTAL</b>	<b>\$ 14,691,858</b>	<b>\$ 1,339,016</b>	<b>\$ 6,639,970</b>	<b>\$ 6,341,229</b>	<b>\$ 371,643</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Interest Rate Risk (Continued)*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

*Credit Risk*

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The agency securities are rated AA+ by Standard and poor's and Aaa by Moody's. The municipal bonds are rated at or above AA by Standard and Poor's and Aa2 or above by Moody's. The corporate bonds are rated at or above BBB by Standard and Poor's and Baa2 or above by Moody's.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. Money market mutual funds and mutual funds are not subject to custodial credit risk.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
<b>BALANCES AT JANUARY 1, 2017</b>	<b>\$ 50,113,572</b>	<b>\$ 29,039,259</b>	<b>\$ 21,074,313</b>
Changes for the period			
Service cost	1,421,674	-	1,421,674
Interest	3,442,447	-	3,442,447
Difference between expected and actual experience	1,116,190	-	1,116,190
Changes in assumptions	(2,288,858)	-	(2,288,858)
Employer contributions	-	2,176,385	(2,176,385)
Employee contributions	-	562,401	(562,401)
Net investment income	-	3,723,725	(3,723,725)
Benefit payments and refunds	(1,072,050)	(1,072,050)	-
Administrative expense	-	(84,741)	84,741
Net changes	<u>(2,619,403)</u>	<u>5,305,720</u>	<u>(2,686,317)</u>
<b>BALANCES AT DECEMBER 31, 2017</b>	<b>\$ 52,732,975</b>	<b>\$ 34,344,979</b>	<b>\$ 18,387,996</b>

Amounts reported as changes of assumptions resulted from the following changes:

- The assumptions for retirement, disability, and termination rates were updated to the rates determined in the State of Illinois Department of Insurance experience study dated October 5, 2017.
- The percentage of active deaths and disablements assumed to occur in the line of duty were updated to 20% and 80%, respectively, in accordance with the experience study.
- Assumed salary increases were updated from a flat 3.50% annual rate to a service-based table, which was determined based on pay information from contracts between the Village and plan membership for years 2008 to 2020.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial methods and assumptions.

Actuarial valuation date December 31, 2017

Actuarial cost method Entry-age Normal

Assumptions

Inflation 2.50%

Salary increases Service based

Interest rate 6.75%

Cost of living adjustments 3.00% (Tier 1)  
1.25% (Tier 2)

Asset valuation method Market

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated October 5, 2017.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 6.75% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 27,133,404	\$ 18,387,996	\$ 11,360,297

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2017, the Village recognized firefighters' pension expense of \$2,550,363. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,155,869	\$ 2,869,356
Changes in assumption	1,835,075	1,961,880
Net difference between projected and actual earnings on pension plan investments	416,734	-
<b>TOTAL</b>	<b>\$ 3,407,678</b>	<b>\$ 4,831,236</b>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the firefighters' pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	
2018	\$ 177,438
2019	177,438
2020	90,875
2021	(577,809)
2022	(645,750)
Thereafter	<u>(645,750)</u>
 TOTAL	 <u>\$ (1,423,558)</u>

**12. PENSION TRUST FUNDS**

Fiduciary Funds Summary Financial Information

The following is summary financial information for the Police Pension Plan and the Firefighters' Pension Plan.

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,400	\$ 41,177	\$ 50,577
Investments			
U.S. Treasury obligations	1,328,403	1,399,148	2,727,551
U.S. agency securities	7,123,247	6,905,514	14,028,761
Mutual funds	12,675,778	19,172,525	31,848,303
Corporate bonds	-	5,089,454	5,089,454
State and local obligations	1,302,726	1,048,213	2,350,939
Money market funds	180,992	1,939	182,931
Certificates of deposit	-	148,233	148,233
Insurance contracts	-	411,385	411,385

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**12. PENSION TRUST FUNDS (Continued)**

Fiduciary Funds Summary Financial Information (Continued)

a. Schedule of Net Position (Continued)

	Police Pension	Firefighters' Pension	Total
<b>ASSETS (Continued)</b>			
Receivables			
Accrued interest	\$ 62,966	\$ 130,471	\$ 193,437
Prepaid items	2,609	1,740	4,349
Total assets	<u>22,686,121</u>	<u>34,349,799</u>	<u>57,035,920</u>
<b>LIABILITIES</b>			
Accounts payable	11,322	4,819	16,141
Total liabilities	<u>11,322</u>	<u>4,819</u>	<u>16,141</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
	<u>\$ 22,674,799</u>	<u>\$ 34,344,980</u>	<u>\$ 57,019,779</u>

b. Changes in Plan Net Position

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,772,589	\$ 2,176,385	\$ 3,948,974
Employee	304,715	562,401	867,116
Total contributions	<u>2,077,304</u>	<u>2,738,786</u>	<u>4,816,090</u>
Investment income			
Net appreciation in fair value of investments	1,665,957	2,722,429	4,388,386
Interest earned	922,769	1,053,839	1,976,608
Less investment expense	(53,293)	(52,543)	(105,836)
Net investment income	<u>2,535,433</u>	<u>3,723,725</u>	<u>6,259,158</u>
Total additions	<u>4,612,737</u>	<u>6,462,511</u>	<u>11,075,248</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**12. PENSION TRUST FUNDS (Continued)**

Fiduciary Funds Summary Financial Information (Continued)

b. Changes in Plan Net Position (Continued)

	Police Pension	Firefighters' Pension	Total
<b>DEDUCTIONS</b>			
Pension benefits and refunds	\$ 1,569,353	\$ 1,072,050	\$ 2,641,403
Administrative expenses	26,555	84,740	111,295
Total deductions	1,595,908	1,156,790	2,752,698
<b>NET INCREASE</b>			
	3,016,829	5,305,721	8,322,550
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
January 1, 2017	19,657,970	29,039,259	48,697,229
December 31, 2017	\$ 22,674,799	\$ 34,344,980	\$ 57,019,779

**13. TAX ABATEMENTS**

The Village rebates sales tax in order to recruit, retain, or improve local business facilities or their supporting public infrastructure under certain circumstances. The terms of these rebate arrangements are specified within written agreements with the businesses and governmental entities concerned.

The Village has entered into economic incentive agreements with three commercial entities, as well as with two other government agencies, whereby the Village has agreed to rebate a portion of sales taxes generated by particular businesses to each entity. Each agreement for rebate with the commercial entities is limited to a specified time period and are limited to sales taxes generated by the commercial entity. The commercial rebates are paid monthly or quarterly, depending on specific terms, with the agreements expiring between 10 and 30 years after commencement. The agreements with the government agencies exist in perpetuity based on an intergovernmental agreement to rebate portions of sales taxes generated by any businesses on particular properties. These payments are made monthly in accordance with the agreements.

As of December 31, 2017, the Village has an accrued rebate liability of \$244,466 for amounts collected by the state but not yet paid to the Village and/or due to the other entities. Of this amount, \$179,191 is due to commercial entities and \$65,275 to governmental entities. For the fiscal year-to-date, the Village recorded \$785,416 in payment across all sales tax rebate agreements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 9,922,072	\$ 9,818,718	\$ 9,755,593
Licenses and permits	709,070	735,070	783,630
Intergovernmental	14,968,740	14,855,363	15,152,648
Charges for services	1,554,840	1,737,175	1,861,081
Fines and forfeits	584,500	686,000	708,198
Investment income	46,800	75,000	83,777
Miscellaneous	45,250	69,550	104,154
 Total revenues	 27,831,272	 27,976,876	 28,449,081
<b>EXPENDITURES</b>			
General government	1,866,992	1,848,900	1,766,005
Public safety	19,884,725	19,685,114	19,801,087
Highways and streets	2,822,921	2,857,003	2,796,522
Culture and recreation	975,358	1,019,582	969,402
Economic development	935,944	901,944	863,578
 Total expenditures	 26,485,940	 26,312,543	 26,196,594
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	1,345,332	1,664,333	2,252,487
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	20,000	20,000	18,533
Transfers (out)	(1,355,271)	(1,625,271)	(2,175,271)
 Total other financing sources (uses)	 (1,335,271)	 (1,605,271)	 (2,156,738)
<b>NET CHANGE IN FUND BALANCE</b>			
	\$ 10,061	\$ 59,062	95,749
<b>FUND BALANCE, JANUARY 1</b>			
			 10,463,385
<b>FUND BALANCE, DECEMBER 31</b>			
			 \$ 10,559,134

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TIF TAX ALLOCATION FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 1,237,500	\$ 1,255,000	\$ 1,257,480
Investment income	800	2,800	3,333
 Total revenues	 1,238,300	 1,257,800	 1,260,813
<b>EXPENDITURES</b>			
Economic development	497,660	497,660	491,446
 Total expenditures	 497,660	 497,660	 491,446
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	740,640	760,140	769,367
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(700,000)	(755,000)	(755,000)
 Total other financing sources (uses)	 (700,000)	 (755,000)	 (755,000)
<b>NET CHANGE IN FUND BALANCE</b>			
	\$ 40,640	\$ 5,140	14,367
 <b>FUND BALANCE, JANUARY 1</b>			 50,262
 <b>FUND BALANCE, DECEMBER 31</b>			 \$ 64,629

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DOWNTOWN TIF #2 FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 65,000	\$ 65,000	\$ 83,710
Investment income	50	50	116
Miscellaneous	100,800	100,800	94,924
 Total revenues	 165,850	 165,850	 178,750
<b>EXPENDITURES</b>			
Economic development	2,442,555	942,555	824,307
 Total expenditures	 2,442,555	 942,555	 824,307
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(2,276,705)	(776,705)	(645,557)
<b>OTHER FINANCING SOURCES (USES)</b>			
Loss on disposal of land held for resale	-	-	(1,047,636)
 Total other financing sources (uses)	 -	 -	 (1,047,636)
 NET CHANGE IN FUND BALANCE	 <u>\$ (2,276,705)</u>	 <u>\$ (776,705)</u>	 <u>(1,693,193)</u>
 FUND BALANCE, JANUARY 1			 <u>4,878,507</u>
 <b>FUND BALANCE, DECEMBER 31</b>			 <u>\$ 3,185,314</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2017

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Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
April 30, 2013	N/A	N/A	N/A	N/A	N/A	N/A
April 30, 2014	\$ -	\$ 2,583,239	0.00%	\$ 2,583,239	N/A	N/A
April 30, 2015	N/A	N/A	N/A	N/A	N/A	N/A
April 30, 2016	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2016*	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2017	-	3,369,418	0.00%	3,369,418	13,228,170	25.47%

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
April 30, 2013	\$ 63,517	\$ 96,470	65.84%
April 30, 2014	63,517	96,470	65.84%
April 30, 2015	132,120	154,997	85.24%
April 30, 2016	151,838	154,997	97.96%
December 31, 2016*	101,225	103,331	97.96%
December 31, 2017	155,888	162,335	96.03%

N/A - actuary valuation not performed or information not available.

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Three Fiscal Years

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<b>FISCAL YEAR ENDED</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
Actuarially determined contribution	\$ 613,312	\$ 431,173	\$ 619,482
Contributions in relation to the actuarially determined contribution	613,312	431,173	619,482
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$ 5,139,246	\$ 3,387,062	\$ 5,158,053
Contributions as a percentage of covered-employee payroll	11.93%	12.73%	12.01%

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND**

Last Four Fiscal Years

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<b>FISCAL YEAR ENDED</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
Actuarially determined contribution	\$ 1,392,968	\$ 1,402,842	\$ 1,564,453	\$ 1,790,395
Contributions in relation to the actuarially determined contribution	1,395,130	1,445,052	1,564,453	1,772,589
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	\$ (2,162)	\$ (42,210)	\$ -	\$ 17,806
Covered-employee payroll	\$ 3,053,408	\$ 3,109,454	\$ 3,101,474	\$ 3,055,082
Contributions as a percentage of covered-employee payroll	45.69%	46.47%	50.44%	58.02%

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return at 6.75% annually, projected salary increases assumption of 3.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIREFIGHTERS' PENSION FUND**

Last Four Fiscal Years

<b>FISCAL YEAR ENDED</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
Actuarially determined contribution	\$ 1,905,372	\$ 1,815,433	\$ 1,911,342	\$ 2,198,557
Contributions in relation to the actuarially determined contribution	1,931,996	1,905,569	1,911,342	2,176,385
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ (26,624)</b>	<b>\$ (90,136)</b>	<b>\$ -</b>	<b>\$ 22,172</b>
Covered-employee payroll	\$ 5,140,563	\$ 5,130,269	\$ 5,322,548	\$ 5,208,600
Contributions as a percentage of covered-employee payroll	37.58%	37.14%	35.91%	41.78%

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return at 6.75% annually, projected salary increases assumption of 3.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Three Fiscal Years

<b>MEASUREMENT DATE</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 551,596	\$ 512,260	\$ 515,984
Interest	2,268,919	2,351,795	2,437,948
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(359,277)	(340,738)	(97,822)
Changes of assumptions	41,608	(83,331)	(1,056,112)
Benefit payments, including refunds of member contributions	<u>(1,369,411)</u>	<u>(1,300,032)</u>	<u>(1,453,935)</u>
Net change in total pension liability	1,133,435	1,139,954	346,063
Total pension liability - beginning	<u>30,701,554</u>	<u>31,834,989</u>	<u>32,974,943</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b><u>\$ 31,834,989</u></b>	<b><u>\$ 32,974,943</u></b>	<b><u>\$ 33,321,006</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 653,377	\$ 628,101	\$ 619,482
Contributions - member	231,267	233,460	232,112
Net investment income	136,524	1,863,659	4,957,532
Benefit payments, including refunds of member contributions	<u>(1,369,411)</u>	<u>(1,300,032)</u>	<u>(1,453,935)</u>
Other (net transfer)	(27,440)	(27,607)	(506,291)
Net change in plan fiduciary net position	(375,683)	1,397,581	3,848,900
Plan net position - beginning	<u>27,547,190</u>	<u>27,171,507</u>	<u>28,569,088</u>
<b>PLAN NET POSITION - ENDING</b>	<b><u>\$ 27,171,507</u></b>	<b><u>\$ 28,569,088</u></b>	<b><u>\$ 32,417,988</u></b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b><u>\$ 4,663,482</u></b>	<b><u>\$ 4,405,855</u></b>	<b><u>\$ 903,018</u></b>
Plan fiduciary net position as a percentage of the total pension liability	85.35%	86.64%	97.29%
Covered-employee payroll	\$ 5,139,246	\$ 4,934,022	\$ 5,158,053
Employer's net pension liability as a percentage of covered-employee payroll	90.74%	89.30%	17.51%

**Measurement Date December 31, 2015** - There was a change with respect to actuarial assumptions. Certain demographic assumptions were changed, which impacted mortality rates, mortality improvement rates, retirement rates, disability rates and termination rates.

**Measurement Date December 31, 2016** - There was a change with respect to actuarial assumptions. Changes in assumptions related to mortality were made since the prior measurement date. Additionally, the discount rate was changed from 7.48% to 7.50%.

**Measurement Date December 31, 2017** - Assumptions related to salary increases were changed from 3.75% - 14.50% to 3.39% - 14.25%. Assumptions related to price inflation were changed from 2.75% to 2.50%. Additionally, Certain demographic assumptions were changed, which impacted mortality rates and retirement rates.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
POLICE PENSION FUND**

Last Four Fiscal Years

<b>MEASUREMENT DATE</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 677,265	\$ 618,479	\$ 404,047	\$ 718,675
Interest	2,218,436	2,554,948	1,926,743	2,795,706
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	500,612	(28,659)	(2,808,702)	985,053
Changes of assumptions	2,735,157	2,501,228	-	(1,168,984)
Benefit payments, including refunds of member contributions	(1,024,394)	(1,267,820)	(901,384)	(1,569,353)
Net change in total pension liability	5,107,076	4,378,176	(1,379,296)	1,761,097
Total pension liability - beginning	<u>33,377,915</u>	<u>38,484,991</u>	<u>42,863,167</u>	<u>41,483,871</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>				
	<u><u>\$ 38,484,991</u></u>	<u><u>\$ 42,863,167</u></u>	<u><u>\$ 41,483,871</u></u>	<u><u>\$ 43,244,968</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 1,398,130	\$ 1,445,052	\$ 1,564,453	\$ 1,772,589
Contributions - member	301,323	302,885	218,169	304,715
Net investment income	1,301,083	127,632	869,361	2,535,432
Benefit payments, including refunds of member contributions	(1,024,394)	(1,267,820)	(901,384)	(1,569,353)
Administrative expense	(28,758)	(31,815)	(25,420)	(26,555)
Net change in plan fiduciary net position	1,947,384	575,934	1,725,179	3,016,828
Plan fiduciary net position - beginning	<u>15,409,473</u>	<u>17,356,857</u>	<u>17,932,791</u>	<u>19,657,970</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>				
	<u><u>\$ 17,356,857</u></u>	<u><u>\$ 17,932,791</u></u>	<u><u>\$ 19,657,970</u></u>	<u><u>\$ 22,674,798</u></u>
<b>EMPLOYER'S NET PENSION LIABILITY</b>				
Plan fiduciary net position				
as a percentage of the total pension liability	45.10%	41.80%	47.40%	52.40%
Covered-employee payroll	\$ 3,053,408	\$ 3,109,454	\$ 3,101,474	\$ 3,055,082
Employer's net pension liability				
as a percentage of covered-employee payroll	692.00%	801.80%	703.70%	673.30%

**Year Ended April 30, 2015** - There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates. The mortality rates, disability rates, turnover rates and retirement rates have been changed to the new rates most recently published by the Illinois Department of Insurance (September 2012).

**Year Ended April 30, 2016** - There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rates have been changed to the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015.

**Year Ended December 31, 2016** - There were no assumptions changes since the prior valuation.

**Year Ended December 31, 2017** - Amounts reported as changes of assumptions resulted from the following changes:

- The assumptions for retirement, disability, and termination rates were updated to the rates determined in the State of Illinois Department of Insurance experience study dated October 5, 2017.
- The percentage of active deaths and disabilities assumed to occur in the line of duty were updated to 10% and 60%, respectively, in accordance with the experience study.
- Assumed salary increases were updated from a flat 3.50% annual rate to a service-based table, which was determined based on pay information from contracts between the Village and plan membership for years 2011 to 2020.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
FIREFIGHTERS' PENSION FUND**

Last Four Fiscal Years

<b>MEASUREMENT DATE</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 1,134,464	\$ 1,149,541	\$ 751,025	\$ 1,421,674
Interest	2,701,567	2,980,213	2,314,004	3,442,447
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(173,195)	305,055	(3,347,579)	1,116,190
Changes of assumptions	1,221,986	2,811,180	-	(2,288,858)
Benefit payments, including refunds of member contributions	(611,825)	(901,657)	(550,340)	(1,072,050)
Net change in total pension liability	4,272,997	6,344,332	(832,890)	2,619,403
Total pension liability - beginning	<u>40,329,133</u>	<u>44,602,130</u>	<u>50,946,462</u>	<u>50,113,572</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>				
	<u><u>\$ 44,602,130</u></u>	<u><u>\$ 50,946,462</u></u>	<u><u>\$ 50,113,572</u></u>	<u><u>\$ 52,732,975</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 1,904,487	\$ 1,905,569	\$ 1,911,342	\$ 2,176,385
Contributions - member	457,701	478,570	328,920	562,401
Net investment income	1,562,177	(320,256)	750,015	3,723,725
Benefit payments, including refunds of member contributions	(611,825)	(901,657)	(550,340)	(1,072,050)
Administrative expense	(54,703)	(61,615)	(63,270)	(84,741)
Net change in plan fiduciary net position	3,257,837	1,100,611	2,376,667	5,305,720
Plan fiduciary net position - beginning	<u>22,304,144</u>	<u>25,561,981</u>	<u>26,662,592</u>	<u>29,039,259</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>				
	<u><u>\$ 25,561,981</u></u>	<u><u>\$ 26,662,592</u></u>	<u><u>\$ 29,039,259</u></u>	<u><u>\$ 34,344,979</u></u>
<b>EMPLOYER'S NET PENSION LIABILITY</b>				
	<u><u>\$ 19,040,149</u></u>	<u><u>\$ 24,283,870</u></u>	<u><u>\$ 21,074,313</u></u>	<u><u>\$ 18,387,996</u></u>
Plan fiduciary net position as a percentage of the total pension liability	57.30%	52.30%	57.90%	65.10%
Covered-employee payroll	\$ 5,140,563	\$ 5,130,269	\$ 5,322,548	\$ 5,208,600
Employer's net pension liability as a percentage of covered-employee payroll	370.40%	473.30%	395.90%	353.00%

**Year Ended April 30, 2015** - There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates. The mortality rates, disability rates, turnover rates and retirement rates have been changed to the new rates most recently published by the Illinois Department of Insurance (September 2012).

**Year Ended April 30, 2016** - There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rates have been changed to the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015.

**Year Ended December 31, 2016** - There were no assumptions changes since the prior valuation.

**Year Ended December 31, 2017** - Amounts reported as changes of assumptions resulted from the following changes:

- The assumptions for retirement, disability, and termination rates were updated to the rates determined in the State of Illinois Department of Insurance experience study dated October 5, 2017.
- The percentage of active deaths and disabilities assumed to occur in the line of duty were updated to 20% and 80%, respectively, in accordance with the experience study.
- Assumed salary increases were updated from a flat 3.50% annual rate to a service-based table, which was determined based on pay information from contracts between the Village and plan membership for years 2008 to 2020.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
POLICE PENSION FUND**

Last Four Fiscal Years

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<b>FISCAL YEAR ENDED</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
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Annual money-weighted rate of return, net of investment expense	8.08%	0.72%	4.73%	12.80%
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\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
FIREFIGHTERS' PENSION FUND**

Last Four Fiscal Years

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<b>FISCAL YEAR ENDED</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
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Annual money-weighted rate of return, net of investment expense	6.53%	(1.18%)	5.05%	12.59%
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\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

## VILLAGE OF LAKE ZURICH, ILLINOIS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

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#### **BUDGETS**

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted (at the fund level) for the General, Special Revenue (except the Foreign Fire Insurance Tax), Debt Service, Capital Projects (except Downtown TIF), Enterprise, Internal Service and Pension Trust Funds. The annual appropriated budget is legally enacted and provides for a legal level of control at the department level, or, where no departmental segregation of a fund exists, the fund level. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to restrict that portion of the applicable appropriation - is utilized in the governmental funds. Material encumbrances outstanding at year end, if any, are reported as restrictions of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

All departments of the Village submit requests for appropriation to the Village's manager so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and can add to, subtract from or change appropriations; but cannot change the form of the budget.

Management cannot amend the budget for individual funds without seeking the approval of the governing body.

Expenditures cannot legally exceed budgeted appropriations at the fund or department (General Fund) level and the Board of Trustees must approve any over expenditures of appropriation or transfers of appropriated amounts. During the year, two supplementary appropriations were necessary.

The following funds had an excess of actual expenditures over budget for the year ended December 31, 2017:

Fund	Excess
Equipment Replacement	\$ 102,796
TIF Debt Service	839
General	
Police department	30,090
Fire department	32,474
Community services - building and zoning	53,409

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

## **MAJOR GOVERNMENTAL FUNDS**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>TAXES</b>			
Property			
Corporate	\$ 1,000	\$ 1,000	\$ 1,002
Police protection	1,607,380	1,607,380	1,591,065
Fire protection	1,607,380	1,607,380	1,586,347
Ambulance	1,000	1,000	1,002
Pension	60,000	60,000	60,115
Police pension	1,790,395	1,790,395	1,790,862
Fire pension	2,198,557	2,198,557	2,199,129
SRA	180,000	180,000	180,345
Road and bridge	11,000	11,000	11,324
Utility			
Electric	1,079,998	1,007,751	990,378
Gas	224,758	271,059	269,232
Telecommunication tax	810,970	733,562	722,076
Television franchise	349,634	349,634	352,716
 Total taxes	 9,922,072	 9,818,718	 9,755,593
<b>LICENSES AND PERMITS</b>			
Licenses			
Liquor	150,000	150,000	157,414
Contractor registration	55,000	55,000	72,001
Other business	101,270	101,270	103,803
Permits			
Administrative plan review	84,000	130,000	135,859
Building	60,000	60,000	77,598
Electrical	20,000	20,000	31,929
Plumbing	50,000	30,000	30,509
Occupancy certificates	35,000	35,000	28,158
Park	30,000	30,000	26,072
Truck permits	3,500	3,500	7,305
Other	120,300	120,300	112,982
 Total licenses and permits	 709,070	 735,070	 783,630
<b>INTERGOVERNMENTAL</b>			
State income tax	1,949,439	1,782,142	1,803,091
Municipal sales	6,929,585	6,945,011	7,100,938
State replacement tax	59,880	59,880	69,971
Street maintenance reimbursement	18,010	18,010	19,832
Local use tax	474,648	490,842	507,789
Auto rental tax	6,480	6,480	6,502
Pull tax	122,100	172,100	186,805
Fire/rescue service contract	5,220,598	5,120,600	5,165,187
Reimbursements			
Grants	30,000	45,604	68,730
Governmental agency	158,000	214,694	223,803
 Total intergovernmental	 14,968,740	 14,855,363	 15,152,648

(This schedule is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)**  
**GENERAL FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>CHARGES FOR SERVICES</b>			
Police fees			
Police alarm fees	\$ 4,500	\$ 4,500	\$ 6,275
Public safety special detail	34,500	34,500	31,768
Police administration tow fees	44,040	44,040	57,350
Police lock out fees	7,500	7,500	7,750
Police contracted services	-	-	2,400
Fire/rescue fees			
Special detail	9,425	9,425	4,953
Ambulance fees	520,000	600,000	664,436
Spillage fees	-	-	1,261
Inspection fees	54,250	54,250	88,557
Public education	3,750	3,750	3,118
Site plan review	90,500	90,500	91,895
Elevator inspections	22,500	22,500	15,696
Exterior appearance review	2,000	2,000	-
Subdivision applications	950	950	-
Planned unit development review	2,750	30,000	23,100
Printing and reproduction fees	5,000	5,000	6,008
Engineering review	135,000	121,500	103,579
Watershed development	5,000	26,000	28,510
Reimbursements	3,500	3,500	12,042
Park fees	68,650	68,650	84,687
Park program fees	541,025	608,610	627,696
 Total charges for services	 1,554,840	 1,737,175	 1,861,081
<b>FINES AND FORFEITS</b>			
Circuit court fines	263,000	286,000	238,279
Other fines	321,500	400,000	469,919
 Total fines and forfeits	 584,500	 686,000	 708,198
<b>INVESTMENT INCOME</b>			
	46,800	75,000	83,777
<b>MISCELLANEOUS</b>			
Miscellaneous revenues	7,000	7,000	39,966
Donations	500	500	3,985
Rent income	37,750	62,050	60,203
 Total miscellaneous	 45,250	 69,550	 104,154
<b>TOTAL REVENUES</b>			
	<b>\$ 27,831,272</b>	<b>\$ 27,976,876</b>	<b>\$ 28,449,081</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>GENERAL GOVERNMENT</b>			
General administration	\$ 69,392	\$ 69,392	\$ 66,668
Village administration	767,827	739,337	713,268
Finance department	529,079	527,079	521,757
Technology department	500,694	513,092	464,312
 Total general government	 1,866,992	 1,848,900	 1,766,005
<b>PUBLIC SAFETY</b>			
Police department	7,700,371	7,491,324	7,521,414
Fire department	11,407,177	11,311,613	11,344,087
Community development	777,177	882,177	935,586
 Total public safety	 19,884,725	 19,685,114	 19,801,087
<b>HIGHWAYS AND STREETS</b>			
Public works	2,822,921	2,857,003	2,796,522
<b>CULTURE AND RECREATION</b>			
Parks and recreation department	975,358	1,019,582	969,402
<b>ECONOMIC DEVELOPMENT</b>			
	935,944	901,944	863,578
 <b>TOTAL EXPENDITURES</b>	 \$ 26,485,940	 \$ 26,312,543	 \$ 26,196,594

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes			
Property	\$ 1,601,000	\$ 1,601,000	\$ 1,604,071
Investment income	3,000	3,500	9,939
 Total revenues	 1,604,000	 1,604,500	 1,614,010
 <b>EXPENDITURES</b>			
Debt service			
Principal retirement	1,518,000	1,518,000	435,000
Interest and fiscal charges	85,668	86,168	85,773
 Total expenditures	 1,603,668	 1,604,168	 520,773
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 332	 332	 1,093,237
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	(1,083,000)
 Total other financing sources (uses)	 -	 -	 (1,083,000)
 NET CHANGE IN FUND BALANCE	 \$ 332	 \$ 332	 10,237
 FUND BALANCE, JANUARY 1			 1,326,294
 <b>FUND BALANCE, DECEMBER 31</b>			 \$ 1,336,531

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TIF DEBT SERVICE FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Reimbursements	\$ -	\$ -	\$ 31,056
Investment income	1,000	1,000	2,735
Total revenues	1,000	1,000	33,791
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	885,000	885,000	885,000
Interest and fiscal charges	817,127	828,827	829,666
Total expenditures	1,702,127	1,713,827	1,714,666
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(1,701,127)	(1,712,827)	(1,680,875)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from bond issuance, at par	1,083,000	1,083,000	-
Payment to escrow agent	-	-	-
Transfers in	700,000	755,000	1,838,000
Total other financing sources (uses)	1,783,000	1,838,000	1,838,000
<b>NET CHANGE IN FUND BALANCE</b>			
	<u>\$ 81,873</u>	<u>\$ 125,173</u>	<u>157,125</u>
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>			
			<u>(1,066,748)</u>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>			
			<u><u>\$ (909,623)</u></u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Grants	\$ 20,000	\$ 20,000	\$ 66,442
Investment income	4,000	4,000	15,129
Miscellaneous	2,000	2,000	17,380
 Total revenues	 26,000	 26,000	 98,951
<b>EXPENDITURES</b>			
Capital outlay			
Infrastructure improvements	204,500	204,500	48,329
Capital project improvements	113,500	113,500	241,657
 Total expenditures	 318,000	 318,000	 289,986
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	 (292,000)	 (292,000)	 (191,035)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	400,000	670,000	920,000
 Total other financing sources (uses)	 400,000	 670,000	 920,000
 <b>NET CHANGE IN FUND BALANCE</b>	  <b>\$ 108,000</b>	  <b>\$ 378,000</b>	  <b>728,965</b>
 <b>FUND BALANCE, JANUARY 1</b>			  <b>1,829,777</b>
 <b>FUND BALANCE, DECEMBER 31</b>			  <b>\$ 2,558,742</b>

(See independent auditor's report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

Foreign Fire Tax Fund - to account for the restricted revenues and related expenditures of this source.

Hotel Tax Fund - to account for the restricted revenues and related expenditures of this source.

Motor Fuel Tax Fund - to account for activity funded by the restricted state share of tax on the use of motor fuels.

Special Events - to account for revenues and expenditures restricted for special events.

Dispatch Services - to account for revenues and expenditures restricted for public safety.

TIF #3 Fund - to account for all restricted revenue and activities associated with improvements within the Tax Increment Financing District.

Park Improvements Fund - to account for the revenues, expenditures and receipt of transfers assigned for improvements to the Village's parks.

Non-Home Rule Sales Tax Capital Projects Fund - to account for the revenues, expenditures and receipt of transfers restricted for improvements to the Village's facilities not funded by Enterprise Funds.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2017

	Special Revenue Funds						Capital Projects			
	Foreign Fire Tax	Hotel Tax	Motor Fuel Tax	Special Events	Dispatch Services	TIF #3	Park Improvements	Non-Home Rule Sales Tax Capital Projects	Total	
<b>ASSETS</b>										
Cash and investments of allowances	\$ 224,806	\$ 393,502	\$ 1,997,168	\$ 101,534	\$ 177,784	\$ 3,597	\$ 185,729	\$ 1,017,004	\$ 4,101,124	
Receivables (net, where applicable, for uncollectibles)										
Accounts	-	8,241	43,378	442	36,675	-	-	561,866	650,602	
Accrued interest	-	-	-	-	-	-	415	-	415	
Advances to other funds	-	-	-	-	-	-	-	400,000	400,000	
Prepaid items	-	-	-	14,197	-	-	-	-	14,197	
<b>TOTAL ASSETS</b>	<b>\$ 224,806</b>	<b>\$ 401,743</b>	<b>\$ 2,040,546</b>	<b>\$ 116,173</b>	<b>\$ 214,459</b>	<b>\$ 3,597</b>	<b>\$ 186,144</b>	<b>\$ 1,978,870</b>	<b>\$ 5,166,338</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ 3,077	\$ 183	\$ 54	\$ -	\$ 2,739	\$ 12,164	\$ 18,217	
Accrued payroll	-	42	-	2,076	27,070	-	-	-	29,188	
Unearned revenue	-	-	-	2,345	118,300	-	-	-	120,645	
Other payables	-	-	-	-	-	-	-	6,849	6,849	
Due to other funds	-	-	-	-	4	-	-	-	4	
Advances due to other funds	-	-	-	-	-	55,000	-	-	55,000	
Total liabilities	-	42	3,077	4,604	145,428	55,000	2,739	19,013	229,903	
<b>FUND BALANCES</b>										
Nonspendable										
Prepaid Items	-	-	-	14,197	-	-	-	-	14,197	
Restricted										
Public Safety	224,806	-	-	-	-	-	-	-	224,806	
Capital Projects	-	-	-	-	-	-	-	1,959,857	1,959,857	
Highways and Streets	-	-	2,037,469	-	-	-	-	-	2,037,469	
Tourism	-	401,701	-	-	-	-	-	-	401,701	
Special Events	-	-	-	-	-	-	-	-	-	
Assigned										
Capital Projects	-	-	-	-	-	-	183,405	-	183,405	
Special Events	-	-	-	97,372	-	-	-	-	97,372	
Dispatch Services	-	-	-	-	69,031	-	-	-	69,031	
Unassigned (deficit)	-	-	-	-	-	(51,403)	-	-	(51,403)	
Total fund balances (deficit)	224,806	401,701	2,037,469	111,569	69,031	(51,403)	183,405	1,959,857	4,936,435	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 224,806</b>	<b>\$ 401,743</b>	<b>\$ 2,040,546</b>	<b>\$ 116,173</b>	<b>\$ 214,459</b>	<b>\$ 3,597</b>	<b>\$ 186,144</b>	<b>\$ 1,978,870</b>	<b>\$ 5,166,338</b>	

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2017

	<b>Special Revenue Funds</b>						<b>Capital Projects</b>			
	<b>Foreign Fire Tax</b>	<b>Hotel Tax</b>	<b>Motor Fuel Tax</b>	<b>Special Events</b>	<b>Dispatch Services</b>	<b>TIF #3</b>	<b>Park Improvements</b>	<b>Non-Home Rule Sales Tax Capital Projects</b>	<b>Total</b>	
<b>REVENUES</b>										
Taxes	\$ 47,206	\$ 107,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,042,195	\$ 2,197,004	
Intergovernmental										
Motor fuel tax allocations	-	-	508,702	-	-	-	-	-	508,702	
Charges for services	-	-	-	-	723,990	-	71,970	-	795,960	
Special events	-	-	-	193,667	-	-	-	-	193,667	
Investment income	-	2,014	16,547	306	195	-	1,141	8,564	28,767	
Total revenues	47,206	109,617	525,249	193,973	724,185	-	73,111	2,050,759	3,724,100	
<b>EXPENDITURES</b>										
Current										
General government	-	16,452	-	-	-	-	-	-	16,452	
Public safety	29,826	-	-	-	1,473,925	-	-	-	1,503,751	
Highways and streets	-	-	456,261	-	-	-	-	1,088,558	1,544,819	
Culture and recreation	-	-	-	341,180	-	-	-	-	341,180	
Economic development	-	-	-	-	-	8,691	-	-	8,691	
Capital outlay	-	-	-	-	-	-	10,566	-	10,566	
Park improvements	-	-	-	-	-	-	-	-	-	
Total expenditures	29,826	16,452	456,261	341,180	1,473,925	8,691	10,566	1,088,558	3,425,459	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,380	93,165	68,988	(147,207)	(749,740)	(8,691)	62,545	962,201	298,641	
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	180,500	818,771	-	-	-	999,271	
Transfers (out)	-	(44,000)	-	-	-	-	-	-	(44,000)	
Total other financing sources (uses)	-	(44,000)	-	180,500	818,771	-	-	-	955,271	
NET CHANGE IN FUND BALANCES	17,380	49,165	68,988	33,293	69,031	(8,691)	62,545	962,201	1,253,912	
FUND BALANCES (DEFICIT), JANUARY 1	207,426	352,536	1,968,481	78,276	-	(42,712)	120,860	997,656	3,682,523	
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 224,806</b>	<b>\$ 401,701</b>	<b>\$ 2,037,469</b>	<b>\$ 111,569</b>	<b>\$ 69,031</b>	<b>\$ (51,403)</b>	<b>\$ 183,405</b>	<b>\$ 1,959,857</b>	<b>\$ 4,936,435</b>	

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
HOTEL TAX FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 114,751	\$ 114,751	\$ 107,603
Investment income	400	400	2,014
 Total revenues	 115,151	 115,151	 109,617
<b>EXPENDITURES</b>			
General government	15,135	16,635	16,452
 Total expenditures	 15,135	 16,635	 16,452
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 100,016	 98,516	 93,165
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(44,000)	(44,000)	(44,000)
 Total other financing sources (uses)	 (44,000)	 (44,000)	 (44,000)
 NET CHANGE IN FUND BALANCE	 \$ 56,016	 \$ 54,516	 49,165
 FUND BALANCE, JANUARY 1			 352,536
<b>FUND BALANCE, DECEMBER 31</b>			 \$ 401,701

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Motor fuel tax allocations	\$ 501,797	\$ 501,797	\$ 508,702
Investment income	5,000	5,000	16,547
Total revenues	<u>506,797</u>	<u>506,797</u>	<u>525,249</u>
<b>EXPENDITURES</b>			
Highways and streets	493,100	493,100	456,261
Total expenditures	<u>493,100</u>	<u>493,100</u>	<u>456,261</u>
NET CHANGE IN FUND BALANCE	<u>\$ 13,697</u>	<u>\$ 13,697</u>	<u>68,988</u>
FUND BALANCE, JANUARY 1			<u>1,968,481</u>
<b>FUND BALANCE, DECEMBER 31</b>			<b><u>\$ 2,037,469</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL EVENTS FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Special events	\$ 158,475	\$ 179,525	\$ 193,667
Investment income	100	100	306
	<hr/>	<hr/>	<hr/>
Total revenues	158,575	179,625	193,973
<b>EXPENDITURES</b>			
Culture and recreation	324,865	345,915	341,180
	<hr/>	<hr/>	<hr/>
Total expenditures	324,865	345,915	341,180
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<hr/>	<hr/>	<hr/>
	(166,290)	(166,290)	(147,207)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	180,500	180,500	180,500
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	180,500	180,500	180,500
<b>NET CHANGE IN FUND BALANCE</b>	<hr/>	<hr/>	<hr/>
	\$ 14,210	\$ 14,210	33,293
<b>FUND BALANCE, JANUARY 1</b>			<hr/>
			78,276
<b>FUND BALANCE, DECEMBER 31</b>			<hr/>
			\$ 111,569

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DISPATCH SERVICES FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Charges for services	\$ 722,000	\$ 722,000	\$ 723,990
Investment income	500	500	195
 Total revenues	 722,500	 722,500	 724,185
<b>EXPENDITURES</b>			
Public safety	1,536,181	1,536,181	1,473,925
 Total expenditures	 1,536,181	 1,536,181	 1,473,925
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (813,681)	 (813,681)	 (749,740)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	818,771	818,771	818,771
 Total other financing sources (uses)	 818,771	 818,771	 818,771
 NET CHANGE IN FUND BALANCE	 \$ 5,090	 \$ 5,090	 69,031
 FUND BALANCE, JANUARY 1			-
 <b>FUND BALANCE, DECEMBER 31</b>			 <b>\$ 69,031</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TIF #3 FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
None	\$ -	\$ -	\$ -
Total revenues	- -	- -	- -
<b>EXPENDITURES</b>			
Economic development	31,130	31,130	8,691
Total expenditures	31,130	31,130	8,691
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(31,130)</b>	<b>(31,130)</b>	<b>(8,691)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (31,130)</b>	<b>\$ (31,130)</b>	<b>(8,691)</b>
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>			<b>(42,712)</b>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>			<b>\$ (51,403)</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PARK IMPROVEMENTS FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ 71,970
Investment income	900	900	1,141
 Total revenues	 900	 900	 73,111
<b>EXPENDITURES</b>			
Park improvements	55,600	55,600	10,566
 Total expenditures	 55,600	 55,600	 10,566
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(54,700)	(54,700)	62,545
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
 Total other financing sources (uses)	 -	 -	 -
<b>NET CHANGE IN FUND BALANCE</b>			
	\$ (54,700)	\$ (54,700)	62,545
 <b>FUND BALANCE, JANUARY 1</b>			 120,860
 <b>FUND BALANCE, DECEMBER 31</b>			 \$ 183,405

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
NON-HOME RULE SALES TAX CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 2,027,889	\$ 2,027,889	\$ 2,042,195
Capital grants	-	-	-
Investment income	2,500	2,500	8,564
 Total revenues	 2,030,389	 2,030,389	 2,050,759
<b>EXPENDITURES</b>			
Highways and streets	1,204,000	1,204,000	1,088,558
Less reimbursements	-	-	-
 Total expenditures	 1,204,000	 1,204,000	 1,088,558
 NET CHANGE IN FUND BALANCE	 \$ 826,389	 \$ 826,389	 962,201
 FUND BALANCE, JANUARY 1			 997,656
 <b>FUND BALANCE, DECEMBER 31</b>			 <b>\$ 1,959,857</b>

(See independent auditor's report.)

## **MAJOR ENTERPRISE FUND**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
WATERWORKS AND SEWERAGE FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,448,467	\$ 5,448,467	\$ 5,312,396
Total operating revenues	<u>5,448,467</u>	<u>5,448,467</u>	<u>5,312,396</u>
<b>OPERATING EXPENSES</b>			
Administration	695,638	695,638	586,104
Operations	4,131,478	5,331,478	2,739,631
Depreciation	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,736,169</u>
Total operating expenses	<u>6,527,116</u>	<u>7,727,116</u>	<u>5,061,904</u>
OPERATING INCOME (LOSS)	<u>(1,078,649)</u>	<u>(2,278,649)</u>	<u>250,492</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Connection fees	250,000	250,000	359,846
Investment income	15,000	15,000	41,891
Interest and fiscal charges	<u>(187,464)</u>	<u>(187,464)</u>	<u>(173,883)</u>
Total non-operating revenues (expenses)	<u>77,536</u>	<u>77,536</u>	<u>227,854</u>
CHANGE IN NET POSITION	<u>\$ (1,001,113)</u>	<u>\$ (2,201,113)</u>	<u>478,346</u>
NET POSITION, JANUARY 1			<u>42,996,598</u>
<b>NET POSITION, DECEMBER 31</b>			<b><u>\$ 43,474,944</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
WATERWORKS AND SEWERAGE FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>CHARGES FOR SERVICES</b>			
Water charges	\$ 2,938,617	\$ 2,938,617	\$ 2,778,564
Sewer charges	2,358,750	2,358,750	2,300,775
Meter sales	18,000	18,000	21,355
Late fees	97,500	97,500	109,957
Wastewater service agreements	35,000	35,000	92,753
Inspection fees	600	600	1,160
Other	-	-	7,832
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 5,448,467</b>	<b>\$ 5,448,467</b>	<b>\$ 5,312,396</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATERWORKS AND SEWERAGE FUND**

For the Year Ended December 31, 2017

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>ADMINISTRATION</b>			
Personnel services	\$ 315,625	\$ 315,625	\$ 212,115
Contractual services	327,338	327,338	322,602
Commodities	52,675	52,675	51,387
<b>TOTAL ADMINISTRATION</b>	<b>\$ 695,638</b>	<b>\$ 695,638</b>	<b>\$ 586,104</b>
<b>OPERATIONS</b>			
Water service			
Personnel services	\$ 665,647	\$ 665,647	\$ 643,107
Contractual services	312,700	862,700	235,057
Commodities	547,850	547,850	511,172
Total water service	1,526,197	2,076,197	1,389,336
Sewer service			
Personnel services	596,631	596,631	592,747
Contractual services	222,700	222,700	161,915
Commodities	81,050	81,050	76,222
Total sewer service	900,381	900,381	830,884
Capital outlay and maintenance	2,438,999	3,088,999	1,253,510
Less non-operating items			
Capital assets capitalized	(734,099)	(734,099)	(734,099)
<b>TOTAL OPERATIONS</b>	<b>\$ 4,131,478</b>	<b>\$ 5,331,478</b>	<b>\$ 2,739,631</b>
<b>DEPRECIATION</b>	<b>\$ 1,700,000</b>	<b>\$ 1,700,000</b>	<b>\$ 1,736,169</b>

(See independent auditor's report.)

## **INTERNAL SERVICE FUNDS**

Medical Self-Insurance Fund - to account for the financial activity of the Village's self-funding for excess medical liability that is above retention levels of conventionally purchased insurance.

Risk Management Fund - to account for the financial activity of the Village's funding for liability insurance.

Equipment Replacement Fund - to account for the financial activity of the Village's funding for replacement of Village equipment.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS**

December 31, 2017

---

	<b>Medical Self-Insurance</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 729,944	\$ 1,110,765	\$ 918,499	\$ 2,759,208
Accounts receivable	4,532	-	-	4,532
Prepaid items	76,200	258,603	-	334,803
Due from other funds	-	-	265,678	265,678
 Total current assets	 810,676	 1,369,368	 1,184,177	 3,364,221
<b>NONCURRENT ASSETS</b>				
Capital assets				
Depreciable	-	-	2,209,734	2,209,734
Accumulated depreciation	-	-	(418,721)	(418,721)
 Net capital assets	 -	 -	 1,791,013	 1,791,013
 Total assets	 810,676	 1,369,368	 2,975,190	 5,155,234
<b>CURRENT LIABILITIES</b>				
Accounts payable	9,797	2,311	-	12,108
Claims payable	-	-	-	-
Due to other funds	25,308	24,185	-	49,493
 Total current liabilities	 35,105	 26,496	 -	 61,601
 Total liabilities	 35,105	 26,496	 -	 61,601
<b>NET POSITION</b>				
Net investment in capital assets	-	-	1,791,013	1,791,013
Unrestricted	775,571	1,342,872	1,184,177	3,302,620
 Total net position	 \$ 775,571	 \$ 1,342,872	 \$ 2,975,190	 \$ 5,093,633

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2017

---

	<b>Medical Self-Insurance</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Contributions				
Employer	\$ 2,515,960	\$ 972,000	\$ 813,317	\$ 4,301,277
Employee	181,297	-	-	181,297
Pensioner	174,576	-	-	174,576
Miscellaneous	-	-	-	-
 Total operating revenues	 2,871,833	 972,000	 813,317	 4,657,150
<b>OPERATING EXPENSES</b>				
Insurance and claims				
Personal services	9,817	25,749	-	35,566
Claims	12,617	-	-	12,617
Contractual services	2,609,109	832,414	-	3,441,523
Less reimbursements	(9,040)	(60,121)	-	(69,161)
Operations				
Commodities	-	74,185	91,306	165,491
Depreciation	-	-	232,595	232,595
 Total operating expenses	 2,622,503	 872,227	 323,901	 3,818,631
 OPERATING INCOME	 249,330	 99,773	 489,416	 838,519
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment income	623	2,064	3,971	6,658
 Total non-operating revenue (expense)	 623	 2,064	 3,971	 6,658
 INCOME BEFORE TRANSFERS	 249,953	 101,837	 493,387	 845,177
<b>TRANSFERS</b>				
Transfers in	-	-	300,000	300,000
 Total transfers	 -	 -	 300,000	 300,000
 CHANGE IN NET POSITION	 249,953	 101,837	 793,387	 1,145,177
 NET POSITION, JANUARY 1	 525,618	 1,241,035	 2,181,803	 3,948,456
 <b>NET POSITION, DECEMBER 31</b>	 \$ 775,571	 \$ 1,342,872	 \$ 2,975,190	 \$ 5,093,633

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2017

	<b>Self-Insurance Retention</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 357,570	\$ -	\$ -	\$ 357,570
Receipts from internal services transactions	2,515,960	972,000	813,317	4,301,277
Payments to employees	(2,618,926)	(25,749)	-	(2,644,675)
Payments to suppliers	(225,212)	(928,840)	(91,516)	(1,245,568)
Net cash from operating activities	<u>29,392</u>	<u>17,411</u>	<u>721,801</u>	<u>768,604</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	300,000	300,000
Receipt on interfund loan	76,901	24,185	44,322	145,408
Net cash from noncapital financing activities	<u>76,901</u>	<u>24,185</u>	<u>344,322</u>	<u>445,408</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	-	-	(706,064)	(706,064)
Net cash from capital and related financing activities	<u>-</u>	<u>-</u>	<u>(706,064)</u>	<u>(706,064)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	623	2,064	3,971	6,658
Net cash from investing activities	<u>623</u>	<u>2,064</u>	<u>3,971</u>	<u>6,658</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>106,916</u>	<u>43,660</u>	<u>364,030</u>	<u>514,606</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>623,028</u>	<u>1,067,105</u>	<u>554,469</u>	<u>2,244,602</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b><u>\$ 729,944</u></b>	<b><u>\$ 1,110,765</u></b>	<b><u>\$ 918,499</u></b>	<b><u>\$ 2,759,208</u></b>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	<u>\$ 729,944</u>	<u>\$ 1,110,765</u>	<u>\$ 918,499</u>	<u>\$ 2,759,208</u>
<b>TOTAL CASH AND INVESTMENTS</b>	<b><u>\$ 729,944</u></b>	<b><u>\$ 1,110,765</u></b>	<b><u>\$ 918,499</u></b>	<b><u>\$ 2,759,208</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 249,330	\$ 99,773	\$ 489,416	\$ 838,519
Adjustments to reconcile operating income to net cash from operating activities	-	-	232,595	232,595
Depreciation	-	-	-	-
(Increase) decrease in	-	-	-	-
Accounts receivable	1,697	-	-	1,697
Prepaid items	(16,212)	(84,593)	-	(100,805)
Increase (decrease) in	-	-	-	-
Accounts payable	1,949	2,231	(210)	3,970
Claims payable	(207,372)	-	-	(207,372)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 29,392</u></b>	<b><u>\$ 17,411</u></b>	<b><u>\$ 721,801</u></b>	<b><u>\$ 768,604</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL  
MEDICAL SELF-INSURANCE FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 2,495,654	\$ 2,495,654	\$ 2,515,960
Employee	295,257	295,257	181,297
Pensioner	186,378	186,378	174,576
 Total operating revenues	 2,977,289	 2,977,289	 2,871,833
<b>OPERATING EXPENSES</b>			
Insurance and claims			
Personnel services	35,000	35,000	9,817
Claims	20,000	20,000	12,617
Contractual services	2,873,371	2,873,371	2,609,109
Less reimbursements	-	-	(9,040)
 Total operating expenses	 2,928,371	 2,928,371	 2,622,503
<b>OPERATING INCOME</b>			
	 48,918	 48,918	 249,330
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	500	500	623
 Total non-operating revenue (expense)	 500	 500	 623
<b>CHANGE IN NET POSITION</b>			
	 \$ 49,418	 \$ 49,418	 249,953
 NET POSITION, JANUARY 1			 525,618
 <b>NET POSITION, DECEMBER 31</b>			 \$ 775,571

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL  
RISK MANAGEMENT FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 972,000	\$ 972,000	\$ 972,000
Total operating revenues	<u>972,000</u>	<u>972,000</u>	<u>972,000</u>
<b>OPERATING EXPENSES</b>			
Insurance and claims			
Personnel services	72,000	72,000	25,749
Contractual services	955,000	955,000	832,414
Less reimbursements	(5,000)	(5,000)	(60,121)
Operations			
Commodities	<u>50,000</u>	<u>50,000</u>	<u>74,185</u>
Total operating expenses	<u>1,072,000</u>	<u>1,072,000</u>	<u>872,227</u>
OPERATING INCOME			
	<u>(100,000)</u>	<u>(100,000)</u>	<u>99,773</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income			
	<u>-</u>	<u>-</u>	<u>2,064</u>
Total non-operating revenue (expense)			
	<u>-</u>	<u>-</u>	<u>2,064</u>
CHANGE IN NET POSITION	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>101,837</u>
NET POSITION, JANUARY 1			<u>1,241,035</u>
<b>NET POSITION, DECEMBER 31</b>			<b><u>\$ 1,342,872</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL  
EQUIPMENT REPLACEMENT FUND**

For the Year Ended December 31, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 847,640	\$ 847,640	\$ 813,317
Miscellaneous	-	-	-
 Total operating revenues	 847,640	 847,640	 813,317
<b>OPERATING EXPENSES</b>			
Operations			
Vehicles	735,000	735,000	697,154
Technology	50,000	50,000	72,730
Equipment	47,000	47,000	27,486
Depreciation	91,000	91,000	232,595
 Total operating expenses	 923,000	 923,000	 1,029,965
 OPERATING INCOME (LOSS)	  (75,360)	  (75,360)	  (216,648)
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	500	500	3,971
 Total non-operating revenue (expense)	 500	 500	 3,971
 INCOME (LOSS) BEFORE TRANSFERS	  (74,860)	  (74,860)	  (212,677)
<b>TRANSFERS</b>			
Transfers in	-	-	300,000
 Total transfers	 -	 -	 300,000
 CHANGE IN NET POSITION - BUDGETARY BASIS	  \$ (74,860)	  \$ (74,860)	  87,323
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Vehicle costs capitalized			682,747
Equipment costs capitalized			23,317
 CHANGE IN NET POSITION - GAAP BASIS	  793,387		
 NET POSITION, JANUARY 1			  2,181,803
 <b>NET POSITION, DECEMBER 31</b>			  <u>\$ 2,975,190</u>

(See independent auditor's report.)

## **FIDUCIARY FUNDS**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF PLAN NET POSITION  
PENSION TRUST FUNDS**

December 31, 2017

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	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,400	\$ 41,177	\$ 50,577
Investments			
U.S. Treasury obligations	1,328,403	1,399,148	2,727,551
U.S. agencies securities	7,123,247	6,905,514	14,028,761
Mutual funds	12,675,778	19,172,525	31,848,303
Corporate bonds	-	5,089,454	5,089,454
State and local obligations	1,302,726	946,917	2,249,643
Money market funds	180,992	1,939	182,931
Certificates of deposit	-	249,529	249,529
Insurance contracts	-	411,385	411,385
Receivables			
Accrued interest	62,966	130,471	193,437
Prepays	2,608	1,740	4,348
 Total assets	 22,686,120	 34,349,799	 57,035,919
<b>LIABILITIES</b>			
Accounts payable	11,322	4,820	16,142
 Total liabilities	 11,322	 4,820	 16,142
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
	 \$ 22,674,798	 \$ 34,344,979	 \$ 57,019,777

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
PENSION TRUST FUNDS**

December 31, 2017

---

	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions - employer	\$ 1,772,589	\$ 2,176,385	\$ 3,948,974
Contributions - employee	304,715	562,401	867,116
 Total contributions	 2,077,304	 2,738,786	 4,816,090
 Investment income			
Net appreciation in fair value of investments	1,665,957	2,722,429	4,388,386
Interest earned on investments	922,769	1,053,839	1,976,608
 Total investment income	 2,588,726	 3,776,268	 6,364,994
Less investment expense	(53,294)	(52,543)	(105,837)
 Net investment income	 2,535,432	 3,723,725	 6,259,157
 Total additions	 4,612,736	 6,462,511	 11,075,247
 <b>DEDUCTIONS</b>			
Benefits and refunds			
Pension payments and refunds	1,569,353	1,072,050	2,641,403
Administrative	26,555	84,741	111,296
 Total deductions	 1,595,908	 1,156,791	 2,752,699
 NET INCREASE	 3,016,828	 5,305,720	 8,322,548
 <b>NET POSITION RESTRICTED FOR PENSIONS</b>			
January 1	19,657,970	29,039,259	48,697,229
 December 31	 \$ 22,674,798	 \$ 34,344,979	 \$ 57,019,777

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Year Ended December 31, 2017

---

	<b>Balances</b>			<b>Balances</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>
<b>Total All Agency Funds</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,944,582	\$ 1,480,207	\$ 1,663,253	\$ 1,761,536
Receivables				
Other	23,044	75,999	66,122	32,921
Due from other funds	6,473	514	6,987	-
<b>TOTAL ASSETS</b>	<b>\$ 1,974,099</b>	<b>\$ 1,556,720</b>	<b>\$ 1,736,362</b>	<b>\$ 1,794,457</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 648,993	\$ 455,690	\$ 430,960	\$ 673,723
Due to other funds	247,787	39,677	271,789	15,675
Deposits payable	1,077,319	469,218	441,478	1,105,059
<b>TOTAL LIABILITIES</b>	<b>\$ 1,974,099</b>	<b>\$ 964,585</b>	<b>\$ 1,144,227</b>	<b>\$ 1,794,457</b>
<b>1. Escrow Performance</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,297,240	\$ 1,408,939	\$ 1,619,264	\$ 1,086,915
Receivables				
Other	10,687	75,999	62,850	23,836
Due from other funds	6,473	514	6,987	-
<b>TOTAL ASSETS</b>	<b>\$ 1,314,400</b>	<b>\$ 1,485,452</b>	<b>\$ 1,689,101</b>	<b>\$ 1,110,751</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 231	\$ 377,841	\$ 377,118	\$ 954
Due to other funds	236,850	39,677	271,789	4,738
Deposits payable	1,077,319	469,218	441,478	1,105,059
<b>TOTAL LIABILITIES</b>	<b>\$ 1,314,400</b>	<b>\$ 886,736</b>	<b>\$ 1,090,385</b>	<b>\$ 1,110,751</b>
<b>2. Special Service Areas</b>				
<b>ASSETS</b>				
Cash and investments	\$ 647,342	\$ 71,268	\$ 43,989	\$ 674,621
Receivables				
Other	12,357	-	3,272	9,085
<b>TOTAL ASSETS</b>	<b>\$ 659,699</b>	<b>\$ 71,268</b>	<b>\$ 47,261</b>	<b>\$ 683,706</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 648,762	\$ 77,849	\$ 53,842	\$ 672,769
Due to other funds	10,937	-	-	10,937
<b>TOTAL LIABILITIES</b>	<b>\$ 659,699</b>	<b>\$ 77,849</b>	<b>\$ 53,842</b>	<b>\$ 683,706</b>

(See independent auditor's report.)

**SUPPLEMENTAL DATA**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION TIF ALTERNATE REVENUE BONDS SERIES OF 2009A**

December 31, 2017

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Date of Issue	April 1, 2009
Date of Maturity	February 1, 2021
Authorized Issue	\$7,830,000
Denomination of Bonds	\$5,000
Interest Rates	3.30% to 6.15%
Interest Dates	August 1 and February 1
Principal Maturity Date	February 1

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Tax Levy Year</b>	<b>Tax Levy</b>			<b>Interest Due on</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>August 1</b>	<b>Amount</b>	<b>February 1</b>	<b>Amount</b>
2017	\$ 300,000	\$ 44,578	\$ 344,578	2018	\$ 22,289	2019	\$ 22,289
2018	350,000	29,028	379,028	2019	14,514	2020	14,514
2019	405,000	10,226	415,226	2020	5,113	2021	5,113
	<b>\$ 1,055,000</b>	<b>\$ 83,832</b>	<b>\$ 1,138,832</b>		<b>\$ 41,916</b>		<b>\$ 41,916</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BONDS SERIES OF 2008A**

December 31, 2017

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Date of Issue	August 1, 2008
Date of Maturity	January 1, 2021
Authorized Issue	\$4,265,000
Denomination of Bonds	\$5,000
Interest Rates	3.5% to 5.0%
Interest Dates	July 1 and January 1
Principal Maturity Date	January 1

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Total	January 1	Amount	July 1	Amount
2017	\$ 460,000	\$ 51,100	\$ 511,100	2018	\$ 31,300	2018	\$ 19,800
2018	485,000	29,900	514,900	2019	19,800	2019	10,100
2019	<u>505,000</u>	<u>10,100</u>	<u>515,100</u>	2020	<u>10,100</u>	2020	<u>-</u>
	<u><u>\$ 1,450,000</u></u>	<u><u>\$ 91,100</u></u>	<u><u>\$ 1,541,100</u></u>		<u><u>\$ 61,200</u></u>		<u><u>\$ 29,900</u></u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BONDS  
(ALTERNATE REVENUE SOURCE) SERIES OF 2014A**

December 31, 2017

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Date of Issue September 8, 2014  
Date of Maturity December 15, 2024  
Authorized Issue \$6,325,000  
Interest Rates 2% to 3%  
Interest Dates June 15 and December 15  
Principal Maturity Date December 15

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2018	\$ 655,000	\$ 138,100	\$ 793,100	2018	\$ 69,050	2018	\$ 69,050
2019	670,000	125,000	795,000	2019	62,500	2019	62,500
2020	685,000	111,600	796,600	2020	55,800	2020	55,800
2021	725,000	91,050	816,050	2021	45,525	2021	45,525
2022	745,000	69,300	814,300	2022	34,650	2022	34,650
2023	760,000	46,950	806,950	2023	23,475	2023	23,475
2024	805,000	24,150	829,150	2024	12,075	2024	12,075
	<u>\$ 5,045,000</u>	<u>\$ 606,150</u>	<u>\$ 5,651,150</u>		<u>\$ 303,075</u>		<u>\$ 303,075</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BONDS  
(ALTERNATE REVENUE SOURCE) SERIES OF 2015A**

December 31, 2017

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Date of Issue	April 23, 2015
Date of Maturity	December 15, 2034
Authorized Issue	\$11,775,000
Interest Rates	3.25% to 3.75%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2018	\$ -	\$ 413,685	\$ 413,685	2018	\$ 206,842	2018	\$ 206,843
2019	-	413,685	413,685	2019	206,842	2019	206,843
2020	-	413,685	413,685	2020	206,842	2020	206,843
2021	-	413,685	413,685	2021	206,842	2021	206,843
2022	-	413,685	413,685	2022	206,842	2022	206,843
2023	-	413,685	413,685	2023	206,842	2023	206,843
2024	-	413,685	413,685	2024	206,842	2024	206,843
2025	810,000	413,685	1,223,685	2025	206,842	2025	206,843
2026	840,000	387,360	1,227,360	2026	193,680	2026	193,680
2027	875,000	360,060	1,235,060	2027	180,030	2027	180,030
2028	915,000	331,622	1,246,622	2028	165,811	2028	165,811
2029	955,000	301,428	1,256,428	2029	150,714	2029	150,714
2030	1,370,000	268,956	1,638,956	2030	134,478	2030	134,478
2031	1,415,000	221,008	1,636,008	2031	110,504	2031	110,504
2032	1,480,000	170,066	1,650,066	2032	85,033	2032	85,033
2033	1,530,000	116,048	1,646,048	2033	58,024	2033	58,024
2034	1,585,000	59,438	1,644,438	2034	29,719	2034	29,719
	<u>\$ 11,775,000</u>	<u>\$ 5,525,466</u>	<u>\$ 17,300,466</u>		<u>\$ 2,762,729</u>		<u>\$ 2,762,737</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION WATERWORKS AND SEWERAGE BONDS  
(ALTERNATE REVENUE SOURCE) SERIES OF 2013A**

December 31, 2017

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Date of Issue	September 4, 2013
Date of Maturity	December 15, 2023
Authorized Issue	\$3,800,000
Denomination of Bonds	\$5,000
Interest Rates	3% to 4%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2018	\$ 435,000	\$ 92,500	\$ 527,500	2018	\$ 46,250	2018	\$ 46,250
2019	450,000	79,450	529,450	2019	39,725	2019	39,725
2020	450,000	64,825	514,825	2020	32,412	2020	32,413
2021	450,000	49,075	499,075	2021	24,537	2021	24,538
2022	405,000	32,200	437,200	2022	16,100	2022	16,100
2023	400,000	16,000	416,000	2023	8,000	2023	8,000
	<u>\$ 2,590,000</u>	<u>\$ 334,050</u>	<u>\$ 2,924,050</u>		<u>\$ 167,024</u>		<u>\$ 167,026</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
IEPA LOAN OF 2006**

December 31, 2017

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Date of Issue	October 15, 2005
Date of Maturity	December 16, 2026
Authorized Issue	\$2,000,000
Interest Rates	2.5%
Interest Dates	June 16 and December 16
Principal Maturity Date	June 16 and December 16
Payable at	Illinois Environmental Protection Agency

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 16</b>	<b>Amount</b>	<b>December 16</b>	<b>Amount</b>
2018	\$ 105,042	\$ 25,173	\$ 130,215	2018	\$ 12,913	2018	\$ 12,260
2019	107,684	22,531	130,215	2019	11,600	2019	10,931
2020	110,393	19,822	130,215	2020	10,254	2020	9,568
2021	113,170	17,045	130,215	2021	8,874	2021	8,171
2022	116,017	14,197	130,214	2022	7,459	2022	6,738
2023	118,935	11,279	130,214	2023	6,009	2023	5,270
2024	121,927	8,287	130,214	2024	4,522	2024	3,765
2025	124,994	5,220	130,214	2025	2,998	2025	2,222
2026	114,854	2,076	116,930	2026	1,436	2026	640
	<u>\$ 1,033,016</u>	<u>\$ 125,630</u>	<u>\$ 1,158,646</u>		<u>\$ 66,065</u>		<u>\$ 59,565</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
IEPA LOAN OF 2008**

December 31, 2017

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Date of Issue	September 27, 2007
Date of Maturity	August 11, 2028
Authorized Issue	\$1,673,182
Interest Rates	1.25%
Interest Dates	August 11 and February 11
Principal Maturity Date	August 11 and February 11
Payable at	Illinois Environmental Protection Agency

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>February 11</b>	<b>Amount</b>	<b>August 11</b>	<b>Amount</b>
2018	\$ 86,668	\$ 26,531	\$ 113,199	2018	\$ 13,535	2018	\$ 12,996
2019	88,848	24,351	113,199	2019	12,451	2019	11,900
2020	91,083	22,116	113,199	2020	11,341	2020	10,775
2021	93,375	19,824	113,199	2021	10,202	2021	9,622
2022	95,724	17,476	113,200	2022	9,035	2022	8,441
2023	98,132	15,068	113,200	2023	7,839	2023	7,229
2024	100,600	12,599	113,199	2024	6,612	2024	5,987
2025	103,131	10,068	113,199	2025	5,354	2025	4,714
2026	105,725	7,474	113,199	2026	4,065	2026	3,409
2027	108,385	4,814	113,199	2027	2,744	2027	2,070
2028	111,113	2,088	113,201	2028	1,389	2028	699
	<u>\$ 1,082,784</u>	<u>\$ 162,409</u>	<u>\$ 1,245,193</u>		<u>\$ 84,567</u>		<u>\$ 77,842</u>

(See independent auditor's report.)

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**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**(ALTERNATE REVENUE SOURCE) SERIES OF 2016A**

December 31, 2017

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Date of Issue	May 16, 2016
Date of Maturity	February 1, 2029
Authorized Issue	\$6,785,000
Interest Rates	1.10% to 3.05%
Interest Dates	February 1 and August 1
Principal Maturity Date	February 1 and August 1

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>February 1</b>	<b>Amount</b>	<b>August 1</b>	<b>Amount</b>
2018	\$ 120,000	\$ 167,733	\$ 287,733	2018	\$ 84,196	2018	\$ 83,537
2019	120,000	166,263	286,263	2019	83,536	2019	82,727
2020	120,000	164,493	284,493	2020	82,726	2020	81,767
2021	635,000	157,976	792,976	2021	81,766	2021	76,210
2022	655,000	145,706	800,706	2022	76,210	2022	69,496
2023	680,000	131,343	811,343	2023	69,496	2023	61,847
2024	695,000	115,353	810,353	2024	61,846	2024	53,507
2025	715,000	97,717	812,717	2025	53,506	2025	44,211
2026	725,000	78,453	803,453	2026	44,211	2026	34,242
2027	750,000	57,797	807,797	2027	34,242	2027	23,555
2028	775,000	35,679	810,679	2028	23,555	2028	12,124
2029	795,000	12,124	807,124	2029	12,124	2029	-
	<u>\$ 6,785,000</u>	<u>\$ 1,330,637</u>	<u>\$ 8,115,637</u>		<u>\$ 707,414</u>		<u>\$ 623,223</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION WATERWORKS AND SEWERAGE BONDS  
(ALTERNATE REVENUE SOURCE) SERIES OF 2016B**

December 31, 2017

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Date of Issue	August 1, 2016
Date of Maturity	December 15, 2026
Authorized Issue	\$1,000,000
Denomination of Bonds	\$5,000
Interest Rates	3.5% to 5.0%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2018	\$ 95,000	\$ 18,200	\$ 113,200	2018	\$ 9,100	2018	\$ 9,100
2019	95,000	16,300	111,300	2019	8,150	2019	8,150
2020	100,000	14,400	114,400	2020	7,200	2020	7,200
2021	100,000	12,400	112,400	2021	6,200	2021	6,200
2022	100,000	10,400	110,400	2022	5,200	2022	5,200
2023	100,000	8,400	108,400	2023	4,200	2023	4,200
2024	105,000	6,400	111,400	2024	3,200	2024	3,200
2025	105,000	4,300	109,300	2025	2,150	2025	2,150
2026	110,000	2,200	112,200	2026	1,100	2026	1,100
	<b>\$ 910,000</b>	<b>\$ 93,000</b>	<b>\$ 1,003,000</b>		<b>\$ 46,500</b>		<b>\$ 46,500</b>

(See independent auditor's report.)

## STATISTICAL SECTION

This part of the Village of Lake Zurich, Illinois' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Village's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	123-134
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	135-138
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	139-144
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	145-146
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	147-150

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 81,219,210	\$ 80,849,072	\$ 80,013,336	\$ 76,652,153
Restricted	1,952,723	3,262,355	3,222,374	17,592,724
Unrestricted	(18,868,258)	(17,511,096)	(16,028,682)	(24,640,955)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 64,303,675</b>	<b>\$ 66,600,331</b>	<b>\$ 67,207,028</b>	<b>\$ 69,603,922</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 42,163,703	\$ 41,351,561	\$ 40,968,949	\$ 41,753,593
Unrestricted	2,589,565	2,424,907	1,261,950	593,365
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 44,753,268</b>	<b>\$ 43,776,468</b>	<b>\$ 42,230,899</b>	<b>\$ 42,346,958</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 123,382,913	\$ 122,200,633	\$ 120,982,285	\$ 118,405,746
Restricted	1,952,723	3,262,355	3,222,374	17,592,724
Unrestricted	(16,278,693)	(15,086,189)	(14,766,732)	(24,047,590)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 109,056,943</b>	<b>\$ 110,376,799</b>	<b>\$ 109,437,927</b>	<b>\$ 111,950,880</b>

\* The Village implemented GASB Statement No. 68 which resulted in a decrease in unrestricted net position.

\*\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Audited Financial Statements

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April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016*	December 31, 2016**	December 31, 2017
\$ 76,983,201	\$ 79,846,136	\$ 80,503,360	\$ 82,125,245	\$ 82,623,774	\$ 83,071,165
18,839,037	10,192,895	10,960,283	10,779,838	12,026,955	11,260,966
(22,946,143)	(22,692,562)	(21,489,679)	(58,319,684)	(56,718,186)	(54,079,782)
<u>\$ 72,876,095</u>	<u>\$ 67,346,469</u>	<u>\$ 69,973,964</u>	<u>\$ 34,585,399</u>	<u>\$ 37,932,543</u>	<u>\$ 40,252,349</u>
\$ 41,029,978	\$ 41,321,810	\$ 39,678,649	\$ 39,130,472	\$ 39,849,034	\$ 38,774,738
1,228,483	1,406,104	3,440,249	4,078,672	3,147,564	4,700,206
<u>\$ 42,258,461</u>	<u>\$ 42,727,914</u>	<u>\$ 43,118,898</u>	<u>\$ 43,209,144</u>	<u>\$ 42,996,598</u>	<u>\$ 43,474,944</u>
\$ 118,013,179	\$ 121,167,946	\$ 120,182,009	\$ 121,255,717	\$ 122,472,808	\$ 121,845,903
18,839,037	10,192,895	10,960,283	10,779,838	12,026,955	11,260,966
(21,717,660)	(21,286,458)	(18,049,430)	(54,241,012)	(53,570,622)	(49,379,576)
<u>\$ 115,134,556</u>	<u>\$ 110,074,383</u>	<u>\$ 113,092,862</u>	<u>\$ 77,794,543</u>	<u>\$ 80,929,141</u>	<u>\$ 83,727,293</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**CHANGE IN NET POSITION**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 3,529,170	\$ 2,952,818	\$ 3,396,022	\$ 3,074,208
Public safety	16,767,143	15,425,916	16,529,348	17,950,169
Highways and streets	3,972,096	4,183,379	4,021,341	4,439,375
Culture and recreation	2,242,138	1,574,777	1,332,039	1,347,279
Economic development	913,927	1,920,010	1,098,934	926,436
Interest on long-term debt	1,695,254	1,146,842	1,233,206	1,045,608
Total governmental activities expenses	<u>29,119,728</u>	<u>27,203,742</u>	<u>27,610,890</u>	<u>28,783,075</u>
Business-type activities				
Waterworks and sewerage	5,170,570	5,013,468	4,753,896	4,673,670
Total business-type activities expenses	<u>5,170,570</u>	<u>5,013,468</u>	<u>4,753,896</u>	<u>4,673,670</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>				
	<u><u>\$ 34,290,298</u></u>	<u><u>\$ 32,217,210</u></u>	<u><u>\$ 32,364,786</u></u>	<u><u>\$ 33,456,745</u></u>
<b>PROGRAM REVENUES</b>				
Governmental activities				
Charges for services				
General government	\$ 2,136,166	\$ 2,175,734	\$ 1,967,590	\$ 838,464
Public safety	4,560,817	5,264,203	5,643,674	6,844,127
Highways and streets	-	-	-	439,467
Culture and recreation	629,882	478,097	642,923	676,449
Economic development	-	-	-	-
Operating grants	-	-	-	835,918
Capital grants	677,672	1,738,582	1,718,995	537,892
Total governmental activities program revenues	<u>8,004,537</u>	<u>9,656,616</u>	<u>9,973,182</u>	<u>10,172,317</u>
Business-type activities				
Charges for services				
Waterworks and sewerage	3,846,907	4,512,406	3,716,174	3,682,437
Capital grants	-	5,560	-	989,110
Total business-type activities program revenues	<u>3,846,907</u>	<u>4,517,966</u>	<u>3,716,174</u>	<u>4,671,547</u>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>				
	<u><u>\$ 11,851,444</u></u>	<u><u>\$ 14,174,582</u></u>	<u><u>\$ 13,689,356</u></u>	<u><u>\$ 14,843,864</u></u>

April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2017
\$ 3,140,972	\$ 1,613,068	\$ 1,802,610	\$ 1,522,322	\$ 772,641	\$ 1,769,844
18,486,450	18,582,961	19,438,857	20,687,223	16,155,251	22,066,110
4,290,953	4,647,467	4,969,501	4,855,446	3,518,270	4,522,520
1,205,021	1,109,942	1,143,280	1,147,881	920,054	1,526,825
479,102	940,077	1,128,755	1,515,262	1,231,598	2,186,755
1,254,435	1,409,508	1,738,490	1,475,911	1,088,971	967,636
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
28,856,933	28,303,023	30,221,493	31,204,045	23,686,785	33,039,690
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,986,492	4,871,170	4,901,767	4,679,952	3,772,676	5,235,787
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,986,492	4,871,170	4,901,767	4,679,952	3,772,676	5,235,787
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 33,843,425	\$ 33,174,193	\$ 35,123,260	\$ 35,883,997	\$ 27,459,461	\$ 38,275,477
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,965,735	\$ 535,567	\$ 617,962	\$ 651,761	\$ 282,411	\$ 670,333
7,205,320	7,086,380	7,392,854	7,096,281	5,712,362	8,312,753
520,172	469,234	186,992	74,080	28,177	63,544
599,609	529,221	613,484	655,848	572,725	817,009
-	-	35,000	95,579	67,340	94,975
1,165,632	688,520	905,163	594,937	392,568	610,354
516	-	-	47,133	-	66,442
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
11,456,984	9,308,922	9,751,455	9,215,619	7,055,583	10,635,410
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,784,199	4,782,300	4,949,523	5,382,500	3,545,694	5,672,242
110,136	530,814	336,000	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,894,335	5,313,114	5,285,523	5,382,500	3,545,694	5,672,242
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 16,351,319	\$ 14,622,036	\$ 15,036,978	\$ 14,598,119	\$ 10,601,277	\$ 16,307,652
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>NET (EXPENSE) REVENUE</b>				
Governmental activities	\$ (21,115,191)	\$ (17,547,126)	\$ (17,637,708)	\$ (18,610,758)
Business-type activities	<u>(1,323,663)</u>	<u>(495,502)</u>	<u>(1,037,722)</u>	<u>(2,123)</u>
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>				
	<u><u>\$ (22,438,854)</u></u>	<u><u>\$ (18,042,628)</u></u>	<u><u>\$ (18,675,430)</u></u>	<u><u>\$ (18,612,881)</u></u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities				
Taxes				
Property	\$ 8,248,091	\$ 8,887,061	\$ 8,841,223	\$ 9,060,819
Intergovernmental				
Sales	5,592,133	5,476,150	5,793,566	7,375,471
State income	1,683,021	1,536,443	1,541,627	1,601,915
Other	825,019	592,692	734,484	2,045,202
Special events	-	-	-	-
Investment income	107,426	25,419	48,447	86,173
Miscellaneous	2,650,181	2,826,017	785,058	236,987
Transfers in (out)	500,000	500,000	500,000	-
Total governmental activities	<u>19,605,871</u>	<u>19,843,782</u>	<u>18,244,405</u>	<u>20,406,567</u>
Business-type activities				
Property taxes	11,724	11,719	(11,706)	-
Investment income	34,070	6,983	3,859	10,873
Gain on sale of capital assets	-	-	-	-
Transfers in (out)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total business-type activities	<u>(454,206)</u>	<u>(481,298)</u>	<u>(507,847)</u>	<u>10,873</u>
<b>TOTAL PRIMARY GOVERNMENT</b>				
	<u><u>\$ 19,151,665</u></u>	<u><u>\$ 19,362,484</u></u>	<u><u>\$ 17,736,558</u></u>	<u><u>\$ 20,417,440</u></u>
<b>SPECIAL ITEM</b>				
Governmental activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	\$ (1,509,320)	\$ 2,296,656	\$ 606,697	\$ 1,795,809
Business-type activities	<u>(1,777,869)</u>	<u>(976,800)</u>	<u>(1,545,569)</u>	<u>8,750</u>
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>				
	<u><u>\$ (3,287,189)</u></u>	<u><u>\$ 1,319,856</u></u>	<u><u>\$ (938,872)</u></u>	<u><u>\$ 1,804,559</u></u>

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Audited Financial Statements

April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2016*
\$ (17,399,949)	\$ (18,994,101)	\$ (20,470,038)	\$ (21,988,426)	\$ (16,631,202)	\$ (22,404,280)
(92,157)	441,944	383,756	702,548	(226,982)	436,455
<u>\$ (17,492,106)</u>	<u>\$ (18,552,157)</u>	<u>\$ (20,086,282)</u>	<u>\$ (21,285,878)</u>	<u>\$ (16,858,184)</u>	<u>\$ (21,967,825)</u>
 \$ 9,096,330	 \$ 9,342,465	 \$ 9,927,632	 \$ 10,134,009	 \$ 10,413,933	 \$ 10,521,260
7,940,113	8,145,378	8,640,078	8,767,277	6,093,965	9,143,132
1,769,156	1,912,965	1,922,554	2,092,124	1,192,340	1,803,091
1,445,829	1,336,144	2,296,792	2,748,646	1,838,240	2,752,753
-	-	-	108,533	118,252	193,260
69,478	17,587	69,306	76,417	35,346	143,796
654,381	247,071	241,171	241,191	286,270	166,794
-	(26,291)	-	-	-	-
<u>20,975,287</u>	<u>20,975,319</u>	<u>23,097,533</u>	<u>24,168,197</u>	<u>19,978,346</u>	<u>24,724,086</u>
 - 3,660	 - 1,218	 - 7,228	 - 12,191	 - 14,436	 - 41,891
-	-	-	5,044	-	-
-	26,291	-	-	-	-
<u>3,660</u>	<u>27,509</u>	<u>7,228</u>	<u>17,235</u>	<u>14,436</u>	<u>41,891</u>
<u>\$ 20,978,947</u>	<u>\$ 21,002,828</u>	<u>\$ 23,104,761</u>	<u>\$ 24,185,432</u>	<u>\$ 19,992,782</u>	<u>\$ 24,765,977</u>
 \$ -	 \$ (7,018,317)	 \$ -	 \$ -	 \$ -	 \$ -
 \$ 3,575,338	 \$ (5,037,099)	 \$ 2,627,495	 \$ 2,179,771	 \$ 3,347,144	 \$ 2,319,806
(88,497)	469,453	390,984	719,783	(212,546)	478,346
<u>\$ 3,486,841</u>	<u>\$ (4,567,646)</u>	<u>\$ 3,018,479</u>	<u>\$ 2,899,554</u>	<u>\$ 3,134,598</u>	<u>\$ 2,798,152</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>GENERAL FUND</b>				
Reserved	\$ 1,029,890	\$ 1,107,457	\$ 1,137,365	\$ -
Unreserved	2,167,788	2,410,450	4,024,311	-
Nonspendable	-	-	-	-
Restricted	-	-	-	339,445
Unrestricted	-	-	-	5,382,483
<b>TOTAL GENERAL FUND</b>	<b>\$ 3,197,678</b>	<b>\$ 3,517,907</b>	<b>\$ 5,161,676</b>	<b>\$ 5,721,928</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved	\$ 14,010,393	\$ 15,787,496	\$ 15,710,939	\$ -
Unreserved, reported in				
Special Revenue Funds	59,940	151,872	259,001	-
Capital Project Funds	587,586	954,551	1,490,591	-
Nonspendable	-	-	-	-
Restricted	-	-	-	17,631,245
Assigned	-	-	-	-
Unrestricted	-	-	-	(381,557)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 14,657,919</b>	<b>\$ 16,893,919</b>	<b>\$ 17,460,531</b>	<b>\$ 17,249,688</b>

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Note: GASB Statement No. 54 was implemented in 2012.

Data Source

Audited Financial Statements

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April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,888,744	1,552,148	1,874,738	1,802,987	1,679,491	1,705,230
328,685	348,816	434,061	363,308	344,337	411,917
<u>7,368,345</u>	<u>7,667,560</u>	<u>7,329,746</u>	<u>7,931,993</u>	<u>8,439,557</u>	<u>8,441,987</u>
<u>\$ 9,585,774</u>	<u>\$ 9,568,524</u>	<u>\$ 9,638,545</u>	<u>\$ 10,098,288</u>	<u>\$ 10,463,385</u>	<u>\$ 10,559,134</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	2,187	4,013	30,581	6,597	14,197
18,510,352	9,844,079	10,526,222	10,416,530	11,682,618	10,849,049
-	-	258,605	170,808	120,860	1,269,808
-	-	(1,336,239)	(1,494,225)	(1,291,801)	(1,143,367)
<u>\$ 18,510,352</u>	<u>\$ 9,846,266</u>	<u>\$ 9,452,601</u>	<u>\$ 9,123,694</u>	<u>\$ 10,518,274</u>	<u>\$ 10,989,687</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
Taxes	\$ 9,585,231	\$ 10,160,886	\$ 10,667,029	\$ 12,020,367	\$ 12,249,275	\$ 12,462,615	\$ 14,047,185	\$ 14,575,401	\$ 13,415,421	\$ 14,897,858
Licenses and permits	575,208	618,304	830,107	598,732	669,712	821,173	1,030,867	861,876	342,861	783,630
Intergovernmental	8,777,845	9,343,867	8,771,807	9,445,800	10,972,018	14,288,150	15,103,784	15,254,299	11,034,163	15,758,848
Charges for services	5,005,802	5,236,050	5,804,830	6,170,629	6,491,618	1,395,081	1,587,616	1,681,998	1,324,421	1,861,081
Fines and forfeits	408,715	789,855	810,309	762,168	753,126	812,169	785,685	593,134	420,251	1,504,158
Special events	-	-	-	-	-	-	-	108,533	118,247	193,667
Interest income	107,426	25,419	48,447	86,174	69,478	17,587	69,306	76,417	35,346	143,796
Miscellaneous	2,650,181	2,826,017	785,058	1,045,451	1,227,043	513,757	224,545	189,008	343,219	216,458
<b>TOTAL</b>	<b>\$ 27,110,408</b>	<b>\$ 29,000,398</b>	<b>\$ 27,717,587</b>	<b>\$ 30,129,321</b>	<b>\$ 32,432,270</b>	<b>\$ 30,310,532</b>	<b>\$ 32,848,988</b>	<b>\$ 33,340,666</b>	<b>\$ 27,033,929</b>	<b>\$ 35,359,496</b>

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Note: Includes all governmental funds.

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
General government	\$ 3,083,437	\$ 3,063,431	\$ 2,939,988	\$ 3,022,604	\$ 3,012,651	\$ 2,028,374	\$ 2,576,664	\$ 2,478,464	\$ 1,810,269	\$ 1,782,457
Public safety	14,471,695	14,934,390	15,670,720	17,188,744	18,380,336	18,557,096	19,097,605	20,087,385	15,540,578	21,304,838
Highways and streets	2,809,433	2,982,812	2,778,043	2,886,662	3,837,520	4,328,310	4,668,487	4,986,161	3,790,189	4,341,341
Culture and recreation	2,004,690	1,367,164	1,115,371	1,086,760	952,048	879,566	885,710	888,270	717,928	1,310,582
Economic development	913,927	1,920,010	1,098,934	925,553	478,179	938,891	1,128,464	1,507,657	1,227,799	2,188,022
Capital outlay	2,771,192	1,031,091	865,580	1,501,194	1,239,971	1,450,335	1,401,055	645,296	290,463	300,552
Debt service										
Principal	1,900,000	1,250,000	905,000	520,000	1,105,000	2,162,000	2,790,000	1,460,000	1,701,000	1,320,000
Interest and fiscal charges	1,933,501	901,415	1,172,426	919,876	1,028,952	1,331,090	1,585,100	1,205,295	891,844	915,439
<b>TOTAL</b>	<b>\$ 29,887,875</b>	<b>\$ 27,450,313</b>	<b>\$ 26,546,062</b>	<b>\$ 28,051,393</b>	<b>\$ 30,034,657</b>	<b>\$ 31,675,662</b>	<b>\$ 34,133,085</b>	<b>\$ 33,258,528</b>	<b>\$ 25,970,070</b>	<b>\$ 33,463,231</b>

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Note: Includes all governmental funds.

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>REVENUES</b>				
Taxes	\$ 9,585,231	\$ 10,160,886	\$ 10,667,029	\$ 12,020,367
Licenses and permits	575,208	618,304	830,107	598,732
Intergovernmental	8,777,845	9,343,867	8,771,807	9,445,800
Charges for services	5,005,802	5,236,050	5,804,830	6,170,629
Fines and forfeitures	408,715	789,855	810,309	762,168
Special events	-	-	-	-
Investment income	107,426	25,419	48,447	86,174
Miscellaneous	2,650,181	2,826,017	785,058	1,045,451
 Total revenues	 27,110,408	 29,000,398	 27,717,587	 30,129,321
<b>EXPENDITURES</b>				
General government	3,083,437	3,063,431	2,939,988	3,022,604
Public safety	14,471,695	14,934,390	15,670,720	17,188,744
Highways and streets	2,809,433	2,982,812	2,778,043	2,886,662
Culture and recreation	2,004,690	1,367,164	1,115,371	1,086,760
Economic development	913,927	1,920,010	1,098,934	925,553
Capital outlay	2,771,192	1,031,091	865,580	1,501,194
Debt service				
Principal	1,900,000	1,250,000	905,000	520,000
Interest	1,933,501	901,415	1,172,426	919,876
 Total expenditures	 29,887,875	 27,450,313	 26,546,062	 28,051,393
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(2,777,467)	1,550,085	1,171,525	2,077,928
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance, at par	18,145,000	475,000	4,445,000	-
Premium on bonds issued	170,367	-	-	-
Payment to escrow agent	(15,890,515)	-	(3,875,000)	-
Proceeds from capital lease obligation	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Loss on disposal of land held for resale	-	-	-	-
Transfers in	8,747,910	1,375,643	1,505,934	1,713,738
Transfers (out)	(8,247,910)	(875,643)	(1,005,934)	(1,713,738)
 Total other financing sources (uses)	 2,924,852	 975,000	 1,070,000	 -
<b>NET CHANGE IN FUND BALANCES</b>				
	\$ 147,385	\$ 2,525,085	\$ 2,241,525	\$ 2,077,928
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>				
	13.77%	8.72%	8.14%	5.30%

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Audited Financial Statements

	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>	<b>December 31, 2017</b>
\$ 12,249,275	\$ 12,462,615	\$ 14,047,185	\$ 14,575,401	\$ 13,415,421	\$ 14,897,858	
669,712	821,173	1,030,867	861,876	342,861	783,630	
10,972,018	14,288,150	15,103,784	15,254,299	11,034,163	15,758,848	
6,491,618	1,395,081	1,587,616	1,681,998	1,324,421	1,861,081	
753,126	812,169	785,685	593,134	420,251	1,504,158	
-	-	-	108,533	118,247	193,667	
69,478	17,587	69,306	76,417	35,346	143,796	
1,227,043	513,757	224,545	189,008	343,219	216,458	
<b>32,432,270</b>	<b>30,310,532</b>	<b>32,848,988</b>	<b>33,340,666</b>	<b>27,033,929</b>	<b>35,359,496</b>	
<b>3,012,651</b>	<b>2,028,374</b>	<b>2,576,664</b>	<b>2,478,464</b>	<b>1,810,269</b>	<b>1,782,457</b>	
18,380,336	18,557,096	19,097,605	20,087,385	15,540,578	21,304,838	
3,837,520	4,328,310	4,668,487	4,986,161	3,790,189	4,341,341	
952,048	879,566	885,710	888,270	717,928	1,310,582	
478,179	938,891	1,128,464	1,507,657	1,227,799	2,188,022	
1,239,971	1,450,335	1,401,055	645,296	290,463	300,552	
<b>1,105,000</b>	<b>2,162,000</b>	<b>2,790,000</b>	<b>1,460,000</b>	<b>1,701,000</b>	<b>1,320,000</b>	
<b>1,028,952</b>	<b>1,331,090</b>	<b>1,585,100</b>	<b>1,205,295</b>	<b>891,844</b>	<b>915,439</b>	
<b>30,034,657</b>	<b>31,675,662</b>	<b>34,133,085</b>	<b>33,258,528</b>	<b>25,970,070</b>	<b>33,463,231</b>	
<b>2,397,613</b>	<b>(1,365,130)</b>	<b>(1,284,097)</b>	<b>82,138</b>	<b>1,063,859</b>	<b>1,896,265</b>	
<b>2,650,000</b>	<b>537,000</b>	<b>19,155,000</b>	<b>-</b>	<b>7,861,000</b>	<b>-</b>	
588,025	-	397,596	-	-	-	
(2,674,286)	-	(18,746,704)	-	(6,890,182)	-	
251,892	-	129,856	-	-	-	
-	-	24,705	48,698	35,000	18,533	
-	-	-	-	-	(1,047,636)	
1,519,953	2,376,589	7,075,090	2,751,426	1,876,600	3,757,271	
(1,519,953)	(2,725,982)	(7,075,090)	(2,751,426)	(2,186,600)	(4,057,271)	
<b>815,631</b>	<b>187,607</b>	<b>960,453</b>	<b>48,698</b>	<b>695,818</b>	<b>(1,329,103)</b>	
<b>\$ 3,213,244</b>	<b>\$ (1,177,523)</b>	<b>\$ (323,644)</b>	<b>\$ 130,836</b>	<b>\$ 1,759,677</b>	<b>\$ 567,162</b>	
7.42%	12.08%	12.10%	8.17%	10.65%	7.04%	

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Levy Years

<b>Levy Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Total</b>	<b>Railroad</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2007	\$ 600,225,289	\$ 169,303,669	\$ 769,528,958	\$ 33,174	\$ 769,562,132	\$ 0.813
2008	660,488,632	188,391,102	848,879,734	45,081	848,924,815	0.825
2009	684,983,790	200,512,583	885,496,373	61,540	885,557,913	0.804
2010	692,693,597	205,270,180	897,963,777	70,478	898,034,255	0.856
2011	670,744,254	201,024,795	871,769,049	352,395	872,121,444	0.907
2012	632,208,141	207,333,243	839,541,384	321,748	839,863,132	0.998
2013	586,319,303	205,938,281	792,257,584	258,669	792,516,253	1.132
2014	553,285,740	215,022,246	768,307,986	671,745	768,979,731	1.143
2015	579,562,017	213,818,454	793,380,471	810,109	794,190,580	-
2017	610,424,796	219,836,708	830,261,504	894,933	831,156,437	1.092

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Levy Years

Tax Levy Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>TAX RATES</b>										
Village of Lake Zurich										
Corporate	0.145	0.008	0.012	0.260	0.256	0.261	0.247	0.251	0.011	-
Police protection	0.111	0.111	0.097	0.078	0.078	0.080	0.084	0.088	0.196	0.191
Fire protection	0.101	0.101	0.088	0.077	0.078	0.080	0.084	0.088	0.196	0.191
Ambulance	0.095	0.096	0.083	0.015	0.016	0.018	0.019	0.020	0.020	-
Illinois Municipal Retirement	0.027	0.027	0.006	0.023	0.023	0.026	0.026	0.042	0.012	
Federal Social Security	0.1	0.096	0.094	-	-	-	-	-	0.197	
Insurance	0.041	0.076	0.074	-	-	-	-	-	0.022	
Debt service	0.125	0.126	0.109	0.116	0.124	0.136	0.211	0.211	0.204	0.215
Special recreation	0.022	0.021	0.020	0.021	0.022	0.023	0.024	0.023	0.023	0.265
Police pension	0.023	0.079	0.096	0.142	0.136	0.159	0.185	0.188	0.197	-
Firefighters' pension	0.023	0.084	0.104	0.141	0.174	0.218	0.252	0.248	0.241	-
Total direct tax rate	0.813	0.825	0.804	0.856	0.907	0.998	1.132	1.143	1.130	1.093
<b>OVERLAPPING RATES</b>										
Lake County	0.444	0.453	0.464	0.505	0.554	0.608	0.663	0.682	0.663	0.632
Lake County Forest Preserve	0.201	0.199	0.200	0.198	0.201	0.212	0.218	0.210	0.208	0.193
Ela Area Library District	0.306	0.308	0.308	0.329	0.356	0.386	0.409	0.410	0.398	0.381
School District #95	3.830	3.899	3.901	4.136	4.446	4.914	5.242	5.291	5.191	5.021
School District #96	2.772	2.869	2.916	3.086	3.453	3.756	3.976	4.040	3.870	3.690
High School District #125	2.114	2.139	2.185	2.306	2.465	2.751	2.989	3.049	3.004	2.858
Community College #532	0.192	0.196	0.200	0.218	0.240	0.272	0.296	0.306	0.299	0.285
Ela Township - Corp. and GA	0.082	0.084	0.084	0.091	0.099	0.088	0.100	0.100	0.098	0.095
Ela Township - road and bridge	0.010	0.005	0.007	0.008	0.009	0.010	0.011	0.010	0.010	0.010
Ela Township - gravel or R.I.	0.032	0.038	0.036	0.039	0.042	0.030	0.046	0.045	0.045	0.043
Barrington Public Library District	0.152	0.150	0.161	0.170	0.185	0.213	0.228	0.231	0.225	0.220
<b>TOTAL DIRECT AND OVERLAPPING TAX RATE</b>										
	10.948	11.165	11.266	11.942	12.957	14.238	15.310	15.517	15.141	14.521

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**PRINCIPAL PROPERTY TAXPAYERS**

Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Village Square Retail Center LLC	\$ 7,005,698	1	0.84%	\$ 6,983,804	1	0.82%
Landings Capital Partners, LLC	6,246,138	2	0.75%	6,451,706	2	0.76%
Echo Incorporated	6,028,555	3	0.73%	4,753,361	4	0.56%
Individual Taxpayer (North Lake Commons)	5,143,802	4	0.62%	5,533,531	3	0.65%
Deerpath Commons Retail Center	4,990,177	5	0.60%	2,785,576	10	0.33%
Deerpath Court Retail Center LLC	4,699,655	6	0.57%	4,347,796	5	0.51%
Costco	3,986,186	7	0.48%	3,722,349	6	0.44%
Greenhill Company LLC	3,887,143	8	0.47%			
Wal-Mart Properties, Inc.	3,743,169	9	0.45%			
Roundys Supermarkets, Inc	3,717,927	10	0.45%			
Liberty Realty Lake Zurich LLC			0.00%	3,390,955	7	0.40%
HD Development of Maryland LLC				2,924,986	8	0.34%
Target Corporation			0.00%	2,789,000	9	0.33%
<b>TOTAL</b>	<b><u>\$ 49,448,450</u></b>		<b><u>5.96%</u></b>	<b><u>\$ 43,683,064</u></b>		<b><u>5.14%</u></b>

Data Source

Office of the County Clerk and Ela Township Assessor

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Levy Years

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<b>Fiscal Year Ended</b>	<b>Tax Levy Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2008	2007	\$ 6,901,759	\$ 6,895,811	99.91%	N/A	\$ 6,895,811	99.91%
2009	2008	7,305,853	7,291,787	99.81%	N/A	7,291,787	99.81%
2010	2009	7,220,195	7,214,819	99.93%	\$ 2,602	7,217,421	99.96%
2011	2010	7,465,360	7,445,276	99.73%	\$ 3,904	7,449,180	99.78%
2012	2011	7,617,559	7,613,211	99.94%	\$ 1,298	7,614,509	99.96%
2013	2012	7,909,312	7,894,694	99.82%	\$ 1,243	7,895,937	99.83%
2014	2013	8,637,807	8,623,589	99.84%	\$ 2,301	8,625,890	99.86%
2015	2014	8,794,144	8,780,768	99.85%	\$ 8,382	8,789,150	99.94%
2016	2015	9,016,727	8,967,347	99.45%	\$ -	8,967,347	99.45%
2017	2016	9,124,243	9,013,937	98.79%	*	9,013,937	98.79%

N/A - Currently not available.

\* To be collected in the subsequent fiscal year in accordance with Illinois Law.

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

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Fiscal Year Ended	Governmental Activities						
	General Obligation Bonds		Obligation TIF Alternate Revenue Bonds		TIF Revenue Bonds		Capital Lease Obligation
	General Obligation Bonds	TIF Alternate Revenue Bonds	TIF Revenue Bonds	Capital Lease Obligation	Installment Contracts	Notes Payable	
2009	\$ 4,575,000	\$ 20,135,000	\$ 8,270,000	\$ -	\$ 255,000	\$ -	
2010	4,160,000	20,135,000	8,165,000	-	-	-	
2011	3,815,000	20,265,000	8,165,000	-	-	-	
2012	3,455,000	20,235,000	7,915,000	-	-	-	
2013	3,085,000	20,145,000	7,775,000	313,563	-	-	
2014	2,700,000	19,405,000	7,275,000	243,559	-	-	
2015	2,305,000	25,865,000	550,000	764,956	-	-	
2016	1,885,000	25,375,000	-	599,590	-	-	
2016**	1,885,000	25,545,000	-	551,196	-	-	
2017	1,450,000	24,660,000	-	378,767	-	-	

\* See the schedule of Demographic and Economic Information on page 144 for personal income and population data.

\*\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Note: Details of the Village's outstanding debt can be found in the notes to financial statements.

Data Source

Audited Financial Statements

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**Business-Type Activities**

Waterworks and Sewerage Revenue Bonds	IEPA Loan	Total Primary Government	Total	Percentage of Personal Income*	Percentage of Per Capita*
			Equalized Assessed Value (EAV)		
\$ 3,925,000	\$ 3,542,854	\$ 40,702,854	\$ 848,924,815	4.79%	5.66% \$ 2,042.09
3,320,000	3,450,320	39,230,320	885,557,913	4.43%	5.24% 1,920.51
2,690,000	3,294,988	38,229,988	898,034,255	4.26%	5.19% 1,947.43
1,665,000	3,132,971	36,402,971	872,121,444	4.17%	4.52% 1,837.33
975,000	2,968,015	35,261,578	839,863,132	4.20%	4.78% 1,770.43
4,075,000	2,797,744	36,496,303	792,516,253	4.82%	4.65% 1,820.90
3,800,000	2,623,190	35,908,146	756,892,029	4.67%	4.57% 1,796.04
3,390,000	2,444,244	33,693,834	768,979,731	4.38%	4.09% 1,685.28
3,990,000	2,302,805	34,274,001	794,190,580	4.32%	4.04% 1,714.30
3,500,000	2,115,799	32,104,566	831,156,437	3.86%	3.48% 1,605.79

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Gross General Obligation Bonds</b>	<b>Less Amounts Available</b>			<b>Percentage of Equalized Assessed Value</b>			<b>Per Capita</b>
		<b>In Debt</b>	<b>Service Fund</b>	<b>Total</b>				
2009	\$ 4,575,000	\$ 259,631	\$ 4,315,369	0.56%	\$ 216.50			
2010	4,160,000	723,398	3,436,602	0.40%	168.24			
2011	3,815,000	778,594	3,036,406	0.34%	154.67			
2012	3,455,000	791,581	2,663,419	0.30%	134.43			
2013	3,085,000	796,995	2,288,005	0.26%	114.88			
2014	2,700,000	796,996	1,903,004	0.23%	95.55			
2015	2,305,000	825,140	1,479,860	0.19%	73.98			
2016	1,885,000	841,020	1,043,980	0.14%	52.22			
2016*	1,885,000	1,326,294	558,706	0.07%	27.95			
2017	1,450,000	1,336,531	113,469	0.01%	5.68			

\* The Village changed its fiscal year end from April 30 to December 31 for the period ended December 31, 2017.

**Data Source**

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**DIRECT AND OVERLAPPING BONDED DEBT -  
GOVERNMENTAL ACTIVITIES**

December 31, 2017

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<b>Governmental Unit</b>	<b>Gross Debt</b>	<b>(1) Percentage of Debt Applicable to Government</b>	<b>The Village's Share of Debt*</b>
Village of Lake Zurich	<u>\$ 1,450,000</u>	(2) 100.00%	<u>\$ 1,450,000</u>
Lake County	180,270,000	3.33%	6,002,991
Lake County Forest Preserve	255,895,000	3.33%	8,521,304
Ela Area Library District	1,030,000	44.17%	454,951
School District #95	11,018,577	50.26%	5,537,937
School District #96	-	N/A	-
High School District #125	27,665,000	1.03%	284,950
Community College #532	<u>63,745,000</u>	3.51%	<u>2,237,450</u>
	<u>539,623,577</u>		<u>23,039,583</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b><u>\$ 541,073,577</u></b>		<b><u>\$ 24,489,583</u></b>

(1) Determined by the ratio of assessed value of property in the Village subject to taxation by the governmental unit to the total assessed value of property of the governmental unit.  
 (2) Consists of General Obligation Bonds of 2008A.

\* Amount of column (2) multiplied by amount in column (1).

Data Source

Lake County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF LEGAL DEBT MARGIN INFORMATION**

December 31, 2017

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<b>EQUALIZED ASSESSED VALUATION - 2016*</b>	<b><u>\$ 831,156,437</u></b>
Legal debt limit - 8.625% of assessed valuation	\$ 71,687,243
Amount of debt applicable to debt limit:	
General obligation bonds	<u>1,450,000</u>
<b>LEGAL DEBT MARGIN</b>	<b><u>\$ 70,237,243</u></b>

\* Most Recent EAV Available

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

## VILLAGE OF LAKE ZURICH, ILLINOIS

### PLEDGED-REVENUE COVERAGE

Last Seven Fiscal Years

---

Fiscal Year	Revenues*	Principal	Interest	Coverage
2012	\$ 5,878,258	\$ 30,000	\$ 717,266	787%
2013	6,069,546	90,000	749,724	723%
2014	6,234,680	740,000	871,603	387%
2015	6,658,825	815,000	856,478	398%
2016	6,790,142	490,000	1,057,105	439%
2016**	4,691,004	625,000	826,302	323%
2017	7,100,938	885,000	811,427	419%

Note: Alternative revenue bonds were issued during fiscal year 2012.

\*As defined in applicable bond indentures and governing laws.

\*\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

#### Data Source

Village records

## VILLAGE OF LAKE ZURICH, ILLINOIS

### DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

---

Fiscal Year	(1) Population	(1) Personal Income (in Thousands)	(1) Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2009	19,932	\$ 718,927	\$ 36,069	34.7	6,188	6.7%
2010	20,427	749,303	36,682	34.7	6,207	10.3%
2011	19,631	737,085	37,547	38.6	6,023	8.5%
2012	19,813	805,220	40,641	39.8	5,944	8.8%
2013	19,917	737,088	37,008	36.8	5,913	4.4%
2014	20,043	784,243	39,128	41.1	5,892	6.7%
2015	19,993	785,145	39,271	39.9	5,716	4.5%
2016	19,993	823,072	41,168	38.8	5,769	5.5%
2016*	19,993	847,643	42,397	40.0	5,666	5.3%
2017	19,993	923,717	46,202	39.6	5,677	490.0%

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

#### Data Sources

- (1) Based on U.S. Census Bureau for Lake County, Illinois
- (2) Annual School Census by Community Unit School District No. 95
- (3) Illinois Department of Employment Security - Calendar Year

# VILLAGE OF LAKE ZURICH, ILLINOIS

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

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Employer	2017			2008		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Echo Inc.	800	1	4%	650	2	3%
Peapod	800	2	4%			
Lake Zurich Community School Dist. #95	750	3	4%	650	1	3%
Smalley Steel Ring Co.	540	4	3%			
Termax Corp	400	5	2%			
Village of Lake Zurich	155	6	1%	187	7	1%
Lexington Health Care Lake Zurich	150	7	1%	182	8	1%
Tredegar Film Products	134	8	1%			
Gere Marie	125	9	1%			
HPL Stampings, Inc	48	10	0%			
B&B Maintenance				500	3	3%
Dovenmuehle Mortgage Inc				500	4	3%
CM Packaging, Inc.				200	5	1%
Food Equipment Tech, Inc				197	6	1%
Pinnacle Food Products				160	9	1%
Parkview Metal Products				150	10	1%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>3,902</u>	<u>21%</u>	<u>3,376</u>	<u>18%</u>		
Village population			19,993			18,992

### Data Sources

2016: Lake County Partner records and verification by employers when available.

2007 statistics are from a canvass of employers in May 2006. This table excludes the Village's larger retail establishments, which include food stores (Dominick's and Jewel) and department stores (Home Depot, Costco, Wal-Mart, Target and Kohl's).

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**FULL-TIME EQUIVALENT EMPLOYEES**

Last Ten Fiscal Years

Function/Program	April 30, 2009	April 30, 2010	April 30, 2011	April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2017
<b>GENERAL GOVERNMENT</b>										
Administration	7	3	4	4	4	5	5	4	4	4
Finance	4	6	7	7	5	5	5	5	5	6
Technology	N/A	N/A	N/A	N/A	1	1	1	1	1	1
<b>COMMUNITY SERVICES</b>										
Building and zoning	10	9	8	8	8	7	7	7	7	5
Public works - general services	19	23	20	20	18	17	17	17	17	17
Public works - water and sewer	12	12	12	12	13	14	14	13	13	12
<b>POLICE</b>	<b>55</b>	<b>55</b>	<b>53</b>	<b>53</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>52</b>
<b>FIRE</b>	<b>62</b>	<b>61</b>	<b>60</b>	<b>60</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>
<b>ENGINEERING</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	-	-	-	-	-	-
<b>RECREATION</b>	<b>10</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>TOTAL</b>	<b>182</b>	<b>177</b>	<b>170</b>	<b>170</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>158</b>	<b>159</b>	<b>158</b>

N/A - Technology was separated from finance in 2013

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**OPERATING INDICATORS BY FUNCTION**

Last Ten Fiscal Years

<b>Function/Program</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>
<b>PUBLIC WORKS</b>				
Forestry				
Number of parkway trees planted	40	48	102	54
Number of parkway trees trimmed	527	600	800	638
Fleet services				
Number of vehicles maintained	94	93	92	91
Preventative maintenance	739	676	969	346
<b>PUBLIC SAFETY</b>				
Fire				
Number of fire calls	1,401	1,453	1,401	1,382
Number of EMS calls	1,694	1,672	1,735	1,746
Number of training hours	10,753	9,476	11,366	11,949
Police				
Part I crime	N/A	N/A	N/A	257
Calls for service	9,650	9,113	9,063	9,168
State tickets issued	4,885	4,515	3,773	3,774
Compliance tickets issued	N/A	101	103	108
Parking tickets issued	1,944	1,902	1,674	1,693
Red light citations	N/A	4,854	4,506	4,237
<b>COMMUNITY DEVELOPMENT</b>				
Number of building permits issued	1,325	1,343	1,492	1,539
Number of building inspections	4,000	3,368	5,533	6,317
<b>HIGHWAYS AND STREETS</b>				
Sidewalk replaced (square feet)	2,800	11,748	5,625	5,825
Annual resurfacing program (\$)	400,000	350,000	1,106,893	-
Crack sealing (lbs. installed)	13,000	-	-	-
Curb replaced (ln. ft.)	N/A	3,282	262	267
<b>WATER AND SEWER</b>				
Water main breaks	43	38	31	30
Hydrants flushed	3,560	3,560	1,765	1,780
Water meters read	80,088	79,716	80,676	80,796
Water meter service requests	873	869	910	893
Total distribution pumpage (1,000 gallons)	621MG	624MG	600MG	599MG
Average daily consumption (1,000 gallons)	1.70MG	1.71MG	1.4MG	1.4MG
Sanitary sewer televising (feet)	2,500	2,500	2,250	2,000
Sanitary sewer repairs	6	1	1	1

N/A - Not available

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Village records

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April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2017
122	140	24	21	218	307
707	800	902	1,148	320	656
91	85	92	81	82	82
324	664	964	753	501	738
1,398	1,483	1,844	1,633	590	1,373
1,787	1,848	2,150	2,204	1,511	2,602
9,651	8,877	10,075	8,566	6,546	14,341
293	324	344	276	94	327
N/A	9,392	9,067	8,757	5,409	7,104
3,474	2,786	2,637	2,318	1,442	1,858
46	29	36	42	18	68
1,609	1,640	1,389	856	581	576
3,692	4,536	5,262	3,548	3,118	4,451
1,506	1,639	3,487	829	1,274	1,541
4,813	5,611	6,484	2,128	2,644	3,188
5,025	3,150	15,345	23,114	37,885	22,000
-	1,109,353	1,323,465	1,442,109	1,316,758	860,442
-	11,515	55,564	55,000	43,668	39,823
614	427	3,892	4,366	8,555	2,265
70	51	40	30	25	31
1,780	1,790	1,790	1,797	-	1,504
80,916	81,000	81,000	81,000	53,432	81,000
1,019	1,053	1,172	997	730	1,105
681MG	630MG	640MG	593MG	443MG	570MG
1.5MG	1.4MG	1.3MG	1.3MG	1.3MG	1.3MG
2,829	10,920	33,974	3,182	3,152	54,523
1	3	2	3	10	1

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

Last Ten Fiscal Years

Function/Program	April 30, 2009	April 30, 2010	April 30, 2011	April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*	December 31, 2017
<b>POLICE</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Firing range	N/A	1	1	1	1	1	1	1	1	1
Patrol units	21	22	23	23	23	23	23	22	22	22
<b>FIRE STATIONS</b>	<b>4</b>	<b>4</b>								
<b>PUBLIC WORKS</b>										
Streets (lane miles)	159.0	159.0	159.0	159.4	159.7	159.7	160.0	161.6	161.6	156.2
Sidewalks (miles)	91	91	91	91	91	91	91	101	102	98
Streetlights	175	175	175	175	180	180	180	215	220	220
<b>WATER AND SEWER</b>										
Water mains (miles)	108	108	108	109	109	110	110	111	112	112
Fire hydrants	1,760	1,760	1,760	1,765	1,765	1,790	1,790	1,790	1,790	1,504
Sanitary sewers (miles)	107	107	107	107	107	107	107	93	93	93

N/A - Not available

\* The Village changed its fiscal year end from April 30 to December 31 for the period December 31, 2016.

Data Source

Village records