

Village of Lake Zurich, Illinois



Comprehensive Annual Financial Report
Fiscal Year Ended
April 30, 2004

VILLAGE OF LAKE ZURICH, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2004

Prepared by Finance Department:

Jeffrey A. Martynowicz
Finance Director and Treasurer

VILLAGE OF LAKE ZURICH, ILLINOIS

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INTRODUCTORY SECTION

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

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

VILLAGE OF LAKE ZURICH, ILLINOIS

List of Elected and Appointed Officials

April 30, 2004

VILLAGE BOARD OF TRUSTEES

James S. Krischke, President

Steven F. Callahan

Craig W. Taylor

Julianne Gyarmaty

John G. Tolomei

Stephen J. McAvoy

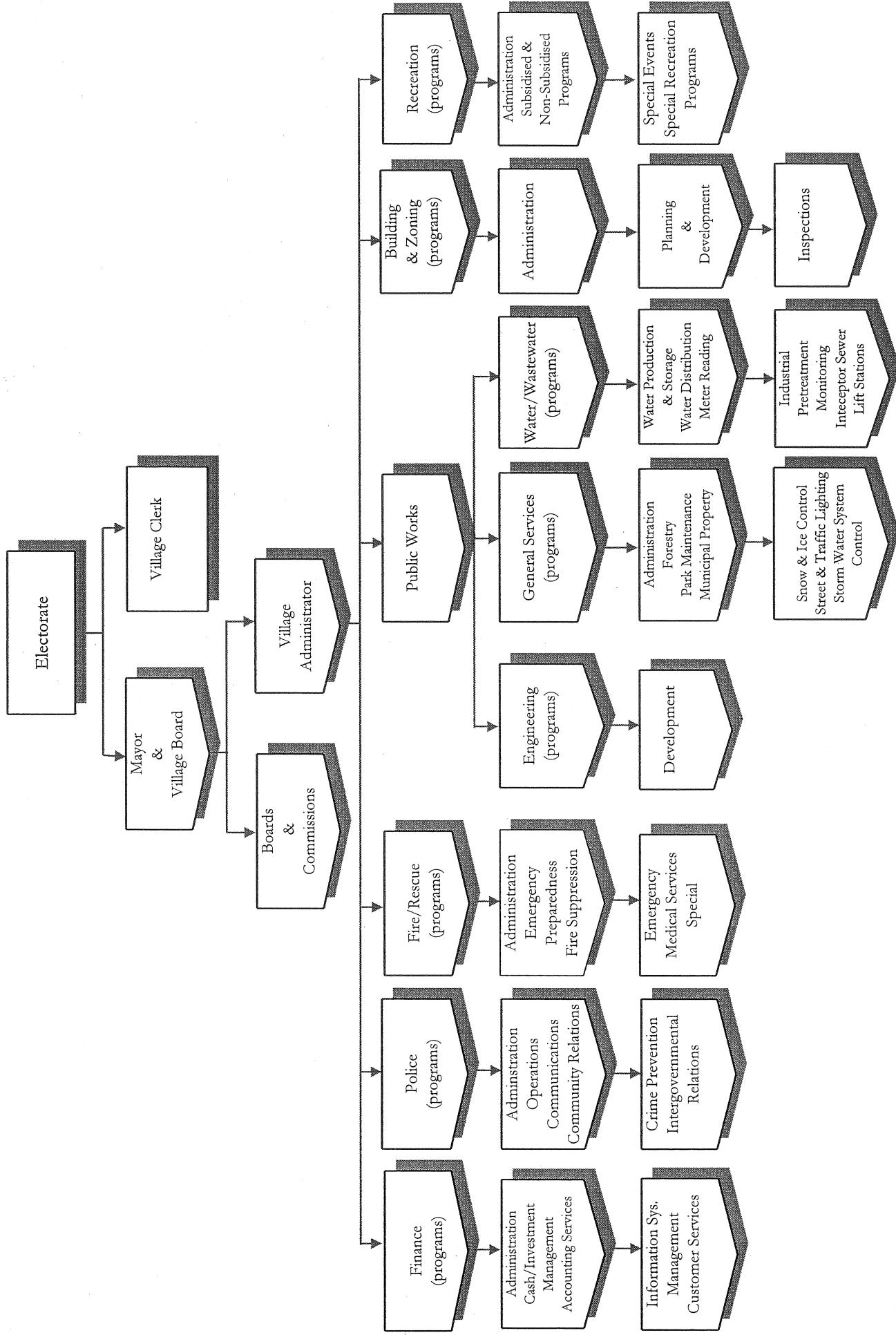
Thomas Bondi

Gloria Palmblad, Village Clerk

John Fulton Dixon, Village Administrator

Jeffrey A. Martynowicz, Finance Director and Treasurer

VILLAGE OF LAKE ZURICH ORGANIZATION CHART



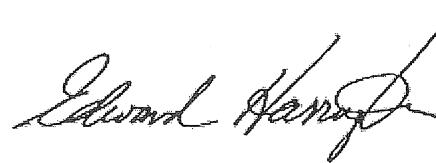
Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Lake Zurich,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Edward H. Harris

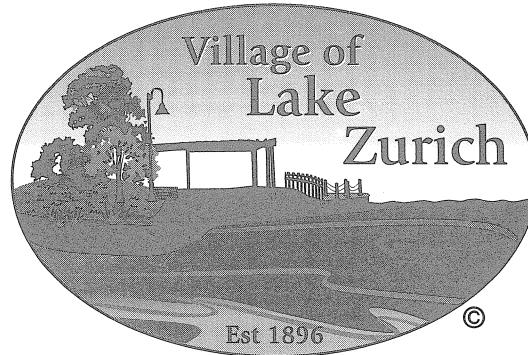
President



Jeffrey P. Ecker

Executive Director

70 E. Main Street
Lake Zurich, IL 60047-3226



Phone: (847) 438-5141
Fax: (847) 540-1768
Web: www.volz.org

September 23, 2004

To the honorable Mayor, Members of the Village Board and Citizens of the Village of Lake Zurich, Illinois:

State law requires that all general-purpose local governments publish, within six months of the closing of the fiscal year, a complete set of financial statements presented in conformity with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Lake Zurich, Illinois.

This report consists of management's representations concerning the finances of the Village of Lake Zurich. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village of Lake Zurich, Illinois has established an internal control structure that is designed both to protect the government's assets from loss, theft and misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with generally accepted accounting principles (GAAP). The Village's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village of Lake Zurich, Illinois financial statements have been audited by Lauterbach and Amen, a firm of licensed certified public accountants. Lauterbach and Amen concluded that the Village's financial statements for the fiscal year ended April 30, 2004, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Village's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Incorporated in 1896, the Village of Lake Zurich, Illinois is a non-home rule community that operates under the management form of municipal government as provided in Chapter 65, Article 5 of the Illinois Complied Statutes. The Village is governed by a President and Board of six trustees, all of whom are elected on an at-large basis to four-year overlapping terms. Policy-making and legislative authority are vested in the Village Board. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Village Administrator and Village Attorney. The Board is elected on a non partisan basis. Board members serve four year staggered terms, with three Board members elected every two years. The Village President and Clerk are elected to serve a four year term. An appointed Village Administrator is charged with the day-to-day responsibility of administering Board policy and supervising approximately 325 full and part time employees. The Village

provides a full range of services, including administrative, financial, police and fire protection, public works, water and sewer utilities, recreational activities and cultural events.

Lake Zurich, located northwest of Chicago in Lake County, was one of the fastest growing communities over the past two decades. Its location, along with the availability of inexpensive land spurred development of moderately priced housing units (2000 median home value \$225,100) compared to the "North Shore" communities to the east. This growth transformed the Village from a rural resort town into a traditional suburb. The population quadrupled since 1970 to 19,005 in the latest census. Population growth is now slowing as available land for development is becoming limited. The Village expects to peak in the next few years at approximately 20,500 as less than 5% of residentially zoned land remains undeveloped. It is expected that the Village will continue to experience moderate growth, given its proximity to employment centers throughout the Chicago metropolitan area.

Annually the Village adopts a budget that defines its legal spending authority. Departments submit requests to the Village Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The budget is presented to the Village Board for review. The Village Board holds public hearings and may add to, subtract from, or change budgeted amounts. The Village's budget is adopted no later than April 30th, the close of the fiscal year.

Assessment of Economic Condition

The Village has enjoyed rising property values in Lake Zurich for the past four years. Equalized Assessed Values from 1999-2003 have risen on average approximately 9%. Lake Zurich was ranked the thirteenth wealthiest community in the State of Illinois after the 2000 Census. Lake Zurich has a very strong retail sales tax base primarily located in the Rand Road Corridor. Super stores such as Home Depot, Wal-Mart and Target have helped to increase and bolster sales tax revenue in each of the last ten fiscal years by an average of 7%. Trends in sales tax generation remain optimistic as the hope of an improving economy is in the future. In 2002 the Village established a tax increment financing (TIF) district to revitalize the downtown district. The TIF included a planned residential community of 246 residential homes. The development is expected to generate significant building permit revenue and increased property values in the TIF district. It is also anticipated that redevelopment of many of the commercial buildings in the downtown district will begin in fiscal year 2006. The revitalization is expected to have a major impact financially on the Village as building permit revenue, sales tax revenue and increased property taxes will occur from the redevelopment.

The Village embarked on a comprehensive water and sewer rate study during fiscal year 2004. The Village was mandated by the Illinois Environmental Protection Agency to upgrade many of its existing deep wells that provide drinking water to the community. The total cost of all water and sewer related capital projects is 10.6 million dollars over the next five fiscal years. In an effort to pay for the increased operational and capital costs, the creation of a 5 year water and sewer spending plan was created. The plan concluded the need for a water and sewer rate increase in fiscal year 2005 and 2006. Water/Sewer rates have not been increased since 1993. The total increase to the water and sewer rate was 28.6%. The 5 year plan also concluded the need to issue debt in fiscal years 2006 and 2007 as a tool to help finance capital costs over the next five years.

The fiscal year 2004 budget included initiatives to mainly cut costs and balance the budget during difficult economic times. Plan review fees for fire prevention services were budgeted for the Villages of Hawthorn Woods, Kildeer, Deer Park and North Barrington. The Lake Zurich Fire Department provides services to these communities and fees were budgeted to offset costs. There were no new full time personnel position in this year's budget and part time seasonal employees along with overtime in the police and fire departments were decreased. There were also many positions in all departments that

were kept vacant due to attrition. The Village asked Lake County, Illinois and the local township to help share costs and provide additional services for mosquito abatement. Illinois had the highest West Nile virus count in 2003 and planning took place to control the virus. Many community program costs such as the Homeowners Beautification Program, Downtown Facade Program and contributions to the Omni Youth Services Program were kept flat or eliminated.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Lake Zurich for its comprehensive annual financial report for the fiscal year ended April 30, 2003. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. It is our belief the Village of Lake Zurich's current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for this award.

The Finance Department staff is to be congratulated for their dedication in performing their duties in a professional manner. Through their collective efforts the audit was completed in a timely fashion. Special thanks go to Assistant Finance Director, Nancy Caine, for her dedication in managing preparation of this report in compliance with GASB 34 reporting requirements. We also want to thank Mayor Krischke and the Board of Trustees and Department Heads for their continued support.

Respectively Submitted,



John F. Dixon
Village Administrator



Jeffrey A. Martynowicz
Finance Director and Treasurer

FINANCIAL SECTION

This section includes:

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

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Village's independent auditing firm.

INDEPENDENT AUDITORS' REPORT

August 20, 2004

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

We have audited the accompanying basic financial statements of the Village of Lake Zurich, Illinois as of and for the year ended April 30, 2004, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Village of Lake Zurich, Illinois' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lake Zurich, Illinois as of April 30, 2004, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules, as well as the information listed as supplemental and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Lake Zurich, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Village of Lake Zurich, Illinois
August 20, 2004
Page 2

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The introductory and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

Lauterbach & Amen LLP
LAUTERBACH & AMEN, LLP

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

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 April 30, 2004. It 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

- Total assets exceeded liabilities by \$112,794,166. Unrestricted net assets (net assets used to meet ongoing operations) totaled \$6,489,201. Restricted net assets totaled \$2,687,699. The majority of the net assets, the amount "Invested in Capital Assets, Net of Related Debt," was \$103,617,266.
- Governmental net assets decreased \$261,690 and Business-Type Activities net assets decreased \$621,283.
- Capital assets, net of \$32,585,365 of accumulated depreciation, amounted to \$125,274,016 at April 30, 2004. Assets capitalized include land, buildings and related improvements, as well as machinery and equipment and infrastructure.
- Long term bond and installment contract debt decreased \$5,938,573 during the current fiscal year. Of the total decrease, \$1,423,573 was used to pay down existing debt and \$4,515,000 resulted from the retirement of debt on May 1, 2003. No new debt was issued during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Lake Zurich's basic financial statements include the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. There is also required supplementary information provided that should be read in conjunction with the basic financial statements to further enhance the reader's knowledge and understanding of the Village of Lake Zurich's financial position.

Government wide statements

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

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

The government-wide *Statement of Activities* reflects the change in Village net assets 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 Assets* and the *Statement of Activities* include the Village's governmental and business-type activities. Governmental activities encompass general government, public safety, highways and streets, parks 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 wastewater 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.

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 compliance with specific finance and legal requirements and to provide a smaller, more detailed view of a sector of the government. 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 is 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 four governmental funds to account for its governmental functions:

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

The Capital Projects Fund accounts for the financial resources used for the acquisition and construction of capital projects. This fund includes street construction costs financed by the motor fuel tax allocation and park and recreation 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 the TIF district.

Budgetary comparisons are included at the fund level in the basic financial statements.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

Proprietary Funds

The Village of Lake Zurich maintains one proprietary fund – the Waterworks and Sewerage Fund. 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.

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. 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.

Notes to the Financial Statements

The notes to the financial statements provide information that is critical to the full understanding of the financial statements. The notes to the financial statement are on page 27 through 60 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is available on page 61 through 71.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The combined net assets for the fiscal year ended April 30, 2004 totaled \$112,794,166 that consisted of positive net assets from both governmental activities and business-type activities of \$66,516,371 and \$46,277,795 respectively. The following is a summary of the Village's net assets at April 30, 2004:

	Governmental Activities		Business-type Activities		Total	
	FYE04	FYE03	FYE04	FYE03	FYE04	FYE03
Current and other assets	\$ 16,309,363	\$ 19,885,272	\$ 6,990,872	\$ 10,873,419	\$ 23,300,235	\$ 30,758,691
Capital assets	80,761,713	79,750,306	44,512,303	44,315,547	125,274,016	124,065,853
Total assets	97,071,076	99,635,578	51,503,175	55,188,966	148,574,251	154,824,544
Long-term liabilities outstanding	20,969,284	22,020,409	1,184,645	4,217,545	22,153,929	26,237,954
Other liabilities	9,585,421	10,837,108	4,040,735	4,072,343	13,626,156	14,909,451
Total liabilities	30,554,705	32,857,517	5,225,380	8,289,888	35,780,085	41,147,405
Net assets:	66,516,371	66,778,061	46,277,795	46,899,078	112,794,166	113,677,139
Invested in capital assets, net of related debt	63,594,963	67,836,928	40,022,303	39,776,905	103,617,266	107,613,833
Restricted	2,687,699	9,360,601	-	1,652,656	2,687,699	11,013,257
Unrestricted	233,709	(10,419,468)	6,255,492	5,469,517	6,489,201	(4,949,951)
Total net assets	\$ 66,516,371	\$ 66,778,061	\$ 46,277,795	\$ 46,899,078	\$ 112,794,166	\$ 113,677,139

Beginning fund balance was restated from \$111,599,259 to \$113,677,139 to include a prior period adjustment of \$2,077,880. The adjustment was made to capitalize costs of fixed asset

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

additions (primarily costs associated with the construction of a portion of Old Rand Road) that were previously expensed.

The most sizable asset for the Village of Lake Zurich is its capital assets, most noticeably its infrastructure. Since the Village's capital assets, particularly its infrastructure, need to remain intact, these assets are not sellable. Any outstanding debt, therefore, must be extinguished from operating revenue sources.

Statement of Activities

Fund balance, which is indicative of the Village's financial position, decreased \$882,973. The decrease resulted from a decrease in governmental activities of \$261,690 and a decrease in business-type activities of \$621,283.

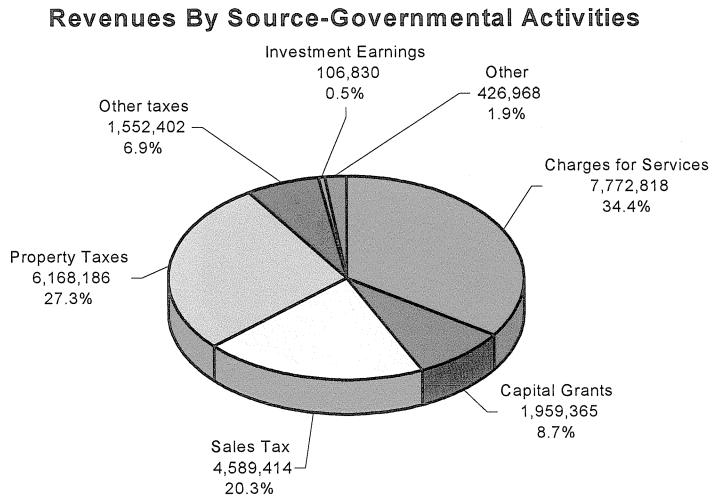
The following is a summary of changes in the Village's net assets for the fiscal year ended April 30, 2004:

	Governmental Activities		Business-type Activities		Total	
	FYE04	FYE03	FYE04	FYE03	FYE04	FYE03
Revenues:						
Program revenues:						
Charges for Services	\$ 7,772,818	\$ 6,502,919	\$ 3,737,934	\$ 3,421,322	\$ 11,510,752	\$ 9,924,241
Capital grants	1,959,365	3,474,263			1,959,365	3,474,263
General revenues:						
Sales Tax	4,589,414	4,350,994			4,589,414	4,350,994
Property taxes	6,168,186	5,943,396	11,723	11,718	6,179,909	5,955,114
Illinois state income taxes	1,117,985	1,177,617			1,117,985	1,177,617
Other taxes	434,417	405,685			434,417	405,685
Investment earnings	106,830	159,260	55,994	187,372	162,824	346,632
Other	426,968	1,134,743			426,968	1,134,743
Total revenues	22,575,983	23,148,877	3,805,651	3,620,412	26,381,634	26,769,289
Expenses:						
Program expenses:						
General Government	2,413,846	3,213,453			2,413,846	3,213,453
Public Safety	11,303,728	11,763,950			11,303,728	11,763,950
Highways and Streets	4,054,985	2,660,792			4,054,985	2,660,792
Parks and Recreation	1,631,428	1,198,766			1,631,428	1,198,766
Economic Development	2,939,519	1,648,969			2,939,519	1,648,969
Interest on long-term debt	915,673	673,930			915,673	673,930
Water/Sewer			4,005,428	4,029,329	4,005,428	4,029,329
Total expenses	23,259,179	21,159,860	4,005,428	4,029,329	27,264,607	25,189,189
Excess/(deficit) before transfers	(683,196)	1,989,017	(199,777)	(408,917)	(882,973)	1,580,100
Transfers	421,506	116,357	(421,506)	(116,357)		
Increase/(decrease) in net assets	(261,690)	2,105,374	(621,283)	(525,274)	(882,973)	1,580,100
Beginning net assets	66,778,061	64,672,687	46,899,078	47,424,352	113,677,139	112,097,039
Ending net assets - April 30	\$ 66,516,371	\$ 66,778,061	\$ 46,277,795	\$ 46,899,078	\$ 112,794,166	\$ 113,677,139

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004



Governmental Activities

Governmental activities resulted in a \$261,690 decrease in net assets. This is \$2,367,064 lower than the (restated) increase reflected in FYE03 of \$2,105,374.

Total revenues were down from last year by \$572,894. The decrease was due mainly to a decline in insurance reimbursements; however, a shift in revenue sources needs to be noted.

- In FYE04, insurance reimbursements totaled \$112,490 compared to \$893,096 in FYE03.
- In FYE04, operations benefited from TIF developer contributions. Concord paid the Village \$900,000 for reimbursement of costs related to the construction of the Promenade and \$880,274 in lieu of park land dedication. In addition, right-of-way valued at \$552,000 was donated. During FYE04, although grant proceeds were substantial, they did not compare to a sizeable grant of \$2,252,950 received in FYE03 (for construction of a portion of Old Rand Road.)

Program expenses were higher than last year by \$2,099,319 due primarily to an increase in economic development costs, as the redevelopment of the Tax Increment District is in full swing.

- \$2,000,000 was incurred in the current year for TIF clean-up and demolition expenditures.

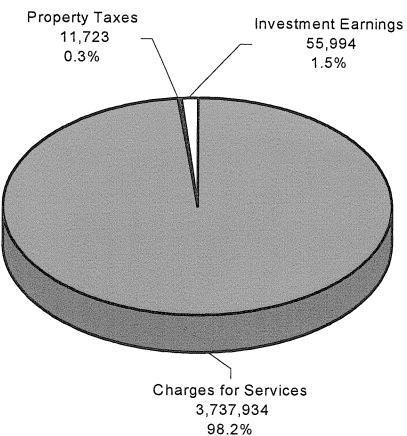
With regard to normal operations, the Village has been successful in continuing to effectively implement "across the board" cost cutting measures to combat a drop-off in revenue growth and rising health care and liability insurance.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

Revenues By Source-Business-type Activities



Business-type Activities

Business-type activities resulted in a \$621,283 decrease in Village net assets for the fiscal year. The loss includes \$1,372,818 in annual depreciation and amortization taken on fixed assets. User fees from providing water and sewer service were \$227,833 lower than budgeted resulting from unseasonable weather conditions (a wet spring and cool summer) resulted in lower billable consumption. However, expenditures were well under budget to offset any shortfall in revenues. Deferral of material project expenditures helped to minimize the net operating loss. Only \$32,572 of expense was incurred related to the Route 22 Bypass Utilities Relocation Project, which was budgeted at \$1,200,000. The favorable impact of the expense deferral was slightly minimized by an unbudgeted operational transfer of \$306,000 to the General Fund.

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 April 30, 2004, governmental funds reported combined fund balances of \$8,741,964. Of this amount, \$2,101,527 is unreserved and is available for future obligations. The reserved fund balance of \$6,640,437 is comprised of the following: \$3,718,969 reserved for prepaid items and land held for resale, \$10,013 reserved for public safety expenditures, \$377,989 is reserved for future debt service payments, \$1,075,929 for the payment of future Tax increment financing interest payments, \$957,343 for improvements to the Tax increment financing district and \$500,194 to maintain the working cash reserve in compliance with legal requirements.

The General Fund is the Village's primary operating fund. During FYE04, the fund balance decreased \$1,477,199. A large part of the decrease, \$874,322 resulted from expenditures incurred

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

in FYE04 that were funded from an appropriation of fund balance, as opposed to current year operating revenues. Of this, \$148,000 was expended for vehicle purchases financed from an installment contract realized in FYE03 and \$726,322 of expenditures were incurred to retire debt replaced by the issuance of two installment contracts in FYE03. Spending was closely monitored and total expenditures were \$303,314 under budget. However, revenues did not materialize to the level expected and in the end, they were unable to support even a decreased level of spending. By summary line item, all revenue categories were under budget, with the exception of miscellaneous income. The revenue shortage, which totaled \$1,219,488, was slightly reduced by an operating transfer of \$306,000 from the Waterworks & Sewerage Fund.

The Debt Service Fund has a positive fund balance of \$1,453,918 that is restricted entirely for the payment of future debt service. The Capital Improvements Fund and the Downtown TIF Fund have positive fund balances of \$1,485,423 and \$4,387,593 respectively. The Capital Improvements fund balance will be used for street and park improvements and additions. The Downtown TIF fund balance is earmarked exclusively to fund improvements to the downtown tax increment financing district.

Proprietary Funds

The focus for the proprietary fund at the fund level is synonymous with that found at the government-wide level. Both 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

One amendment was made to the original FYE04 budget. In FYE03, it was decided to refinance debt to take advantage of record low interest rates. New bonds were issued at the end of last year, replacing bonds that were retired the first day of FYE04. Since the budget was prepared before it became apparent that the refinancing would cross years, the debt retirement was not budgeted in FYE04. The budget amendment, which adjusted only the General Fund, reflected the May 1, 2003 retirement of two installment contracts. The amount of the adjustment encompassed the amount of the outstanding loan at 5/1/03 (\$1,295,000) less budgeted principal and interest payments (\$558,134) or a net adjustment of \$726,322. The adjustment, which netted to zero, was reflected as an adjustment to Principal and Interest Expense and offset by an Appropriation to Fund Balance.

CAPITAL ASSETS

The Village of Lake Zurich's investment in capital assets, net of accumulated depreciation, amounted to \$125,274,016 at April 30, 2004. The investment includes land, buildings, improvements, machinery and equipment, vehicles and infrastructure as follows:

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

	Governmental Activities		Business-type Activities		Total	
	FYE04	FYE03	FYE04	FYE03	FYE04	FYE03
Land and Improvements	\$ 29,110,303	\$ 27,808,227	\$ 249,652	\$ 249,652	\$ 29,359,955	\$ 28,057,879
Building and Improvements	10,983,157	11,270,504	-	-	10,983,157	11,270,504
Machinery & Equipment	3,519,602	3,664,010	394,644	415,436	3,914,246	4,079,446
Infrastructure	37,148,648	37,007,565	43,868,010	43,650,459	81,016,658	80,658,024
Total	\$ 80,761,710	\$ 79,750,306	\$ 44,512,306	\$ 44,315,547	\$ 125,274,016	\$ 124,065,853

Capital additions for the year totaled \$4,339,066 and included the following major additions:

- \$1,412,920 – Ion Exchange-Well #7:

Well #7 is the first of four Village wells that have been earmarked for ion exchange installation. The treatment of raw water using ION Exchange will reduce radium levels of finished water to meet the Illinois Environmental Protection and the Federal Safe Drinking Water Act compliance standards. The funding source for Well #7 upgrades (and the other Wells #8, 10 and 12) will be a water and sewer rate increase implemented in two tiers on September 1, 2004 and September 1, 2005 along with bond issues planned in FYE06 and FYE07.

- \$941,147 - Street construction projects:

Street upgrades and construction costs were funded from a combination of motor fuel tax allotments and operational revenue. Major road capital improvements included full depth grinding and replacement of pavement (including extensive curb and sidewalk replacement) for Burr Oak, Ramblewood and Ramblewood Court. Also completed was resurfacing and re-striping for Surryse, Buesching and South Old Rand Road. Capital additions also included \$74,470 of road and signalization improvements to the Oakwood Road/Midlothian intersection. At the end of FYE04, the majority of Phase I and II engineering for the Oakwood Road/Midlothian project was completed. Federal, State and Township entities will share in most of total projected cost of \$1,905,000.

- \$614,400 – Land Dedicated/Annexed:

During FYE04, park land valued at \$62,400 (Orchard Pond Subdivision) was dedicated to the Village. In addition, right-of-way valued at \$552,000 was donated relating to the Concord Village Development.

- \$421,451 – Jurisdictional Transfer of a section of Rand Road:

A \$2,365,000 grant was awarded to the Village of Lake Zurich by the Illinois Department of Transportation in FYE03. The grant, of which \$2,252,950 was received in FYE03 and \$112,050 received May 2005, was used for costs related to pavement widening and resurfacing of a portion of Old Rand Road (from east of US Route 12 to Buesching Road.) Upon completion, the agreement called for the jurisdictional transfer to the Village of that portion of Old Rand Road. The jurisdictional transfer occurred in May, 2003. Although the total capitalized cost of construction of \$2,328,142 spanned over a two year period, with final payments made in latter part of FYE04, the acquired roadway was added to the

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

asset base at the time of the jurisdictional transfer in FYE04. The full cost of construction that was capitalized in FYE04, included \$421,451 as a current year addition and \$1,906,691 as a prior period adjustment.

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

DEBT ADMINISTRATION

Debt service activity during FYE04 was minimal. No new debt was issued. The draw down of existing debt amounted to a decrease in long-term debt of \$1,423,573.

On May 1, 2003 five debt issues were retired for a total of \$4,515,000. The debt retired included two installment contracts (\$1,295,000), one General Obligation Bond (\$350,000) and two Waterworks and Sewerage Revenue Bonds (\$2,870,000.) The source of funds to retire the debt was the proceeds from the sale of bonds in FYE03.

Outstanding long-term debt at April 30, 2004 is as follows:

	Governmental Activities		Business-type Activities		Total	
	FYE04	FYE03	FYE04	FYE03	FYE04	FYE03
General Obligation Bonds	\$ 10,005,000	\$ 11,395,000	\$ -	\$ -	\$ 10,005,000	\$ 11,395,000
Alternate Revenue Bonds	10,000,000	10,000,000	4,490,000	4,660,000	14,490,000	14,660,000
Revenue Bonds			-	2,870,000	-	2,870,000
Installment Contracts	880,719	2,389,292	-	-	880,719	2,389,292
	\$ 20,885,719	\$ 23,784,292	\$ 4,490,000	\$ 7,530,000	\$ 25,375,719	\$ 31,314,292

As of the last bond issue, the Village bond rating remained A-1. Additional information on the Village's long term liabilities is presented in the notes to the basic financial statements.

TAX INCREMENT FINANCING DISTRICT - TIF

A Tax Increment Financing District was established in Lake Zurich in March of 2002. During FYE03, the issuance of \$10,000,000 in Tax Increment bonds was authorized in two separate bond issues of \$5,800,000 and \$4,200,000. The proceeds from the bond issuance have been used to purchase land and fund improvements that are expected to revitalize Lake Zurich's downtown area which is centered at the intersection of Main Street (Route 22) and Old Rand Road. Incremental real estate taxes, generated by the value added to the property tax base, along with enhanced sales tax revenues, are earmarked to repay the loans. To date \$25,137 of incremental taxes have been received. This amount is anticipated to increase substantially over the coming years. At April 30, 2004, approximately \$8,350,000 of TIF funds was expended for TIF downtown improvements, including \$950,000 for the Promenade, \$800,000 for Streetscape improvements, \$3,550,000 for land acquisitions, \$2,000,000 for developer reimbursement for redevelopment costs, and \$1,050,000 for contractual and consulting expenditures.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FYE05 Budget was prepared under the assumption that the General Fund revenue stream would remain relatively flat in comparison to FYE04. Expenditure budget authorizations, although significantly reduced in FYE04, continue to steadily rise. In order to balance rising costs, it was necessary to turn to new revenue sources. The telecommunications tax was increased from 1% to 6%, although the increase in revenue was partially offset by the elimination of vehicle stickers. A \$1,250,000 installment contract was budgeted to fund non-operational expenditures, primarily a financial management software upgrade and substantial road and signal improvements. The first signs of FYE05 indicate a slightly upward fiscal trend. In the first months of FYE05, permit revenue (and connections fees) have far exceeded the budget, due solely to the development of the TIF Concord Project. The trend is anticipated to continue through FYE05.

Increasing costs of providing water and sewer services and the construction of ion exchange systems at four wells necessitated a water and sewer rate increase for FYE05, along with the issuance of two bond issues scheduled in FYE06 and FYE07. The rate increase, which is the first increase since 1993, will be in two steps. The current combined water and sewer rate of \$6.10 will be increased to \$6.99 effective September 1, 2004 and further increased to \$7.97 effective September 1, 2005. It is anticipated that the rate will not increase again for several years.

The Village will continue to monitor its reserves. The main focus in the short-term is to contain costs, monitor the revenue stream and to effectively operate with the available resources without compromising municipal services.

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 April 30, 2004. 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.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets

April 30, 2004

See Following Page

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets

April 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 5,459,062	5,053,375	10,512,437
Receivables - Net	6,803,496	386,639	7,190,135
Internal Balances	(1,411,207)	1,411,207	-
Due from Other Governments	1,333,314	-	1,333,314
Deposits	405,729	139,651	545,380
Prepaid Items	288,719	-	288,719
Inventory - Land Held for Resale	3,430,250	-	3,430,250
	<u>16,309,363</u>	<u>6,990,872</u>	<u>23,300,235</u>
Capital Assets			
Nondepreciable Capital Assets	27,137,970	249,652	27,387,622
Depreciable Capital Assets	72,709,199	57,762,560	130,471,759
Accumulated Depreciation	(19,085,456)	(13,499,909)	(32,585,365)
	<u>80,761,713</u>	<u>44,512,303</u>	<u>125,274,016</u>
Total Assets	97,071,076	51,503,175	148,574,251

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	417,262	566,368	983,630
Accrued Payroll	385,703	36,341	422,044
Claims Payable	183,128	26,872	210,000
Interest Payable	233,769	67,380	301,149
Deferred Revenues	6,581,306	-	6,581,306
Current Portion of Long-Term Debt	1,784,253	487,684	2,271,937
	9,585,421	1,184,645	10,770,066
Noncurrent Liabilities			
Compensated Absences Payable	482,721	30,735	513,456
Net Pension Obligation Payable	1,264,417	-	1,264,417
Installment Contracts Payable	662,146	-	662,146
General Obligation Bonds Payable	8,560,000	-	8,560,000
Alternate Revenue Bonds Payable	10,000,000	4,010,000	14,010,000
	20,969,284	4,040,735	25,010,019
Total Liabilities	30,554,705	5,225,380	35,780,085
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	63,594,963	40,022,303	103,617,266
Restricted - Special Revenues	510,207	-	510,207
Restricted - Debt Service	144,220	-	144,220
Restricted - Tax Increment Financing	2,033,272	-	2,033,272
Unrestricted	233,709	6,255,492	6,489,201
	66,516,371	46,277,795	112,794,166

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Activities
Year Ended April 30, 2004

	Program Revenues		
	Charges for Expenses	Capital Grants/ Revenues	Contribution
Primary Government			
Governmental Activities			
General Government	\$ 2,413,846	1,988,492	-
Public Safety	11,303,728	5,206,007	-
Highways and Streets	4,054,985	-	1,959,365
Culture and Recreation	1,631,428	578,319	-
Economic Development	2,939,519	-	-
Interest on Long-Term Debt	915,673	-	-
Total Governmental Activities	23,259,179	7,772,818	1,959,365
Business-Type Activities			
Waterworks and Sewerage	4,005,428	3,737,934	-
	27,264,607	11,510,752	1,959,365
General Revenues			
Taxes			
Property Taxes			
Municipal Sales Taxes			
Intergovernmental			
Illinois State Income Taxes			
Other Taxes			
Interest Income			
Miscellaneous			
Transfers - Internal Activity			
Change in Net Assets			
Net Assets - Beginning as Restated			
Net Assets - Ending			

The notes to the financial statements are an integral part of this statement.

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
(425,354)	-	(425,354)
(6,097,721)	-	(6,097,721)
(2,095,620)	-	(2,095,620)
(1,053,109)	-	(1,053,109)
(2,939,519)	-	(2,939,519)
(915,673)	-	(915,673)
<u>(13,526,996)</u>	<u>-</u>	<u>(13,526,996)</u>
	(267,494)	(267,494)
<u>(13,526,996)</u>	<u>(267,494)</u>	<u>(13,794,490)</u>
6,168,186	11,723	6,179,909
4,589,414	-	4,589,414
1,117,985	-	1,117,985
434,417	-	434,417
106,830	55,994	162,824
426,968	-	426,968
421,506	(421,506)	-
<u>13,265,306</u>	<u>(353,789)</u>	<u>12,911,517</u>
(261,690)	(621,283)	(882,973)
66,778,061	46,899,078	113,677,139
66,516,371	46,277,795	112,794,166

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2004

	General	Debt Service	Capital Improvements	Downtown TIF	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,668,396	1,439,494	1,300,168	1,051,004	5,459,062
Receivables - Net of Allowances					
Property Taxes	4,752,000	1,829,306	-	-	6,581,306
Accounts	206,866	-	-	-	206,866
Accrued Interest	-	15,324	-	-	15,324
Due from Other Governments	1,118,652	-	214,662	-	1,333,314
Deposits	405,729	-	-	-	405,729
Prepaid Items	288,719	-	-	-	288,719
Inventory - Land Held for Resale	-	-	-	3,430,250	3,430,250
Total Assets	8,440,362	3,284,124	1,514,830	4,481,254	17,720,570
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	293,294	900	29,407	93,661	417,262
Accrued Payroll	385,703	-	-	-	385,703
Claims Payable	183,128	-	-	-	183,128
Due to Other Funds	1,411,207	-	-	-	1,411,207
Deferred Revenues	4,752,000	1,829,306	-	-	6,581,306
Total Liabilities	7,025,332	1,830,206	29,407	93,661	8,978,606
Fund Balances					
Reserved - Prepaid Items/Inventory	288,719	-	-	3,430,250	3,718,969
Reserved - Public Safety	10,013	-	-	-	10,013
Reserved - Working Cash	500,194	-	-	-	500,194
Reserved - Debt Service	-	377,989	-	-	377,989
Reserved - Tax Increment Financing	-	1,075,929	-	957,343	2,033,272
Unreserved	616,104	-	1,485,423	-	2,101,527
Total Fund Balances	1,415,030	1,453,918	1,485,423	4,387,593	8,741,964
Total Liabilities and Fund Balances	8,440,362	3,284,124	1,514,830	4,481,254	17,720,570

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

**Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities**

April 30, 2004

Total Governmental Fund Balances	\$ 8,741,964
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Amounts Reported for Governmental Activities in the Statement of Net Assets
are Different Because:

Capital Assets used in Governmental Activities are not Financial
Resources and therefore, are not Reported in the Funds. 80,761,713

Long-Term Liabilities are not Due and Payable in the Current
Period and therefore are not Reported in the Funds.

General Obligation Bonds Payable	(10,005,000)
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Alternate Revenue Bonds Payable	(10,000,000)
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Installment Contracts Payable	(880,719)
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Net Pension Obligation Payable	(1,264,417)
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Compensated Absences Payable	(603,401)
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Accrued Interest Payable	<u>(233,769)</u>
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Net Assets of Governmental Activities	<u>66,516,371</u>
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VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2004

	General	Debt Service	Capital Improvements	Downtown TIF	Total Governmental Funds
Revenues					
Taxes	\$ 9,105,616	1,651,984	-	-	10,757,600
Licenses and Permits	1,561,404	-	-	-	1,561,404
Intergovernmental	2,183,195	-	714,172	-	2,897,367
Charges for Services	3,831,476	-	1,076,558	766,480	5,674,514
Fines and Forfeits	536,900	-	-	-	536,900
Interest	33,168	17,600	3,624	52,438	106,830
Miscellaneous	375,637	-	-	51,331	426,968
Total Revenues	17,627,396	1,669,584	1,794,354	870,249	21,961,583
Expenditures					
Current					
General Government	2,291,206	-	-	-	2,291,206
Public Safety	11,659,477	-	-	-	11,659,477
Highways and Streets	2,735,370	-	119,392	-	2,854,762
Culture and Recreation	1,527,115	-	-	-	1,527,115
Economic Development	-	-	-	2,939,519	2,939,519
Capital Outlay	-	-	804,007	301,299	1,105,306
Debt Service					
Principal Retirement	1,278,573	1,390,000	-	-	2,668,573
Interest and Fiscal Charges	34,360	848,196	-	-	882,556
Total Expenditures	19,526,101	2,238,196	923,399	3,240,818	25,928,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,898,705)	(568,612)	870,955	(2,370,569)	(3,966,931)
Other Financing Sources					
Transfers In	421,506	-	-	-	421,506
Net Change in Fund Balance	(1,477,199)	(568,612)	870,955	(2,370,569)	(3,545,425)
Fund Balance - Beginning	2,892,229	2,022,530	614,468	6,758,162	12,287,389
Fund Balance - Ending	1,415,030	1,453,918	1,485,423	4,387,593	8,741,964

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

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

Year Ended April 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (3,545,425)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the
Statement of Activities the Cost of those Assets is Allocated over their Estimated
Useful Lives and Reported as Depreciation Expense.

Capital Outlays	2,205,755
Depreciation Expense	(1,808,748)

The net Effect of Various Miscellaneous Transactions Involving Capital Assets
is to Increase Net Assets

Infrastructure/Land Contributions from Developers	614,400
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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.

Additions to Net Pension Obligation Payable	(330,528)
Reduction of Compensated Absences Payable	(32,600)
Retirement of Debt	2,668,573

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.

(33,117)

Changes in Net Assets of Governmental Activities (261,690)

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets - Proprietary Funds
April 30, 2004

**Business-Type
Activities**
**Waterworks
and
Sewerage**

ASSETS

Current Assets

Cash and Investments	\$ 5,053,375
Receivables - Net of Allowances	
Property Taxes	11,707
Accounts	374,932
Deposits	139,651
Due from Other Funds	1,411,207
	<hr/>
	6,990,872

Capital Assets

Nondepreciable Capital Assets	249,652
Depreciable Capital Assets	57,762,560
Accumulated Depreciation	(13,499,909)
	<hr/>
	44,512,303
 Total Assets	 <hr/>
	51,503,175

The notes to the financial statements are an integral part of this statement.

**Business-Type
Activities**

 Waterworks
 and
 Sewerage

LIABILITIES

Current Liabilities

Accounts Payable	\$ 566,368
Accrued Payroll	36,341
Claims Payable	26,872
Interest Payable	67,380
Compensated Absences Payable	7,684
Alternate Revenue Bonds Payble	<u>480,000</u>
	<u>1,184,645</u>

Noncurrent Liabilities

Compensated Absences Payable	30,735
Alternate Revenue Bonds Payble	<u>4,010,000</u>
	<u>4,040,735</u>
Total Liabilities	<u>5,225,380</u>

NET ASSETS

Invested in Capital Assets - Net

of Related Debt	40,022,303
Unrestricted	<u>6,255,492</u>

Total Net Assets	<u>46,277,795</u>
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
Year Ended April 30, 2004

	<u>Business-Type Activities</u>
	<u>Waterworks and Sewerage</u>
Operating Revenues	
Charges for Services	<u>\$ 2,836,387</u>
Operating Expenses	
Administration	619,933
Operations	1,851,390
Depreciation and amortization	1,372,818
Total Operating Expenses	<u>3,844,141</u>
Operating Income (Loss)	<u>(1,007,754)</u>
Nonoperating Revenues (Expenses)	
Property Taxes	11,723
Connection Fees	901,547
Interest Income	55,994
Interest Expense and Fiscal Charges	<u>(161,287)</u>
	<u>807,977</u>
Income (Loss) Before Transfers	<u>(199,777)</u>
Transfers Out	<u>(421,506)</u>
Change in Net Assets	<u>(621,283)</u>
Net Assets - Beginning	<u>46,899,078</u>
Net Assets - Ending	<u>46,277,795</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Cash Flows - Proprietary Fund
Year Ended April 30, 2004

	<u>Business-Type Activities</u>
	<u>Water and Sewerage</u>
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 2,832,602
Payments to Employees	(1,300,718)
Payments to Suppliers	<u>(1,195,113)</u>
	<u>336,771</u>
Cash Flows from Noncapital Financing Activities	
Transfers Out	(421,506)
Property Taxes	11,723
Connection Fees	<u>901,547</u>
	<u>491,764</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(1,569,574)
Principal Paid on Capital Debt	(3,040,000)
Interest Paid on Capital Debt	<u>(161,287)</u>
	<u>(4,770,861)</u>
Cash Flows from Investing Activities	
Interest Received	<u>55,994</u>
Net Change in Cash and Cash Equivalents	<u>(3,886,332)</u>
Cash and Cash Equivalents - Beginning	<u>8,939,707</u>
Cash and Cash Equivalents - Ending	<u>5,053,375</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>(1,007,754)</u>
Adjustments to Reconcile Operating Income to Net Income to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation and Amortization Expense	1,372,818
(Increase) Decrease in Current Assets	(3,785)
Increase (Decrease) in Current Liabilities	<u>(24,508)</u>
Net Cash Provided by (Used in) Operating Activities	<u>336,771</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets - Fiduciary Funds
April 30, 2004

	<u>Pension</u>	<u>Trust</u>	<u>Agency</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,177,159		925,261
Investments			
U.S. Government and Agency Securities	6,446,660		-
Mutual Funds	1,641,120		-
Insurance Contracts	2,438,007		-
Receivables			
Accrued Interest	60,414		-
Total Assets	11,763,360		925,261
LIABILITIES			
Accounts Payable	1,955		8,946
Deposits Payable	-		916,315
Total Liabilities	1,955		925,261
NET ASSETS			
Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements)	11,761,405		-

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Changes in Net Assets - Fiduciary Funds
Year Ended April 30, 2004

	Pension Trust
Additions	
Contributions - Employer	\$ 495,637
Contributions - Plan Members	556,362
Total Contributions	1,051,999
 Investment Income	
Interest Earned	617,424
Net Change in Fair Value	167,722
	785,146
Less Investment Expenses	18,944
Net Investment Income	766,202
 Total Additions	1,818,201
 Deductions	
Administration	23,256
Benefits and Refunds	316,120
Total Deductions	339,376
 Change in Net Assets	1,478,825
 Net Assets - Beginning	10,282,580
 Net Assets - Ending	11,761,405

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

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VILLAGE OF LAKE ZURICH, ILLINOIS

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VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lake Zurich, Illinois, incorporated in 1896, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, waterworks and sewerage services, parks and recreation and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Lake Zurich
Blended Component Units:	Police Pension Employees Retirement System
	Firefighters' Pension Employees Retirement System

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Council or the Component unit provides services entirely to the Village. These component units' funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

REPORTING ENTITY - Continued

Blended Component Units

Police Pension Employees Retirement System

The Village's sworn 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 participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a pension trust fund.

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a nine-member pension board. The Village's President, Treasurer, Clerk, Attorney and Fire Chief, one elected pension beneficiary and three elected firefighters constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's sworn firefighters. The FPERS is reported as a pension trust fund.

BASIS OF PRESENTATION

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, parks and recreation, and general administrative services are classified as governmental activities. The Village's waterworks and sewerage services are classified as business-type activities.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, public works, etc). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc).

The Village allocates indirect costs to the proprietary funds for personnel who perform administrative services for those funds, along with other indirect costs deemed necessary for their operations, but are paid through the General Fund

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village electively added funds, as major funds, which either had debt outstanding or specific community focus.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION - Continued

Fund Financial Statements – Continued

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and records all of the Village's general obligation and TIF debt activity.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Village maintains two major capital projects funds, the Capital Improvements Fund, and the Downtown TIF Fund. The Capital Improvements Fund accounts for the acquisition of general capital assets by the Village including infrastructure capital assets. The Downtown TIF Fund accounts for activities associated with improvements within the Tax Increment Financing District.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION - Continued

Fund Financial Statements – Continued

Proprietary Funds

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

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Waterworks and Sewerage Fund, a major fund, accounts for the provision of water and sewer services to the residents and businesses of the Village.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

Pension Trust Funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's police force. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Fire Department.

Agency Funds are used to account for assets held by the Village in a purely custodial capacity. The Escrow Performance Fund accounts for refundable deposits held by the Village to ensure the completion of public improvements by private parties.

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting – Continued

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes. Business-type activities report utility charges as their major receivables.

Prepaid Items/Inventories – Land Held for Resale

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items. Inventory of land held for resale is valued at cost using the specific identification method, and is recognized as an expenditure when sold/consumed.

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 to \$250,000, depending on classification, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in governmental capital assets. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - Continued

Capital Assets – Continued

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Land	N/A
Land/Land Improvements	20 - 30 Years
Buildings	45 Years
Building Improvements	10 – 30 Years
Vehicles	3 – 25 Years
Machinery & Equipment	10 – 30 Years
Computers/Software	5 Years
Furniture & Fixtures	5 – 20 Years
Infrastructure	40 – 50 Years

Compensated Absences

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement. The liability for these compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types 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 type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - Continued

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Administrator so that a budget may be prepared. The budget is prepared by fund, function, and activity, 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 may add to, subtract from, or change budgeted amounts, but may not change the form of the budget.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - Continued

BUDGETARY INFORMATION - Continued

Prior to May 1, the budget, which by State law also serves as the appropriation ordinance, is adopted by the Board of Trustees and constitutes the legal budget of the Village. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, the governing body must approve any revisions that alter the total expenditures of any fund. State statutes establish that expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at the end of the fiscal year. During the year, no supplementary appropriations were necessary.

EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures/expenses, exclusive of depreciation, over budget as of the date of the report:

Fund	Excess
Debt Service	\$ 349,830
Capital Improvements	386,399
Police Pension	27,370
Firefighters' Pension	6,956

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund type'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.

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds, and the Illinois Metropolitan Investment Fund. Pension funds may also invest in certain non-U.S. obligations, mortgages, veteran's loans, life insurance company contracts, money market mutual funds and common and preferred stocks. The Illinois Funds and the Illinois Metropolitan Investment Fund are external investment pools regulated by state statutes; the pool values participant's shares on a fair value basis.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS – Continued

Deposits

At year-end the carrying amount of the Village's deposits totaled \$11,177,970 and the bank balances totaled \$11,833,335.

	<u>Bank Balances</u>
Category 1	
Deposits covered by federal depository insurance, or by collateral held by the Village, or its agent, in the Village's name.	\$ 390,269
Category 2	
Deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the Village's name.	728,739
Category 3	
Deposits covered by collateral held by the pledging financial institution, or its trust department, or its agent but not in the Village's name, and deposits which are uninsured and uncollateralized.	<u>10,714,327</u>
Total Deposits	<u>11,833,335</u>

For pension trust funds the types of deposits authorized and the mix of credit risk categories do not differ significantly from other funds of the Village.

Investments

The Village's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village's name, and uninsured and unregistered investments.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Investments

	Fair Value			Totals	
	Category				
	1	2	3		
U.S. Treasury and Agency Securities	\$ -	-	<u>7,315,044</u>	<u>7,315,044</u>	
Noncategorizable					
Illinois Funds			568,503		
Insurance Contracts			2,438,007		
Mutual Funds			<u>1,641,120</u>		
Total Investments			<u>11,962,674</u>		

The pension trust funds own 79% of the investments in Category 3.

Reconciliation to Government-Wide Statement of Net Assets

Statement of Net Assets	
Cash and Investments	<u>\$ 10,512,437</u>
Deposits and Investments	
Deposits at Carrying Amount	11,177,970
Investment at Fair Value	11,962,674
Fiduciary Funds	<u>(12,628,207)</u>
	<u>10,512,437</u>

PROPERTY TAXES

Property taxes for 2003 attach as an enforceable lien on January 1, 2003, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by Lake County and are payable in two installments, on or about May 1, 2004, and September 1, 2004. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances as Restated	Increases	Decreases	Ending Balances
Capital Assets- Not Being Depreciated				
Land	\$ 26,523,570	614,400	-	27,137,970
Other Capital Assets				
Land Improvements	1,385,868	785,577	-	2,171,445
Buildings	12,757,354	-	-	12,757,354
Building Improvements	77,000	-	-	77,000
Vehicles	3,780,946	225,115	386,270	3,619,791
Machinery and Equipment	1,279,124	3,654	76,131	1,206,647
Computers / Software	53,253	-	-	53,253
Furniture and Fixtures	43,182	-	-	43,182
Infrastructure	51,589,118	1,191,409	-	52,780,527
	70,965,845	2,205,755	462,401	72,709,199
Less Accumulated Depreciation				
Land Improvements	101,211	97,900	-	199,111
Buildings	1,534,733	284,746	-	1,819,479
Building Improvements	4,117	2,600	-	6,717
Vehicles	1,161,319	287,440	386,270	1,062,489
Machinery and Equipment	239,488	85,735	76,131	249,092
Computers / Software	97,301		-	97,301
Furniture and Fixtures	19,389		-	19,389
Infrastructure	14,581,551	1,050,327	-	15,631,878
	17,739,109	1,808,748	462,401	19,085,456
Total Other Capital Assets	53,226,736	397,007	-	53,623,743
Total Capital Assets	79,750,306	1,011,407	-	80,761,713

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Governmental Activities – Continued

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 90,040
Public Safety	414,172
Highway and Streets	1,200,223
Culture and Recreation	104,313
<hr/>	
<u>1,808,748</u>	

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets - Not Being Depreciated	\$ 249,652	-	-	249,652
Other Capital Assets				
Infrastructure	55,552,408	1,494,690	-	57,047,098
Machinery and Equipment	396,748	-	-	396,748
Vehicles	294,493	24,221	-	318,714
	<hr/> 56,243,649	<hr/> 1,518,911	<hr/> -	<hr/> 57,762,560
Less Accumulated Depreciation				
Infrastructure	11,901,950	1,277,140	-	13,179,090
Machinery and Equipment	130,720	21,099	-	151,819
Vehicles	145,084	23,916	-	169,000
	<hr/> 12,177,754	<hr/> 1,322,155	<hr/> -	<hr/> 13,499,909
Total Other Capital Assets	<hr/> 44,065,895	<hr/> 196,756	<hr/> -	<hr/> 44,262,651
Total Capital Assets	<hr/> 44,315,547	<hr/> 196,756	<hr/> -	<hr/> 44,512,303

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities – Continued

Depreciation expense of \$1,322,155 was charged to business-type activities for waterworks and sewerage.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
Waterworks and Sewerage	General	<u>\$ 1,411,207</u>

Interfund balances are advances in anticipation of receipts.

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out
General	Waterworks and Sewerage

Transfer In	Transfer Out
General	<u>\$ 421,506</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

General Obligation TIF Alternate Revenue Bonds

The Village issues general obligation tax increment financing alternate revenue bonds to provide funds for the acquisition and construction of tax increment financing projects. General obligation tax increment financing alternate revenue source bonds provide for the collection, segregation and distribution of certain taxes received by the government for the payment of principal and interest on the general obligation tax increment financing alternate revenue bonds. General obligation tax increment financing alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation TIF Alternate Revenue Bond Series of 2002, due in annual installments of \$155,000 to \$385,000 though Dec. 15, 2021, plus interest at 5.0% to 6.0%	Debt Service	\$ 3,970,000	-	-	3,970,000
General Obligation TIF Alternate Revenue Bonds Series of 2003A, due in installments of \$205,000 to \$345,000 plus interest at 3.625% to 3.75% through December 15, 2021	Debt Service	4,200,000	-	-	4,200,000
General Obligation TIF Alternate Revenue Bond Series of 2002A, due in annual installments of \$85,000 to \$155,000 though Dec. 15, 2021, plus interest at 4.0% to 4.7%	Debt Service	1,830,000	-	-	1,830,000
		10,000,000	-	-	10,000,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

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	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Breezewald Park Bond Series of 1995, due in annual installments of \$70,000 to \$125,000 plus interest at 4.625% to 4.70% through December 15, 2005	Debt Service	\$ 350,000	-	350,000 *	-
General Obligation Police Building Bond Series of 2000, due in annual installments of \$215,000 to \$500,000 plus interest at 5.25% to 5.375% through December 15, 2019	Debt Service	5,785,000	-	220,000	5,565,000
General Obligation Refunding Bond Series of 2001, due in annual installments of \$410,000 to \$905,000 plus interest at 2.50% to 3.75% through December 15, 2008	Debt Service	3,870,000	-	820,000	3,050,000
General Obligation Bond Series of 2003C, due in installments of \$370,000 to \$40,000 plus interest at 2.00% to 3.00% through May 1, 2009	Debt Service	1,390,000	-	-	1,390,000
		<u>11,395,000</u>	<u>-</u>	<u>1,390,000</u>	<u>10,005,000</u>

*General obligation bonds outstanding were paid off early in May 2003.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

General Obligation Waterworks and Sewerage Alternate Revenue Bonds

The Village issues general obligation waterworks and sewerage alternate revenue bonds to provide funds for the acquisition and construction of waterworks and sewerage capital projects. General obligation waterworks and sewerage alternate revenue source bonds provide for the collection, segregation and distribution of revenues received by the government for the payment of principal and interest on the general obligation waterworks and sewerage alternate revenue bonds. General obligation waterworks and sewerage alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2002, due in annual installments of \$170,000 to \$240,000 plus interest at 4.00% to 4.25% through December 15, 2012	Waterworks and Sewerage	\$ 2,000,000	-	170,000	1,830,000
General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003B, due in installments of \$225,000 to \$275,000 plus interest at 2.50% to 2.625% through May 1, 2011	Waterworks and Sewerage	1,960,000	-	-	1,960,000
Taxable General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003D, due in installments of \$80,000 to \$100,000 plus interest at 3.35% to 4.75% through May 1, 2011	Waterworks and Sewerage	700,000	-	-	700,000
		4,660,000	-	170,000	4,490,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

Installment Contracts

The government enters into installment contracts to provide funds for the acquisition of capital assets. Installment contracts currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Public Works Facility Installment Contract of 1996, due in annual installments of \$170,000 to \$270,000 plus interest at 4.35% to 5.55% through May 1, 2006	General	\$ 995,000	-	995,000 *	-
Fire Engine Pumper Installment Contract of 1997, due in annual installments of \$23,573 plus interest at 5.20% through January 15, 2007	General	94,292	-	23,573	70,719
Landscaping and Building Improvements Contract of 1998, due in annual installments of \$50,000 plus interest at 4.65% through June 1, 2008	General	300,000	-	300,000 *	-
Vehicle Purchases Installment Contract of 2002, due in annual installments of \$190,000 to \$210,000 plus interest at 2.0% to 3.0% through August 1, 2007	General	1,000,000	-	190,000	810,000
		2,389,292	-	1,508,573	880,719

*Installment contracts outstanding were paid off early in May 2003.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bonds

The Village also issued bonds for which the Village pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Waterworks and Sewerage Revenue Refunding Bond Series of 1993A, due in annual installments of \$45,000 to \$105,000 plus interest at 4.30% to 6.20% through May 1, 2011	Waterworks and Sewerage	\$ 750,000	-	750,000 *	-
Waterworks and Sewerage Revenue Bond Series of 1993B, due in annual installments of \$135,000 to \$290,000 plus interest at 4.30% to 4.50% through May 1, 2011	Waterworks and Sewerage	2,120,000	-	2,120,000 *	-
		2,870,000	-	2,870,000	-

*Revenue bonds outstanding were paid off early in May 2003.

Non-Commitment Debt

The Village has issued Industrial Development Revenue Bonds (IDRBs) to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial property deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans on the property. The Village is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not reported as a liability on these financial statements. As of the date of this report, there was one IDRB outstanding with a principal amount of \$1,825,000.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Defeased Debt

In prior years the government defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Since the requirements that normally satisfy defeasance have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's basic financial statements. Defeased Waterworks and Sewerage bonds of \$405,000 remain outstanding as of the date of this report.

Long-term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 570,801	32,600	-	603,401	120,680
Net Pension Obligation	933,889	330,528	-	1,264,417	-
Installment Contracts	2,389,292	-	1,508,573	880,719	218,573
General Obligation Bonds	11,395,000	-	1,390,000	10,005,000	1,445,000
GO TIF Alternate Revenue Bonds	10,000,000	-	-	10,000,000	-
	25,288,982	363,128	2,898,573	22,753,537	1,784,253
Business-type Activities					
Compensated Absences	32,545	5,874	-	38,419	7,684
GO Waterworks and Sewerage					
Alternate Revenue Bonds	4,660,000	-	170,000	4,490,000	480,000
Revenue Bonds	2,870,000	-	2,870,000	-	-
	7,562,545	5,874	3,040,000	4,528,419	487,684

Payments on the general obligation bonds are made by the Debt Service Fund and the Waterworks and Sewerage Fund. The Debt Service Fund makes payments on the tax increment bonds. Payments on the installment contracts are made by the General Fund. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year Ending April 30	Governmental Activities							
	Installment Contracts		Alternate Revenue Bonds		General Obligation Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Total	
2005	\$ 218,573	23,278	-	446,456	1,445,000	433,538	2,566,845	
2006	223,573	17,502	-	446,456	1,590,000	374,157	2,651,688	
2007	228,573	10,601	445,000	446,456	1,115,000	325,245	2,570,875	
2008	210,000	3,150	455,000	427,872	760,000	293,356	2,149,378	
2009	-	-	475,000	408,864	775,000	262,117	1,920,981	
2010	-	-	495,000	388,966	335,000	229,131	1,448,097	
2011	-	-	510,000	368,194	310,000	212,896	1,401,090	
2012	-	-	535,000	346,734	330,000	196,466	1,408,200	
2013	-	-	560,000	324,216	345,000	178,976	1,408,192	
2014	-	-	590,000	300,300	365,000	160,691	1,415,991	
2015	-	-	620,000	274,876	380,000	141,346	1,416,222	
2016	-	-	650,000	247,864	405,000	121,206	1,424,070	
2017	-	-	680,000	219,064	425,000	99,437	1,423,501	
2018	-	-	715,000	188,690	450,000	76,593	1,430,283	
2019	-	-	755,000	156,100	475,000	52,406	1,438,506	
2020	-	-	795,000	121,328	500,000	26,875	1,443,203	
2021	-	-	835,000	83,752	-	-	918,752	
2022	-	-	885,000	43,324	-	-	928,324	
Total	880,719	54,531	10,000,000	5,239,512	10,005,000	3,184,436	29,364,198	

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity – Continued

Business-type Activities			
Fiscal Year Ending April 30	Alternate		
	Revenue Bonds		
	Principal	Interest	
2004	\$ 480,000	192,076	
2005	490,000	134,015	
2006	495,000	118,348	
2007	515,000	102,068	
2008	535,000	84,604	
2009	555,000	66,329	
2010	580,000	46,743	
2011	600,000	25,746	
2012	240,000	10,194	
Total	<u>4,490,000</u>	<u>780,123</u>	

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 - 2003	<u>\$ 635,502,841</u>
Legal Debt Limit - 8.625% of Assessed Value	<u>54,812,120</u>
Amount of Debt Applicable to Limit	
General Obligation Bonds	<u>5,565,000</u>
Installment Contracts	<u>880,719</u>
Legal Debt Margin	<u>48,366,401</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 - OTHER INFORMATION

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; natural disasters; and injuries to the Village's employees. These risks are provided for through a limited self-insurance program and private insurance coverage. The Village is self-insured for medical, dental, and life insurance benefits. Under this program, the General Fund provides coverage up to a maximum of \$40,000 per individual's claims paid. Current year risk-financing activities are accounted for in the General Fund. There were no significant changes in insurance coverage from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

Changes in the balances of claims liabilities are as follows:

	Year Ended April 30	
	2004	2003
Claims Payable - Beginning of Year	\$ 242,500	330,000
Claims Incurred	1,649,034	1,932,855
Claims Paid	(1,681,534)	(2,020,355)
Claims Payable - End of Year	<u>210,000</u>	<u>242,500</u>

Intergovernmental Risk Management Agency (IRMA)

The Village also 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.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 4 - OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

Intergovernmental Risk Management Agency (IRMA) – Continued

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 the Agency 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.

CONTINGENT LIABILITIES

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.

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 which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

NET ASSETS - RESTATEMENT

Beginning net assets in the entity-wide statements, as well as beginning governmental capital assets, were increased by \$2,077,880 to correct an error in accounting for infrastructure assets.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit 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. Separate reports are issued for the Police and Firefighters' Pension Funds and may be obtained by writing to the Village at 70 E. Main Street, Lake Zurich, IL 60047-3226. However, IMRF does issue a publicly available financial report that includes financial statements and

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer rate for calendar year 2003 was 5.03 percent.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

At fiscal year end the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	7
Current Employees Vested and Nonvested	<u>37</u>
	<u>44</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Plan Descriptions, Provisions and Funding Policies - Continued

Police Pension Plan - Continued

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 pension shall be increased by 2.5% 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 8 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.

Covered employees are required 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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033 the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Firefighters' Pension Plan

The Firefighters' Pension Plan is a single-employer defined pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

At fiscal year end the Firefighters' Pension Plan membership consisted of:

Current Employees -
Vested and Nonvested

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VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Plan Descriptions, Provisions and Funding Policies - Continued

Firefighters' Pension Plan – Continued

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter 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.

Covered employees are required to contribute 8.455% 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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033 the Village's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the provisions of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Summary of Significant Accounting Policies and Plan Asset Matters - Continued

Significant Investments

There are no investments (other than U.S. Government and U.S. Government - guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits for either the Police or Firefighters' Pension Plans. Information for IMRF is not available.

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

Annual Pension Cost and Net Pension Obligation

The IMRF Plan did not have a net pension obligation at the front or end of the fiscal year. The amount of the pension liability for the Police and Firefighters' Pension plans is as follows:

	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	\$ 229,281	349,984	579,265
Interest on the NPO	24,242	50,469	74,711
Adjustment to the ARC	(20,114)	(45,225)	(65,339)
Annual Pension Cost	233,409	355,228	588,637
Actual Contribution	(129,147)	(128,962)	(258,109)
Increase in the NPO	104,262	226,266	330,528
NPO - Beginning	303,030	630,859	933,889
NPO - Ending	407,292	857,125	1,264,417

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2004

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Annual Pension Cost and Net Pension Obligation

The Village annual required contribution for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Contribution Rates			
Employer	5.03%	10.80%	10.60%
Employee	4.50%	9.91%	8.45%
Annual Pension Cost	\$231,664	\$261,579	\$462,746
Contributions Made	\$231,664	\$141,219	\$354,418
Actuarial Valuation Date	12/31/01	04/30/03	04/30/03
Actuarial Cost Method	Entry Age Normal	Unit Credit	Unit Credit
Amortization Method	Level % of Projected Payroll Closed Basis	Level Dollar Closed Basis	Level Dollar Closed Basis
Remaining Amortization Period	10 Years	32 Years	32 Years
Asset Valuation Method	5-Year Smoothed Market	Market	Market
Actuarial Assumptions			
Investment Rate of Return	7.50% Compounded Annually	8.00% Compounded Annually	8.00% Compounded Annually
Projected Salary Increases	.4 to 11.6%	5.00%	5.00%
Inflation Rate Included	4.00%	3.50%	3.50%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2004

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Trend Information - Continued

Employer annual required contributions (ARC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the ARC and the contributions actually made.

	Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2002	\$ 169,789	\$ 199,758	\$ 256,618
	2003	141,306	229,281	349,984
	2004	231,664	261,579	462,746
Actual Contributions	2002	\$ 169,789	\$ 119,969	\$ 119,743
	2003	141,306	129,147	128,962
	2004	231,664	141,219	354,418
Percentage of APC Contributed	2002	100.00%	60.06%	46.66%
	2003	100.00%	56.33%	36.85%
	2004	100.00%	53.99%	76.59%
Net Pension Obligation	2002	\$ -	\$ 223,241	\$ 493,984
	2003	-	303,030	630,859
	2004	-	407,292	857,125

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Employer Contributions
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Budgetary Comparison Schedules – General Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

VILLAGE OF LAKE ZURICH, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2004

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll (2) - (1)	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
1998	\$ 6,346,459	\$ 5,771,445	109.96%	\$ (575,014)	\$ 3,399,500	(16.91%)
1999	7,652,115	6,433,078	118.95%	(1,219,037)	3,497,283	(34.86%)
2000	9,018,205	7,338,443	122.89%	(1,679,762)	3,630,560	(46.27%)
2001	9,326,553	8,041,334	115.98%	(1,285,219)	3,894,237	(33.00%)
2002	8,644,970	8,750,907	98.79%	105,937	4,193,058	2.53%
2003	9,277,735	10,488,702	88.45%	1,210,967	4,605,642	26.29%

VILLAGE OF LAKE ZURICH, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Funding Progress
April 30, 2004

Actuarial aluation Date April 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded)		(5) Actuarial Accrued Liability Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
				Actuarial Liability (2) - (1)	Unfunded (Overfunded) Actuarial Liability (2) - (1)		
1998	\$ 4,761,807	\$ 4,740,173	100.46%	\$ (21,634)	\$ 1,656,967		(1.31%)
1999	5,236,112	5,480,231	95.55%	244,119	1,780,400		13.71%
2000	5,765,003	6,053,690	95.23%	288,687	1,941,670		14.87%
2001	6,208,507	7,218,796	86.00%	1,010,289	1,914,114		52.78%
2002	6,636,467	8,004,123	82.91%	1,367,656	2,120,905		64.48%
2003	7,069,348	8,480,685	83.36%	1,411,337	2,332,789		60.50%

VILLAGE OF LAKE ZURICH, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2004

Actuarial Valuation Date April 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll (2) - (1)	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
1998	\$ 1,968,670	1,684,041	116.90%	\$ (284,629)	\$ 2,078,036	(13.70%)
1999	2,346,931	2,121,704	110.62%	(225,227)	2,185,080	(10.31%)
2000	2,771,466	2,757,350	100.51%	(14,116)	2,400,046	(0.59%)
2001	3,259,059	3,192,971	102.07%	(66,088)	2,498,699	(2.64%)
2002	3,818,124	4,051,109	94.25%	232,985	3,297,606	7.07%
2003	4,451,581	5,812,971	76.58%	1,361,390	3,639,667	37.40%

VILLAGE OF LAKE ZURICH, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Employer Contributions

April 30, 2004

Calendar Year	Employer Contributions	Annual Required Contribution	Percent Contributed
1998	\$ 277,399	\$ 277,399	100.00%
1999	271,039	271,039	100.00%
2000	223,642	223,642	100.00%
2001	169,789	169,789	100.00%
2002	141,306	141,306	100.00%
2003	231,664	231,664	100.00%

VILLAGE OF LAKE ZURICH, ILLINOIS

Police Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2004

Year Ended April 30	Employer Contributions	Annual Pension Cost	Percent Contributed
1999	\$ 96,633	\$ 110,244	87.65%
2000	101,275	159,524	63.49%
2001	112,715	172,861	65.21%
2002	119,969	199,758	60.06%
2003	129,147	229,281	56.33%
2004	141,219	261,579	53.99%

VILLAGE OF LAKE ZURICH, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2004

Year Ended April 30	Employer Contributions	Annual Pension Cost	Percent Contributed
1999	\$ 93,292	\$ 181,213	51.48%
2000	101,018	197,851	51.06%
2001	112,471	248,745	45.22%
2002	119,743	256,618	46.66%
2003	128,962	349,984	36.85%
2004	354,418	462,746	76.59%

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes	\$ 9,164,155	9,164,155	9,105,616
Licenses and permits	1,863,100	1,863,100	1,561,404
Intergovernmental	2,623,371	2,623,371	2,183,195
Charges for services	4,186,758	4,186,758	3,831,476
Fines and forfeitures	625,000	625,000	536,900
Interest	117,200	117,200	33,168
Miscellaneous	267,300	267,300	375,637
Total Revenues	18,846,884	18,846,884	17,627,396
Expenditures			
General administration	1,858,859	1,858,859	2,291,206
Public safety	12,037,925	12,037,925	11,659,477
Highways and streets	3,106,949	3,106,949	2,735,370
Culture and recreation	1,512,749	1,512,749	1,527,115
Debt service			
Principal retirement	503,573	1,278,573	1,278,573
Interest and fiscal charges	83,038	34,360	34,360
Total Expenditures	19,103,093	19,829,415	19,526,101
Excess (Deficiency) of Revenues Over (Under) Expenditures	(256,209)	(982,531)	(1,898,705)
Other Financing Sources			
Transfers in	115,506	115,506	421,506
Net Change in Fund Balance	(140,703)	(867,025)	(1,477,199)
Fund Balance - Beginning			2,892,229
Fund Balance - Ending			1,415,030

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual

Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Taxes			
Property taxes			
Corporate	\$ 1,101,000	1,101,000	1,101,511
Police protection	735,500	735,500	739,989
Fire protection	667,000	667,000	672,204
Ambulance	624,000	624,000	627,014
Pension	120,000	120,000	124,273
Social security	627,000	627,000	627,014
Police pension	137,000	137,000	141,219
Fire pension	137,000	137,000	141,219
Liability insurance	311,100	311,100	316,331
SSA	23,055	23,055	-
Road and bridge	21,500	21,500	25,428
Municipal sales taxes	4,660,000	4,660,000	4,589,414
	9,164,155	9,164,155	9,105,616

Licenses and permits

Licenses

Television franchise	148,800	148,800	140,166
Telephone franchise	225,000	225,000	184,012
Liquor	115,000	115,000	69,420
Other business	119,000	119,000	102,543
Vehicle	276,000	276,000	258,435

Permits

Administrative plan review	265,000	265,000	197,933
Building	366,000	366,000	282,159
Electrical	65,000	65,000	55,980
Plumbing	65,000	65,000	71,189
Occupancy certificates	42,500	42,500	47,788
Park	25,000	25,000	12,610
Truck permits	10,000	10,000	16,262
Other	140,800	140,800	122,907
	1,863,100	1,863,100	1,561,404

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued

Year Ended April 30, 2003

	Budgeted Amounts		Actual Amounts
	Original	Final	
Intergovernmental			
Illinois State income tax	\$ 1,310,100	1,310,100	1,117,985
Illinois State replacement tax	35,000	35,000	38,558
Foreign fire insurance	19,900	19,900	21,086
Street maintenance reimbursement	29,000	29,000	29,922
Local use tax	177,800	177,800	180,785
Auto rental tax	200	200	379
Pull tab taxes	1,200	1,200	1,268
Reimbursements			
Government agency - grants	1,034,831	1,034,831	630,793
Government agency	12,840	12,840	153,371
Training	2,500	2,500	9,048
	2,623,371	2,623,371	2,183,195
Charges for services			
Police alarm fees	33,500	33,500	35,152
Public safety special detail	48,000	48,000	29,888
Watercraft inspection fees	10,500	10,500	12,340
Fire/Rescue fees			
Alarm	9,500	9,500	-
Special detail	6,000	6,000	3,864
Ambulance fees	215,000	215,000	212,962
Service contract	2,791,271	2,791,271	2,521,912
Public education	7,500	7,500	2,805
Fire spillage detail	10,000	10,000	2,728
Miscellaneous			
Snow removal fees	3,000	3,000	4,418
Annexation fees	1,500	1,500	-
Site plan review	36,000	36,000	28,000
Elevator inspections	19,000	19,000	8,685
Exterior appearance review	8,290	8,290	10,660
Subdivision applications	7,500	7,500	4,700
Planned unit development review	12,500	12,500	4,350
Publication and recording	13,000	13,000	1,300
	1,500	1,500	-

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued
Year Ended April 30, 2003

	Budgeted Amounts		Actual Amounts
	Original	Final	
Charges for Services - Continued			
Printing and reproduction fees	\$ 7,300	7,300	7,887
Special use permits	11,200	11,200	3,950
Zoning text	5,000	5,000	2,650
Variances - single family	1,900	1,900	1,225
Variances - other	4,400	4,400	1,580
Engineering review	225,000	225,000	196,630
Development charges	-	-	76,834
Watershed development	16,000	16,000	26,730
Park fees	25,000	25,000	14,523
Park program fees	554,397	554,397	528,607
Park special events	43,000	43,000	33,681
Park outings	14,000	14,000	1,038
Park concessions	6,000	6,000	470
Vehicle maintenance fees	40,000	40,000	51,907
	4,186,758	4,186,758	3,831,476
Fines and forfeitures			
Circuit court fines	580,000	580,000	497,460
Other fines	45,000	45,000	39,440
	625,000	625,000	536,900
Interest			
Investment income	117,200	117,200	33,168
Miscellaneous			
Miscellaneous revenue	174,400	174,400	111,253
Donations	5,100	5,100	6,459
Insurance reimbursements	-	-	112,490
Sale of fixed assets	58,600	58,600	139,193
Rent income	29,200	29,200	6,242
	267,300	267,300	375,637
Total Revenues	18,846,884	18,846,884	17,627,396

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
General Government			
General administration	\$ 289,285	289,285	473,743
Village administration	213,137	213,137	283,691
Finance department	694,504	694,504	878,803
Building and zoning	661,933	661,933	654,969
	<u>1,858,859</u>	<u>1,858,859</u>	<u>2,291,206</u>
Public Safety			
Police department	6,006,639	6,006,639	5,733,196
Fire department	6,031,286	6,031,286	5,926,281
	<u>12,037,925</u>	<u>12,037,925</u>	<u>11,659,477</u>
Highways and Streets			
Public works department - general services	<u>3,106,949</u>	<u>3,106,949</u>	<u>2,735,370</u>
Culture and recreation			
Park and recreation department	<u>1,512,749</u>	<u>1,512,749</u>	<u>1,527,115</u>
Debt Service			
Principal retirement	503,573	1,278,573	1,278,573
Interest and fiscal charges	83,038	34,360	34,360
	<u>586,611</u>	<u>1,312,933</u>	<u>1,312,933</u>
Total Expenditures	<u>19,103,093</u>	<u>19,829,415</u>	<u>19,526,101</u>

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund is a major fund and accounts for all financial resources except those required to be accounted for in another fund.

DEBT SERVICE FUND

The Debt Service Fund is a major fund and accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL IMPROVEMENTS - CAPITAL PROJECTS FUND

The Capital Improvements Fund is a major fund and accounts for all resources used for the acquisition of general capital assets including infrastructure capital assets.

DOWNTOWN TIF - CAPITAL PROJECTS FUND

The Downtown TIF Fund is a major fund and accounts for all activities associated with improvements within the Tax Increment Financing District.

WATERWORKS AND SEWERAGE – ENTERPRISE FUND

The Waterworks and Sewerage Fund is a major fund and 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

POLICE PENSION – PENSION TRUST FUND

The Police Pension Fund is a fiduciary fund and is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the police force at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

FIREFIGHTERS' PENSION – PENSION TRUST FUND

The Firefighters' Pension Fund is a fiduciary fund and is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the fire department at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

ESCROW PERFORMANCE – AGENCY FUND

The Escrow Performance Fund is a fiduciary fund and is used to account for refundable deposits held by the Village to ensure the completion of public improvements by private developers.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Capital Assets used in the operation of governmental funds include only the capital asset balances related to governmental funds.

VILLAGE OF LAKE ZURICH, ILLINOIS

Debt Service Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2004**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property taxes	\$ 1,615,000	1,615,000	1,651,984
Interest	18,400	18,400	17,600
Total Revenues	1,633,400	1,633,400	1,669,584
Expenditures			
Debt service			
Principal retirement	1,150,000	1,150,000	1,390,000
Interest	735,966	735,966	843,796
Fiscal charges	2,400	2,400	4,400
Total Expenditures	1,888,366	1,888,366	2,238,196
Net Change in Fund Balance	(254,966)	(254,966)	(568,612)
Fund Balance - Beginning			2,022,530
Fund Balance - Ending			1,453,918

VILLAGE OF LAKE ZURICH, ILLINOIS

Capital Improvements Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2004**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Intergovernmental			
MFT allocations	\$ 537,000	537,000	540,220
Government agency - grants	-	-	173,952
Charges for services			
Development fees	-	-	1,076,558
Interest	500	500	3,624
Total Revenues	537,500	537,500	1,794,354
Expenditures			
Highways and streets			
Engineering services	62,000	62,000	40,868
Snow and ice control	65,000	65,000	74,724
Maintenance	-	-	3,800
Capital outlay			
Infrastructure improvements	410,000	410,000	410,000
Park improvements	-	-	394,007
Total Expenditures	537,000	537,000	923,399
Net Change in Fund Balance	500	500	870,955
Fund Balance - Beginning			614,468
Fund Balance - Ending			1,485,423

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

**Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual
Year Ended April 30, 2004**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Operating Revenues			
Charges for services	<u>\$ 3,064,220</u>	<u>3,064,220</u>	<u>2,836,387</u>
Operating Expenses			
Administration	772,778	772,778	619,933
Operations	2,133,011	2,133,011	1,851,390
Depreciation and amortization	-	-	1,372,818
Total Operating Expenses	<u>2,905,789</u>	<u>2,905,789</u>	<u>3,844,141</u>
Operating Income (Loss)	<u>158,431</u>	<u>158,431</u>	<u>(1,007,754)</u>
Nonoperating Revenues (Expenses)			
Property taxes	11,718	11,718	11,723
Connection fees	936,000	936,000	901,547
Interest income	89,200	89,200	55,994
Interest expense and fiscal charges	(210,916)	(210,916)	(161,287)
	<u>826,002</u>	<u>826,002</u>	<u>807,977</u>
Net Income (Loss) Before Transfers	<u>984,433</u>	<u>984,433</u>	<u>(199,777)</u>
Transfers Out	<u>(115,506)</u>	<u>(115,506)</u>	<u>(421,506)</u>
Net Income (Loss)	<u>868,927</u>	<u>868,927</u>	<u>(621,283)</u>
Net Assets - Beginning			<u>46,899,078</u>
Net Assets - Ending			<u>46,277,795</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Changes in Net Assets - Restricted
Year Ended April 30, 2004

	Operations and Maintenance	Bond and Interest Reserve	Bond Reserve	Depreciation Reserve	Totals
Increases	\$ -	-	-	-	-
Decreases	400,000	-	410,000	842,656	1,652,656
Intrafund transfers out					
Net Increase (Decrease)	(400,000)	-	(410,000)	(842,656)	(1,652,656)
Account Balances					
May 1	400,000	-	410,000	842,656	1,652,656
April 30	-	-	-	-	-

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Revenues - Budget and Actual

Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Charges for Services			
Water charges	\$ 1,620,720	1,620,720	1,504,813
Sewer charges	1,214,500	1,214,500	1,111,147
Meter sales	63,400	63,400	48,945
Late fees	66,500	66,500	51,376
Wastewater service agreements	85,000	85,000	63,826
Industrial monitoring fees	100	100	600
Inspection fees	7,000	7,000	4,215
Other	7,000	7,000	51,465
 Total operating revenues	 3,064,220	 3,064,220	 2,836,387

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Expenses - Budget and Actual
Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Administration			
Personnel services	\$ 482,321	482,321	416,324
Contractual services	258,325	258,325	200,568
Commodities	3,425	3,425	3,041
	744,071	744,071	619,933
Capital outlay and maintenance	28,707	28,707	-
Total administration	772,778	772,778	619,933
Operations			
Water production and storage			
Personnel services	151,666	151,666	164,253
Contractual services	472,910	472,910	299,488
Commodities	41,410	41,410	22,226
	665,986	665,986	485,967
Water Distribution			
Personnel services	215,452	215,452	199,645
Contractual services	227,700	227,700	51,955
Commodities	42,040	42,040	29,328
	485,192	485,192	280,928
Meter reading			
Personnel services	110,128	110,128	111,415
Contractual services	28,998	28,998	22,220
Commodities	29,264	29,264	29,017
	168,390	168,390	162,652
Industrial pretreatment monitoring			
Personnel services	25,258	25,258	23,640
Contractual services	13,603	13,603	7,197
Commodities	1,104	1,104	91
	39,965	39,965	30,928

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Expenses - Budget and Actual - Continued

Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Operations - Continued			
Interceptor sewer			
Personnel services	\$ 129,533	129,533	122,214
Contractual services	75,308	75,308	40,601
Commodities	20,050	20,050	2,229
	224,891	224,891	165,044
Lift stations			
Personnel services	145,341	145,341	131,980
Contractual services	103,134	103,134	125,169
Commodities	26,700	26,700	6,396
	275,175	275,175	263,545
Collection system			
Personnel services	133,158	133,158	131,247
Contractual services	121,904	121,904	51,174
Commodities	18,350	18,350	10,262
	273,412	273,412	192,683
Capital outlay and maintenance	3,208,000	3,208,000	269,643
Less nonoperating items			
Fixed assets capitalized	(3,208,000)	(3,208,000)	-
Total operations	2,133,011	2,133,011	1,851,390
Debt Service			
Principal retirement	440,000	440,000	440,000
Interest and fiscal charges	210,916	210,916	161,287
	650,916	650,916	601,287
Less nonoperating items			
Debt Service	(650,916)	(650,916)	(601,287)
Total debt service	-	-	-

VILLAGE OF LAKE ZURICH, ILLINOIS

Pension Trust Funds

Combining Schedule of Net Plan Assets

April 30, 2004

	Police Pension	Firefighters' Pension	Totals
Assets			
Cash and cash equivalents	\$ 1,087,716	89,443	1,177,159
Investments			
U.S. government and agency securities	3,232,673	3,213,987	6,446,660
Mutual funds	-	1,641,120	1,641,120
Insurance contracts	2,264,839	173,168	2,438,007
Receivables - accrued interest	41,960	18,454	60,414
Total Assets	6,627,188	5,136,172	11,763,360
Liabilities			
Accounts payable	-	1,955	1,955
Net Plan Assets Held in Trust for Pension Benefits			
(A schedule of funding progress is presented following the notes to the financial statements)	6,627,188	5,134,217	11,761,405

VILLAGE OF LAKE ZURICH, ILLINOIS

Pension Trust Funds

Combining Schedule of Changes in Net Plan Assets
Year Ended April 30, 2004

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - employer	\$ 141,219	354,418	495,637
Contributions - plan members	251,739	304,623	556,362
Total Contributions	392,958	659,041	1,051,999
Investment income			
Interest earned	134,493	482,931	617,424
Net change in fair value	217,711	(49,989)	167,722
	352,204	432,942	785,146
Less investment expenses	-	18,944	18,944
Net investment income	352,204	413,998	766,202
Total Additions	745,162	1,073,039	1,818,201
Deductions			
Administration	404	22,852	23,256
Benefits and refunds	273,966	42,154	316,120
Total Deductions	274,370	65,006	339,376
Change in Net Assets	470,792	1,008,033	1,478,825
Net Plan Assets Held in Trust for Pension Benefits			
Beginning of Year	6,156,396	4,126,184	10,282,580
End of Year	6,627,188	5,134,217	11,761,405

VILLAGE OF LAKE ZURICH, ILLINOIS

Escrow Performance Fund

Schedule of Changes in Assets and Liabilities

Year Ended April 30, 2004

	Balance May 1	Additions	Deductions	Balance April 30
ASSETS				
Cash and investments	\$ 983,050	-	57,789	925,261
Receivables				
Accrued interest	1,572	-	1,572	-
Other	250	-	250	-
Total Assets	984,872	-	59,611	925,261
LIABILITIES				
Liabilities				
Accounts payable	7,289	1,657	-	8,946
Deposits payable	977,583	-	61,268	916,315
Total Liabilities	984,872	1,657	61,268	925,261

VILLAGE OF LAKE ZURICH, ILLINOIS

Police Pension Fund

Schedule of Changes in Net Assets - Budget and Actual
Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Additions			
Contributions - employer	\$ 137,000	137,000	141,219
Contributions - plan members	237,000	237,000	251,739
Total Contributions	374,000	374,000	392,958
Investment income			
Interest earned	194,850	194,850	134,493
Net change in fair value	210,000	210,000	217,711
	404,850	404,850	352,204
Less investment expenses	-	-	-
Net investment income	404,850	404,850	352,204
Total Additions	778,850	778,850	745,162
Deductions			
Administration	10,100	10,100	404
Benefits	236,900	236,900	273,966
Total Deductions	247,000	247,000	274,370
Change in Net Assets	531,850	531,850	470,792
Net Plan Assets Held in Trust for Pension Benefits			
Beginning of Year			<u>6,156,396</u>
End of Year			<u>6,627,188</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Firefighters' Pension Fund

Schedule of Changes in Net Assets - Budget and Actual
Year Ended April 30, 2004

	Budgeted Amounts		Actual Amounts
	Original	Final	
Additions			
Contributions - employer	\$ 350,000	350,000	354,418
Contributions - plan members	296,000	296,000	304,623
Total Contributions	646,000	646,000	659,041
Investment income			
Interest earned	136,100	136,100	482,931
Net change in fair value	200,000	200,000	(49,989)
	336,100	336,100	432,942
Less investment expenses	10,000	10,000	18,944
Net investment income	326,100	326,100	413,998
Total Additions	972,100	972,100	1,073,039
Deductions			
Administration	18,050	18,050	22,852
Benefits and refunds	40,000	40,000	42,154
Total Deductions	58,050	58,050	65,006
Change in Net Assets	914,050	914,050	1,008,033
Net Plan Assets Held in Trust for Pension Benefits			
Beginning of Year			<u>4,126,184</u>
End of Year			<u>5,134,217</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Governmental Capital Assets - By Source

April 30, 2004

GOVERNMENTAL CAPITAL ASSETS

Land	\$ 27,137,970
Land Improvements	2,171,445
Buildings	12,757,354
Building Improvements	77,000
Vehicles	3,619,791
Machinery and Equipment	1,206,647
Computers/Software	53,253
Furniture and Fixtures	43,182
Infrastructure	<u>52,780,527</u>
	<u>99,847,169</u>

**INVESTMENTS IN GOVERNMENTAL
CAPITAL ASSETS BY SOURCE**

General Fund	85,774,084
Capital Projects Funds	<u>14,073,085</u>
	<u>99,847,169</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Governmental Capital Assets - By Function and Activity

April 30, 2004

Function and Activity	Land	Land Improvements	Buildings	Building Improvements
General Government	\$ 2,927,872	527,598	927,497	-
Public Safety	555,089	-	7,323,352	77,000
Highway and Streets	16,785,440	-	3,156,847	-
Culture and Recreation	<u>6,869,569</u>	<u>1,643,847</u>	<u>1,349,658</u>	-
	<u>27,137,970</u>	<u>2,171,445</u>	<u>12,757,354</u>	<u>77,000</u>

Vehicles	Machinery and Equipment	Computers	Furniture and Fixtures	Infrastructure	Totals
-	-	53,253	27,605	-	4,463,825
2,789,519	280,048	-	15,577	-	11,040,585
758,011	504,105	-	-	52,780,527	73,984,930
72,261	422,494	-	-	-	10,357,829
3,619,791	1,206,647	53,253	43,182	52,780,527	99,847,169

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Changes in Governmental Capital Assets - By Function and Activity

Year Ended April 30, 2004

Function and Activity	Balances Beginning	Additions and Transfers	Deductions	Balances Ending
General Government	\$ 4,147,973	372,450	(56,598)	4,463,825
Public Safety	11,315,249	109,516	(384,180)	11,040,585
Highways and Streets	72,147,547	1,859,006	(21,623)	73,984,930
Culture and Recreation	9,878,646	479,183	-	10,357,829
	<hr/>	<hr/>	<hr/>	<hr/>
	97,489,415	2,820,155	(462,401)	99,847,169

SUPPLEMENTAL SCHEDULES

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Insurance in Force

Year Ended April 30, 2004

Coverage	Amount of Coverage	Expiration Date of Policy
General Liability	\$ 10,000,000	12/31/04
Automobiles, etc.		
BI and PD		
Comprehensive		
Collision	10,000,000	12/31/04
Building and Contents		
Blanket limit	250,000,000	12/31/04
Public Official Bonds	Statutory	12/31/04
Workmen's Compensation	30,000,000	12/31/04
Public Official Liability	10,000,000	12/31/04
Professional Liability	10,000,000	12/31/04
Employer's Liability	10,000,000	12/31/04
Employee Benefits Liability	10,000,000	12/31/04
Crime and Fidelity	5,000,000	12/31/04

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

Fire Engine Pumper Installment Contract of 1997
April 30, 2004

Date of Contract	July 10, 1997
Date of Maturity	January 15, 2007
Amount of Contract	\$235,726
Interest Rates	5.20%
Interest Dates	January 15 and July 15
Principal Maturity Date	January 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Requirements			Interest Due on			
	Principal	Interest	Totals	July 15	Amount	Jan. 15	Amount
2005	\$ 23,573	3,678	27,251	2004	1,839	2005	1,839
2006	23,573	2,452	26,025	2005	1,226	2006	1,226
2007	23,573	1,226	24,799	2006	613	2007	613
	<u>70,719</u>	<u>7,356</u>	<u>78,075</u>		<u>3,678</u>		<u>3,678</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

Vehicle Purchases Installment Contract of 2002

April 30, 2004

Date of Contract	August 1, 2002
Date of Maturity	August 1, 2007
Amount of Contract	\$1,000,000
Interest Rates	2.0% to 3.0%
Interest Dates	February 1 and August 1
Principal Maturity Date	August 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Requirements			Interest Due on			
	Principal	Interest	Totals	Aug. 1	Amount	Feb. 1	Amount
2005	\$ 195,000	19,600	214,600	2004	10,775	2005	8,825
2006	200,000	15,050	215,050	2005	8,825	2006	6,225
2007	205,000	9,375	214,375	2006	6,225	2007	3,150
2008	210,000	3,150	213,150	2007	3,150	2008	-
	<u>810,000</u>	<u>47,175</u>	<u>857,175</u>		<u>28,975</u>		<u>18,200</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Police Building Bond Series of 2000
April 30, 2004

Date of Issue	May 1, 2000
Date of Maturity	December 15, 2019
Authorized Issue	\$6,000,000
Denomination of Bonds	\$5,000
Interest Rates	5.25% - 5.375%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2003	\$ 235,000	296,269	531,269	2004	148,134	2004	148,135
2004	245,000	283,931	528,931	2005	141,966	2005	141,965
2005	255,000	271,069	526,069	2006	135,534	2006	135,535
2006	270,000	257,681	527,681	2007	128,840	2007	128,841
2007	280,000	243,371	523,371	2008	121,685	2008	121,686
2008	295,000	228,531	523,531	2009	114,265	2009	114,266
2009	310,000	212,896	522,896	2010	106,448	2010	106,448
2010	330,000	196,466	526,466	2011	98,233	2011	98,233
2011	345,000	178,976	523,976	2012	89,488	2012	89,488
2012	365,000	160,691	525,691	2013	80,345	2013	80,346
2013	380,000	141,346	521,346	2014	70,673	2014	70,673
2014	405,000	121,206	526,206	2015	60,603	2015	60,603
2015	425,000	99,437	524,437	2016	49,718	2016	49,719
2016	450,000	76,593	526,593	2017	38,296	2017	38,297
2017	475,000	52,406	527,406	2018	26,203	2018	26,203
2018	500,000	26,875	526,875	2019	13,437	2019	13,438
	5,565,000	2,847,744	8,412,744		1,423,868		1,423,876

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Bond Series of 2001

April 30, 2004

Date of Issue	November 19, 2001
Date of Maturity	December 15, 2008
Authorized Issue	\$4,645,000
Denomination of Bonds	\$5,000
Interest Rates	2.50% - 3.75%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2003	\$ 840,000	96,026	936,026	2004	48,013	2004	48,013
2004	905,000	72,926	977,926	2005	36,463	2005	36,463
2005	410,000	45,776	455,776	2006	22,888	2006	22,888
2006	445,000	32,450	477,450	2007	16,225	2007	16,225
2007	450,000	16,871	466,871	2008	8,438	2008	8,433
	<u>3,050,000</u>	<u>264,049</u>	<u>3,314,049</u>		<u>132,027</u>		<u>132,022</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond Series of 2003C
April 30, 2004

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2009
Authorized Issue	\$1,390,000
Denomination of Bonds	\$5,000
Interest Rates	2.0% to 3.0%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2003	\$ 370,000	41,243	411,243	2004	30,393	2004	10,850
2004	440,000	17,300	457,300	2005	10,850	2005	6,450
2005	450,000	8,400	458,400	2006	6,450	2006	1,950
2006	45,000	3,225	48,225	2007	1,950	2007	1,275
2007	45,000	1,875	46,875	2008	1,275	2008	600
2008	40,000	600	40,600	2009	600		
	<u>1,390,000</u>	<u>72,643</u>	<u>1,462,643</u>		<u>51,518</u>		<u>21,125</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

**General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2002
April 30, 2004**

Date of Issue	March 18, 2002
Date of Maturity	December 15, 2012
Authorized Issue	\$2,000,000
Denomination of Bonds	\$5,000
Interest Rates	4.00% - 4.25%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2003	\$ 175,000	75,176	250,176	2004	37,588	2004	37,588
2004	180,000	68,176	248,176	2005	34,088	2005	34,088
2005	185,000	60,976	245,976	2006	30,488	2006	30,488
2006	195,000	53,576	248,576	2007	26,788	2007	26,788
2007	200,000	45,776	245,776	2008	22,888	2008	22,888
2008	210,000	37,776	247,776	2009	18,888	2009	18,888
2009	220,000	29,112	249,112	2010	14,556	2010	14,556
2010	225,000	19,762	244,762	2011	9,881	2011	9,881
2011	240,000	10,194	250,194	2012	5,100	2012	5,094
	1,830,000	400,524	2,230,524		200,265		200,259

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003B
April 30, 2004

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2011
Authorized Issue	\$1,960,000
Denomination of Bonds	\$5,000
Interest Rates	2.500% to 2.625%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2003	\$ 225,000	75,227	300,227	2004	52,775	2004	22,452
2004	230,000	42,029	272,029	2005	22,452	2005	19,577
2005	235,000	36,216	271,216	2006	19,577	2006	16,639
2006	235,000	30,223	265,223	2007	16,639	2007	13,584
2007	245,000	23,953	268,953	2008	13,584	2008	10,369
2008	255,000	17,391	272,391	2009	10,369	2009	7,022
2009	260,000	10,631	270,631	2010	7,022	2010	3,609
2010	275,000	3,609	278,609	2011	3,609		
	<u>1,960,000</u>	<u>239,279</u>	<u>2,199,279</u>		<u>146,027</u>		<u>93,252</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003D April 30, 2004

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2011
Authorized Issue	\$700,000
Denomination of Bonds	\$5,000
Interest Rates	3.350% to 4.750%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2003	\$ 80,000	41,673	121,673	2004	29,088	2004	12,585
2004	80,000	23,810	103,810	2005	12,585	2005	11,225
2005	75,000	21,156	96,156	2006	11,225	2006	9,931
2006	85,000	18,269	103,269	2007	9,931	2007	8,338
2007	90,000	14,875	104,875	2008	8,338	2008	6,537
2008	90,000	11,162	101,162	2009	6,537	2009	4,625
2009	100,000	7,000	107,000	2010	4,625	2010	2,375
2010	100,000	2,375	102,375	2011	2,375		
	<u>700,000</u>	<u>140,320</u>	<u>840,320</u>		<u>84,704</u>		<u>55,616</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation TIF Alternate Revenue Bond Series of 2002
April 30, 2004

Date of Issue	December 30, 2002
Date of Maturity	December 15, 2021
Authorized Issue	\$3,970,000
Denomination of Bonds	\$5,000
Interest Rates	5.00% to 6.00%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ -	215,006	215,006	2004	107,503	2004	107,503
2006	-	215,006	215,006	2005	107,503	2005	107,503
2007	155,000	215,006	370,006	2006	107,503	2006	107,503
2008	160,000	207,256	367,256	2007	103,628	2007	103,628
2009	170,000	199,258	369,258	2008	99,629	2008	99,629
2010	180,000	190,756	370,756	2009	95,378	2009	95,378
2011	190,000	181,756	371,756	2010	90,878	2010	90,878
2012	200,000	172,256	372,256	2011	86,128	2011	86,128
2013	215,000	162,256	377,256	2012	81,128	2012	81,128
2014	230,000	151,238	381,238	2013	75,619	2013	75,619
2015	245,000	139,278	384,278	2014	69,639	2014	69,639
2016	260,000	126,292	386,292	2015	63,146	2015	63,146
2017	275,000	112,318	387,318	2016	56,159	2016	56,159
2018	295,000	97,468	392,468	2017	48,734	2017	48,734
2019	315,000	81,242	396,242	2018	40,621	2018	40,621
2020	335,000	63,602	398,602	2019	31,801	2019	31,801
2021	360,000	44,340	404,340	2020	22,170	2020	22,170
2022	385,000	23,100	408,100	2021	11,550	2021	11,550
	3,970,000	2,597,434	6,567,434		1,298,717		1,298,717

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation TIF Alternate Revenue Bond Series 2002A

April 30, 2004

Date of Issue	December 30, 2002
Date of Maturity	December 15, 2021
Authorized Issue	\$1,830,000
Denomination of Bonds	\$5,000
Interest Rates	4.00% to 4.70%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ -	78,116	78,116	2004	39,058	2004	39,058
2006	-	78,116	78,116	2005	39,058	2005	39,058
2007	85,000	78,116	163,116	2006	39,058	2006	39,058
2008	85,000	74,714	159,714	2007	37,357	2007	37,357
2009	90,000	71,316	161,316	2008	35,658	2008	35,658
2010	95,000	67,714	162,714	2009	33,857	2009	33,857
2011	95,000	63,916	158,916	2010	31,958	2010	31,958
2012	100,000	60,114	160,114	2011	30,057	2011	30,057
2013	105,000	56,114	161,114	2012	28,057	2012	28,057
2014	110,000	51,916	161,916	2013	25,958	2013	25,958
2015	115,000	47,514	162,514	2014	23,757	2014	23,757
2016	120,000	42,914	162,914	2015	21,457	2015	21,457
2017	125,000	37,874	162,874	2016	18,937	2016	18,937
2018	130,000	32,500	162,500	2017	16,250	2017	16,250
2019	135,000	26,650	161,650	2018	13,325	2018	13,325
2020	140,000	20,574	160,574	2019	10,287	2019	10,287
2021	145,000	14,100	159,100	2020	7,050	2020	7,050
2022	155,000	7,286	162,286	2021	3,643	2021	3,643
	1,830,000	909,564	2,739,564		454,782		454,782

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation TIF Alternate Revenue Bond Series of 2003A
April 30, 2004

Date of Issue	March 17, 2003
Date of Maturity	December 15, 2021
Authorized Issue	\$4,200,000
Denomination of Bonds	\$5,000
Interest Rates	3.625% to 3.750%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ -	153,334	153,334	2004	76,667	2004	76,667
2006	-	153,334	153,334	2005	76,667	2005	76,667
2007	205,000	153,334	358,334	2006	76,667	2006	76,667
2008	210,000	145,902	355,902	2007	72,951	2007	72,951
2009	215,000	138,290	353,290	2008	69,145	2008	69,145
2010	220,000	130,496	350,496	2009	65,248	2009	65,248
2011	225,000	122,522	347,522	2010	61,261	2010	61,261
2012	235,000	114,364	349,364	2011	57,182	2011	57,182
2013	240,000	105,846	345,846	2012	52,923	2012	52,923
2014	250,000	97,146	347,146	2013	48,573	2013	48,573
2015	260,000	88,084	348,084	2014	44,042	2014	44,042
2016	270,000	78,658	348,658	2015	39,329	2015	39,329
2017	280,000	68,872	348,872	2016	34,436	2016	34,436
2018	290,000	58,722	348,722	2017	29,361	2017	29,361
2019	305,000	48,208	353,208	2018	24,104	2018	24,104
2020	320,000	37,152	357,152	2019	18,576	2019	18,576
2021	330,000	25,312	355,312	2020	12,656	2020	12,656
2022	345,000	12,938	357,938	2021	6,469	2021	6,469
	4,200,000	1,732,514	5,932,514		866,257		866,257

STATISTICAL SECTION

(Unaudited)

This section includes selected financial and demographic information, generally presented on a multi-year basis.

VILLAGE OF LAKE ZURICH, ILLINOIS

Governmental Expenditures by Function (1)
Last Ten Fiscal Years

April 30, 2004 (Unaudited)

See Following Page

VILLAGE OF LAKE ZURICH, ILLINOIS

General Governmental Expenditures by Function
Last Ten Fiscal Years

April 30, 2004 (Unaudited)

Fiscal Year	1995	1996	1997	1998
General Government	\$ 3,037,468	2,761,033	2,083,170	1,934,641
Public Safety	4,286,618	6,162,987	6,616,255	7,074,061
Highways and Streets	2,568,099	2,194,092	2,277,782	2,308,749
Culture and Recreation	614,470	742,458	757,786	763,783
Debt Service	1,229,147	1,102,460	1,454,268	1,454,628
Total	11,735,802	12,963,030	13,189,261	13,535,862

(1) Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

1999	2000	2001	2002	2003	2004
1,612,042	2,451,851	1,766,668	2,417,006	3,442,196	2,291,206
7,608,441	7,749,472	9,397,966	10,741,008	11,700,045	11,659,477
2,474,256	2,500,506	3,024,920	3,937,218	4,573,607	2,735,370
1,629,939	1,945,616	1,583,560	1,566,916	1,572,504	1,527,115
1,545,256	1,483,857	1,667,008	1,808,275	1,977,857	3,551,129
14,869,934	16,131,302	17,440,122	20,470,423	23,266,209	21,764,297

VILLAGE OF LAKE ZURICH, ILLINOIS

**General Governmental Revenues by Source
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Fiscal Year	1995	1996	1997	1998
Taxes	\$ 7,513,579	8,021,788	7,118,151	7,135,730
Licenses and permits	339,380	438,504	631,502	754,290
Intergovernmental	415,614	425,069	1,703,757	1,852,272
Charges for services	1,907,056	1,768,186	1,892,143	2,165,049
Fines and forfeitures	340,854	430,934	755,398	542,534
Interest	173,804	195,293	170,412	193,573
Miscellaneous	257,413	1,056,722	415,996	348,799
Total	10,947,700	12,336,496	12,687,359	12,992,247

(1) Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

1999	2000	2001	2002	2003	2004
7,526,112	7,830,914	8,236,547	9,709,824	10,294,390	10,757,600
858,376	1,430,653	1,432,837	1,339,076	1,441,802	1,561,404
1,964,224	2,469,679	2,704,797	2,698,848	4,526,355	2,183,195
2,308,023	2,862,165	2,820,309	3,494,639	4,214,732	3,831,476
474,843	523,886	655,631	558,704	577,039	536,900
210,900	180,585	278,489	180,376	124,788	50,768
617,574	581,535	457,085	102,876	1,081,433	375,637
13,960,052	15,879,417	16,585,695	18,084,343	22,260,539	19,296,980

VILLAGE OF LAKE ZURICH, ILLINOIS

**Assessed Valuations, Rates and Extension
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Tax Levy Year	2003	2002	2001	2000
Equalized Assessed Valuation	\$ 635,502,841	564,872,284	516,730,638	478,645,862
Tax Extensions				
Corporate	1,185,885	1,101,501	1,100,636	1,043,448
Police Protection	760,996	739,983	723,423	703,609
Fire Protection	691,238	672,198	656,248	627,026
Ambulance	646,846	627,008	676,917	603,094
Illinois Municipal Retirement	171,224	124,272	144,685	167,526
Federal Social Security	684,896	627,008	547,734	531,297
Insurance	266,349	316,328	217,027	172,313
Debt Service	1,743,949	1,626,832	1,607,032	1,541,240
Special Recreation	82,441	-	-	-
Police Pension	133,174	141,218	129,183	119,661
Firefighters' Pension	133,174	141,218	129,183	119,661
	6,500,172	6,117,566	5,932,068	5,628,875
Tax Rates				
Corporate	.187	.195	.213	.218
Police Protection	.120	.131	.140	.147
Fire Protection	.109	.119	.127	.131
Ambulance	.102	.111	.131	.126
Illinois Municipal Retirement	.027	.022	.028	.035
Federal Social Security	.108	.111	.106	.111
Insurance	.042	.056	.042	.036
Debt Service	.275	.288	.311	.322
Special Recreation	.013	.000	.000	.000
Police Pension	.021	.025	0.025	.025
Firefighters' Pension	.021	.025	.025	.025
	1.025	1.083	1.148	1.176

Data Source: Office of the County Clerk

1999	1998	1997	1996	1995	1994
450,899,116	439,352,349	424,968,978	406,515,223	391,547,395	377,149,274
969,433	808,409	777,693	731,727	720,447	682,640
671,840	659,029	637,453	601,643	544,251	531,781
599,696	540,403	518,462	483,753	430,702	422,407
572,642	623,880	599,207	585,382	516,843	505,380
202,905	228,463	216,734	203,258	195,774	192,346
486,971	478,894	450,467	422,776	450,280	445,036
148,797	237,250	267,731	256,105	301,492	297,948
1,113,721	1,098,381	1,109,169	1,085,396	1,123,741	973,045
-	-	-	-	-	-
112,725	101,051	93,493	85,368	74,394	67,887
112,725	101,051	93,493	85,368	74,394	67,887
4,991,455	4,876,811	4,763,902	4,540,776	4,432,318	4,186,357
.215	.184	.183	.180	.184	.181
.149	.150	.150	.148	.139	.141
.133	.123	.122	.119	.110	.112
.127	.142	.141	.144	.132	.134
.045	.052	.051	.050	.050	.051
.108	.109	.106	.104	.115	.118
.033	.054	.063	.063	.077	.079
.247	.250	.261	.267	.287	.258
.000	.000	.000	.000	.000	.000
.025	.023	.022	.021	.019	.018
.025	.023	.022	.021	.019	.018
1.107	1.110	1.121	1.117	1.132	1.110

VILLAGE OF LAKE ZURICH, ILLINOIS

**Property Tax Levies and Collections
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Year of Levy	Total Property Tax Extension	Total Tax Collections	Percent of Total Extension Collected
1994	\$ 4,186,357	\$ 4,177,121	99.78 %
1995	4,432,318	4,441,080	100.20
1996	4,540,776	4,534,769	99.87
1997	4,763,902	4,758,251	99.88
1998	4,876,811	4,875,223	99.97
1999	4,991,455	4,980,270	99.78
2000	5,628,875	5,632,691	100.07
2001	5,932,068	5,921,992	99.83
2002	6,117,567	6,117,622	100.00
2003	6,500,172	*	*

*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

**Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Tax Levy Year	Equalized Assessed Value	Estimated Actual Value	Ratio of Equalized Assessed Value to Estimated Actual Value
1994	\$ 377,149,274	\$ 1,132,580,402	0.333
1995	391,547,395	1,175,818,003	0.333
1996	406,515,223	1,219,545,669	0.333
1997	424,968,978	1,274,906,934	0.333
1998	439,352,349	1,318,057,047	0.333
1999	450,899,116	1,352,697,348	0.333
2000	478,645,862	1,435,937,586	0.333
2001	516,730,638	1,550,191,914	0.333
2002	564,872,284	1,694,616,852	0.333
2003	635,502,841	1,906,508,523	0.333

Data Source: Office of the County Clerk

VILLAGE OF LAKE ZURICH, ILLINOIS

Property Tax Rates Per \$100 Assessed Valuation

Direct and Overlapping Governments

Last Ten Fiscal Years

April 30, 2004 (Unaudited)

Tax Levy Year	1993	1994	1995	1996
Village of Lake Zurich	1.157	1.110	1.132	1.117
Village of Lake Zurich				
Special Service Area #6	.798	.766	.000	.000
Special Service Area #7	.000	.000	.000	.000
Lake County	.519	.520	.523	.525
Lake County Forest				
Preserve District	.158	.157	.156	.156
Ela Area Library District	.316	.317	.322	.320
School District #95	3.745	3.826	3.758	3.783
School District #96	2.702	2.773	2.988	3.009
Consolidated H.S. District #125	1.812	1.819	1.790	1.801
Community College #532	.219	.220	.220	.220
Ela Township - Corp. & GA	.108	.110	.109	.109
Ela Township - R & B	.014	.014	.013	.013
Ela Township - Gravel or R.I.	.030	.030	.030	.030
Lake County Public				
Building Commission	.080	.078	.076	.074
Barrington Public				
Library District	.186	.202	.212	.202
Total Tax Rate Per \$100 EAV	11.844	11.942	11.329	11.359
Village's Share of Total Tax Rate	9.770	9.290	9.990	9.830

Data Source: Office of the County Clerk

1997	1998	1999	2000	2001	2002
1.121	1.110	1.107	1.176	1.148	1.083
.000	.000	.000	.000	.000	.000
.000	.000	.002	.000	.000	.000
.531	.531	.521	.521	.516	.502
.155	.157	.187	.231	.221	.232
.321	.320	.408	.396	.387	.371
3.914	3.958	3.925	4.022	4.484	4.366
3.023	3.051	3.052	3.060	2.951	3.013
1.860	1.859	1.835	1.904	1.864	1.890
.222	.221	.213	.235	.211	.208
.106	.105	.100	.094	.096	.093
.013	.012	.011	.011	.012	.013
.030	.030	.030	.030	.030	.030
.073	.071	.064	.061	.057	.054
.211	.218	.212	.178	.192	.182
11.580	11.643	11.667	11.919	12.169	12.037
9.680	9.534	9.488	9.867	9.433	8.997

VILLAGE OF LAKE ZURICH, ILLINOIS

**Ratio of General Obligation Bonded Debt to
Assessed Valuation and Bonded Debt Per Capita
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Fiscal Year	Population	Assessed Value	Outstanding General Obligation Bonded Debt	Less Debt Service Funds	Net General Obligation Bonded Debt	Ratio of Outstanding General Obligation Bonded Debt to Assessed Value		
						Outstanding General Obligation Bonded Debt	Outstanding General Obligation Bonded Debt	General Obligation Bonded Debt Per Capita
1995	17,255	\$ 377,149,274	\$ 8,640,000	\$ 99,611	\$ 8,540,389	2.26%	\$ 494.95	
1996	17,345	391,547,395	9,170,000	121,138	9,048,862	2.31%	521.70	
1997	17,550	406,515,223	8,575,000	160,314	8,414,686	2.07%	479.47	
1998	17,591	424,968,978	7,965,000	175,629	7,789,371	1.83%	442.80	
1999	17,630	439,352,349	7,295,000	219,764	7,075,236	1.61%	401.32	
2000	18,104	450,899,116	6,595,000	260,294	6,334,706	1.40%	349.91	
2001	18,210	478,645,862	11,840,000	115,084	11,724,916	2.45%	643.87	
2002	19,484	516,730,638	13,100,000	247,514	12,852,486	2.49%	659.64	
2003	19,005	564,872,284	11,395,000	2,022,530	9,372,470	1.66%	493.16	
2004	19,005	635,502,841	10,005,000	1,453,918	8,551,082	1.35%	449.94	

Data Sources: Census Bureau, Office of the County Clerk and Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Direct and Overlapping Bonded Debt
April 30, 2004 (Unaudited)

Governmental Unit	Gross Debt	*Percentage to Debt Applicable to Village	Village's Share of Debt
Village of Lake Zurich	\$ 8,615,000	100.000 %	\$ 8,615,000
Lake County, including			
Forest Preserve District	197,899,166	2.943	5,823,963
Ela Area Library District	14,175,000	43.161	6,118,024
School District #95	73,077,571	48.722	35,605,167
School District #96	30,140,000	1.259	379,443
Consolidated High School			
District #125	22,972,130	.462	106,132
Community College #532	8,985,126	3.109	279,385
Barrington Public Library District	1,455,000	1.107	16,100
Subtotal	348,703,993		48,328,214
Totals	357,318,993		56,943,214

* Determined by the ratio of assessed value of property in the Village of Lake Zurich subject to taxation by the Governmental Unit to the total assessed value of property of the Governmental Unit.

Data Source: Lake County Tax Extension Department

VILLAGE OF LAKE ZURICH, ILLINOIS

**Schedule of Legal Debt Margin
April 30, 2004 (Unaudited)**

Assessed Valuation - 2003	<u>\$ 635,502,841</u>
Legal Debt Limit - 8.625% of Assessed Valuation	54,812,120
Amount of debt applicable to debt limit	
General Obligation Debt Payable	
General Obligation Bonds	5,565,000
Installment Contracts	<u>880,719</u>
Legal Debt Margin	<u>48,366,401</u>

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. The indebtedness limitation set forth in this section shall not apply to any indebtedness of any municipality incurred to finance the cost of the acquisition, construction or improvement of water or wastewater treatment facilities mandated by an enforceable compliance schedule developed in connection with the Federal Clean Water Act or a compliance order issued by the United States Environmental Protection Agency or the Illinois Pollution Control Board."

VILLAGE OF LAKE ZURICH, ILLINOIS

**Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
1995	\$ 675,000	554,147	1,229,147	11,735,802	10.47%
1996	599,500	502,960	1,102,460	12,963,030	8.50%
1997	845,000	609,268	1,454,268	13,189,261	11.03%
1998	878,573	576,055	1,454,628	13,535,862	10.75%
1999	993,573	531,683	1,525,256	14,849,934	10.27%
2000	1,273,573	437,791	1,711,364	16,131,302	10.61%
2001	1,230,850	436,158	1,667,008	17,440,122	9.56%
2002	5,678,573	716,201	6,394,774	20,470,423	31.24%
2003	1,095,000	485,845	1,580,845	23,266,209	6.79%
2004	1,390,000	848,196	2,238,196	21,764,297	10.28%

Note: Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS

**Schedule of Revenue Bond Coverage
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Fiscal Year	Gross Revenue*	Operating Expenses**	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1995	\$ 2,962,208	1,937,733	1,024,475	180,000	216,907	396,907	2.58
1996	2,895,556	1,907,666	987,890	185,000	210,515	395,515	2.50
1997	2,952,709	1,843,795	1,108,914	180,000	200,455	380,455	2.91
1998	3,079,237	1,750,396	1,328,841	200,000	192,041	392,041	3.39
1999	3,146,226	1,767,129	1,379,097	200,000	183,029	383,029	3.60
2000	4,144,902	1,890,152	2,254,750	210,000	174,258	384,258	5.87
2001	3,635,790	1,886,278	1,749,512	220,000	164,173	384,173	4.55
2002	3,631,085	2,113,388	1,517,697	225,000	187,495	412,495	3.68
2003	3,620,412	2,453,658	1,166,754	255,000	141,390	396,390	2.94

Revenue Bonds were retired during fiscal year 2003.

*As defined in applicable bond indentures and governing laws.

**Excludes depreciation.

Data Source: Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS

Demographic Statistics Last Ten Fiscal Years

April 30, 2004 (Unaudited)

Calendar Year	(1) Population	(2) Per Capita Income	(2) Median Age	(2) Education Level in Years of Formal Schooling	(3) School Enrollment	(4) Unemployment Percentage
1995	17,255	\$ 28,342	33.9	N/A	5,287	2.5
1996	17,345	30,356	33.1	N/A	5,439	2.4
1997	17,550	33,597	34.5	N/A	5,765	2.1
1998	17,591	32,490	34.7	N/A	5,977	2.2
1999	17,630	38,364	34.2	15.2	5,902	1.9
2000	18,104	39,984	36.7	15.5	6,104	2.1
2001	18,210	N/A	N/A	N/A	6,280	2.9
2002	19,484	N/A	N/A	N/A	6,429	3.7
2003	19,005	41,897	36.9	15.6	6,529	3.9
2004	19,005	44,717	37.2	15.6	6,570	N/A

Data Sources:

- (1) Based on U.S. Census Bureau
- (2) Based on U.S. Census Bureau (Reported by Zip Code)
- (3) Annual School Census by Community Unit School District #95
- (4) Illinois Department of Employment Security

VILLAGE OF LAKE ZURICH, ILLINOIS

**Property Value and Construction
Last Ten Fiscal Years**

April 30, 2004 (Unaudited)

Fiscal Year	(1) Commercial Construction		(1) Residential Construction		(2) Property Value	
	Number of Units	Value	Number of Units	Value	Commercial	Residential
1995	148	\$ 7,867,241	681	\$ 4,484,753	\$ 76,717,359	300,431,915
1996	249	7,566,652	683	7,252,439	77,977,264	313,570,131
1997	212	17,600,456	710	17,008,565	82,054,625	324,460,598
1998	256	10,478,390	613	12,975,355	85,397,403	339,571,575
1999	268	8,217,761	541	11,296,713	88,060,413	351,291,936
2000	259	32,690,245	686	35,203,561	90,572,962	360,326,154
2001	289	36,944,309	2,752	31,306,561	104,430,873	374,214,989
2002	414	27,574,566	854	20,708,113	124,177,583	392,553,055
2003	223	22,988,889	711	16,930,067	134,714,931	430,157,353
2004	264	16,079,886	848	23,400,930	139,929,161	494,234,002

Data Sources:

- (1) Based on building permits issued by the Village Building Department.
Property values are estimated construction costs.
- (2) Estimated historical cost data provided by County Clerk's Office.

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Ten Largest Real Estate Taxpayers

April 30, 2004 (Unaudited)
Based on 1999 Assessed Valuation

Name of Taxpayer	Nature of Business	Total Taxable Valuation	Percentage of Village's Assessed Valuation
Fidelity Group LP	NBD Plaza, Deerpath Court, Shopping Center	\$ 12,489,458	2.00 %
Lincoln Property Co.	Apartments	6,101,507	1.00
Individual Taxpayer	North Lake Commons, Shopping Center	4,762,842	0.70
Echo Incorporated	Power Outdoor Equipment	4,674,872	0.70
HR/R LLC	Home Depot	3,880,654	0.60
Regal Cinemas Inc.	Movie Theater	3,063,697	0.50
Costco	Discount Retail Store	3,026,475	0.50
Tredegar Film Products	Polyethylene Film	2,915,436	0.50
The Jung Partnership	Shopping Center	2,801,101	0.40
National Industries Prop.	Industrial Properties	2,588,828	0.40
Total		46,304,870	7.30

Data Source: Office of the County Clerk and Ela Township Assessor

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information

April 30, 2004 (Unaudited)

Date of incorporation	September 19, 1896
Form of government	President/Trustee/Administrator
Geographic location	Southwestern Lake County 37 miles northwest of Chicago
Area	6.9 square miles
Population	
1930	368
1940	421
1950	850
1960	3,458
1970	4,082
1980	8,225
1990	15,100
2000	18,104
2001	18,210
2002	19,484
2003	19,005
2004	19,005
2003 per capita income	\$44,717
Municipal Services and Facilities	
Number of full-time employees	177
Lane miles of streets	152.5
Miles of alleys	0.3
Miles of sewers	99

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information - Continued

April 30, 2004 (Unaudited)

Building inspection - # of Permits Issued

1984	439	1994	725
1985	532	1995	829
1986	804	1996	932
1987	1,006	1997	922
1988	1,530	1998	869
1989	1,341	1999	945
1990	1,115	2000	3,041
1991	900	2001	1,268
1992	1,037	2002	934
1993	900	2003	1,112

Value of construction authorized (fiscal year):

1984	8,185,284	1994	10,186,208
1985	19,855,148	1995	12,351,994
1986	26,778,328	1996	14,819,091
1987	34,291,870	1997	34,609,021
1988	69,881,543	1998	23,453,745
1989	50,414,640	2000	67,893,806
1990	49,077,856	2001	68,250,870
1991	35,962,086	2002	48,282,679
1992	30,460,628	2003	39,918,956
1993	17,220,561	2004	39,480,816

Fire protection

Number of firefighters	53
Number of stations	4
Number of fire hydrants	1,647
Number of rescue boats	2
I.S.O. rating	Class 3
Rural fire protection district	Class 5

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information - Continued

April 30, 2004 (Unaudited)

Police protection

Number of police officers	37
Number of community service officers	2
Number of crossing guards	16
Number of squad cars	11
Number of police boats	1
Number of community service vehicles	2
Number of bicycles	5
Motorcycles	3
Specialty vehicles	10

Library services

Number of branch libraries	1
Number of books	178,820
Number of registered borrowers	25,359
1996 total circulation	813,757
Number of audiovisual items	28,775
Total number of program attendance	24,107

Recreation facilities

Number of parks and playgrounds	30
Park area in acres	227.0

Municipal water utility

Population serviced	19,005
Rated daily pumping capacity	6.5 mgd
Average daily pumpage	2.1 mgd
Miles of water mains	99
Number of metered accounts	6,255

Election

Number of registered voters	10,515
Number of votes cast in last municipal election	1,433
Percentage of registered voters voting in last municipal election	13.60%

VILLAGE OF LAKE ZURICH

Lake County, Illinois

ANNUAL FINANCIAL INFORMATION

STATEMENT OF INDEBTEDNESS

	Amount Applicable as of April 30, 2004	As Per Cent of Assessed Value	As Per Cent of Estimated True Value	Per Capita (2004 Est. Pop. 19,005)
Assessed Value of Taxable Real Property, 2003 . . .	\$ 635,502,841(4)	100.00%	33.33%	\$33,438.72
Estimated True Value of Taxable Real Property, 2003 . . .	1,906,508,523	300.00%	100.00%	100,316.15
Direct General Obligation Bonded Debt(1):				
Payable From Property Taxes	\$ 8,615,000	1.36%	0.45%	\$ 453.30
Self-Supporting Debt(2)	16,690,000	2.63%	0.88%	878.19
Total Direct Bonded Debt	\$ 25,305,000	3.99%	1.33%	\$ 1,331.49
Overlapping Bonded Debt Payable from Property Taxes(3):				
Schools	\$ 36,370,126	5.72%	1.91%	\$ 1,913.71
Other than Schools	11,958,088	1.88%	0.62%	629.21
Total Overlapping Bonded Debt	\$ 48,328,214	7.60%	2.53%	\$ 2,542.92
Total Direct and Overlapping Bonded Debt	\$ 72,633,214	11.59%	3.86%	\$ 3,874.41
Total Direct and Overlapping Excl. Self-Supporting . . .	\$ 56,943,214	8.96%	2.98%	\$ 2,996.22

Notes: 1. As a non-home rule unit under the 1970 Illinois Constitution, the Village has a debt limit of 8.625% of its taxable valuation or \$54,812,120. The Village's unencumbered debt limit is \$48,366,401.
 2. The Village has chosen in the past to fund certain projects with general obligation bonds and abate the taxes thereon from other revenues. For additional detail on the Village's self-supporting general obligation debt, see table on page 7.
 3. See "Detailed Overlapping Bonded Indebtedness Payable From Property Taxes at April 1, 2004".
 4. Includes \$1,339,679 incremental valuation in the Village's tax increment financing district.

VILLAGE'S RETIREMENT SCHEDULE OF OUTSTANDING DEBT (Note 1) (As of April 30, 2004)

Due	Principal Maturities							Debt Service Tax Levies		
	Payable From Property Taxes		Self-Supporting (By Payment Source)				Total Maturities(6)		Year	Amount
	Series 2000	Series 2001	TIF(2)	Water & Sewer(3)	Sales Tax(4)	Gen. Fund Certs(5)	Amount	Cumulative Percent		
2004 . . .	\$ 235,000	\$ 840,000	\$ - 0 -	\$ 480,000	\$ 370,000	\$ 195,000	\$ 2,120,000	8.4%	2003	\$ 1,593,574
2005 . . .	245,000	905,000	- 0 -	490,000	440,000	200,000	2,280,000	17.4%	2004	1,637,731
2006 . . .	255,000	410,000	445,000	495,000	450,000	205,000	2,260,000	26.3%	2005	981,844
2007 . . .	270,000	445,000	455,000	515,000	45,000	210,000	1,940,000	34.0%	2006	1,005,131
2008 . . .	280,000	450,000	475,000	535,000	45,000	- 0 -	1,785,000	41.0%	2007	990,246
2009 . . .	295,000	- 0 -	495,000	555,000	40,000		1,385,000	46.5%	2008	523,531
2010 . . .	310,000		510,000	580,000	- 0 -		1,400,000	52.0%	2009	522,896
2011 . . .	330,000		535,000	600,000			1,465,000	57.8%	2010	526,466
2012 . . .	345,000		560,000	240,000			1,145,000	62.4%	2011	523,976
2013 . . .	365,000		590,000	- 0 -			955,000	66.1%	2012	525,691
2014 . . .	380,000		620,000				1,000,000	70.1%	2013	521,346
2015 . . .	405,000		650,000				1,055,000	74.3%	2014	526,206
2016 . . .	425,000		680,000				1,105,000	78.6%	2015	524,438
2017 . . .	450,000		715,000				1,165,000	83.2%	2016	526,594
2018 . . .	475,000		755,000				1,230,000	88.1%	2017	527,406
2019 . . .	500,000		795,000				1,295,000	93.2%	2018	526,875
2020 . . .	- 0 -		835,000				835,000	96.5%		
2021 . . .			885,000				885,000	100.0%		
	\$5,565,000	\$3,050,000	\$10,000,000	\$4,490,000	\$ 1,390,000	\$ 810,000	\$25,305,000			

Notes: 1. This table excludes \$70,719 principal amount of installment contracts outstanding. The Village has no revenue bonds outstanding.

2. Includes \$1,830,000 General Obligation Bonds, Series 2002A, \$3,970,000 Taxable General Obligation Bonds, Series 2002 and \$4,200,000 General Obligation Bonds, Series 2003A. These bonds represent the \$10,000,000 in general obligation "alternate" bonds approved by referendum on November 5, 2002 for land acquisition and construction of infrastructure improvements in the Village's downtown tax increment financing district.
3. Includes the Series 2002, Series 2003B, and Taxable Series 2003D General Obligation "alternate" bonds for which water and sewer revenues are the pledged alternate revenue source.
4. Represents the Series 2003C General Obligation "alternate" bonds for which sales tax revenues are the pledged alternate revenue source.
5. Represents the Village's \$810,000 General Fund Certificates, Series 2002 which are payable from General Fund revenues.
6. The Village's debt limit is 8.625% of its equalized assessed valuation or \$54,812,120, and its unencumbered debt limit is \$48,366,401. The following principal amounts are subject to the debt limit: \$5,565,000 Series 2000 (referendum - approved); \$810,000 Series 2002 Certificates (installment contract authority); and \$70,719 in other installment contracts. By statute, the Village's general obligation "alternate" bonds are not an encumbrance of the debt limit unless taxes are extended for their repayment. The Series 2001 Bonds are also not an encumbrance of the debt limit because they refunded earlier EPA-mandated general obligation bonds that were not an encumbrance of the debt limit.

DEBT RATIOS AND PER CAPITA DEBT - LAST TEN SALES (Note 1)

Village Issue	Sale Date	Amount	Ratio to Estimated Actual Value				Per Capita(3)	
			Direct Debt		Direct & Overlapping Debt		Direct & Overlapping Debt	Excluding Self-Supporting(2)
			Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)
February 1, 1990	\$5,000,000		1.08%	N.A.	2.64%	N.A.	\$ 914.25	N.A.
September 1, 1991	4,000,000		1.13%	N.A.	2.47%	N.A.	1,382.70	N.A.
September 7, 1993	3,905,000		.96%	N.A.	2.47%	N.A.	1,636.08	N.A.
August 21, 1995	1,000,000		.85%	N.A.	2.18%	N.A.	1,438.35	N.A.
April 17, 2000	6,000,000		.95%	N.A.	2.74%	N.A.	1,968.14	N.A.
November 20, 2001	4,645,000		.83%	N.A.	4.73%	N.A.	3,749.35	N.A.
March 18, 2002	2,000,000		.91%	.77%	4.70%	4.56%	3,724.77	3,614.30
July 15, 2002	1,000,000		.85%	.72%	4.33%	4.20%	3,708.98	3,598.51
December 2, 2002	5,800,000		1.21%	.64%	4.63%	4.06%	3,968.38	3,482.30
March 17, 2003	8,250,000		1.72%	.62%	5.05%	3.95%	4,325.89	3,384.11

Notes: 1. Taken from applicable Official Statements.

2. Excludes the Village's general obligation bonds which are payable from non-property tax sources (see Notes 2-5 to the "Village's Retirement Schedule of Outstanding Debt" above). The Village had no self-supporting general obligation debt prior to 2002.
3. The following population estimates were used: 1990=15,000; 1991=14,947; 1993=15,250; 1995=17,122; 2000=18,373, and 2001-2003=18,104.

DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES AT APRIL 30, 2004

SCHOOL DISTRICTS:		Percent of Village's Real 2003 Property in Taxing Body	Gross Bonded Debt	Village's Applicable Share (Note 1) of Gross Debt to be Paid From Real Property Taxes	
				Percent	Amount
Kildeer Countryside Comm. Cons. Elementary S.D. 96		2.2%	\$ 30,140,000	1.259%	\$ 379,443
Stevenson High School District 125		2.2%	22,972,130	0.462%	106,132
Lake Zurich Community Unit School District 95		97.8%	73,077,571	48.722%	35,605,167
Lake County Community College 532		100.0%	8,985,126(2)	3.109%	279,385
Total School Districts					\$36,370,126

OTHER THAN SCHOOL DISTRICTS:

Lake County, Including Forest Preserve District	100.0%	\$ 197,899,166(3)	2.943%	\$ 5,823,963
Ela Area Public Library District	95.8%	14,175,000	43.161%	6,118,024
Barrington Area Public Library District	4.2%	1,455,000	1.107%	16,100

Total Other Than School Districts

Notes: 1. Village's share based upon 2003 Real Property valuations.

2. Excludes \$2,050,000 "Alternate Bonds" which are considered to be self-supporting bonds and are not payable from property taxes.
3. This amount includes \$6,330,000 principal outstanding in the name of the Lake County Public Building Commission (payable from lease payments made by the County to the Commission) and \$193,629,166 outstanding in the name of the Forest Preserve District. Excludes \$8,375,000 "Alternate Bonds" which are self-supporting from non-property tax sources.

EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES

Tax Levy Year	Real Property			Increase Over Prior Year
	Gross	Less Exemptions(1)	Net For Taxing Purposes	
1999.....	\$472,177,362	\$21,278,246	\$450,899,116	+2.6%
2000.....	499,705,223	21,059,361	478,645,862	+6.2%
2001*.....	538,990,110	22,259,472	516,730,638	+8.0%
2002.....	588,788,619	23,550,850	565,237,769	+9.4%
2003.....	659,663,131	24,160,290	635,502,841(2)	+12.4%

* Quadrennial Reassessment Year.

Notes: 1. Exemption figures for levy year 2003 includes exemptions for: Senior Citizens' Homestead and Senior Citizens Tax Freeze Homestead (\$3,613,326), General Homestead (\$19,449,500), Homestead Improvement (\$1,095,724) and Small Parcels (\$1,740). The Senior Citizens' Homestead Exemption, effective for tax years 1984 and following, is a reduction of \$2,000 in the equalized assessed valuation of real property owned and occupied by a person 65 years of age or older (\$3,000 for tax year 2004 and thereafter). The General Homestead Exemption is available to owner-occupied residential property; the amount of the exemption is the increase in the current year's equalized assessed valuation above the 1977 tax year equalized assessed valuation, with a maximum of \$3,500 (\$5,000 for tax year 2004 and thereafter). The Homestead Improvement Exemption allows homeowners to make up to \$45,000 in improvements without increasing the assessed valuation of their property for at least four years (\$75,000 for tax year 2004 and thereafter). Under the Small Parcels Exemption, properties with assessed values of \$150 or less are exempt from property taxes. The Senior Citizen Tax Freeze Homestead Exemption, first effective in levy year 1994, provides that persons 65 or older with a household income of less than \$40,000 (\$45,000 for tax year 2004 and thereafter) may receive an exemption in the amount of the difference between the current equalized assessed value of their principal residence and the lowest previous assessment in a qualifying year, even if the senior was not eligible for some intervening year. This exemption is calculated by Lake County and added to the Senior Citizens Homestead exemption amount. The County does not separately track the amount of the Senior Citizens Tax Freeze Homestead Exemption by taxing district.

2. Includes \$1,339,679 of incremental valuation in the Village's tax increment financing district. The Village is in Ela Township. Under the Property Tax Extension Limitation Act (see Note 1 to the table "Tax Rates Per \$100 Equalized Assessed Valuation"), beginning in levy year 1991 the county clerks in Lake County and the other Cook County "collar counties" must record the amount of "new property" that comes on the tax rolls in each levy year. "New Property" includes new improvements or additions to existing improvements which increase the assessed value of real property during that year. For levy year 2003, the value of new property in the Village of Lake Zurich was \$10,285,741.

1998 AND 2003 TAX BASE DISTRIBUTION BY PROPERTY CLASSIFICATION

Classification:	Village of Lake Zurich			Percent of Total	
	1998	2003	Percentage Increase		1998	2003
Residential.....	\$351,291,936	\$494,234,002	40.7%	80.0%	77.9%
Commercial.....	56,319,606	81,362,596	44.5%	12.8%	12.8%
Industrial.....	31,675,313	58,530,557	84.8%	7.2%	9.2%
Railroad.....	27,188	32,647	20.1%	NIL	NIL
Farm.....	38,306	3,361	-91.2%	NIL	NIL
Total.....	\$439,352,349	\$634,163,163	44.3%	100.0%	100.0%

TEN LARGEST TAXPAYERS

Rank	Taxpayers	Type of Business	Equalized Assessed Valuation(1)	Percent of Total(2)
1 ..	The Fidelity Group	Shopping Centers and Office Buildings	\$12,489,458	2.0%
2 ..	Lincoln Property Co.	Apartments	6,101,507	1.0%
3 ..	Individual	North Lake Commons, Shopping Center	4,762,842	0.7%
4 ..	Echo Incorporated	Power Outdoor Equipment	4,674,872	0.7%
5 ..	HP/R LLC	Home Depot	3,880,654	0.6%
8 ..	Regal Cinemas, Inc.	Movie Theater	3,063,697	0.5%
7 ..	Costco	Discount Retail Store	3,026,475	0.5%
8 ..	Tredegar Film Products	Polyethylene Film	2,915,436	0.5%
9 ..	The Jung Partnership	Shopping Center	2,801,101	0.4%
10 ..	National Industries Prop.	Industrial Properties	<u>2,588,828</u>	0.4%
Total Ten Largest Taxpayers			<u>\$46,304,870</u>	7.3%

Notes: 1. Valuations as of January 1, 2003 for 2004 taxing purposes.
 2. Total 2003 Village valuation of \$635,502,841.

TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION (Note 1)

	Levy Year				2003		
	1999	2000	2001	2002	Extended Rate	Maximum Allowed	Unused Percent
Village of Lake Zurich:							
Corporate	\$.215	\$.218	\$.213	\$.195	\$.187	.250	25.2%
Bonds .....	.247	.322	.311	.288	.275	None	--
Pensions (Incl. Soc. Security and IMRF)	.203	.196	.184	.183	.177	None	--
Police Protection .....	.149	.147	.140	.131	.120	.150	20.0
Fire Protection .....	.133	.131	.127	.119	.109	.150	27.3%
Liability Insurance .....	.033	.036	.042	.056	.042	None	--
Rec. For Handicap	-0-	-0-	-0-	-0-	.013	.040	67.5%
Ambulance	<u>.127</u>	<u>.126</u>	<u>.131</u>	<u>.111</u>	<u>.102</u>	<u>.250</u>	<u>59.2%</u>
Total Village Purposes	\$1.107	\$1.176	\$1.148	\$1.083	\$1.025		
Lake County Incl. Forest Preserve .....	.708	.752	.737	.734	.715		
Lake Zurich Comm. Unit S.D. No. 95	3.925	4.022	4.484	4.366	4.092		
Lake County Comm. College No. 532 .....	.213	.235	.211	.208	.201		
Ela Area Public Library District .....	.408	.396	.387	.371	.343		
All Other	<u>.141</u>	<u>.135</u>	<u>.138</u>	<u>.136</u>	<u>.126</u>		
Total(2)	\$6.502	\$6.716	\$7.105	\$6.898	\$6.502		
Village as a Percent of Total	17.0%	17.5%	16.2%	15.7%	15.8%		

Notes: 1. The Village is subject to the provisions of the Property Tax Extension Limitation Act (the "Tax Limitation Act"), which was enacted in July, 1991 and became effective on October 1, 1991. In general, the Tax Limitation Act limits the annual growth in the amount of taxes to be extended in the Illinois counties of Cook, DuPage, Kane, Lake, McHenry and Will by individual taxing bodies, including the Village of Lake Zurich, to the "Extension Limitation". The Extension Limitation under the Act is (i) the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year or (ii) the rate of increase approved by the voters at a referendum election held pursuant to the Tax Limitation Act. The maximum allowable extension for levy year 2003, as calculated by the County Clerk's Office, was \$4,673,783, an increase of 5.8% over the levy year 2002 extension for "capped" funds (the addition of \$10,285,741 in equalized assessed valuation from "new construction" in the Village caused the extension limitation to be in excess of the 2.4% allowed under the law in levy year 2003). Property taxes extended for bonded indebtedness issued prior to the 1991 effective date of the Tax Limitation Act (including bonds issued to refund those bonds) together with referendum approved bonds and alternate bonds issued subsequent to the effective date of the Act are not included in the extension limitation.

2. Tax rate applicable to the largest tax code in the Village which represented 89.3% of the Village's 2003 equalized assessed valuation. Only those parcels of property with common taxing bodies (township, sanitary district, school district, etc.) are in the same tax code and therefore have identical tax rates.

TAX EXTENSIONS AND COLLECTIONS (Note 1)
(Village Purposes Only)

Levy Year	Collection Year(2)	Total Taxes	Total Taxes	
		Extended	Amount	Percent
1998	1999	\$4,867,215	\$4,867,187	99.99%
1999	2000	4,980,671	4,980,599	99.99%
2000	2001	5,634,410	5,634,323	99.99%
2001	2002	5,925,548	5,925,439	99.99%
2002	2003	6,117,566	6,114,944	99.96%
2003	2004	6,500,172	-----In Process-----	

Notes:

1. *Extensions adjusted for Errors in Assessments (deductions) and Omitted Tax Extended (additions). Tax payments made under protest are included as current collections, and are not counted again as collections when final disposition is made. Total collections include back taxes in the year collected--the County does not post back taxes to the year of extension.*
2. *For levy year 2003 taxes (collected in 2004), payments are due in two installments, on June 3 and September 3. Over the last ten years the latest second installment date was September 10, 2002.*

FINANCIAL STATEMENTS

As of May 1, 2002 (for fiscal years ending April 30, 2003 and thereafter), the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This resulted in a change in the Village's method of accounting for certain non-exchange revenues and a change in the format and content of the basic financial statements including notes to financial statements. As a result, direct comparisons with certain results from prior fiscal years are not possible.

As a part of the requirements of Statement No. 34, there is a section "Management's Discussion and Analysis" which is a narrative overview and analysis of the financial activities for the fiscal year. Set out below is the section "Financial Highlights" from that narrative – the italicized narrative serves to explain the summarized statements and appears elsewhere in the narrative overview.

Financial Highlights -- Fiscal Year Ended April 30, 2004

- Total assets exceeded liabilities by \$112,794,166. Unrestricted net assets (net assets used to meet ongoing operations) totaled \$6,489,201. Restricted net assets totaled \$2,687,699 and the majority of the net asset figure, or \$103,617,266 is reported as "Invested in Capital Assets, Net of Related Debt."
- Governmental net assets decreased \$261,690 while Business-Type Activities net assets decreased \$621,283.
- Capital assets, net of \$32,585,365 of accumulated depreciation, amounted to \$125,274,016 at April 30, 2004. Assets capitalized include land, buildings and related improvements, as well as machinery and equipment and infrastructure.
- Long term bonded and installment contract debt decreased \$5,938,573 during the current fiscal year. Of the total decrease, \$1,423,573 was used to pay down existing debt and \$4,515,000 resulted from the retirement of debt on May 1, 2003. No new debt was issued during the fiscal year.

GENERAL FUND

Summary Statement of Revenues, Expenditures and Changes in Fund Balance (Fiscal Years Ended April 30)

Audited -- Note 1

	2000	2001	2002	2003	2004	2005
	Budget(2)	Actual				
Revenues(3):						
Property Taxes	\$ 3,793,134	\$ 3,884,798	\$ 4,130,949	\$ 4,339,109	\$ 4,504,155	\$ 4,516,202
Sales Tax	2,937,474	3,239,322	4,035,356	4,350,994	4,660,000	4,589,414
State Income Tax	1,300,572	1,392,359	1,249,316	1,177,617	1,310,100	1,117,985
Use Tax	216,812	226,706	174,686	159,223	177,800	180,785
Vehicle Licenses	219,365	219,186	244,540	258,626	276,000	258,435
Other Licenses & Permits	1,211,288	1,213,651	1,094,536	1,183,176	1,587,100	1,302,969
Charges for Services	2,862,165	2,820,309	3,494,639	4,214,732	4,186,758	3,831,476
Fines and Forfeits	523,886	655,631	558,704	577,039	625,000	536,900
Interest	153,565	242,252	161,304	113,551	117,200	33,168
Transfers-In	346,044	964,482	941,950	116,357	115,506	421,506
All Other Revenues	<u>1,134,705</u>	<u>1,065,215</u>	<u>910,995</u>	<u>6,355,426(4)</u>	<u>1,402,771</u>	<u>1,260,062</u>
Total Revenues	<u>\$14,699,010</u>	<u>\$15,923,911</u>	<u>\$16,996,975</u>	<u>\$22,845,850</u>	<u>\$18,962,390</u>	<u>\$18,048,902</u>
Expenditures:						
General Government	\$ 2,315,367	\$ 1,625,719	\$ 2,317,725	\$ 3,156,704	\$ 1,723,726	\$ 1,918,758
Public Safety:						
Police Department	3,920,189	4,260,148	4,776,830	5,536,478	5,800,217	5,623,678
Fire Department	3,614,729	3,946,210	5,178,336	5,591,317	5,996,635	5,926,281
Highways and Streets ...	1,814,288	2,276,685	2,275,261	3,083,343	2,047,524	1,490,764
Culture and Recreation ..	1,310,867	1,385,993	1,476,414	656,099	1,478,495	1,047,932
All Other	<u>405,612</u>	<u>383,649</u>	<u>438,757</u>	<u>397,012</u>	<u>1,312,933</u>	<u>1,312,933</u>
Subtotal Expenditures	<u>\$13,381,052</u>	<u>\$13,878,404</u>	<u>\$16,463,323</u>	<u>\$18,420,953</u>	<u>\$18,359,530</u>	<u>\$17,320,346</u>
Capital Outlay	<u>1,223,396</u>	<u>1,732,598</u>	<u>1,970,725</u>	<u>3,264,411</u>	<u>1,469,885</u>	<u>2,205,755</u>
Total Expenditures ..	<u>\$14,604,448</u>	<u>\$15,611,002</u>	<u>\$18,434,048</u>	<u>\$21,685,364</u>	<u>\$19,829,415</u>	<u>\$19,526,101</u>
Revenues Over(Under)						
Exp.:						
Before Capital	\$ 1,317,958	\$ 2,045,507	\$ 533,652	\$ 4,424,897	\$ 602,860	\$ 728,556
After Capital	\$ 94,562	\$ 312,909	\$ (1,437,073)	\$ 1,160,486	\$ (867,025)	\$ (1,477,199)
Adjustments to Fund Balance	<u>- 0 -</u>	<u>- 0 -</u>	<u>(84,389)</u>	<u>127,415</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, April 30	<u>\$ 2,812,881</u>	<u>\$ 3,125,790</u>	<u>\$ 1,604,328</u>	<u>\$ 2,892,229</u>	<u>\$ 1,415,030</u>	<u>\$ 1,415,030</u>

Balance Sheet

	2000	2001	2002	2003	2004
Assets:					
Cash and Investments ..	\$ 2,081,733	\$ 1,904,273	\$ 1,150,655	\$ 3,550,297	\$ 1,668,396
Property Taxes Receivable	3,870,400	4,106,694	4,344,000	4,486,400	4,752,000
Other Taxes Rec.....	770,400	757,758	963,519	410,847	206,866
Deposits	818,323	909,901	744,973	425,681	405,729
All Other Assets	<u>235,418</u>	<u>387,916</u>	<u>1,008,328</u>	<u>1,192,207</u>	<u>1,407,371</u>
Total Assets	<u>\$ 7,776,274</u>	<u>\$ 8,066,542</u>	<u>\$ 8,211,475</u>	<u>\$10,065,432</u>	<u>\$ 8,440,362</u>
Liabilities and Fund Balance:					
Accounts Payable	\$ 496,166	\$ 287,988	\$ 532,835	\$ 347,965	\$ 293,294
Deferred Revenue	3,870,400	4,106,694	4,344,000	4,636,400	4,752,000
Accrued Payroll	162,817	189,822	246,086	307,817	385,000
All Other Liabilities	<u>434,010</u>	<u>356,248</u>	<u>1,484,226</u>	<u>1,881,021</u>	<u>1,594,335</u>
Total Liabilities	<u>\$ 4,963,393</u>	<u>\$ 4,940,752</u>	<u>\$ 6,607,147</u>	<u>\$ 7,173,203</u>	<u>\$ 7,025,332</u>
Fund Balance :					
Reserved	\$ 168,825	\$ 178,890	\$ 710,101	\$ 2,666,951	\$ 798,926
Unreserved	2,644,056	2,946,900	894,227	225,278	616,104
Total Fund Balance ..	<u>\$ 2,812,881</u>	<u>\$ 3,125,790</u>	<u>\$ 1,604,328</u>	<u>\$ 2,892,229</u>	<u>\$ 1,415,030</u>
Total Liabilities and Fund Balance	<u>\$ 7,776,274</u>	<u>\$ 8,066,542</u>	<u>\$ 8,211,475</u>	<u>\$10,065,432</u>	<u>\$ 8,440,362</u>

Notes: 1. These condensed financial statements for the General Fund for the years ending April 30, 2000-2004 have been prepared from the full Comprehensive Annual Financial Reports of the Village of Lake Zurich and do not purport to be complete financial statements. See Note 1 to "Combined Statement - All Funds" for additional information on the basis of accounting etc.

2. All departments submit requests for appropriation to the Village Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity 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 Village Board for review. The Board holds hearings to obtain public comments. The fiscal year appropriation ordinance, which incorporates budget decisions of the Village Board, is then adopted. Total

actual expenditures for any fund may not legally exceed the total appropriated for that fund. However, modifications to the budget may be made in that the Village Administrator is authorized to transfer budgeted amounts between departments within any fund; any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees. Appropriations lapse at the end of each year. All governmental fund type budgets are prepared on a modified accrual basis. Proprietary fund type budgets, which are prepared for management control purposes, are prepared on the accrual basis except that depreciation and amortization are not budgeted for.

3. The Village has chosen not to institute the statutory utility tax (up to 5% piggy-back on gas and electric utility bills) which tax can be instituted by the adoption of an ordinance providing cash flow in approximately 30 days. The Village increased its Telecommunications Tax from 1% to 6% as of July 1, 2004.
4. Includes bond proceeds in the amount of \$2,084,478.
5. Includes proceeds from \$1,210,000 General Fund Certificates, Series 2004.

COMBINED STATEMENT - ALL FUNDS (Note 1)

Fund Balances 2000-2003 and Summary 2004 Revenues, Revenues Over (Under) Expenditures and Fund Balance (Fiscal Years Ended April 30)

Governmental Fund Types:							Fiscal Year Ended April 30, 2004		
	Audited				Revenues Incl. Transfers		Revenues Over (Under) Expenditures		Fund Balance
	2000	2001	2002	2003	Property Tax	Total			
General Fund	\$ 2,812,881	\$ 3,125,790	\$ 1,604,328	\$ 2,892,229(4)	\$ 4,516,202	\$ 18,048,902	\$ (1,477,199)		\$ 1,415,030
Special Revenue Fund:									
Motor Fuel Tax	218,668	218,492	83,274	- 0 - (4)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Debt Service Funds	260,294	115,084	247,512	2,022,530(4)	1,651,984	1,669,584	(568,612)		1,453,918
Capital Projects Funds.....	197,921	3,695,408	426,782	- 0 - (4)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Capital Improvements Fund	- 0 -	- 0 -	- 0 -	614,468(4)	- 0 -	1,794,354	870,955		1,485,423
Downtown TIF Fund	- 0 -	- 0 -	- 0 -	6,758,162(4)	- 0 -	870,249	(2,370,569)		4,387,593
Total Governmental Funds .	\$ 3,489,764	\$ 7,154,774	\$ 2,361,896	\$ 12,287,389	\$ 6,168,186	\$ 22,383,089	\$ (3,545,425)		\$ 8,741,964
Proprietary & Fiduciary Fund Types:									
Enterprise Fund:									
Waterworks and Sewerage(2) .	\$ 18,767,379	\$ 19,330,347	\$ 19,577,774	\$ 46,899,078	\$ - 0 -	\$ 2,836,387	\$ (621,283)		\$ 46,277,795
Internal Service Funds(2):									
Self-Insurance(3)	- 0 -	(150,000)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Vehicle Maintenance(3)	7,864	8,008	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Capital Equip. Replacement(3)	1,213,257	632,135	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Pension Trust Funds:									
Police Pension	5,765,003	5,947,296	6,047,796	6,156,396	- 0 -	745,162	470,792		6,627,188
Firefighters' Pension	2,771,466	3,047,086	3,393,801	4,126,184	- 0 -	1,073,039	1,008,033		5,134,217
Exp. Trust - Police Escrow	5,205	5,948	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Non Exp. Trust - Working Cash .	500,227	500,194	0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Total Proprietary & Fiduciary	\$ 29,030,401	\$ 29,321,014	\$ 29,019,371	\$ 57,181,658	\$ - 0 -	\$ 4,654,588	\$ 857,542		\$ 58,039,200
Total All Funds (Memo Only)	\$ 32,520,165	\$ 36,475,788	\$ 31,381,267	\$ 69,469,047	\$ 6,168,186	\$ 27,037,677	\$ (2,687,883)		\$ 66,781,164
Cash & Investments at April 30:	2000	2001	2002	2003	2004				
General Fund	\$ 2,081,733	\$ 1,904,273	\$ 1,150,655	\$ 3,550,297	\$ 1,668,396				
Special Revenue Funds	181,551	178,990	63,449	- 0 -	- 0 -				
Debt Service Funds	260,294	201,484	248,312	2,024,310	1,439,494				
Capital Projects Funds.....	346,671	4,428,072	544,101	- 0 -	- 0 -				
Capital Improvements Fund	- 0 -	- 0 -	- 0 -	621,485	1,300,168				
Downtown TIF Fund	- 0 -	- 0 -	- 0 -	6,352,398	1,051,004				
Enterprise Fund.....	3,731,279	3,405,567	4,696,992	4,346,356	5,053,375				
Enterprise Fund - Restricted	1,400,395	1,683,343	1,831,111	4,593,351	- 0 -				
Pension Funds	8,489,513	8,967,380	9,393,643	10,228,433	11,702,946				
Working Cash Fund.....	500,227	500,194	- 0 -	- 0 -	- 0 -				
All Other (Excluding Agency)	1,164,427	710,021	- 0 -	- 0 -	- 0 -				
Total All Funds	\$ 18,156,090	\$ 21,979,324	\$ 16,097,152	\$ 31,716,630	\$ 22,215,383				

Notes: 1. These condensed financial statements for the years ending April 30, 2000-2004 have been prepared from the full Comprehensive Annual Financial Reports of the Village of Lake Zurich and do not purport to be complete audits. The accounting policies of the Village conform to generally accepted accounting principles (GAAP) as applicable to governments. The Village's governmental and expendable trust funds are accounted for using the modified accrual basis of accounting under which revenues are recognized when measurable and available to finance current operations and expenditures are generally recognized when the related fund liability is incurred. All proprietary, nonexpendable trust, and pension funds are accounted for using the accrual basis of accounting. This table excludes the Village's agency funds. The Village's Comprehensive Annual Financial Report for the year ended April 30, 2004 included an unqualified "Independent Auditor's Report". Similar unqualified opinions were included in the above summarized Village's annual financial statements for the years ended April 30, 2000-2003. The "Independent Auditor's Report" included in the latest audit states, in part: "In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lake Zurich, Illinois as of April 30, 2004, and the results of its operations

and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America."

2. Prior to the fiscal year 2003, the amounts shown as fund balance for the enterprise and internal service funds were total retained earnings. The amount shown as fund balance for the Waterworks and Sewerage Fund at April 30, 2003 is Total Net Assets (see Notes 6 and 7 for additional information on the accounting changes adopted in fiscal year 2003).
3. In anticipation of the adoption of GASB 34, the Internal Service Funds were closed out during fiscal year 2001.
4. Beginning in the fiscal year 2003, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Financial Liabilities and Expenditures in Governmental Fund Financial Statements. This resulted in a change in the Village's method of accounting for certain non-exchange revenues and a change in the format and content of the basic financial statements and notes to financial statements. Specifically, the Village designated four "major funds": the General Fund, the Debt Service Funds, the Capital Improvements Fund, and the Downtown TIF Fund (previously a Capital Projects Fund). The Motor Fuel Tax Fund and the Park Improvement Fund (previously Capital Projects) make up the Capital Improvements Fund.

CAPITAL ASSETS
(At April 30, 2004)

Governmental Activities		Business Type Activities	
Land	\$27,137,970	Capital Assets – Not Being Depreciated	\$ 249,652
Land Improvements	2,171,445	Infrastructure	57,047,098
Buildings and Building Improvements	12,809,354	Machinery and Equipment	396,748
Vehicles	3,619,791	Vehicles	318,714
Machinery and Equipment	1,206,647	Gross Value	\$58,012,212
Computer/Software	53,253	Less: Accumulated Depreciation	(13,499,909)
Furniture and Fixtures	43,182	Net Assets	\$44,512,303
Infrastructure	<u>52,780,527</u>		
Gross Value	\$99,847,169		
Less Accumulated Depreciation	(19,085,456)		
Total	\$80,761,713		

Note: Capital assets purchased or acquired with an original cost of \$10,000 to \$250,000, depending on classification, are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, sidewalks, and streetlights are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available at estimated historical cost based on replacement costs. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the estimated useful lives.

