



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

VILLAGE OF LAKE ZURICH, ILLINOIS

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Eight Months Ended  
December 31, 2016

Prepared by Finance Department

Jodie K. Hartman  
Finance Director/Treasurer

# **VILLAGE OF LAKE ZURICH, ILLINOIS**

## **TABLE OF CONTENTS**

---

	<u>Page(s)</u>
<b>INTRODUCTORY SECTION</b>	
List of Elected and Appointed Officials .....	i
Village Organizational Chart .....	ii
Certificate of Achievement for Excellence in Financial Reporting.....	iii
Director of Finance's Letter of Transmittal .....	iv-ix
<b>FINANCIAL SECTION</b>	
INDEPENDENT AUDITOR'S REPORT .....	1-3
<b>GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS</b>	
Management's Discussion and Analysis.....	MD&A 1-14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	4-5
Statement of Activities .....	6-7
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	8-9
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances .....	11-12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities.....	13

# VILLAGE OF LAKE ZURICH, ILLINOIS

## TABLE OF CONTENTS (Continued)

---

	<u>Page(s)</u>
<b>FINANCIAL SECTION (Continued)</b>	
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS (Continued)	
Basic Financial Statements (Continued)	
Fund Financial Statements (Continued)	
Proprietary Funds	
Statement of Net Position.....	14-15
Statement of Revenues, Expenses and Changes in Net Position.....	16
Statement of Cash Flows.....	17-18
Fiduciary Funds	
Statement of Fiduciary Net Position .....	19
Statement of Changes in Fiduciary Net Position .....	20
Notes to Financial Statements .....	21-73
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund .....	74
TIF Tax Allocation Fund.....	75
Downtown TIF #2 Fund.....	76
Schedule of Funding Progress and Employer Contributions	
Other Postemployment Benefit Plan .....	77
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund .....	78
Police Pension Fund .....	79
Firefighters' Pension Fund .....	80
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	
Illinois Municipal Retirement Fund .....	81
Police Pension Fund .....	82
Firefighters' Pension Fund .....	83
Schedule of Investment Returns	
Police Pension Fund .....	84
Firefighters' Pension Fund .....	85
Notes to Required Supplementary Information .....	86

# VILLAGE OF LAKE ZURICH, ILLINOIS

## TABLE OF CONTENTS (Continued)

---

	<u>Page(s)</u>
<b>FINANCIAL SECTION (Continued)</b>	
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
<b>MAJOR GOVERNMENTAL FUNDS</b>	
Schedule of Revenues - Budget and Actual - General Fund .....	87-88
Schedule of Expenditures - Budget and Actual - General Fund.....	89
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Debt Service Fund .....	90
TIF Debt Service Fund .....	91
Capital Improvements Fund .....	92
<b>NONMAJOR GOVERNMENTAL FUNDS</b>	
Combining Balance Sheet .....	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	94
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Hotel Tax Fund.....	95
Motor Fuel Tax Fund.....	96
Special Events Fund .....	97
TIF #3 Fund .....	98
Park Improvements Fund .....	99
Non-Home Rule Sales Tax Capital Projects Fund .....	100
<b>MAJOR ENTERPRISE FUND</b>	
Waterworks and Sewerage Fund	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual.....	101
Schedule of Operating Revenues - Budget and Actual .....	102
Schedule of Operating Expenses - Budget and Actual.....	103
<b>INTERNAL SERVICE FUNDS</b>	
Combining Statement of Net Position.....	104
Combining Statement of Revenues, Expenses and Changes in Net Position .....	105
Combining Statement of Cash Flows .....	106

**VILLAGE OF LAKE ZURICH, ILLINOIS****TABLE OF CONTENTS (Continued)**

---

	<u>Page(s)</u>
<b>FINANCIAL SECTION (Continued)</b>	
<b>COMBINING AND INDIVIDUAL FUND</b>	
<b>FINANCIAL STATEMENTS AND SCHEDULES (Continued)</b>	
<b>INTERNAL SERVICE FUNDS (Continued)</b>	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	
Medical Self-Insurance Fund .....	107
Risk Management Fund.....	108
Equipment Replacement Fund .....	109
<b>FIDUCIARY FUNDS</b>	
Pension Trust Funds	
Combining Statement of Plan Net Position.....	110
Combining Statement of Changes in Plan Net Position.....	111
Agency Funds	
Statement of Changes in Assets and Liabilities .....	112
<b>SUPPLEMENTAL DATA</b>	
Long-Term Debt Requirements	
General Obligation TIF Alternate Revenue Bonds Series of 2009A .....	113
General Obligation Refunding Bonds Series of 2008A .....	114
General Obligation Refunding Bonds (Alternate Revenue Source) Series of 2014A .....	115
General Obligation Refunding Bonds (Alternate Revenue Source) Series of 2015A .....	116
General Obligation Waterworks and Sewerage Bonds (Alternate Revenue Source) Series of 2013A .....	117
IEPA Loan of 2006 .....	118
IEPA Loan of 2008 .....	119
General Obligation Refunding Bonds (Alternate Revenue Source) Series 2016A .....	120
General Obligation Waterworks and Sewerage Bonds (Alternate Revenue Source) Series 2016B .....	121

**VILLAGE OF LAKE ZURICH, ILLINOIS****TABLE OF CONTENTS (Continued)**

---

	<u>Page(s)</u>
<b>STATISTICAL SECTION</b>	
Financial Trends	
Net Position by Component .....	122-123
Change in Net Position .....	124-127
Fund Balances of Governmental Funds .....	128-129
General Governmental Revenues by Source.....	130
General Governmental Expenditures by Function.....	131
Changes in Fund Balances of Governmental Funds .....	132-133
Revenue Capacity	
Assessed Value and Actual Value of Taxable Property.....	134
Property Tax Rates - Direct and Overlapping Governments .....	135
Principal Property Taxpayers .....	136
Property Tax Levies and Collections .....	137
Debt Capacity	
Ratios of Outstanding Debt by Type.....	138-139
Ratios of General Bonded Debt Outstanding.....	140
Direct and Overlapping Bonded Debt - Governmental Activities.....	141
Schedule of Legal Debt Margin Information .....	142
Pledged-Revenues Coverage.....	143
Demographic and Economic Information	
Demographic and Economic Information .....	144
Principal Employers .....	145
Operating Information	
Full-Time Equivalent Employees .....	146
Operating Indicators by Function .....	147-148
Capital Asset Statistics by Function/Program.....	149

## **INTRODUCTORY SECTION**

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

December 31, 2016

---

**VILLAGE BOARD OF TRUSTEES**

Tom Poynton, Mayor

Jim Beaudoin

Jeffrey Halen

John Shaw

Marc Spacone

Jonathan W. Sprawka

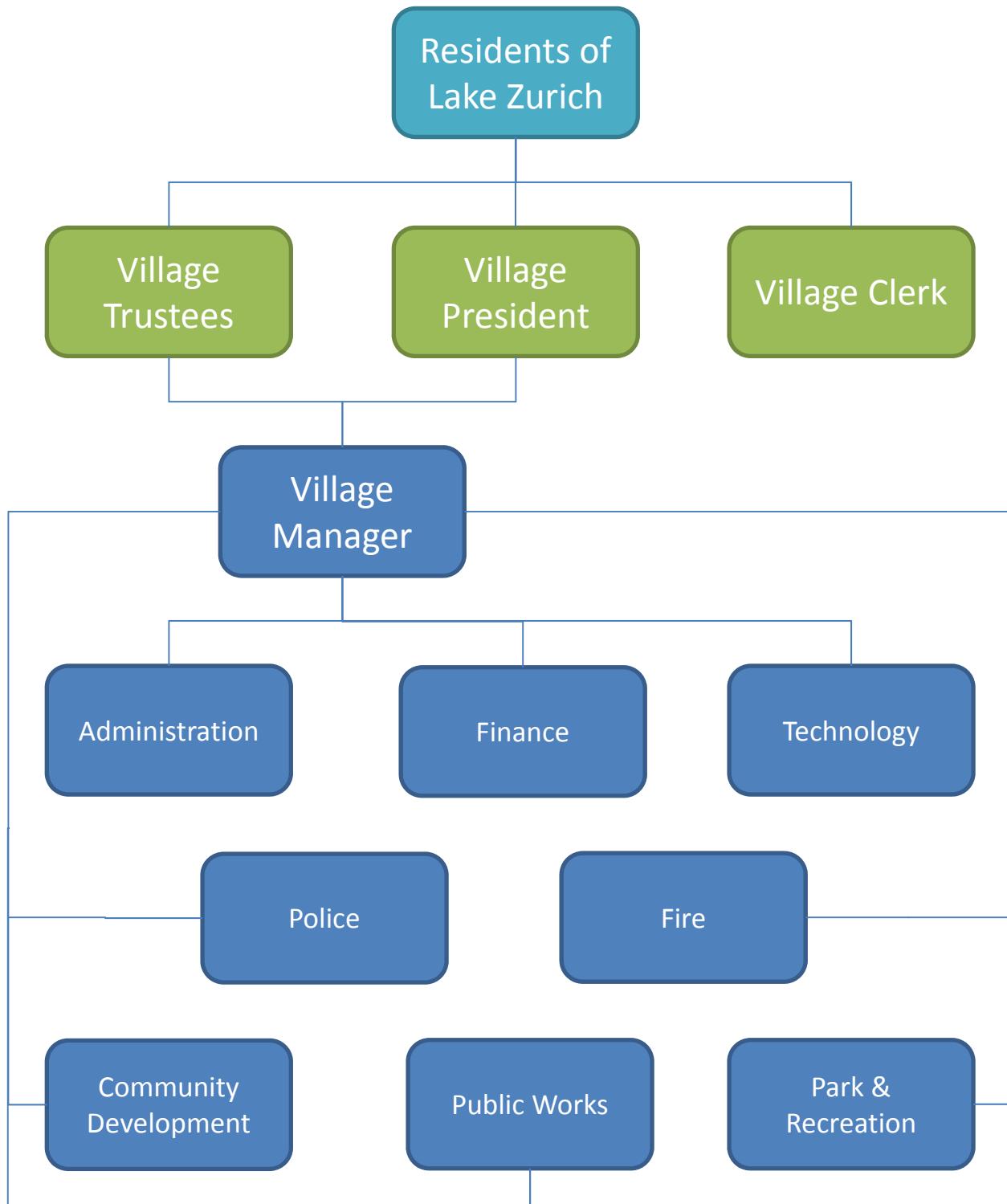
Greg Weider

Kathleen Johnson, Village Clerk

Ray Keller, Village Manager

Jodie K. Hartman, Finance Director/Treasurer

# Village of Lake Zurich Organization Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Village of Lake Zurich  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**April 30, 2016**

*Jeffrey R. Evans*

Executive Director/CEO



OFFICE OF THE VILLAGE MANAGER

Ray Keller

June 23, 2017

The Honorable Tom Poynton, Village President

Members of the Village Board of Trustees

Citizens of the Village of Lake Zurich, Illinois

The Finance Department is pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) of the Village of Lake Zurich, Illinois (the Village) for the fiscal year ended December 31, 2016. This report provides a broad view of the Village's financial activities for the eight month 2016B fiscal year and its financial position at December 31, 2016. This fiscal year is a transition year as the village moves to a calendar year fiscal period starting in 2017.

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

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

Sikich LLP (Certified Public Accountants) has issued an unmodified ("clean") opinion on the Village's financial statements for the fiscal year ended December 31, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

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

## **Profile of the Government**

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

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

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

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

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

## **The Reporting Entity**

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

## **Accounting System and Budgetary Control**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing

accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

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

### **Factors Affecting Economic Condition**

***Local Economy:*** Like all other local governments, the Village of Lake Zurich was affected by the economic downturn which caused declines in retail sales and property values compared to 2007, however we have seen a steady improvement in the past few years. The 2016 Equalized Assessed Value for the Village has been set at \$831,155,897 which increased from the prior year by approximately 4.6%. The unemployment rate in Lake County was 4.2% as of April 2017, slightly lower than the Illinois rate of 4.4% and just higher than the U.S. unemployment rate of 4.1%. Lake Zurich is primarily a white collar community and therefore the residents have been less affected by the loss of manufacturing jobs impacting other states and counties. Revenues are showing modest increases, while expenditures continued to increase, especially in the areas of pension and health care costs.

Lake Zurich has a very strong retail sales tax base primarily located on the Rand Road Corridor. Sales tax revenue for the Village continues to be stable. The Village has a strong mix of retail superstores, such as Costco, Home Depot, Wal-Mart, Target and Mariano's, which has helped in weathering the recession. The Village is also home to Peapod, a nationwide grocery delivery company. Peapod's sales have increased significantly the last five years and the Village has a sales tax sharing incentive with Peapod. Despite a strong sales tax base, the rising cost of operations limits the Village's ability to properly maintain and improve the citizens' investment in Village infrastructure. Village management is continuously looking for

ways to cut costs and/or increase revenues. However, a large proportion of the increasing costs are mandated by statute, regulatory agencies, and/or labor contracts.

Retail vacancy rates increased slightly over the last year, with the latest analysis indicating a retail vacancy rate of 7.3% reported at the end of Quarter 4 of 2016 with a continued trend of increasing into financial year 2017. The local retail vacancy rate is higher when compared to the estimated Chicagoland retail vacancy rate of 7.2%. The industrial vacancy rate on the other hand has shown a decrease from the previous year with the latest rate of 4.6% as of the end of Quarter 4 of 2016, and with a continuing trend of decreasing into financial year 2017. The local industrial vacancy rate was also favorable when compared to the estimated Chicagoland industrial vacancy rate of 6.4%.

Interest in new construction remained high with several new projects getting underway or completed between mid-2016 and December 2016, converting an 88,000 sq.ft. industrial warehouse building to a self-storage facility; the significant expansion of three industrial buildings – a 137,787 sq.ft. manufacturer of septic and drainage products with a 24,000 sq.ft. addition; a 24,000 sq.ft. high precision turning and milling company with a 20,000 sq.ft. addition, and an approximately 500,000 sq.ft. manufacturer of professional-grade, hand-held outdoor power equipment with a 50,000 sq.ft. two-story office addition. Construction of a new 12,000 sq.ft. funeral home and 3 new single-family residences are in progress.

Multiple projects began and/or completed the zoning entitlement process, the most notable of which included a 48-unit apartment project in downtown Lake Zurich and a 162-unit apartment project with 19,000 sq.ft. of retail space on Rand Road. The Village entered into one economic incentive agreement with the developer of the 48-unit apartment project in downtown, and began discussion on another agreement for the 162-unit apartment project on Rand Road. The Village also began the implementation of its third TIF district known as the Rand Road TIF district that will benefit a number of commercial properties along the west side of Rand Road between Honey Lake Road and IL Route 22.

The Village also streamlined its development review process to facilitate a more business friendly approach, including removing the requirement for inspections of new roofs and reducing the roofing permit fee from \$72 to \$40; changing the requirements for site plan review and exterior appearance review to an administrative process, thereby reducing review time from approximately 45-60 days to 10-15 business days; addressing Natural Resource Protection provisions through the engineering regulations of the Village; and making Courtesy Reviews for new development projects optional, thereby removing a step on smaller and less significant development applications.

The Village is directly impacted by the financial condition of the State of Illinois. Due to the state's budget shortfall, shared revenue payments to the Village continue to lag. The State is looking at freezing property tax rates and/or reducing revenue sharing with local governments, both of which could be of severe financial detriment to the Village. We are closely monitoring the political environment in Springfield. Either change alone would further decrease the resources available to the Village, especially if both are adopted, and in turn the level of services we can provide our residents would likely be impacted. As a non-home rule community, options for replacing the lost revenue are virtually non-existent.

**Long-Term Financial Planning:** The Village uses a number of processes and resultant planning documents to accomplish its financial planning. As discussed above, the Village adopts an annual budget. The village board adopted the formal Capital Improvement Plan in January 2016, forecasting out funding needs for capital items that are expected to exceed \$10,000 and have a useful life of more than a year, such as road improvements, large machinery and equipment, and building improvements. Priorities will be given to items that 1) protect human health, 2) preserve private and public assets and 3) enhance the quality of life.

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

## **Major Accomplishments and Initiatives for Fiscal Year 2016B**

The fiscal year ended December 31, 2016 saw many accomplishments and major initiatives come to fruition, including:

- Approved the Streets of Somerset multi-family development on the northwest corner of Old Rand Road and Main Street. This development will increase residential capacity downtown in the form of 48 apartment units and hopefully lead to new economic development opportunities in the area.
- Coffee with the Mayor began in August 2016. This monthly event provides residents an opportunity to discuss pressing issues with the Mayor and Village Manager.
- Lake Zurich reaffirmed its AAA Bond Rating from Standard and Poors, which speaks to the sound financial management of the Village.
- New establishments opened in the Village include the Secretary of State Office and Consume. These are just a few of the many businesses recently deciding to locate in Lake Zurich, demonstrating the Village is a popular location and that businesses can be successful here.
- Installed \$3 Million in Sewer Lining on the Village's sanitary sewer transmission main, part of the Village's continuing efforts to stabilize and maintain its infrastructure.
- The Village planted \$50,000 worth of parkway trees on residential property in the first stage of ongoing efforts to revitalize the Village after losing all ash trees to the Emerald Ash Borer.
- A new right turn lane and sidewalk along the intersection of Ela Road and Route 12 aims to increase ease of traffic flow, reduce congestion, and improve pedestrian safety.
- Community engagement events such as Shop with a Cop, Blue and You, and the Fire Department Open House aimed to increase the community's familiarity with public safety personnel.
- Village transitioned to a calendar based fiscal year. This will allow the Village to more competitively bid for construction contracts and align its finances with typical fiscal year deadlines.
- Initiated the Rand Road TIF District to assist with the K-Mart Redevelopment by Garden Homes. They plan to bring 162 luxury apartment units with retail space to the former K-Mart property on Rand Road.
- Transitioned to IPBC employee health insurance pool, resulting in over \$100K in savings for the Village and will continue providing excellent health insurance at a reduced cost for Village employees.
- Streamlined the courtesy review, site plan review, and exterior review processes to allow routine projects to move more quickly through the process and reserve extensive feedback for larger, more significant projects.
- The Park and Recreation Department received ACA Accreditation for its summer camp programs. The Accreditation demonstrates a high quality program that provides for the safety and growth for camp attendees.
- Initiated a performance contract with Siemens to install new automated water meters in select locations throughout the Village. These meters more accurately track water usage throughout the Village, eliminate the need to be manually read, and will help identify leaks throughout the Village.
- Village hosted 37 special events, celebrating the community, positively impacting the Village's image in the region, and giving residents a reason to explore the community.

- The Village revised the Liquor Code, reducing the total number of classes and expanding the variety of licenses available. The condensed code allows for greater flexibility for new businesses and eases enforcement efforts for the Village. This will allow the Village to attract a greater diversity of establishments such as the craft brewery Roaring Table, which is expected to open in summer 2017.

**Some of the more significant initiatives planned for the 2017 fiscal year are as follows:**

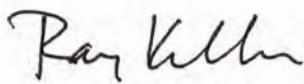
- Establish the Rand Road TIF District.
- Design and implement a new annual Community Investment Plan (CIP) process to prioritize Village infrastructure projects to align with the Strategic Plan and evolving Village needs.
- Explore project concepts for Block A.
- Continue the water performance project to improve water efficiency and reduce unaccounted for water loss
- Continue the parkway replacement program with another 200 +/- trees.
- Review and revise the service agreement with the Lake Zurich Rural Fire Protection District and Lake Property Owner's Association.
- Conduct and Analyze the 2<sup>nd</sup> National Citizen Survey allowing the Village to identify trends in responses and shape future policy based on resident feedback.
- Update the Comprehensive Plan and Zoning Code to more accurately reflect the future goals and policy direction for the Village.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Lake Zurich for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2016. This represented the twenty-eighth consecutive year that the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Ray Keller  
Village Manager



Jodie Hartman  
Director of Finance/  
Village Treasurer

## **FINANCIAL SECTION**

This section includes:

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

**INDEPENDENT AUDITOR'S REPORT**



630.566.8400 // [www.sikich.com](http://www.sikich.com)

1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Lake Zurich, Illinois (the Village), as of and for the eight months ended December 31, 2016 and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lake Zurich, Illinois, as of December 31, 2016, the respective changes in financial position and, where applicable, cash flows thereof for the eight months then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Sikich LLP*

Naperville, Illinois

June 23, 2017

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

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

**December 31, 2016**

---

This section of the financial report is management's overview and analysis of the financial position and financial performance of the Village of Lake Zurich for the fiscal year ended December 31, 2016. This was an eight-month fiscal year as the village transitions to a calendar year fiscal year for 2017 forward. This statement should be read along with the transmittal letter and financial statements for the most complete understanding of the Village of Lake Zurich's financial activities for the year.

**FINANCIAL HIGHLIGHTS**

**VILLAGE FUNDS AS A WHOLE:**

- Total assets of the village exceeded liabilities by \$81 million.
- Total net position of the village increased \$3.1 million
- Combined revenues totaled \$30.6 million. While this is 21% lower than the preceding year, the fiscal year only covered eight months of activity versus the previous year of twelve months.
- Overall expenses totaled \$27.5 million for the eight months, compared to the preceding twelve month fiscal year of \$35.9 million, a 23% decrease.

**GENERAL FUND:**

- Fund balance increased by \$365k.
- Total fund balance at the end of the year was \$10.5 million, of which \$1.7 million was nonspendable as advances to other funds, inventory and prepaid expenditures.
- Cash and investments totaled \$7 million.

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

- Net position decreased \$212k, as bond proceeds were spent down for major capital projects.
- Total net position at the end of the year was \$43 million, of which \$39.9 million was invested in fixed assets and \$3.1 million in unrestricted funds.
- From an operations perspective, the fund had operating loss of \$168k for the year.
- Working capital of the fund decreased from \$5 million to \$4.1 million. Remaining bond proceeds of \$778k were spent before year end, primarily on the segment sewer lining and repairs to the sewer line.

**LONG-TERM DEBT**

- Total long-term debt decreased \$6.4 million to \$83.6 million outstanding as of December 31, 2016.
- Bonded debt alone increased \$770k to \$31.4 million outstanding as of December 31, 2016.

**CAPITAL ASSETS**

- Total capital assets, net of accumulated depreciation, increased \$1.5 million to \$130 million.
- Capital assets for governmental activities, net of accumulated depreciation, increased \$353k to \$84.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**December 31, 2016**

---

**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 Position* reflects all of the Village's assets, liabilities, with the net difference between the two reported as net position. Over time, the change in net position may serve as a useful indicator to reflect the improving or deteriorating position of the Village.

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

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

**Fund Financial Statements**

The Village of Lake Zurich utilizes fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with specific financial and legal requirements. The Village of Lake Zurich has three fund types; governmental, proprietary and fiduciary.

***Governmental Funds***

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

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

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

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

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

**December 31, 2016**

---

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

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

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

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

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

Data from the other seven (7) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report. Budgetary comparisons are included at the fund level in the combining and individual fund financial statements. The basic governmental fund financial statements can be found on pages 8 through 13 of this report.

***Proprietary Funds***

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

***Fiduciary Funds***

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

***Notes to the Financial Statements***

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

***Other Information***

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

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

**December 31, 2016**

***Amendments to Budget***

Amendments to the budget are typically made throughout the year. The Village Manager, as Budget Officer, is authorized to implement a budget transfer between accounts within the same object class, provided it is within the same department and fund. No transfers were authorized by the Budget Officer during the year. Budget transfers between object classes and any increases or decreases to the total budget must be approved by the Village Board. One (1) budget amendment was approved during the fiscal year.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

The combined net position for the eight month fiscal year ended December 31, 2016 totaled \$80.9 million and consisted of net position from both governmental activities and business-type activities of \$37.9 million and \$43 million respectively. Following is a table that shows total net position of the Village as of December 31, 2016 with a comparison to the preceding fiscal year. Note: The historical data for fiscal year ending April 30, 2016 is for twelve months of activity compared to eight months of activity for fiscal year ended December 31, 2016.

Statement of Net Position  
As of December 31 and April 30, 2016

	Governmental Activities	Business-type Activities	Total Village Wide		
Category	12/31/2016	4/30/2016	12/31/2016	4/30/2016	12/31/2016
Current and other assets	\$ 36,258,504	\$ 33,119,252	\$ 5,655,480	\$ 6,565,768	\$ 41,913,984
Capital assets	84,569,663	84,216,487	45,577,641	44,385,469	130,147,304
<b>Total assets</b>	<b>120,828,167</b>	<b>117,335,739</b>	<b>51,233,121</b>	<b>50,951,237</b>	<b>172,104,023</b>
Deferred Outflows	12,315,603	12,793,168	276,835	374,474	12,592,438
<b>Total assets &amp; deferred outflows</b>	<b>133,143,770</b>	<b>130,128,907</b>	<b>51,509,956</b>	<b>51,325,711</b>	<b>184,696,461</b>
Current and other liabilities	3,975,079	3,988,663	1,598,631	1,556,139	5,573,710
Long-term liabilities	74,306,462	81,070,543	6,819,055	6,505,880	81,125,517
<b>Total liabilities</b>	<b>78,281,541</b>	<b>85,059,206</b>	<b>8,417,686</b>	<b>8,062,019</b>	<b>86,699,227</b>
Deferred Inflows	16,929,686	10,484,302	95,672	54,548	17,025,358
<b>Total liabilities and deferred inflows</b>	<b>95,211,227</b>	<b>95,543,508</b>	<b>8,513,358</b>	<b>8,116,567</b>	<b>103,724,585</b>
Net position:					
Net investment in capital assets	82,623,774	82,125,245	39,849,034	39,130,472	122,472,808
Restricted	12,026,955	10,779,838	-	-	12,026,955
Unrestricted	(56,718,186)	(58,319,684)	3,147,564	4,078,672	(53,570,622)
<b>Total net position</b>	<b>\$ 37,932,543</b>	<b>\$ 34,585,399</b>	<b>\$ 42,996,598</b>	<b>\$ 43,209,144</b>	<b>\$ 80,929,141</b>
					<b>\$ 77,794,543</b>

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

**December 31, 2016**

---

The Village's net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure less any related debt used to acquire those assets still outstanding), is by far the largest portion of the Village's net position. As of December 31, 2016, capital assets net of related debt totaled \$122.5 million. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

In the governmental activities, the total net position increased by \$3.3 million. Fund balance for the Debt Service Fund increased by almost \$500k to accumulate resources for January principal and interest payments. With better than expected performance of the General Fund, additional funds were transferred to the Capital Improvement Fund to accumulate resources for upcoming capital needs. General Fund was still able to post a surplus of \$365k. This is primarily due to the shortened fiscal year. As an example of the unique circumstances around the fiscal year change, the short fiscal year received a full annual distribution of property taxes without a full year of operational expenditures.

Cash and investments for governmental activities increased \$2 million. Total assets and deferred outflows for the governmental activities increased to \$133 million. Total liabilities shrunk slightly, sitting just over \$95 million.

For the business-type activities, total net position decreased by \$212k. Residual bond funds were drawn-down during the year to fund major capital projects, such as the sewer segment lining project. Non-capital assets (cash, investments, receivables, etc.) decreased by roughly \$910k. Total liabilities increased \$356k, which includes the issuance of \$1 million in new debt for capital projects. The village continues to pay down existing debt.

During the current fiscal year, total net position of the Village improved by \$3.1 million. A more detailed explanation of the change in net position of the governmental activities and business-type activities is provided in the following sections.

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

**December 31, 2016**

**Statement of Activities**

The following summarizes the changes in the Village's net position for the 2016B fiscal year:

<b>Change in Net Position</b> <b>For the Fiscal Years Ended December 31 and April 30, 2016</b>						
	Governmental Activities		Business-type Activities		Total Village Wide	
Category	12/31/2016	4/30/2016	12/31/2016	4/30/2016	12/31/2016	4/30/2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,663,015	\$ 8,573,549	\$ 3,545,694	\$ 5,382,500	\$ 10,208,709	\$ 13,956,049
Operating grants	392,568	594,937	-	-	392,568	594,937
Capital grants	-	47,133	-	-	-	47,133
General revenues:						
Taxes	11,879,908	12,364,341	-	-	11,879,908	12,364,341
Intergovernmental	7,658,570	11,377,715	-	-	7,658,570	11,377,715
Investment earnings	35,346	76,417	14,436	12,191	49,782	88,608
Other	404,522	349,724	-	5,044	404,522	354,768
<b>Total revenues</b>	<b>27,033,929</b>	<b>33,383,816</b>	<b>3,560,130</b>	<b>5,399,735</b>	<b>30,594,059</b>	<b>38,783,551</b>
<b>Expenses:</b>						
General Government	772,641	1,522,322	-	-	772,641	1,522,322
Public Safety	16,155,251	20,687,223	-	-	16,155,251	20,687,223
Highways and Streets	3,518,270	4,855,446	-	-	3,518,270	4,855,446
Parks and Recreation	920,054	1,147,881	-	-	920,054	1,147,881
Economic Development	1,231,598	1,515,262	-	-	1,231,598	1,515,262
Interest on long-term debt	1,088,971	1,475,911	-	-	1,088,971	1,475,911
Water/Sewer	-	-	3,772,676	4,679,952	3,772,676	4,679,952
<b>Total expenses</b>	<b>23,686,785</b>	<b>31,204,045</b>	<b>3,772,676</b>	<b>4,679,952</b>	<b>27,459,461</b>	<b>35,883,997</b>
<b>Change in Net Position</b>	<b>3,347,144</b>	<b>2,179,771</b>	<b>(212,546)</b>	<b>719,783</b>	<b>3,134,598</b>	<b>2,899,554</b>
Beginning net position	34,585,399	32,405,628	43,209,144	42,489,361	77,794,543	74,894,989
<b>Ending net position - April 30</b>	<b>37,932,543</b>	<b>34,585,399</b>	<b>42,996,598</b>	<b>43,209,144</b>	<b>80,929,141</b>	<b>77,794,543</b>

**Governmental Activities**

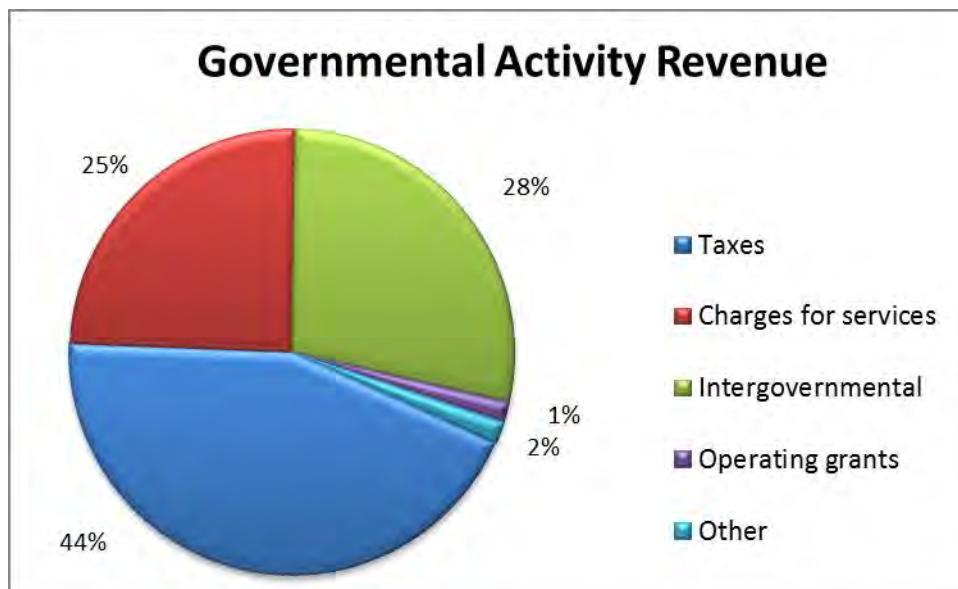
As is typical for governmental activities of local governments, program revenues cover a small percentage of program expenses, with general revenues covering the majority of expenses. For fiscal year 2016B, governmental program expenses of \$23.7 million exceeded program revenues of \$7 million by \$16.6 million. General revenues of \$20 million made up for the deficiency.

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

**December 31, 2016**

*Revenues*

The following graph indicates the breakdown of 2016B revenues by type.



Total revenues of \$27 million were lower than last year, which is to be expected with only eight months instead of twelve in a full fiscal year. While the fiscal year has 33% less days, revenues were only down by 19%. No new major revenue sources were implemented, however the timing of the May through December fiscal year allowed for a full-year of property tax distributions and other seasonal revenues such as camps and permitting.

Utility taxes have been fluctuating, particularly the gas tax. Rates have been lower than recent history due to the increased supply from fracking. The tax on electric has been balancing on the gas tax. Overall, the two taxes combined were at \$850k for the year, down the expected 33% from the prior year for the short period. The telecommunications tax has been unpredictable in the past few years. Receipts for the short year were down 39% at \$518k. Receipts have been declining due to changes in how customers receive their phone service, such as free long-distance with most cellular plans.

Sales tax revenue came in at \$6.1 million, a 30% decrease for the short year. Compared to losing 33% of the fiscal year, the revenue source is showing as stable with conservative increases. Lake Zurich's mix of retailers has weathered the recession better than localities that are selling more luxury or specialty products.

The State Income Tax receipts of \$1.2 million have dropped considerably compared to the prior year, down approximately \$900k from last year (43%). The State has declared additional credits for businesses not previously offered, decreasing the amounts available for distribution to local governments.

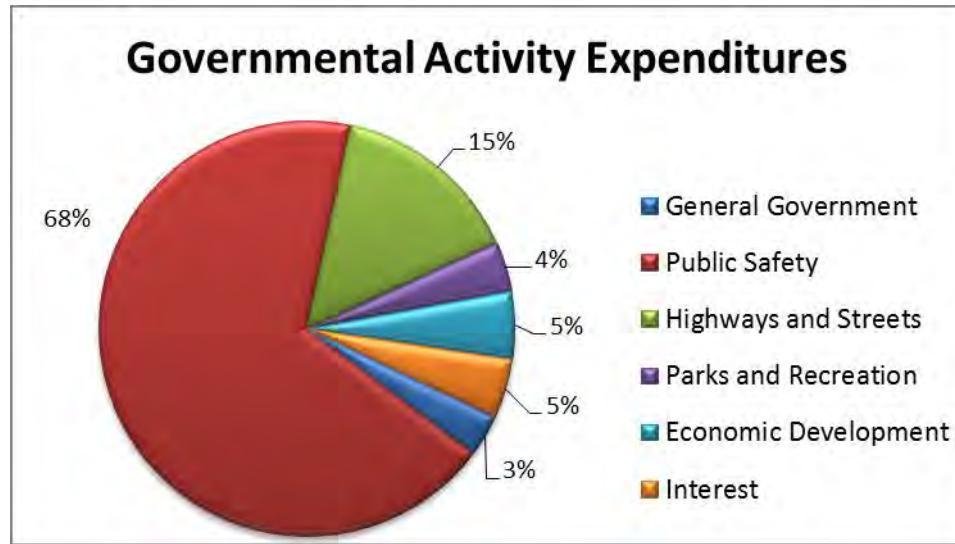
Charges for Services make up just under 25% of the village's governmental revenue. Charges for services decreased by 22% for the short year, coming in at \$6.66 million.

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

**December 31, 2016**

*Expenditures*

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



Expenditures associated with governmental activities decreased for the short year by \$7.5 million, or 24%, from the preceding year. By far the most significant category of expenditures relate to public safety, which totaled \$16 million of the total \$24 million. Public safety expenditures included a full-year of contributions to both the Police and Firefighters' Pension Funds, taking advantage of the full revenue and opportunity to increase funding status. Pension contributions for these two funds increased \$129k (4%) from the prior year and made up about 22% of total public safety expenditures for the short year.

**Business Type Activities**

For business-type activities, net position decreased a total of \$212k. Program revenues of \$3.5 million exceeded program expenses of \$3.8 million. Depreciation of water and sewer fund capital assets is a large portion of the expenses at \$1.1 million (31% of operating expenses).

Revenues associated with business-type activities totaled \$3.5 million, down 28% for the short year. Charges for services decreased from \$5.4 to \$3.5 million (34%). Consumption continues to report at lower than seven year averages, reducing the billed charges for services. An increase to water and sewer rates was effective the first day of the fiscal year, countering some of the effect of the reduced consumption figures.

Business-type expenses decreased \$907k compared to the prior fiscal year, down to \$3.8 million from \$4.7 million in fiscal 2015/16. The village has prioritized a few large capital projects for the past two years, utilizing bond funds specifically issued to address these concerns. As the infrastructure continues to age, capital expenses will continue to be a large drain of resources for this fund.

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

**December 31, 2016**

---

**FINANCIAL ANALYSIS OF GOVERNMENT FUNDS**

***Governmental Funds***

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

At December 31, 2016 governmental funds reported combined fund balances of \$21 million. Of this amount, \$7 million is unreserved and is available for future obligations. About \$12 million is restricted, with \$4.9 million restricted for Tax Increment Financing (TIF), \$2.5 million for capital projects and \$1.3 million for debt service. The remainder of restricted funds relate to special recreation, public safety, highway and streets, special events and a small amount for tourism, generated by the hotel tax.

**GENERAL FUND:**

The General Fund is the Village's primary operating fund. For the fiscal year ended December 31, 2016, fund balance in the General Fund increased by \$365k from current year activities. Change to fund balance is a combination of revenues of \$21.8 million compared to expenditures of \$20 million. Other financing uses of \$1.4 million are also included, representing a transfer of \$1 million to the Capital Improvement Fund, and \$115k to the Special Events Fund and \$310k to the Equipment Replacement Fund. After all activity and adjustments are accounted for, the General Fund has an ending fund balance of \$10.5 million.

**OTHER MAJOR FUNDS:**

- The TIF Tax Allocation Fund has a fund balance of \$50k, restricted entirely for TIF purposes. This is \$18k higher than the previous year.
- The Debt Service Fund has a positive fund balance of \$1.3 million that is restricted entirely for the payment of future debt service. This is \$485k higher than the previous year, as funds were set aside for the upcoming principal and interest payments in January 2017.
- All fund balance of the TIF Debt Service Fund, -\$1 million, is restricted for payment of future debt service. This is \$241k higher than the previous year. The TIF Debt Service Fund has received a long-term advance of over \$1.5 million to cover its expenditures to date. Now that the TIF has been extended, the debt restructured and several negative increment parcels removed, the TIF is working on rebuilding the fund balance of future years.
- The Capital Improvements Fund fund balance increased about \$1 million to \$1.8 million. The majority of the increase is due to advanced funding from the General Fund for upcoming capital projects. \$304k of this fund balance is earmarked for noise mitigation related to the CN rail, which will be drawn down over the next few fiscal years.
- The Downtown TIF Fund had no activity for the year, holding the fund balance to -\$182,000. The fund has received \$185,000 from the General Fund as a long-term advance to cover expenditures to date. Now that the TIF has been extended, the debt restructured and several negative increment parcels removed, the TIF is working on rebuilding the fund balance of future years.
- The Downtown TIF Fund #2 increased fund balance by \$47k over the year. The first distribution of increment was received during the fiscal year at \$61k. Fund balance at year-end of \$4.9 million is restricted entirely for TIF purposes, nearly all of which is land held for resale.

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

**December 31, 2016**

---

***Proprietary Funds***

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

At December 31, 2016, net position of the proprietary fund totaled \$43 million. Cash and investments totaled \$5 million, a decrease of \$642k (-11%). Bond proceeds from the 2013A issuance of \$778,000 were spent during the year to wrap up the sewer lining project. This was a major factor in working capital decreasing from \$5 million to \$4 million. Operating revenues for the short year decreased 28% from the previous year to \$3.5 million. Despite the rate increase to the Lake Zurich portion of water bills that took effect May 1, 2016, consumption was down dramatically over the prior year due to weather, changes to water usage behaviors and old meter equipment. Operating expenses (including depreciation) of \$3.6 million were 20% lower than the previous year. Depreciation decreased by \$561k (33%), on par with the shortened fiscal year.

***Fiduciary Funds***

**Police and Firefighters' Pension Funds:** The Village's two single-employer pension plans experienced growth in the fiscal year ended December 31, 2016. Combined, the funds reported a \$4 million increase in plan fiduciary net position. Investment earnings (net related expenses) posted a combined gain of \$1.6 million between the two funds in just eight months. This is a vast improvement over the previous year which lost \$85k in twelve months. Cash and investments totaled \$48.5 million as of December 31<sup>st</sup>.

**Agency Funds:** The village has several agency funds, including an escrow performance fund and several special service area funds. These funds do not have budgets, nor do they have measures of operations. They are used to account for assets and liabilities of funds kept in a custodial manner. Total assets of agency funds increased over last fiscal year by \$121k, primarily as reductions to deposits payable. Total cash and investments as of December 31, 2016 was \$1.9 million, about \$111k higher than the end of the previous fiscal year. The activity of the special service areas has been broken out from the escrow performance fund activity for transparent reporting.

**GENERAL FUND HIGHLIGHTS**

**Amendments to Budget**

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

One budget amendment was approved for this fiscal year that affected the General Fund. Revenues were decreased by \$105k. Of that amount, \$100k is attributable to lower than originally anticipated income tax receipts. The budget for expenditures also decreased by \$110k for the General Fund. No major adjustments were made to individual expenditure accounts, however health insurance charges across departments were reduced by \$100k to match expectations for actual expenses. With additional savings apparent, increases were made to transfers to out to the Capital Improvement Fund and the Equipment Replacement Fund to help fund several upcoming expensive but necessary capital projects and replacements.

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

**December 31, 2016**

**Change in Fund Balance**

*General Fund*

When the original budget was adopted in April of 2016, a surplus of \$37k was expected for the General Fund. After the budget amendments, the expected surplus was adjusted to \$42k. The actual Fund Balance for General Fund, however, shows a surplus at year-end of \$365k. Revenues and other financing sources came in at \$21.8 million for the year, \$330k more than budgeted. Expenditures totaled \$20 million, which was \$653k less than budgeted, which allowed for an increase to other financing uses (transfers out). Transfers out to other funds were increased by \$660k. Overall, expenditures and other financing uses totaled \$21.5 million, just \$7k higher than budgeted. The following table summarizes General Fund revenues and expenditures, with a comparison to budget, for the fiscal year ended December 31, 2016.

**General Fund Budgetary Highlights  
Fiscal Year Ended December 31, 2016**

	Final Budget	Actual
<b>Revenues &amp; Other Financing Sources</b>		
Taxes	\$ 8,976,735	\$ 8,979,002
Licenses and permits	316,810	342,861
Intergovernmental	10,573,738	10,681,376
Charges for services	1,182,224	1,324,421
Fines and forfeits	370,500	420,251
Other revenue	78,878	57,174
Sub-total revenues	\$ 21,498,885	\$ 21,805,085
Other financing sources	11,000	35,000
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 21,509,885</b>	<b>\$ 21,840,085</b>
<b>Expenditures and Other Financing Uses</b>		
General government	\$ 1,699,240	\$ 1,573,005
Public safety	15,927,144	15,527,509
Highways and streets	1,713,789	1,612,559
Culture and recreation	714,523	717,928
Economic development	648,353	619,387
Sub-total expenditures	\$ 20,703,049	\$ 20,050,388
Other financing uses		
Transfers to Other Funds	764,600	1,424,600
<b>Total Expenditures and Other Financing Sources</b>	<b>21,467,649</b>	<b>21,474,988</b>
<b>Change in Fund Balance</b>	<b>\$ 42,236</b>	<b>\$ 365,097</b>

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

**December 31, 2016**

---

**CAPITAL ASSETS**

The Village of Lake Zurich's investment in capital assets, net of accumulated depreciation, amounted to \$130 million at December 31, 2016. The investment includes land, buildings, improvements, machinery and equipment, vehicles and infrastructure as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>FYE 16B</b>	<b>FYE 16</b>	<b>FYE 16B</b>	<b>FYE 16</b>	<b>FYE 16B</b>	<b>FYE 16</b>
Land and Improvements	\$34,719,760	\$34,908,979	\$ 249,652	\$ 249,652	\$ 34,969,412	\$ 35,158,631
Building and Improvements	7,794,806	7,918,172	-	-	7,794,806	7,918,172
Machinery & Equipment	1,225,016	1,231,246	897,010	825,036	2,122,026	2,056,282
Vehicles	1,648,584	1,639,489	122,722	137,583	1,771,306	1,777,072
Other	1,653,644	381,708	3,259,769	2,054,919	4,913,413	2,436,627
Infrastructure	37,527,853	38,136,893	41,048,488	41,118,279	78,576,341	79,255,172
Total	<u>\$84,569,663</u>	<u>\$84,216,487</u>	<u>\$45,577,641</u>	<u>\$44,385,469</u>	<u>\$130,147,304</u>	<u>\$128,601,956</u>

Capital additions for the year totaled \$656k for governmental funds and \$3.3 million for the business-type activities of the water and sewer fund. Additions included the following major projects:

**Governmental Funds:**

- \$101k on Building Improvements, for roof, siding and window replacements for the Paulus Park Barn building, which houses the Park and Recreation department and various programming.
- \$110k on Machinery and Equipment, for dispatch radio consoles, Starcom radios, extrication equipment and a skid steer for Public Works
- \$187k on Vehicles, for four police vehicles and a patrol boat.
- \$255k on Infrastructure, for stormwater improvements to Lot 42.

**Business-Type Fund:**

- \$1 million on Infrastructure, for improvements to the Cuba Road sewer line.
- \$109k on Machinery and Equipment, for a replacement backhoe.
- \$2.2 million in construction in progress, for the ongoing work on the sanitary transmission lining project.

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

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

**December 31, 2016**

**DEBT ADMINISTRATION**

During the fiscal year, bonded debt was increased by \$770k. Series 2016 was issued for \$1,086,000 on a short-term basis and was repaid before the end of the fiscal year. Series 2016A was the result of refunding the Series 2009A bonds for interest savings. Series 2016B was for \$1 million in water bonds to fund the Cuba Road emergency sewer repairs.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Village Wide</b>	
	<b>FYE 16B</b>	<b>FYE 16</b>	<b>FYE 16B</b>	<b>FYE 16</b>	<b>FYE 16B</b>	<b>FYE 16</b>
General Obligation Bonds	\$ 1,885,000	\$ 1,885,000	\$ -	\$ -	\$ 1,885,000	\$ 1,885,000
TIF Alternate Revenue Bonds	25,545,000	25,375,000	-	-	25,545,000	25,375,000
TIF Revenue Bonds	-	-	-	-	-	-
Water Alternate Revenue Bonds	-	-	3,990,000	3,390,000	3,990,000	3,390,000
<b>Bonded Debt Total</b>	<b>27,430,000</b>	<b>27,260,000</b>	<b>3,990,000</b>	<b>3,390,000</b>	<b>31,420,000</b>	<b>30,650,000</b>
IEPA Loan	-	-	2,302,804	2,444,245	2,302,804	2,444,245
Compensated Absences	1,250,414	1,645,349	65,122	75,331	1,315,536	1,720,680
Net Pension Liability	46,359,669	52,875,989	946,400	1,001,740	47,306,069	53,877,729
Capital Lease Obligation	551,196	599,590	-	-	551,196	599,590
Other	493,523	513,173	233,978	219,062	727,501	732,235
<b>Total Other LT Debt</b>	<b>48,654,802</b>	<b>55,634,101</b>	<b>3,548,304</b>	<b>3,740,378</b>	<b>52,203,106</b>	<b>59,374,479</b>
<b>Combined LT Debt Total</b>	<b>76,084,802</b>	<b>82,894,101</b>	<b>7,538,304</b>	<b>7,130,378</b>	<b>83,623,106</b>	<b>90,024,479</b>

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

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

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

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

- The Village is directly impacted by the financial condition of the State of Illinois. The political environment in Springfield is being closely monitored for legislation that could reduce or eliminate the shared revenue, and in turn impact the level of service to the residents. While the State is not withholding anything significant at this time, the Village expects to experience delays of funds from the State until the budget crises is resolved.
- The Illinois Department of Revenue certified the CPI used for calculating the Village's 2017 Tax Levy to be 2.1%. Any increase in CPI along with the value of new construction will be used to offset the growing cost of funding for both police and fire pension funds for the village.
- The new downtown TIF district has begun to see serious interest from the development community. With the first distribution of increment received during 2016 and a healthy interest from the development community, the Village hopes to see several projects come to fruition within the next few years.

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

**December 31, 2016**

---

- Minimizing retail vacancies continue to be a priority for the village, as sales tax is a significant revenue source. The village will continue to monitor economic trends relating to retail sales and adjust forecasts/spending as appropriate.
- Two of the four union contracts expire mid-2017 but both were successfully negotiated and ratified before expiration. Negotiated salary and benefit increases were reasonable and in-line with market conditions, allowing for increased stability in the operating budget of the village.

The above factors were taken into consideration for funding and planning purposes for current and future fiscal years. At December 31, 2016 the unrestricted fund balance of the General Fund was 30% of total expenditures of the upcoming year. Village policy states a minimum unrestricted fund balance be maintained of 25% with a target of 40%.

The Water/Sewer Fund had cash and investments of \$5 million at December 31, 2016. The fund also had unrestricted net position of \$3.1 million. The Village monitors both revenues and expenses to determine the rate levels necessary to cover the maintenance and long term replacement infrastructure needs of the Water/Sewer Fund. The Village Board approved a rate increase effective January 1, 2017.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village of Lake Zurich's financial position and activities for the fiscal year ended December 31, 2016. Questions and requests for additional information should be directed to the Finance Director, Village of Lake Zurich, 70 E. Main Street, Lake Zurich, Illinois 60047.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF NET POSITION**

December 31, 2016

---

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 15,299,557	\$ 5,044,228	\$ 20,343,785
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	10,399,518	-	10,399,518
Accounts	1,599,185	795,394	2,394,579
Accrued interest	10,689	1,281	11,970
Internal balances	200,229	(200,229)	-
Due from fiduciary funds	230,378	10,936	241,314
Due from other governments	2,943,597	-	2,943,597
Cash at paying agent	477,175	-	477,175
Deposits	-	2,000	2,000
Prepays	245,481	-	245,481
Inventory	19,605	1,870	21,475
Land held for resale	4,833,090	-	4,833,090
 Total current assets	 36,258,504	 5,655,480	 41,913,984
<b>NONCURRENT ASSETS</b>			
Capital assets not being depreciated	32,116,814	3,509,421	35,626,235
Capital assets (net of accumulated depreciation)	52,452,849	42,068,220	94,521,069
 Total noncurrent assets	 84,569,663	 45,577,641	 130,147,304
 Total assets	 120,828,167	 51,233,121	 172,061,288
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items	9,025,767	276,835	9,302,602
Unamortized loss on refunding	3,289,836	-	3,289,836
 Total deferred outflows of resources	 12,315,603	 276,835	 12,592,438
 Total assets and deferred outflows of resources	 133,143,770	 51,509,956	 184,653,726
<b>CURRENT LIABILITIES</b>			
Accounts payable	485,665	838,937	1,324,602
Accrued payroll	276,689	22,893	299,582
Other payables	488,365	-	488,365
Claims payable	207,372	-	207,372
Accrued interest payable	329,115	17,552	346,667
Unearned revenues	409,533	-	409,533
Due within one year	1,778,340	719,249	2,497,589
 Total current liabilities	 3,975,079	 1,598,631	 5,573,710
<b>NONCURRENT LIABILITIES</b>			
Due in more than one year	74,306,462	6,819,055	81,125,517
 Total liabilities	 78,281,541	 8,417,686	 86,699,227

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2016

---

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension items	\$ 6,530,676	\$ 95,672	\$ 6,626,348
Deferred property taxes	10,399,010	-	10,399,010
 Total deferred inflows of resources	 16,929,686	 95,672	 17,025,358
 Total liabilities and deferred inflows of resources	 95,211,227	 8,513,358	 103,724,585
 <b>NET POSITION</b>			
Net investment in capital assets	82,623,774	39,849,034	122,472,808
Restricted for			
Special recreation	331,837	-	331,837
Public safety	219,926	-	219,926
TIF	4,928,769	-	4,928,769
Debt service	1,326,294	-	1,326,294
Noise mitigation	304,283	-	304,283
Capital projects	2,523,150	-	2,523,150
Highways and streets	1,968,481	-	1,968,481
Tourism	352,536	-	352,536
Special events	71,679	-	71,679
Unrestricted (deficit)	(56,718,186)	3,147,564	(53,570,622)
 <b>TOTAL NET POSITION</b>	 \$ 37,932,543	 \$ 42,996,598	 \$ 80,929,141

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF ACTIVITIES**

For the Eight Months Ended December 31, 2016

---

<b>FUNCTIONS/PROGRAMS</b> <b>PRIMARY GOVERNMENT</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities				
General government	\$ 772,641	\$ 282,411	\$ -	\$ -
Public safety	16,155,251	5,712,362	33,473	-
Highways and streets	3,518,270	28,177	359,095	-
Culture and recreation	920,054	572,725	-	-
Economic development	1,231,598	67,340	-	-
Interest	1,088,971	-	-	-
Total governmental activities	23,686,785	6,663,015	392,568	-
Business-Type Activities				
Waterworks and sewerage	3,772,676	3,545,694	-	-
Total business-type activities	3,772,676	3,545,694	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 27,459,461</b>	<b>\$ 10,208,709</b>	<b>\$ 392,568</b>	<b>\$ -</b>

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (490,230)	\$ -	\$ (490,230)	
(10,409,416)	-	(10,409,416)	
(3,130,998)	-	(3,130,998)	
(347,329)	-	(347,329)	
(1,164,258)	-	(1,164,258)	
(1,088,971)	-	(1,088,971)	
(16,631,202)	-	(16,631,202)	
	-	(226,982)	(226,982)
	-	(226,982)	(226,982)
(16,631,202)	(226,982)	(16,858,184)	
General Revenues			
Taxes			
Property	10,413,933	-	10,413,933
Utility	850,304	-	850,304
Telecommunications	518,090	-	518,090
Other	97,581	-	97,581
Intergovernmental			
Replacement	34,594	-	34,594
Sales	6,093,965	-	6,093,965
Local use	337,671	-	337,671
Shared income tax	1,192,340	-	1,192,340
Special events	118,252	-	118,252
Investment income	35,346	14,436	49,782
Miscellaneous	286,270	-	286,270
Total	19,978,346	14,436	19,992,782
CHANGE IN NET POSITION	3,347,144	(212,546)	3,134,598
NET POSITION, MAY 1	34,585,399	43,209,144	77,794,543
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 37,932,543</b>	<b>\$ 42,996,598</b>	<b>\$ 80,929,141</b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2016

---

	<b>General</b>	<b>TIF Tax Allocation</b>	<b>Debt Service</b>	<b>TIF Debt Service</b>	<b>Capital Improvements</b>	<b>Downtown TIF</b>	<b>Downtown TIF #2</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>ASSETS</b>									
Cash and investments	\$ 7,013,307	\$ 50,220	\$ 848,984	\$ 358,344	\$ 1,464,494	\$ 2,659	\$ 58,139	\$ 3,258,808	\$ 13,054,955
Receivables (net, where applicable, of allowances for uncollectibles)									
Property taxes	7,475,918	1,230,451	1,632,174	-	-	-	60,975	-	10,399,518
Accounts	992,395	-	-	-	-	-	8,737	591,824	1,592,956
Accrued interest	8,064	-	-	537	1,760	-	-	328	10,689
Due from other funds	203,637	-	-	-	586,850	-	-	-	790,487
Advances to other funds	1,655,000	-	-	-	-	-	-	-	1,655,000
Due from other governments	2,943,597	-	-	-	-	-	-	-	2,943,597
Cash at paying agent	-	-	477,175	-	-	-	-	-	477,175
Prepaid items	4,886	-	-	-	-	-	-	6,597	11,483
Inventory	19,605	-	-	-	-	-	-	-	19,605
Land held for resale	-	-	-	-	-	-	4,833,090	-	4,833,090
<b>TOTAL ASSETS</b>	<b>\$ 20,316,409</b>	<b>\$ 1,280,671</b>	<b>\$ 2,958,333</b>	<b>\$ 358,881</b>	<b>\$ 2,053,104</b>	<b>\$ 2,659</b>	<b>\$ 4,960,941</b>	<b>\$ 3,857,557</b>	<b>\$ 35,788,555</b>

	General	TIF Tax Allocation	Debt Service	TIF Debt Service	Capital Improvements	Downtown TIF	Downtown TIF #2	Nonmajor Governmental	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 324,735	\$ -	\$ -	\$ 629	\$ 8,327	\$ -	\$ 21,461	\$ 122,375	\$ 477,527
Accrued payroll	274,932	-	-	-	-	-	-	1,757	276,689
Other payables	269,463	-	-	-	215,000	-	-	3,902	488,365
Due to other funds	721,473	-	-	-	-	-	-	-	721,473
Advances due to other funds	-	-	-	1,425,000	-	185,000	-	45,000	1,655,000
Unearned revenue	407,533	-	-	-	-	-	-	2,000	409,533
Total liabilities	1,998,136	-	-	1,425,629	223,327	185,000	21,461	175,034	4,028,587
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue - due from other governments	379,299	-	-	-	-	-	-	-	379,299
Unavailable revenue - property taxes	7,475,589	1,230,409	1,632,039	-	-	-	60,973	-	10,399,010
Total deferred inflows of resources	7,854,888	1,230,409	1,632,039	-	-	-	60,973	-	10,778,309
Total liabilities and deferred inflows of resources	9,853,024	1,230,409	1,632,039	1,425,629	223,327	185,000	82,434	175,034	14,806,896
<b>FUND BALANCES</b>									
Nonspendable									
Prepaid items	4,886	-	-	-	-	-	-	6,597	11,483
Inventory	19,605	-	-	-	-	-	-	-	19,605
Advances to other funds	1,655,000	-	-	-	-	-	-	-	1,655,000
Restricted									
Special recreation	331,837	-	-	-	-	-	-	-	331,837
Public safety	12,500	-	-	-	-	-	-	207,426	219,926
TIF	-	50,262	-	-	-	-	4,878,507	-	4,928,769
Debt service	-	-	1,326,294	-	-	-	-	-	1,326,294
Noise mitigation	-	-	-	-	304,283	-	-	-	304,283
Capital projects	-	-	-	-	1,525,494	-	-	997,656	2,523,150
Highways and streets	-	-	-	-	-	-	-	1,968,481	1,968,481
Tourism	-	-	-	-	-	-	-	352,536	352,536
Special events	-	-	-	-	-	-	-	71,679	71,679
Assigned									
Capital projects	-	-	-	-	-	-	-	120,860	120,860
Unrestricted									
Unassigned (deficit)	8,439,557	-	-	(1,066,748)	-	(182,341)	-	(42,712)	7,147,756
Total fund balances (deficit)	10,463,385	50,262	1,326,294	(1,066,748)	1,829,777	(182,341)	4,878,507	3,682,523	20,981,659
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
	\$ 20,316,409	\$ 1,280,671	\$ 2,958,333	\$ 358,881	\$ 2,053,104	\$ 2,659	\$ 4,960,941	\$ 3,857,557	\$ 35,788,555

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 20,981,659
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Total governmental capital assets	\$ 84,569,663
Less internal service fund portion	<u>1,317,544</u> 83,252,119
The loss on refunding of bonds is capitalized as amortized over the life of the bonds on the statement of net position	3,289,836
Certain assets are not available to report as revenue in the governmental funds but are revenue on the accrual basis of accounting	379,299
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position	(3,459,455)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position	662,224
Net pension liability for the Police Pension Fund and Firefighters' Pension Fund are shown as a liability on the statement of net position	(42,900,214)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Police Pension Fund and Firefighters' Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	1,832,867
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(27,430,000)
Unamortized premium	(313,877)
Other postemployment benefit payable	(179,646)
Compensated absences payable	(1,250,414)
Capital lease obligation	(551,196)
Accrued interest payable	(329,115)
The net position of the internal service funds is included in the governmental activities in the statement of net position	<u>3,948,456</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 37,932,543</u></b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

	<b>General</b>	<b>TIF Tax Allocation</b>	<b>Debt Service</b>	<b>TIF Debt Service</b>	<b>Capital Improvements</b>	<b>Downtown TIF</b>	<b>Downtown TIF #2</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>REVENUES</b>									
Taxes	\$ 8,979,002	\$ 1,231,640	\$ 1,612,139	\$ -	\$ -	\$ 61,034	\$ 1,531,606	\$ 13,415,421	
Licenses and permits	342,861	-	-	-	-	-	-	-	342,861
Intergovernmental	10,681,376	-	-	-	4,484	-	-	348,303	11,034,163
Charges for services	1,324,421	-	-	-	-	-	-	-	1,324,421
Fines and forfeits	420,251	-	-	-	-	-	-	-	420,251
Special events	-	-	-	-	-	-	-	118,247	118,247
Investment income	20,161	1,117	3,426	911	2,217	-	70	7,444	35,346
Miscellaneous	37,013	-	-	-	236,851	-	69,355	-	343,219
Total revenues	21,805,085	1,232,757	1,615,565	911	243,552	-	130,459	2,005,600	27,033,929
<b>EXPENDITURES</b>									
Current									
General government	1,573,005	-	-	-	-	-	-	237,264	1,810,269
Public safety	15,527,509	-	-	-	-	-	-	13,069	15,540,578
Highways and streets	1,612,559	-	-	-	-	-	-	2,177,630	3,790,189
Culture and recreation	717,928	-	-	-	-	-	-	-	717,928
Economic development	619,387	482,557	-	-	-	-	83,143	42,712	1,227,799
Capital outlay	-	-	-	-	240,318	-	-	50,145	290,463
Debt service									
Principal retirement	-	-	1,076,000	625,000	-	-	-	-	1,701,000
Interest and fiscal charges	-	-	54,291	837,553	-	-	-	-	891,844
Total expenditures	20,050,388	482,557	1,130,291	1,462,553	240,318	-	83,143	2,520,820	25,970,070
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,754,697	750,200	485,274	(1,461,642)	3,234	-	47,316	(515,220)	1,063,859

	General	TIF Tax Allocation	Debt Service	TIF Debt Service	Capital Improvements	Downtown TIF	Downtown TIF #2	Nonmajor Governmental	Total
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from sale of capital assets	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Proceeds from bond issuance, at par	-	-	-	7,861,000	-	-	-	-	7,861,000
Payment to escrow agent	-	-	-	(6,890,182)	-	-	-	-	(6,890,182)
Transfers in	-	-	-	732,000	1,000,000	-	-	144,600	1,876,600
Transfers (out)	(1,424,600)	(732,000)	-	-	-	-	-	(30,000)	(2,186,600)
Total other financing sources (uses)	(1,389,600)	(732,000)	-	1,702,818	1,000,000	-	-	114,600	695,818
NET CHANGE IN FUND BALANCES	365,097	18,200	485,274	241,176	1,003,234	-	47,316	(400,620)	1,759,677
FUND BALANCES (DEFICIT), MAY 1	10,098,288	32,062	841,020	(1,307,924)	826,543	(182,341)	4,831,191	4,083,143	19,221,982
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 10,463,385</b>	<b>\$ 50,262</b>	<b>\$ 1,326,294</b>	<b>\$ (1,066,748)</b>	<b>\$ 1,829,777</b>	<b>\$ (182,341)</b>	<b>\$ 4,878,507</b>	<b>\$ 3,682,523</b>	<b>\$ 20,981,659</b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

**NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS**

\$ 1,759,677

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

Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	
Capital assets purchased	1,630,395
The gain (loss) on disposal of capital assets is reported on the statement of activities as a reduction/increase of expense	(3,617)
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,570,716)
The change in the net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities	202,288
The change in deferred inflows and outflows of resources for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(507,228)
The change in the net pension liability for the Police Pension Fund and the Firefighters' Pension Fund are reported only in the statement of activities	6,314,032
The change in deferred inflows and outflows for the Police Pension Fund and the Firefighters' Pension Fund are reported only in the statement of activities	(6,909,740)
The payment to escrow agent for the refunding of long-term debt is reported as an other financing use in the governmental funds but as	
A decrease of principal outstanding in the statement of net position	5,990,000
An increase of premium outstanding in the statement of net position	(5,625)
Loss on refunding amortized over the life of the bonds	905,807
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds	
Change in compensated absences payable	394,935
Change in net other postemployment benefit payable	1,390
Issuance of debt	(7,861,000)
Retirement of debt	1,701,000
Amortization of loss on refunding	(269,027)
Amortization of premium/discount of debt issuance	23,885
Capital lease obligation payments	48,394
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	48,015
The change in net position of certain activities of internal service funds is in governmental funds	1,355,698
Less internal service fund depreciation	<u>98,581</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 3,347,144</u></b>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

December 31, 2016

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 5,044,228	\$ 2,244,602
Receivables - net of allowances		
Accounts	795,394	6,229
Accrued interest	1,281	-
Due from other funds	10,937	365,000
Deposits	2,000	-
Prepaid items	-	233,998
Inventories	1,870	-
	<hr/>	<hr/>
Total current assets	5,855,710	2,849,829
<b>NONCURRENT ASSETS</b>		
Capital assets		
Nondepreciable	3,509,421	-
Depreciable	75,225,741	1,503,670
Accumulated depreciation	(33,157,521)	(186,126)
	<hr/>	<hr/>
Net capital assets	45,577,641	1,317,544
	<hr/>	<hr/>
Total assets	51,433,351	4,167,373
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension items - IMRF	276,835	-
	<hr/>	<hr/>
Total deferred outflows of resources	276,835	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	51,710,186	-
<b>CURRENT LIABILITIES</b>		
Accounts payable	838,937	8,138
Accrued payroll	22,893	-
Accrued interest payable	17,552	-
Claims payable	-	207,372
Due to other funds	200,230	3,407
Compensated absences payable	13,024	-
Unamortized bond premium	29,220	-
IEPA loan payable	187,005	-
Alternate revenue bonds payable	490,000	-
	<hr/>	<hr/>
Total current liabilities	1,798,861	218,917

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable	\$ 52,098	\$ -
Other postemployment benefit	19,723	-
IMRF net pension liability	946,400	-
Unamortized bond premium	185,035	-
IEPA loan payable	2,115,799	-
Alternate revenue bonds payable	<u>3,500,000</u>	<u>-</u>
Total noncurrent liabilities	<u>6,819,055</u>	<u>-</u>
Total liabilities	<u>8,617,916</u>	<u>218,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension items - IMRF	<u>95,672</u>	<u>-</u>
Total deferred inflows of resources	<u>95,672</u>	<u>-</u>
Total liabilities deferred inflows of resources	<u>8,713,588</u>	<u>218,917</u>
<b>NET POSITION</b>		
Net investment in capital assets	39,849,034	1,317,544
Unrestricted	<u>3,147,564</u>	<u>2,630,912</u>
<b>TOTAL NET POSITION</b>	<u>\$ 42,996,598</u>	<u>\$ 3,948,456</u>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,466,627	\$ -
Contributions	- -	3,866,992
Miscellaneous	- -	12,550
 Total operating revenues	 3,466,627	 3,879,542
<b>OPERATING EXPENSES</b>		
Administration	521,329	- -
Operations	1,975,066	171,084
Insurance and claims	- -	2,565,622
Depreciation	1,137,896	98,581
 Total operating expenses	 3,634,291	 2,835,287
<b>OPERATING INCOME (LOSS)</b>	  (167,664)	  1,044,255
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Connection fees	79,067	- -
Investment income	14,436	1,443
Interest and fiscal charges	(138,385)	- -
 Total non-operating revenues (expenses)	 (44,882)	 1,443
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	  (212,546)	  1,045,698
<b>TRANSFERS</b>		
Transfers in	- -	310,000
 Total transfers	 - -	 310,000
<b>CHANGE IN NET POSITION</b>	  (212,546)	  1,355,698
<b>NET POSITION, MAY 1</b>	  43,209,144	  2,592,758
<b>NET POSITION, DECEMBER 31</b>	  \$ 42,996,598	  \$ 3,948,456

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,519,716	\$ 293,291
Receipts from internal service transactions	-	3,768,224
Payments to employees	(1,049,619)	(690,008)
Payments to suppliers	(1,591,035)	(1,757,234)
Net cash from operating activities	<u>879,062</u>	<u>1,614,273</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Connection fees	79,067	-
Receipt on interfund loan	<u>215,092</u>	<u>3,407</u>
Net cash from noncapital financing activities	<u>294,159</u>	<u>3,407</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(2,120,572)	(297,114)
Proceeds from issuance of bonds	1,000,000	-
Principal paid on capital debt	(541,440)	-
Interest paid on capital debt	<u>(167,278)</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(1,829,290)</u>	<u>(297,114)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	14,273	1,443
Proceeds from sale of investments	<u>35,096</u>	<u>-</u>
Net cash from investing activities	<u>49,369</u>	<u>1,443</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(606,700)	1,322,009
<b>CASH AND CASH EQUIVALENTS, MAY 1</b>	<u>5,259,766</u>	<u>922,593</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 4,653,066</u>	<u>\$ 2,244,602</u>

(This statement is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Waterworks and Sewerage</b>	<b>Internal Service</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (167,664)	\$ 1,044,255
Adjustments to reconcile operating income (loss)		
to net cash from operating activities		
Depreciation	1,137,896	98,581
Changes in assets and liabilities		
Accounts receivable	53,089	3,775
Prepays	695	327,967
Due from other funds	-	124,113
Inventories	(221)	-
Accounts payable	(189,436)	(1,527)
Accrued payroll	(28,378)	-
Claims payable	-	17,109
Compensated absences payable	(10,209)	-
Pension related items	83,423	-
Other postemployment benefit	<u>(133)</u>	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ 879,062</u></u>	<u><u>\$ 1,614,273</u></u>
<b>CASH AND INVESTMENTS</b>		
Cash and cash equivalents	\$ 4,653,066	\$ 2,244,602
Investments	<u>391,162</u>	-
<b>TOTAL CASH AND INVESTMENTS</b>	<u><u>\$ 5,044,228</u></u>	<u><u>\$ 2,244,602</u></u>

See accompanying notes to financial statements.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

December 31, 2016

---

	<b>Pension Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 260,553	\$ 1,944,582
Investments		
U.S. Treasury obligations	1,612,822	-
U.S. agencies securities	11,030,236	-
Mutual funds	19,616,109	-
Common stocks	7,610,021	-
Corporate bonds	5,022,386	-
State and local obligations	2,440,425	-
Money market funds	571,112	-
Insurance contracts	382,805	-
Receivables		
Accrued interest	176,804	-
Other	-	23,044
Due from other funds	-	6,473
Prepays	5,238	-
 Total assets	 48,728,511	 \$ 1,974,099
<b>LIABILITIES</b>		
Accounts payable	31,282	\$ 648,993
Due to primary government	-	247,787
Deposits payable	-	1,077,319
 Total liabilities	 31,282	 \$ 1,974,099
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
	 \$ 48,697,229	

See accompanying notes to financial statements.

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

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

For the Eight Months Ended December 31, 2016

---

#### **ADDITIONS**

Contributions - employer	\$ 3,475,795
Contributions - employee	<u>547,089</u>
 Total contributions	 <u>4,022,884</u>
 Investment income	 
Net appreciation in fair value of investments	584,425
Interest earned on investments	<u>1,112,419</u>
 Total investment income	 1,696,844
Less investment expense	<u>(77,468)</u>
 Net investment income	 <u>1,619,376</u>
 Total additions	 <u>5,642,260</u>

#### **DEDUCTIONS**

Benefits and refunds	1,451,724
Administrative	<u>88,690</u>
 Total deductions	 <u>1,540,414</u>
 NET INCREASE	 4,101,846

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

May 1	<u>44,595,383</u>
December 31	<u>\$ 48,697,229</u>

# **VILLAGE OF LAKE ZURICH, ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

---

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

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

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

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

The Village's financial statements include:

Pension Trust Fund

Police Pension Employees Retirement System

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

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

---

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

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

b. Fund Accounting

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

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

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

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

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

---

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

**b. Fund Accounting (Continued)**

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

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

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

---

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

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

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

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

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

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

The Village reports the following major proprietary fund:

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (agency funds have no measurement focus). Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in

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

---

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

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

the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

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

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

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

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

---

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

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Short-Term Interfund Receivables/Payables

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

g. Advances to Other Funds

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

h. Inventories

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

i. Prepaid Items/Expenses

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

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

---

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

**j. Capital Assets**

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

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

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

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

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

**k. Compensated Absences**

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

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

---

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

1. Long-Term Obligations

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

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

m. Deferred Outflows/Inflows of Resources

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

n. Fund Balance/Net Position

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

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

---

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

**n. Fund Balance/Net Position (Continued)**

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

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

**o. Interfund Transactions**

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

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

**p. Accounting Estimates**

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

**2. DEPOSITS AND INVESTMENTS**

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

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

---

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

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

Permitted Deposits and Investments - Statutes and the Village's investment policy authorize the Village to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and the Illinois Metropolitan Investment Fund (IMET).

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Investments in Illinois Funds are valued at Illinois Fund's share price (\$1), the price for which the investment could be sold.

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

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

a. Village Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Village's agent in the Village's name. The Village had no uninsured uncollateralized deposits at December 31, 2016.

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

---

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

b. Village Investments

The following table presents the Village's investments in and maturities of debt securities as of December 31, 2016:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Negotiable CDs	\$ 3,053,469	\$ 1,625,184	\$ 1,428,285	\$ -	\$ -
U.S. agency obligations	1,710,105	374,812	1,335,293	-	-
<b>TOTAL</b>	<b>\$ 4,763,574</b>	<b>\$ 1,999,996</b>	<b>\$ 2,763,578</b>	<b>\$ -</b>	<b>\$ -</b>

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

The Village has the following recurring fair value measurements as of December 31, 2016. The U.S. agency obligations and negotiable certificates of are valued using quoted matrix pricing models (Level 2 inputs).

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

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

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

---

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

b. Village Investments (Continued)

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. The Village's investment policy states that no more than 25% of the Village's total investment portfolio may be invested in a single security type or with a single financial institution, with the exception of U.S. Treasury securities and authorized pools. At year end, the Village's investments in United States Government agencies securities and negotiable CDs represented 35.9% and 64.1%, respectively, of the Village's total investments. The negotiable CDs were held by various financial institutions.

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

**3. RECEIVABLES - TAXES**

Property taxes for 2016 attach as an enforceable lien on January 1, 2016 on property values assessed as of the same date. Taxes were levied on December 12, 2016 by passage of a Tax Levy Ordinance. Tax bills are prepared by the County and issued on or about May 1, 2017 and August 1, 2017 and are payable in two installments, on or about June 1, 2017 and September 1, 2017. The County collects such taxes and remits them periodically.

The 2016 tax levy collections are intended to finance the 2017 fiscal year and are not considered available for current operations and, therefore, are shown as deferred/unavailable revenue.

**4. CAPITAL ASSETS**

Capital asset activity for the eight months ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 30,463,170	\$ -	\$ -	\$ 30,463,170
Construction in progress	381,708	1,496,042	224,106	1,653,644
Total capital assets not being depreciated	<u>30,844,878</u>	<u>1,496,042</u>	<u>224,106</u>	<u>32,116,814</u>

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

---

**4. CAPITAL ASSETS (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES (Continued)				
Capital assets being depreciated				
Land improvements	\$ 6,774,328	\$ 2,630	\$ -	\$ 6,776,958
Buildings	12,219,888	-	-	12,219,888
Building improvements	628,601	100,561	-	729,162
Vehicles	4,574,529	186,771	157,335	4,603,965
Machinery and equipment	2,441,938	110,345	62,000	2,490,283
Computers/software	311,172	-	-	311,172
Infrastructure	68,223,306	255,266	-	68,478,572
Total capital assets being depreciated	95,173,762	655,573	219,335	95,610,000
Less accumulated depreciation for				
Land improvements	2,328,519	191,849	-	2,520,368
Buildings	4,847,296	182,447	-	5,029,743
Building improvements	83,021	41,480	-	124,501
Vehicles	2,935,040	177,676	157,335	2,955,381
Machinery and equipment	1,272,367	93,257	58,383	1,307,241
Computers/software	249,497	19,701	-	269,198
Infrastructure	30,086,413	864,306	-	30,950,719
Total accumulated depreciation	41,802,153	1,570,716	215,718	43,157,151
Total capital assets being depreciated, net	53,371,609	(915,143)	3,617	52,452,849
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 84,216,487	\$ 580,899	\$ 227,723	\$ 84,569,663
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 249,652	\$ -	\$ -	\$ 249,652
Construction in progress	2,054,919	2,221,305	1,016,455	3,259,769
Total capital assets not being depreciated	2,304,571	2,221,305	1,016,455	3,509,421
Capital assets being depreciated				
Infrastructure	72,180,582	1,016,453	-	73,197,035
Machinery and equipment	1,385,152	108,765	-	1,493,917
Vehicles	534,789	-	-	534,789
Total capital assets being depreciated	74,100,523	1,125,218	-	75,225,741
Less accumulated depreciation for				
Infrastructure	31,062,303	1,086,244	-	32,148,547
Machinery and equipment	560,116	36,791	-	596,907
Vehicles	397,206	14,861	-	412,067
Total accumulated depreciation	32,019,625	1,137,896	-	33,157,521
Total capital assets being depreciated, net	42,080,898	(12,678)	-	42,068,220
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 44,385,469	\$ 2,208,627	\$ 1,016,455	\$ 45,577,641

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

---

**4. CAPITAL ASSETS (Continued)**

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 75,945
Public safety	298,286
Highways and streets	1,056,945
Culture and recreation	<u>139,540</u>
DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,570,716</u>

**5. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. During the fiscal year ended April 30, 2015, the Village became self-insured for employee health insurance. All other risks are provided for through participation in a public entity risk pool. The Village has established internal service funds to account for these activities as they relate to governmental activities/fund, while self-insurance activity related to enterprise funds is accounted for directly in the Waterworks and Sewerage Fund. Each participating governmental fund makes payments to the Medical Self-Insurance Fund and the Risk Management Fund. Such payments are displayed on the financial statements as revenues and expenditures/expenses to the extent that the charge to the other funds is based on the actual expenses of the fund plus an additional amount for catastrophic losses. Payments in excess of these amounts, if any, are reported as transfers. There were no significant changes in insurance coverages with private insurance companies from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

The Village has contracted with a third party administrator (TPA) to administer the employee health insurance program and to review and process claims. In addition, the Village has contracted with third party carriers for specific and aggregate stop loss coverage to limit the Village's exposure to losses. Losses have not exceeded coverages for the last three years. The specific and aggregate stop loss coverage is as follows:

Health Insurance - The Village is self-insured with a specific stop loss of \$100,000 per individual per year.

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

---

**5. RISK MANAGEMENT (Continued)**

The Village has recorded a liability for claims which were reported but unpaid as of the end of the fiscal year as well as an estimated liability for claims incurred but not reported. A reconciliation of claims payable for the eight months ended December 31, 2016 is as follows:

CLAIMS PAYABLE, MAY 1, 2015	\$ 231,860
Add claims incurred	1,959,866
Less claims paid	<u>2,001,463</u>
CLAIMS PAYABLE, MAY 1, 2016	190,263
Add claims incurred	1,601,254
Less claims paid	<u>1,584,145</u>
CLAIMS PAYABLE, DECEMBER 31, 2016	<u>\$ 207,372</u>

Intergovernmental Risk Management Agency

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

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

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

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

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

---

**6. SHORT-TERM DEBT**

Changes in Short-Term Liabilities

During the eight months ended December 31, 2016, the following changes occurred in short-term liabilities:

	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Bond Series of 2016 (\$1,076,000 dated June 13, 2016; matured October 5, 2016; payable in annual installments; interest rate of 3.50%)	Debt Service	\$ -	\$ 1,076,000	\$ 1,076,000	\$ -	\$ -
<b>TOTAL</b>		<b>\$ -</b>	<b>\$ 1,076,000</b>	<b>\$ 1,076,000</b>	<b>\$ -</b>	<b>\$ -</b>

The General Obligation Series 2016 Bonds were issued to refund certain outstanding general obligation alternate bonds.

**7. LONG-TERM DEBT**

a. General Obligation TIF Alternate Revenue Bonds

The Village has issued TIF Alternate Revenue Source Bonds for which they have pledged future revenue streams. The Series 2009A, 2014A, 2015A and 2016A General Obligation TIF Alternate Revenue Source Bonds, issued for various TIF improvements, are payable from a pledge of the Village's sales tax revenues, with a remaining total pledge of \$33,902,511 and the bonds maturing between December 15, 2017 and December 15, 2034. During the current fiscal year, the pledge of sales tax revenues of \$1,307,433 was approximately 27.9% of total sales tax revenues.

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

Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation TIF Alternate Revenue Bonds Series of 2009A (\$7,830,000 dated April 1, 2009; maturing February 1, 2029; payable in annual installments; interest rates from 3.30% to 6.15%)	TIF Debt Service	\$ 7,285,000	\$ -	\$ 5,990,000	\$ 1,295,000	\$ 240,000

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

---

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

**a. General Obligation TIF Alternate Revenue Bonds (Continued)**

Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2014A (\$6,325,000 dated September 8, 2014; maturing December 15, 2024; payable in annual installments; interest rates from 2% to 3%)	TIF Debt Service	\$ 6,315,000	\$ -	\$ 625,000	\$ 5,690,000	\$ 645,000
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2015A (\$11,775,000 dated April 23, 2015; maturing December 15, 2034; payable in annual installments; interest rates from 3.25% to 3.75%)	TIF Debt Service	11,775,000	-	-	11,775,000	-
General Obligation TIF Alternate Revenue Refunding Bonds Series of 2016A (\$6,785,000 dated May 16, 2016; maturing February 1, 2029; payable in annual installments; interest rates from 1.10% to 3.05%)	TIF Debt Service	-	6,785,000	-	6,785,000	-
<b>TOTAL</b>		<b>\$ 25,375,000</b>	<b>\$ 6,785,000</b>	<b>\$ 6,615,000</b>	<b>\$ 25,545,000</b>	<b>\$ 885,000</b>

**b. General Obligation Bonds**

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

Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Bond Series of 2008A (\$4,265,000 dated August 1, 2008; maturing January 1, 2020; payable in annual installments; interest rates from 3.5% to 5.0%)	Debt Service	\$ 1,885,000	\$ -	\$ -	\$ 1,885,000	\$ 435,000
<b>TOTAL</b>		<b>\$ 1,885,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,885,000</b>	<b>\$ 435,000</b>

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

---

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

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

The Village has issued General Obligation Waterworks and Sewerage Alternate Revenue Source Bonds for which they have pledged future revenue streams. The Series 2013A and 2016B General Obligation Waterworks and Sewerage Alternate Revenue Source Bonds, issued for various water and sewerage system improvements, are payable from a pledge of the Village's water and sewerage fees, with a remaining total pledge of \$4,548,106 and the bonds maturing between December 15, 2017 and December 15, 2026. During the current fiscal year, the pledge of water and sewerage fees of \$516,500 was approximately 14.9% of total water and sewerage fees.

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

Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
General Obligation Waterworks and Sewerage System Alternate Revenue Bonds Series of 2013A (\$3,800,000 dated September 4, 2013; maturing December 15, 2023; payable in annual installments; interest rates from 3% to 4%)	Waterworks and Sewerage	\$ 3,390,000	\$ -	\$ 400,000	\$ 2,990,000	\$ 400,000
General Obligation Waterworks and Sewerage System Alternate Revenue Bonds Series of 2016B (\$1,000,000 dated August 1, 2016; maturing December 15, 2026; payable in annual installments; interest rate of 2%)	Waterworks and Sewerage	-	1,000,000	-	1,000,000	90,000
<b>TOTAL</b>		<b>\$ 3,390,000</b>	<b>\$ 1,000,000</b>	<b>\$ 400,000</b>	<b>\$ 3,990,000</b>	<b>\$ 490,000</b>

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

**d. Illinois EPA Loans**

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

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

---

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

**d. Illinois EPA Loans (Continued)**

Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
Illinois EPA loan of 2006, due in annual installments of \$65,107, including interest at 2.5% through December 16, 2026	Waterworks and Sewerage	\$ 1,235,430	\$ -	\$ 99,950	\$ 1,135,480	\$ 102,464
Illinois EPA loan of 2008, due in annual installments of \$56,600, including interest at 1.25% through August 11, 2028	Waterworks and Sewerage	1,208,814	-	41,489	1,167,325	84,541
<b>TOTAL</b>		<b>\$ 2,444,244</b>	<b>\$ -</b>	<b>\$ 141,439</b>	<b>\$ 2,302,805</b>	<b>\$ 187,005</b>

**e. Debt Service Requirements to Maturity**

Annual debt service requirements to maturity are as follows:

**Governmental Activities**

Fiscal Year Ending December 31,	General Obligation TIF Alternate Revenue Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 885,000	\$ 811,427	\$ 435,000	\$ 73,475	\$ 1,320,000	\$ 884,902
2018	1,075,000	764,095	460,000	51,100	1,535,000	815,195
2019	1,140,000	733,975	485,000	29,900	1,625,000	763,875
2020	1,210,000	700,004	505,000	10,100	1,715,000	710,104
2021	1,360,000	662,711	-	-	1,360,000	662,711
2022-2026	7,430,000	2,751,073	-	-	7,430,000	2,751,073
2027-2031	7,850,000	1,588,674	-	-	7,850,000	1,588,674
2032-2036	4,595,000	345,552	-	-	4,595,000	345,552
<b>TOTAL</b>	<b>\$ 25,545,000</b>	<b>\$ 8,357,511</b>	<b>\$ 1,885,000</b>	<b>\$ 164,575</b>	<b>\$ 27,430,000</b>	<b>\$ 8,522,086</b>

Fiscal Year Ending December 31,	General Obligation Waterworks and Sewerage Alternate Revenue Bonds		Illinois EPA Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 490,000	\$ 131,056	\$ 187,005	\$ 56,408	\$ 677,005	\$ 187,464
2018	530,000	110,700	191,711	51,704	721,711	162,404
2019	545,000	95,750	196,533	46,882	741,533	142,632
2020	550,000	79,225	201,477	41,938	751,477	121,163
2021	550,000	61,475	206,545	36,870	756,545	98,345
2022-2026	1,325,000	79,900	1,100,037	103,743	2,425,037	183,643
2027-2031	-	-	219,497	6,902	219,497	6,902
<b>TOTAL</b>	<b>\$ 3,990,000</b>	<b>\$ 558,106</b>	<b>\$ 2,302,805</b>	<b>\$ 344,447</b>	<b>\$ 6,292,805</b>	<b>\$ 902,553</b>

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

---

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

f. Capital Leases

During fiscal year 2013, the Village entered into a capital lease obligation for copier equipment. The interest rate for the lease is 6%.

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

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

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

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

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

<u>Fiscal Year Ending December 31,</u>	
2017	\$ 189,193
2018	137,433
2019	132,252
2020	<u>131,975</u>
 Total minimum lease payments	 590,853
 Amount representing interest	 <u>39,658</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 551,195</u>

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

---

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

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

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

	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
General obligation TIF alternate revenue bonds	Debt Service	\$ 25,375,000	\$ 6,785,000	\$ 6,615,000	\$ 25,545,000	\$ 885,000
General obligation bonds	Debt Service	1,885,000	1,076,000	1,076,000	1,885,000	435,000
Unamortized premium (discount) on debt issuance	N/A	332,137	5,625	23,885	313,877	35,827
Compensated absences	General	1,645,349	-	394,935	1,250,414	250,083
Capital lease obligation	General	599,590	-	48,394	551,196	172,430
Net pension liability	General	52,875,989	-	6,516,320	46,359,669	-
Other postemployment benefit	General	181,036	-	1,390	179,646	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>		<b>\$ 82,894,101</b>	<b>\$ 7,866,625</b>	<b>\$ 14,675,924</b>	<b>\$ 76,084,802</b>	<b>\$ 1,778,340</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
General obligation waterworks and sewerage alternate revenue bonds	Waterworks and Sewerage	\$ 3,390,000	\$ 1,000,000	\$ 400,000	\$ 3,990,000	\$ 490,000
Unamortized premium (discount) on debt issuance	Waterworks and Sewerage	199,206	33,990	18,941	214,255	29,220
Illinois EPA loans	Waterworks and Sewerage	2,444,244	-	141,440	2,302,804	187,005
Compensated absences	Waterworks and Sewerage	75,331	-	10,209	65,122	13,024
Net pension liability	Waterworks and Sewerage	1,001,740	-	55,340	946,400	-
Other postemployment benefit	Waterworks and Sewerage	19,856	-	133	19,723	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ 7,130,377</b>	<b>\$ 1,033,990</b>	<b>\$ 626,063</b>	<b>\$ 7,538,304</b>	<b>\$ 719,249</b>

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

---

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

h. Defeased Debt

The Village has defeased the General Obligation Bonds (Alternative Revenue Source) Series 2009A, 2009B, 2009C, 2011B, 2011C and 2012 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Village's financial statements. Outstanding bonds for these issues are considered defeased. A total of \$15,570,000 remains outstanding at December 31, 2016.

i. Advance Refunding

On May 16, 2016, the Village issued \$6,785,000 General Obligation Refunding Bonds (Alternate Revenue Source), Series 2016A to advance 5,990,000 of General Obligation Bonds (Alternate Revenue Source), Series 2009A which will be called and paid on February 1, 2019. As a result of the refunding, the Village realized a cash flow savings of approximately \$889,399 and an economic gain of \$646,980.

j. 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 - 2015	<u>\$ 794,190,580</u>
Legal debt limit - 8.625% of assessed value	\$ 68,498,938
Amount of debt applicable to debt limit: General obligation bonds	<u>1,885,000</u>
LEGAL DEBT MARGIN	<u>\$ 66,613,938</u>

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

---

**8. INTERFUND ASSETS/LIABILITIES**

a. Interfund Transfers

Transfers From	Transfers To	Amount
General	Capital Improvements	\$ 1,000,000
General	Special Events	114,600
General	Equipment Replacement Fund	310,000
Hotel Tax	Special Events	30,000
TIF Tax Allocation	TIF Debt Service	<u>732,000</u>
<b>TOTAL</b>		<b><u>\$ 2,186,600</u></b>

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

- \$1,000,000 transferred from the General Fund to the Capital Improvements Fund to fund new capital projects.
- \$114,600 transferred from the General Fund to the Special Events Fund to fund the administration of multiple events held by the Village.
- \$310,000 transferred from the General Fund to the Equipment Replacement Fund for replacement of equipment.
- \$30,000 transferred from the Hotel Tax Fund to the Special Events Fund to fund the administration of multiple events held by the Village.
- \$732,000 transferred from the TIF Tax Allocation Fund to the TIF Debt Service Fund for principal and interest payments on general obligation TIF alternate revenue and TIF alternate revenue bonds.

b. Due To/From Other Funds

Due to/from other funds at December 31, 2016 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Waterworks and Sewerage	\$ 200,230
General	Medical Self Insurance	3,407
Medical Self Insurance	General	55,000
Performance Escrow Fund	General	6,473
Capital Improvements	General	350,000
Equipment Replacement Fund	General	310,000
Capital Improvements	Performance Escrow Fund	236,850
Waterworks and Sewerage	Special Service Area	<u>10,937</u>
<b>TOTAL</b>		<b><u>\$ 1,172,897</u></b>

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

---

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

b. Due To/From Other Funds (Continued)

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

c. Advance To/From Other Funds

Advances to/from other funds at December 31, 2016 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	TIF Debt Service	\$ 1,425,000
General	Downtown TIF	185,000
General	Downtown TIF #2	<u>45,000</u>
<b>TOTAL</b>		<b><u>\$ 1,655,000</u></b>

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

**9. CONTINGENT LIABILITIES**

a. Litigation

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

b. Grants

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

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

---

**10. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

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

b. Benefits Provided

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

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

All retirees contribute 100% of the actuarially determined premium to the plan. For the eight months ended December 31, 2016, retirees contributed \$134,433. Active employees do not contribute to the plan until retirement.

c. Membership

At April 30, 2014 (the most recent valuation performed), membership consisted of:

Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	153
 TOTAL	 168
Participating employers	1

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

---

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2015	\$ 156,146	\$ 132,120	84.60%	\$ 196,424
April 30, 2016	156,306	151,838	97.10%	200,892
December 31, 2016	99,702	101,225	101.53%	199,369

The net OPEB obligation as of December 31, 2016 was calculated as follows:

Annual required contribution	\$ 103,331
Interest on net OPEB obligation	5,204
Adjustment to annual required contribution	<u>(8,833)</u>
Annual OPEB cost	99,702
Contributions made	<u>101,225</u>
Decrease in net OPEB obligation	(1,523)
Net OPEB obligation, beginning of year	<u>200,892</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 199,369</u>

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

---

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

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

Funded Status and Funding Progress - The funded status of the plan as of April 30, 2014 was as follows (the most recent valuation performed):

Actuarial accrued liability (AAL)	\$ 2,583,239
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,583,239
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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

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

In the April 30, 2014 actuarial valuation (most recent valuation date), the entry-age normal actuarial cost method was used. The actuarial assumptions included 4% investment rate of return and a healthcare cost trend rate of 7% with an ultimate rate of 5%. Both rates include a 3% inflation assumption and 4% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30-year basis.

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

---

**11. DEFINED BENEFIT PENSION PLANS**

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

*Plan Administration*

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

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

*Plan Membership*

At December 31, 2016, IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	94
Active employees	71
 TOTAL	 267

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

---

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided*

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

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

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

*Contributions*

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the eight months ended December 31, 2016 was 12.73% of covered payroll.

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

---

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions*

The Village's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

---

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate*

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

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2016	\$ 31,834,989	\$ 27,171,507	\$ 4,663,482
Changes for the period			
Service cost	512,260	-	512,260
Interest	2,351,795	-	2,351,795
Difference between expected and actual experience	(340,738)	-	(340,738)
Changes in assumptions	(83,331)	-	(83,331)
Employer contributions	-	628,101	(628,101)
Employee contributions	-	233,460	(233,460)
Net investment income	-	1,863,659	(1,863,659)
Benefit payments and refunds	(1,300,032)	(1,300,032)	-
Other (net transfer)	-	(27,607)	27,607
Net changes	1,139,954	1,397,581	(257,627)
BALANCES AT DECEMBER 31, 2016	\$ 32,974,943	\$ 28,569,088	\$ 4,405,855

Changes in assumptions related to mortality were made since the prior measurement date. Additionally, the discount rate was changed from 7.48% to 7.50%.

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

---

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the eight months ended December 31, 2016, the Village recognized pension expense of \$830,800.

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 387,070
Changes in assumption	17,210	58,319
Net difference between projected and actual earnings on pension plan investments	<u>1,271,566</u>	-
<b>TOTAL</b>	<b>\$ 1,288,776</b>	<b>\$ 445,389</b>

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

<u>Year Ending December 31,</u>	
2017	\$ 192,983
2018	247,858
2019	371,200
2020	31,346
2021	-
Thereafter	-
<b>TOTAL</b>	<b>\$ 843,387</b>

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

---

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate Sensitivity*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.5% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 8,928,627	\$ 4,405,855	\$ 752,428

Police Pension Plan

*Plan Administration*

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

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

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

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Plan Membership*

At December 31, 2016, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>33</u>
 TOTAL	 <u>55</u>

*Benefits Provided*

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% 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 eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% 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 ten years may retire at or after age 50

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Benefits Provided (Continued)*

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

*Contributions*

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the Village has chosen to fund 100% of the past service cost by 2040. For the eight months ended December 31, 2016, the Village's contribution was 50.40% of covered payroll.

*Investment Policy*

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

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy* (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	45.00%	1.20%
Large cap domestic equities	38.50%	6.40%
Small cap domestic equities	11.00%	8.40%
International equities	5.50%	6.70%
Cash and cash equivalents	0.00%	0.00%

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in March 2015 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are listed in the table above.

*Investment Valuations*

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

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Concentrations*

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

*Investment Rate of Return*

For the eight months ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

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

*Fair Value Measurements*

The Fund has the following recurring fair value measurements as of December 31, 2016. The U.S. Treasury obligations, money market mutual funds, and equity mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency securities and state and local obligations are valued using quoted matrix pricing models (Level 2 inputs).

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 1,144,637	\$ 200,742	\$ 817,157	\$ 126,738	\$ -
U.S. agency securities	6,015,940	-	1,724,445	4,291,495	-
State and local obligations	1,375,759	304,682	397,024	568,326	105,727
<b>TOTAL</b>	<b>\$ 8,536,336</b>	<b>\$ 505,424</b>	<b>\$ 2,938,626</b>	<b>\$ 4,986,559</b>	<b>\$ 105,727</b>

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Interest Rate Risk (Continued)*

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

*Credit Risk*

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

*Custodial Credit Risk*

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

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
<b>BALANCES AT MAY 1, 2016</b>	<b>\$ 42,863,167</b>	<b>\$ 17,932,791</b>	<b>\$ 24,930,376</b>
Changes for the period			
Service cost	404,047	-	404,047
Interest	1,926,743	-	1,926,743
Difference between expected and actual experience	(2,808,702)	-	(2,808,702)
Changes in assumptions	-	-	-
Employer contributions	-	1,564,453	(1,564,453)
Employee contributions	-	218,169	(218,169)
Net investment income	-	869,361	(869,361)
Benefit payments and refunds	(901,384)	(901,384)	-
Administrative expense	-	(25,420)	25,420
Net changes	(1,379,296)	1,725,179	(3,104,475)
<b>BALANCES AT DECEMBER 31, 2016</b>	<b>\$ 41,483,871</b>	<b>\$ 19,657,970</b>	<b>\$ 21,825,901</b>

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.50%
Interest rate	6.75%
Cost of living adjustments	3.00% (Tier 1) 1.25% (Tier 2)
Asset valuation method	Market

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

*Discount Rate*

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

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Discount Rate Sensitivity*

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 28,312,524	\$ 21,825,901	\$ 16,577,028

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

For the eight months ended December 31, 2016, the Village recognized police pension expense of \$1,796,576. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,833,380
Changes in assumption	2,153,835	-
Net difference between projected and actual earnings on pension plan investments	875,675	-
<b>TOTAL</b>	<b>\$ 3,029,510</b>	<b>\$ 2,833,380</b>

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

---

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

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

<u>Year Ending December 31,</u>	
2017	\$ 250,407
2018	250,407
2019	250,407
2020	181,726
2021	(268,700)
Thereafter	<u>(468,117)</u>
 TOTAL	 <u>\$ 196,130</u>

Firefighters' Pension Plan

*Plan Administration*

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

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

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

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Plan Membership*

At December 31, 2016, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>56</u>
 TOTAL	 <u>78</u>

*Benefits Provided*

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

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.5% 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 ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% 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 ten years may retire at or after age 50 and

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Benefits Provided (Continued)*

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

*Contributions*

Employees are required by ILCS to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has chosen to fund 100% of the past service cost by 2040. For the eight months ended December 31, 2016, the Village's contribution was 35.90% of covered payroll.

*Investment Policy*

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

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Policy (Continued)*

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	45.00%	1.20%
Large cap domestic equity	38.50%	6.40%
Small cap domestic equity	11.00%	8.40%
International equities	5.50%	6.70%

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are listed in the table above.

*Concentrations*

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

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Rate of Return*

For the eight months ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

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

*Fair Value Measurements*

The Fund has the following recurring fair value measurements as of December 31, 2016. The money market mutual funds, mutual funds, and common stock are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Treasury obligations, U.S. agency securities, state and local obligations and corporate bonds are valued using quoted matrix pricing models (Level 2 inputs).

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 468,185	\$ 411,562	\$ 56,623	\$ -	\$ -
U.S. agency securities	5,014,296	563,356	2,630,910	1,816,043	3,987
State and local obligations	1,064,667	-	274,374	790,293	-
Corporate bonds	5,022,386	150,064	2,757,623	2,114,699	-
<b>TOTAL</b>	<b>\$ 11,569,534</b>	<b>\$ 1,124,982</b>	<b>\$ 5,719,530</b>	<b>\$ 4,721,035</b>	<b>\$ 3,987</b>

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Interest Rate Risk (Continued)*

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

*Credit Risk*

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

*Custodial Credit Risk*

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

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
<b>BALANCES AT MAY 1, 2016</b>	<b>\$ 50,946,462</b>	<b>\$ 26,662,592</b>	<b>\$ 24,283,870</b>
Changes for the period			
Service cost	751,025	-	751,025
Interest	2,314,004	-	2,314,004
Difference between expected and actual experience	(3,347,579)	-	(3,347,579)
Changes in assumptions	-	-	-
Employer contributions	-	1,911,342	(1,911,342)
Employee contributions	-	328,920	(328,920)
Net investment income	-	750,015	(750,015)
Benefit payments and refunds	(550,340)	(550,340)	-
Administrative expense	-	(63,270)	63,270
Net changes	(832,890)	2,376,667	(3,209,557)
<b>BALANCES AT DECEMBER 31, 2016</b>	<b>\$ 50,113,572</b>	<b>\$ 29,039,259</b>	<b>\$ 21,074,313</b>

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age Normal
Assumptions	
Inflation	2.50%
Salary increases	3.50%
Interest rate	6.75%
Cost of living adjustments	3.00% (Tier 1) 1.25% (Tier 2)
Asset valuation method	Market

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

*Discount Rate*

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

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Discount Rate Sensitivity*

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 29,600,177	\$ 21,074,313	\$ 14,232,840

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

For the eight months ended December 31, 2016, the Village recognized firefighters' pension expense of \$2,274,927. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 262,686	\$ 3,347,579
Changes in assumption	2,420,738	-
Net difference between projected and actual earnings on pension plan investments	2,300,892	-
<b>TOTAL</b>	<b>\$ 4,984,316</b>	<b>\$ 3,347,579</b>

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

---

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

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

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

Year Ending <u>December 31,</u>	
2017	\$ 687,003
2018	686,999
2019	686,999
2020	600,436
2021	(68,248)
Thereafter	<u>(956,452)</u>
 TOTAL	 <u>\$ 1,636,737</u>

**12. PENSION TRUST FUNDS**

Fiduciary Funds Summary Financial Information

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

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,225	\$ 256,328	\$ 260,553
Investments			
U.S. Treasury obligations	1,144,637	468,185	1,612,822
U.S. agency securities	6,015,940	5,014,296	11,030,236
Mutual funds	10,996,326	8,619,783	19,616,109
Common stocks	-	7,610,021	7,610,021
Corporate bonds	-	5,022,386	5,022,386
State and local obligations	1,375,758	1,064,667	2,440,425
Money market funds	80,220	490,892	571,112
Insurance contracts	-	382,805	382,805

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

---

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

Fiduciary Funds Summary Financial Information (Continued)

a. Schedule of Net Position (Continued)

	Police Pension	Firefighters' Pension	Total
<b>ASSETS (Continued)</b>			
Receivables			
Accrued interest	\$ 53,782	\$ 123,022	\$ 176,804
Prepaid items	1,912	3,326	5,238
Total assets	<u>19,672,800</u>	<u>29,055,711</u>	<u>48,728,511</u>
<b>LIABILITIES</b>			
Accounts payable	14,830	16,452	31,282
Total liabilities	<u>14,830</u>	<u>16,452</u>	<u>31,282</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
	<u>\$ 19,657,970</u>	<u>\$ 29,039,259</u>	<u>\$ 48,697,229</u>

b. Changes in Plan Net Position

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,564,453	\$ 1,911,342	\$ 3,475,795
Employee	218,169	328,920	547,089
Total contributions	<u>1,782,622</u>	<u>2,240,262</u>	<u>4,022,884</u>
Investment income			
Net appreciation in fair value of investments	387,242	197,183	584,425
Interest earned	521,371	591,048	1,112,419
Less investment expense	(39,252)	(38,216)	(77,468)
Net investment income	<u>869,361</u>	<u>750,015</u>	<u>1,619,376</u>
Total additions	<u>2,651,983</u>	<u>2,990,277</u>	<u>5,642,260</u>

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

---

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

Fiduciary Funds Summary Financial Information (Continued)

b. Changes in Plan Net Position (Continued)

	Police Pension	Firefighters' Pension	Total
<b>DEDUCTIONS</b>			
Pension benefits and refunds	\$ 901,384	\$ 550,340	\$ 1,451,724
Administrative expenses	25,420	63,270	88,690
 Total deductions	 926,804	 613,610	 1,540,414
 NET INCREASE	 1,725,179	 2,376,667	 4,101,846
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
May 1, 2016	17,932,791	26,662,592	44,595,383
December 31, 2016	\$ 19,657,970	\$ 29,039,259	\$ 48,697,229

**13. TAX ABATEMENTS**

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

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

As of December 31, 2016, the Village has an accrued rebate liability of \$263,258 for amounts collected by the state but not yet paid to the Village and/or due to the other entities. Of this amount, \$204,839 is due to commercial entities and \$58,419 to governmental entities. For the fiscal year-to-date, the Village recorded \$567,116 in payment across all sales tax rebate agreements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 8,961,735	\$ 8,976,735	\$ 8,979,002
Licenses and permits	382,810	316,810	342,861
Intergovernmental	10,683,738	10,573,738	10,681,376
Charges for services	1,142,224	1,182,224	1,324,421
Fines and forfeits	354,500	370,500	420,251
Investment income	35,000	35,000	20,161
Miscellaneous	43,878	43,878	37,013
 Total revenues	 21,603,885	 21,498,885	 21,805,085
<b>EXPENDITURES</b>			
General government	1,686,161	1,699,240	1,573,005
Public safety	15,921,116	15,927,144	15,527,509
Highways and streets	1,809,253	1,713,789	1,612,559
Culture and recreation	748,376	714,523	717,928
Economic development	648,098	648,353	619,387
 Total expenditures	 20,813,004	 20,703,049	 20,050,388
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	790,881	795,836	1,754,697
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	11,000	11,000	35,000
Transfers (out)	(764,600)	(764,600)	(1,424,600)
 Total other financing sources (uses)	 (753,600)	 (753,600)	 (1,389,600)
<b>NET CHANGE IN FUND BALANCE</b>			
	 \$ 37,281	 \$ 42,236	 365,097
<b>FUND BALANCE, MAY 1</b>			
			 10,098,288
<b>FUND BALANCE, DECEMBER 31</b>			
			 \$ 10,463,385

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 1,190,000	\$ 1,190,000	\$ 1,231,640
Investment income	800	800	1,117
 Total revenues	 1,190,800	 1,190,800	 1,232,757
<b>EXPENDITURES</b>			
Economic development	484,776	484,776	482,557
 Total expenditures	 484,776	 484,776	 482,557
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	706,024	706,024	750,200
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(732,000)	(732,000)	(732,000)
 Total other financing sources (uses)	 (732,000)	 (732,000)	 (732,000)
<b>NET CHANGE IN FUND BALANCE</b>			
	\$ (25,976)	\$ (25,976)	18,200
 FUND BALANCE, MAY 1			 32,062
 <b>FUND BALANCE, DECEMBER 31</b>			 <b>\$ 50,262</b>

(See independent auditor's report.)

## VILLAGE OF LAKE ZURICH, ILLINOIS

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 75,000	\$ 75,000	\$ 61,034
Investment income	50	50	70
Miscellaneous	62,800	62,800	69,355
Total revenues	<u>137,850</u>	<u>137,850</u>	<u>130,459</u>
<b>EXPENDITURES</b>			
Economic development	<u>90,355</u>	<u>95,355</u>	<u>83,143</u>
Total expenditures	<u>90,355</u>	<u>95,355</u>	<u>83,143</u>
NET CHANGE IN FUND BALANCE	<u>\$ 47,495</u>	<u>\$ 42,495</u>	<u>47,316</u>
FUND BALANCE, MAY 1			<u>4,831,191</u>
<b>FUND BALANCE, DECEMBER 31</b>			<b><u>\$ 4,878,507</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2016

---

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
April 30, 2012	\$ -	\$ 1,512,374	0.00%	\$ 1,512,374	\$ 14,410,729	10.49%
April 30, 2013	N/A	N/A	N/A	N/A	N/A	N/A
April 30, 2014	-	2,583,239	0.00%	2,583,239	N/A	N/A
April 30, 2015	N/A	N/A	N/A	N/A	N/A	N/A
April 30, 2016	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2016*	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
April 30, 2012	\$ 26,863	\$ 51,188	52.48%
April 30, 2013	63,517	96,470	65.84%
April 30, 2014	63,517	96,470	65.84%
April 30, 2015	132,120	154,997	85.24%
April 30, 2016	151,838	154,997	97.96%
December 31, 2016*	101,225	103,331	97.96%

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

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

(See independent auditor's report.)

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

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

Last Two Fiscal Years

---

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

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

#### Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 27 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND**

Last Three Fiscal Years

---

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

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

Notes to Required Supplementary Information

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

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

## VILLAGE OF LAKE ZURICH, ILLINOIS

### SCHEDULE OF EMPLOYER CONTRIBUTIONS FIREFIGHTERS' PENSION FUND

Last Three Fiscal Years

---

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

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

#### Notes to Required Supplementary Information

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Two Fiscal Years

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

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

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

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

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Three Fiscal Years

<b>MEASUREMENT DATE</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 677,265	\$ 618,479	\$ 404,047
Interest	2,218,436	2,554,948	1,926,743
Changes of benefit terms	-	-	-
Differences between expected and actual experience	500,612	(28,659)	(2,808,702)
Changes of assumptions	2,735,157	2,501,228	-
Benefit payments, including refunds of member contributions	(1,024,394)	(1,267,820)	(901,384)
Net change in total pension liability	5,107,076	4,378,176	(1,379,296)
Total pension liability - beginning	<u>33,377,915</u>	<u>38,484,991</u>	<u>42,863,167</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 38,484,991</b>	<b>\$ 42,863,167</b>	<b>\$ 41,483,871</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 1,398,130	\$ 1,445,052	\$ 1,564,453
Contributions - member	301,323	302,885	218,169
Net investment income	1,301,083	127,632	869,361
Benefit payments, including refunds of member contributions	(1,024,394)	(1,267,820)	(901,384)
Administrative expense	(28,758)	(31,815)	(25,420)
Net change in plan fiduciary net position	1,947,384	575,934	1,725,179
Plan fiduciary net position - beginning	<u>15,409,473</u>	<u>17,356,857</u>	<u>17,932,791</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 17,356,857</b>	<b>\$ 17,932,791</b>	<b>\$ 19,657,970</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 21,128,134</b>	<b>\$ 24,930,376</b>	<b>\$ 21,825,901</b>
Plan fiduciary net position			
as a percentage of the total pension liability	45.10%	41.80%	47.40%
Covered-employee payroll	\$ 3,053,408	\$ 3,109,454	\$ 3,101,474
Employer's net pension liability			
as a percentage of covered-employee payroll	692.00%	801.80%	703.70%

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

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

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

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

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Three Fiscal Years

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

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

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

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

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

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
POLICE PENSION FUND**

Last Three Fiscal Years

---

<b><u>FISCAL YEAR ENDED</u></b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
Annual money-weighted rate of return, net of investment expense	8.08%	0.72%	4.73%

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Three Fiscal Years

---

<b><u>FISCAL YEAR ENDED</u></b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
Annual money-weighted rate of return, net of investment expense	6.53%	(1.18%)	5.05%

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

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

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

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2016

---

#### **BUDGETS**

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

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

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

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

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

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

The following funds had an excess of actual expenditures over budget for the year ended December 31, 2016:

Fund	Excess
Equipment Replacement	\$ 16,383
Non-Home Rule Sales Tax Capital Projects	9,961
TIF #3	16,712
TIF Debt Service	30,351

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

## **MAJOR GOVERNMENTAL FUNDS**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>TAXES</b>			
Property			
Corporate	\$ 121,971	\$ 86,971	\$ 98,664
Police protection	1,560,558	1,560,558	1,560,688
Fire protection	1,560,558	1,560,558	1,560,688
Ambulance	157,794	157,794	157,807
Pension	333,142	333,142	333,170
Police pension	1,564,453	1,564,453	1,566,045
Fire pension	1,911,342	1,911,342	1,913,286
SRA	180,000	180,000	178,780
Road and bridge	11,000	11,000	11,346
Utility			
Electric	696,886	726,886	724,838
Gas	99,554	99,554	125,466
Telecommunication tax	532,690	552,690	518,090
Television franchise	231,787	231,787	230,134
 Total taxes	 8,961,735	 8,976,735	 8,979,002
<b>LICENSES AND PERMITS</b>			
Licenses			
Liquor	8,000	8,000	10,698
Contractor registration	41,475	41,475	47,400
Other business	5,000	5,000	6,245
Permits			
Administrative plan review	65,000	65,000	69,167
Building	60,000	35,000	27,024
Electrical	31,785	15,785	18,154
Plumbing	50,000	25,000	21,974
Occupancy certificates	12,000	12,000	19,874
Park	24,000	24,000	30,002
Truck permits	3,500	3,500	4,025
Other	82,050	82,050	88,298
 Total licenses and permits	 382,810	 316,810	 342,861
<b>INTERGOVERNMENTAL</b>			
State income tax	1,380,372	1,280,372	1,192,340
Municipal sales	4,714,521	4,749,521	4,691,004
State replacement tax	40,008	40,008	34,594
Street maintenance reimbursement	14,110	14,110	13,453
Local use tax	312,301	312,301	337,671
Auto rental tax	4,800	4,800	4,624
Pull tax	62,100	87,100	92,957
Fire/rescue service contract	3,606,176	3,476,176	3,722,167
Reimbursements			
Grants	15,000	15,000	33,473
Governmental agency	534,350	594,350	559,093
 Total intergovernmental	 10,683,738	 10,573,738	 10,681,376

(This schedule is continued on the following page.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>CHARGES FOR SERVICES</b>			
Police alarm fees	\$ 72,500	\$ 59,500	\$ 41,456
Public safety special detail	18,000	18,000	34,873
Police administration tow fees	32,000	32,000	35,350
Police lock out fees	5,000	5,000	7,345
Fire/rescue fees			
Special detail	9,050	9,050	7,176
Ambulance fees	356,000	369,000	416,427
Inspection fees	22,600	38,600	36,959
Public education	1,000	1,000	3,590
Site plan review	65,000	53,000	58,303
Elevator inspections	8,750	8,750	8,527
Exterior appearance review	1,500	1,500	2,150
Planned unit development review	2,000	2,000	4,400
Printing and reproduction fees	3,500	3,500	3,375
Engineering review	80,000	96,000	115,719
Watershed development	5,000	5,000	10,470
Reimbursements	2,500	2,500	2,038
Park fees	67,750	67,750	74,843
Park program fees	390,074	410,074	461,420
Total charges for services	1,142,224	1,182,224	1,324,421
<b>FINES AND FORFEITS</b>			
Circuit court fines	176,000	176,000	172,273
Other fines	178,500	194,500	247,978
Total fines and forfeits	354,500	370,500	420,251
<b>INVESTMENT INCOME</b>			
	35,000	35,000	20,161
<b>MISCELLANEOUS</b>			
Miscellaneous revenues	5,800	5,800	(3,143)
Donations	1,350	1,350	75
Rent income	36,728	36,728	40,081
Total miscellaneous	43,878	43,878	37,013
<b>TOTAL REVENUES</b>	<b>\$ 21,603,885</b>	<b>\$ 21,498,885</b>	<b>\$ 21,805,085</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>GENERAL GOVERNMENT</b>			
General administration	\$ 48,651	\$ 48,651	\$ 40,489
Village administration	503,220	505,260	447,415
Finance department	385,567	388,244	372,680
Technology department	371,953	372,590	322,239
Community services - administration	<u>376,770</u>	<u>384,495</u>	<u>390,182</u>
 Total general government	 <u>1,686,161</u>	 <u>1,699,240</u>	 <u>1,573,005</u>
<b>PUBLIC SAFETY</b>			
Police department	7,059,117	7,051,228	6,821,071
Fire department	8,215,172	8,240,584	8,103,008
Community services - building and zoning	<u>646,827</u>	<u>635,332</u>	<u>603,430</u>
 Total public safety	 <u>15,921,116</u>	 <u>15,927,144</u>	 <u>15,527,509</u>
<b>HIGHWAYS AND STREETS</b>			
Community services - public works	<u>1,809,253</u>	<u>1,713,789</u>	<u>1,612,559</u>
<b>CULTURE AND RECREATION</b>			
Parks and recreation department	<u>748,376</u>	<u>714,523</u>	<u>717,928</u>
<b>ECONOMIC DEVELOPMENT</b>			
	<u>648,098</u>	<u>648,353</u>	<u>619,387</u>
 <b>TOTAL EXPENDITURES</b>	 <u>\$ 20,813,004</u>	<u>\$ 20,703,049</u>	<u>\$ 20,050,388</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes			
Property	\$ 1,623,137	\$ 1,623,137	\$ 1,612,139
Investment income	600	2,100	3,426
 Total revenues	 1,623,737	 1,625,237	 1,615,565
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	1,076,000	1,076,000	1,076,000
Interest and fiscal charges	54,287	54,387	54,291
 Total expenditures	 1,130,287	 1,130,387	 1,130,291
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	493,450	494,850	485,274
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	-	-	-
 Total other financing sources (uses)	 -	 -	 -
 NET CHANGE IN FUND BALANCE	 <u>\$ 493,450</u>	 <u>\$ 494,850</u>	 485,274
 FUND BALANCE, MAY 1			 841,020
 <b>FUND BALANCE, DECEMBER 31</b>			 <u>\$ 1,326,294</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Investment income	\$ 1,000	\$ 1,000	\$ 911
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>911</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	625,000	625,000	625,000
Interest and fiscal charges	857,702	807,202	837,553
Total expenditures	<u>1,482,702</u>	<u>1,432,202</u>	<u>1,462,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,481,702)</u>	<u>(1,431,202)</u>	<u>(1,461,642)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from bond issuance, at par	1,076,000	7,861,000	7,861,000
Payment to escrow agent	-	(6,890,182)	(6,890,182)
Transfer in	732,000	732,000	732,000
Total other financing sources (uses)	<u>1,808,000</u>	<u>1,702,818</u>	<u>1,702,818</u>
NET CHANGE IN FUND BALANCE	<u>\$ 326,298</u>	<u>\$ 271,616</u>	<u>241,176</u>
FUND BALANCE (DEFICIT), MAY 1			<u>(1,307,924)</u>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>			<u><b>\$ (1,066,748)</b></u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Grants	\$ 20,000	\$ 20,000	\$ -
Reimbursements	-	-	4,484
Investment income	4,000	4,000	2,217
Miscellaneous	-	-	236,851
 Total revenues	 24,000	 24,000	 243,552
<b>EXPENDITURES</b>			
Capital outlay			
Infrastructure improvements	40,000	10,000	33,021
Capital project improvements	167,000	243,125	207,297
 Total expenditures	 207,000	 253,125	 240,318
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (183,000)	 (229,125)	 3,234
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	650,000	650,000	1,000,000
 Total other financing sources (uses)	 650,000	 650,000	 1,000,000
 NET CHANGE IN FUND BALANCE	 \$ 467,000	 \$ 420,875	 1,003,234
 FUND BALANCE, MAY 1			 826,543
 <b>FUND BALANCE, DECEMBER 31</b>			 <b>\$ 1,829,777</b>

(See independent auditor's report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2016

	Special Revenue Funds						Capital Projects			
	Foreign Fire Tax	Hotel Tax	Motor Fuel Tax	Special Events	TIF #3	Non-Home		Rule Sales Tax Capital Projects	Total	
						Park Improvements	Capital Projects			
<b>ASSETS</b>										
Cash and investments	\$ 207,426	\$ 345,142	\$ 1,932,265	\$ 78,898	\$ 12,141	\$ 120,532	\$ 562,404	\$ 3,258,808		
Receivables (net, where applicable, of allowances for uncollectibles)										
Accounts	-	7,490	46,570	-	-	-	537,764		591,824	
Accrued interest	-	-	-	-	-	328	-		328	
Prepaid items	-	-	-	6,597	-	-	-		6,597	
<b>TOTAL ASSETS</b>	<b>\$ 207,426</b>	<b>\$ 352,632</b>	<b>\$ 1,978,835</b>	<b>\$ 85,495</b>	<b>\$ 12,141</b>	<b>\$ 120,860</b>	<b>\$ 1,100,168</b>	<b>\$ 3,857,557</b>		
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ 10,354	\$ 3,558	\$ 9,853	\$ -	\$ 98,610	\$ 122,375		
Accrued payroll	-	96	-	1,661	-	-	-		1,757	
Unearned revenue	-	-	-	2,000	-	-	-		2,000	
Other payables	-	-	-	-	-	-	3,902		3,902	
Advances due to other funds	-	-	-	-	45,000	-	-		45,000	
Total liabilities	-	96	10,354	7,219	54,853	-	102,512		175,034	
<b>FUND BALANCES</b>										
Nonspendable				6,597					6,597	
Prepaid Items	-	-	-	-	-	-	-			
Restricted										
Public Safety	207,426	-	-	-	-	-	-		207,426	
Capital Projects	-	-	-	-	-	-	997,656		997,656	
Highways and Streets	-	-	1,968,481	-	-	-	-		1,968,481	
Tourism	-	352,536	-	-	-	-	-		352,536	
Special Events	-	-	-	71,679	-	-	-		71,679	
Assigned										
Capital Projects	-	-	-	-	-	120,860	-		120,860	
Unassigned (deficit)	-	-	-	-	(42,712)	-	-		(42,712)	
Total fund balances (deficit)	207,426	352,536	1,968,481	78,276	(42,712)	120,860	997,656		3,682,523	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 207,426</b>	<b>\$ 352,632</b>	<b>\$ 1,978,835</b>	<b>\$ 85,495</b>	<b>\$ 12,141</b>	<b>\$ 120,860</b>	<b>\$ 1,100,168</b>	<b>\$ 3,857,557</b>		

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

	Special Revenue Funds				Capital Projects				Non-Home Rule Sales Tax Capital Projects		Total
	Foreign Fire Tax	Hotel Tax	Motor Fuel Tax	Special Events	TIF #3	Park Improvements					
<b>REVENUES</b>											
Taxes	\$ 47,387	\$ 81,258	\$ -	\$ -	\$ -	\$ -	\$ 1,402,961	\$ 1,531,606			
Intergovernmental											
Motor fuel tax allocations	- -	348,303	- -	- -	- -	- -	- -	- -	348,303		
Capital grants	- -	- -	- -	- -	- -	- -	- -	- -	- -		
Special events	- -	- -	- -	118,247	- -	- -	- -	- -	118,247		
Investment income	- -	502	4,781	89	- -	197	1,875	7,444			
Total revenues	47,387	81,760	353,084	118,336	- -	197	1,404,836	2,005,600			
<b>EXPENDITURES</b>											
Current											
General government	- -	3,710	- -	233,554	- -	- -	- -	- -	237,264		
Public safety	13,069	- -	- -	- -	- -	- -	- -	- -	13,069		
Highways and streets	- -	- -	314,019	- -	- -	- -	1,863,611	2,177,630			
Economic development	- -	- -	- -	- -	42,712	- -	- -	42,712			
Capital outlay											
Park improvements	- -	- -	- -	- -	- -	50,145	- -	50,145			
Total expenditures	13,069	3,710	314,019	233,554	42,712	50,145	1,863,611	2,520,820			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,318	78,050	39,065	(115,218)	(42,712)	(49,948)	(458,775)	(515,220)			
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	- -	- -	- -	144,600	- -	- -	- -	- -	144,600		
Transfers (out)	- -	(30,000)	- -	- -	- -	- -	- -	- -	(30,000)		
Total other financing sources (uses)	- -	(30,000)	- -	144,600	- -	- -	- -	- -	114,600		
NET CHANGE IN FUND BALANCES	34,318	48,050	39,065	29,382	(42,712)	(49,948)	(458,775)	(400,620)			
FUND BALANCES, MAY 1	173,108	304,486	1,929,416	48,894	- -	170,808	1,456,431	4,083,143			
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 207,426</b>	<b>\$ 352,536</b>	<b>\$ 1,968,481</b>	<b>\$ 78,276</b>	<b>\$ (42,712)</b>	<b>\$ 120,860</b>	<b>\$ 997,656</b>	<b>\$ 3,682,523</b>			

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 84,606	\$ 84,606	\$ 81,258
Investment income	180	180	502
 Total revenues	 84,786	 84,786	 81,760
<b>EXPENDITURES</b>			
General government	3,352	3,352	3,710
 Total expenditures	 3,352	 3,352	 3,710
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 81,434	 81,434	 78,050
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(50,000)	(30,000)	(30,000)
 Total other financing sources (uses)	 (50,000)	 (30,000)	 (30,000)
 NET CHANGE IN FUND BALANCE	 \$ 31,434	 \$ 51,434	 48,050
 FUND BALANCE, MAY 1			 304,486
<b>FUND BALANCE, DECEMBER 31</b>			 \$ 352,536

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Motor fuel tax allocations	\$ 339,620	\$ 339,620	\$ 348,303
Investment income	750	750	4,781
Total revenues	<u>340,370</u>	<u>340,370</u>	<u>353,084</u>
<b>EXPENDITURES</b>			
Highways and streets	339,400	339,400	314,019
Total expenditures	<u>339,400</u>	<u>339,400</u>	<u>314,019</u>
NET CHANGE IN FUND BALANCE	<u>\$ 970</u>	<u>\$ 970</u>	<u>39,065</u>
FUND BALANCE, MAY 1			<u>1,929,416</u>
<b>FUND BALANCE, DECEMBER 31</b>			<u><b>\$ 1,968,481</b></u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Special events	\$ 89,550	\$ 109,550	\$ 118,247
Investment income	30	30	89
	<hr/>	<hr/>	<hr/>
Total revenues	89,580	109,580	118,336
<b>EXPENDITURES</b>			
General government	236,672	236,672	233,554
	<hr/>	<hr/>	<hr/>
Total expenditures	236,672	236,672	233,554
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<hr/>	<hr/>	<hr/>
	(147,092)	(127,092)	(115,218)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	164,600	144,600	144,600
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	164,600	144,600	144,600
<b>NET CHANGE IN FUND BALANCE</b>	<hr/>	<hr/>	<hr/>
	\$ 17,508	\$ 17,508	29,382
<b>FUND BALANCE, MAY 1</b>			<hr/>
			48,894
<b>FUND BALANCE, DECEMBER 31</b>			<hr/>
			\$ 78,276

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
None	\$ -	\$ -	\$ -
Total revenues	- -	- -	- -
<b>EXPENDITURES</b>			
Economic development	- -	26,000	42,712
Total expenditures	- -	26,000	42,712
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	- -	(26,000)	(42,712)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (26,000)</u>	<u>(42,712)</u>
<b>FUND BALANCE, MAY 1</b>			- -
<b>FUND BALANCE, DECEMBER 31</b>			<u>\$ (42,712)</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Investment income	\$ 900	\$ 900	\$ 197
Total revenues	900	900	197
<b>EXPENDITURES</b>			
Park improvements	63,500	63,500	50,145
Total expenditures	63,500	63,500	50,145
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(62,600)</b>	<b>(62,600)</b>	<b>(49,948)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	-	-	-
Total other financing sources (uses)	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (62,600)</b>	<b>\$ (62,600)</b>	<b>(49,948)</b>
<b>FUND BALANCE, MAY 1</b>			<b>170,808</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 120,860</b>

(See independent auditor's report.)

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

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 1,402,693	\$ 1,402,693	\$ 1,402,961
Capital grants	500	500	-
Investment income	-	-	1,875
 Total revenues	 1,403,193	 1,403,193	 1,404,836
<b>EXPENDITURES</b>			
Highways and streets	2,046,650	1,853,650	1,870,811
Less reimbursements	-	-	(7,200)
 Total expenditures	 2,046,650	 1,853,650	 1,863,611
 NET CHANGE IN FUND BALANCE	 \$ (643,457)	 \$ (450,457)	 \$ (458,775)
 FUND BALANCE, MAY 1			 1,456,431
 <b>FUND BALANCE, DECEMBER 31</b>			 <b>\$ 997,656</b>

(See independent auditor's report.)

## **MAJOR ENTERPRISE FUND**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,520,897	\$ 3,560,897	\$ 3,466,627
Total operating revenues	<u>3,520,897</u>	<u>3,560,897</u>	<u>3,466,627</u>
<b>OPERATING EXPENSES</b>			
Administration	457,744	459,624	521,329
Operations	4,519,578	4,557,425	1,975,066
Depreciation	<u>750,000</u>	<u>750,000</u>	<u>1,137,896</u>
Total operating expenses	<u>5,727,322</u>	<u>5,767,049</u>	<u>3,634,291</u>
OPERATING INCOME (LOSS)	<u>(2,206,425)</u>	<u>(2,206,152)</u>	<u>(167,664)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Connection fees	200,000	105,000	79,067
Investment income	5,100	5,100	14,436
Interest and fiscal charges	<u>(161,875)</u>	<u>(201,875)</u>	<u>(138,385)</u>
Total non-operating revenues (expenses)	<u>43,225</u>	<u>(91,775)</u>	<u>(44,882)</u>
CHANGE IN NET POSITION	<u>\$ (2,163,200)</u>	<u>\$ (2,297,927)</u>	<u>(212,546)</u>
NET POSITION, MAY 1			43,209,144
<b>NET POSITION, DECEMBER 31</b>			<b><u>\$ 42,996,598</u></b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>CHARGES FOR SERVICES</b>			
Water charges	\$ 1,961,313	\$ 2,001,313	\$ 1,927,807
Sewer charges	1,416,484	1,446,484	1,425,604
Meter sales	22,000	22,000	8,430
Late fees	70,300	70,300	73,088
Wastewater service agreements	50,000	20,000	28,466
Inspection fees	800	800	370
Other	-	-	2,862
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 3,520,897</b>	<b>\$ 3,560,897</b>	<b>\$ 3,466,627</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>ADMINISTRATION</b>			
Personnel services	\$ 223,209	\$ 225,089	\$ 298,506
Contractual services	195,120	195,120	185,956
Commodities	39,415	39,415	36,867
<b>TOTAL ADMINISTRATION</b>	<b>\$ 457,744</b>	<b>\$ 459,624</b>	<b>\$ 521,329</b>
<b>OPERATIONS</b>			
Water production and storage			
Personnel services	\$ 438,652	\$ 442,188	\$ 422,490
Contractual services	125,122	126,122	97,254
Commodities	387,150	412,150	367,024
Total water production and storage	950,924	980,460	886,768
Water distribution			
Personnel services	380,240	383,551	373,326
Contractual services	131,308	111,308	89,123
Commodities	64,850	64,850	56,805
Total water distribution	576,398	559,709	519,254
Capital outlay and maintenance	5,322,325	5,347,325	2,899,113
Less non-operating items			
Capital assets capitalized	(2,330,069)	(2,330,069)	(2,330,069)
<b>TOTAL OPERATIONS</b>	<b>\$ 4,519,578</b>	<b>\$ 4,557,425</b>	<b>\$ 1,975,066</b>
<b>DEPRECIATION</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 1,137,897</b>

(See independent auditor's report.)

## **INTERNAL SERVICE FUNDS**

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

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

	<b>Medical Self-Insurance</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 623,028	\$ 1,067,105	\$ 554,469	\$ 2,244,602
Accounts receivable	6,229	-	-	6,229
Prepaid items	59,988	174,010	-	233,998
Due from other funds	55,000	-	310,000	365,000
 Total current assets	 744,245	 1,241,115	 864,469	 2,849,829
<b>NONCURRENT ASSETS</b>				
Capital assets				
Depreciable	-	-	1,503,670	1,503,670
Accumulated depreciation	-	-	(186,126)	(186,126)
 Net capital assets	 -	 -	 1,317,544	 1,317,544
 Total assets	 744,245	 1,241,115	 2,182,013	 4,167,373
<b>CURRENT LIABILITIES</b>				
Accounts payable	7,848	80	210	8,138
Claims payable	207,372	-	-	207,372
Due to other funds	3,407	-	-	3,407
 Total current liabilities	 218,627	 80	 210	 218,917
 Total liabilities	 218,627	 80	 210	 218,917
<b>NET POSITION</b>				
Net investment in capital assets	-	-	1,317,544	1,317,544
Unrestricted	525,618	1,241,035	864,259	2,630,912
 Total net position	 \$ 525,618	 \$ 1,241,035	 \$ 2,181,803	 \$ 3,948,456

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Medical Self-Insurance</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Contributions				
Employer	\$ 2,036,548	\$ 800,000	\$ 752,563	\$ 3,589,111
Employee	143,448	-	-	143,448
Pensioner	134,433	-	-	134,433
Miscellaneous	-	-	12,550	12,550
Total operating revenues	2,314,429	800,000	765,113	3,879,542
<b>OPERATING EXPENSES</b>				
Insurance and claims				
Personal services	7,100	55,676	-	62,776
Claims	1,601,256	-	-	1,601,256
Contractual services	573,147	382,203	-	955,350
Less reimbursements	(27,476)	(26,284)	-	(53,760)
Operations				
Commodities	-	-	171,084	171,084
Depreciation	-	-	98,581	98,581
Total operating expenses	2,154,027	411,595	269,665	2,835,287
<b>OPERATING INCOME</b>				
	160,402	388,405	495,448	1,044,255
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment income	507	-	936	1,443
Total non-operating revenue (expense)	507	-	936	1,443
<b>INCOME BEFORE TRANSFERS</b>				
	160,909	388,405	496,384	1,045,698
<b>TRANSFERS</b>				
Transfers In	-	-	310,000	310,000
Total transfers	-	-	310,000	310,000
<b>CHANGE IN NET POSITION</b>				
	160,909	388,405	806,384	1,355,698
NET POSITION, MAY 1	364,709	852,630	1,375,419	2,592,758
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 525,618</b>	<b>\$ 1,241,035</b>	<b>\$ 2,181,803</b>	<b>\$ 3,948,456</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

	<b>Self-Insurance Retention</b>	<b>Risk Management</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 280,741	\$ -	\$ 12,550	\$ 293,291
Receipts from internal services transactions	2,036,548	800,000	931,676	3,768,224
Payments to employees	(635,247)	(54,761)	-	(690,008)
Payments to suppliers	(1,585,402)	(958)	(170,874)	(1,757,234)
Net cash from operating activities	96,640	744,281	773,352	1,614,273
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Receipt on interfund loan	3,407	-	-	3,407
Net cash from noncapital financing activities	3,407	-	-	3,407
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	-	-	(297,114)	(297,114)
Net cash from capital and related financing activities	-	-	(297,114)	(297,114)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	507	-	936	1,443
Net cash from investing activities	507	-	936	1,443
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,554	744,281	477,174	1,322,009
CASH AND CASH EQUIVALENTS, MAY 1	522,474	322,824	77,295	922,593
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 623,028</b>	<b>\$ 1,067,105</b>	<b>\$ 554,469</b>	<b>\$ 2,244,602</b>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 623,028	\$ 1,067,105	\$ 554,469	\$ 2,244,602
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 623,028</b>	<b>\$ 1,067,105</b>	<b>\$ 554,469</b>	<b>\$ 2,244,602</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 160,402	\$ 388,405	\$ 495,448	\$ 1,044,255
Adjustments to reconcile operating income to net cash from operating activities	-	-	98,581	98,581
Depreciation	-	-	-	-
(Increase) decrease in				
Accounts receivable	2,860	915	-	3,775
Prepaid items	(30,213)	358,180	-	327,967
Due from other funds	(55,000)	-	179,113	124,113
Increase (decrease) in				
Accounts payable	1,482	(3,219)	210	(1,527)
Claims payable	17,109	-	-	17,109
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 96,640</b>	<b>\$ 744,281</b>	<b>\$ 773,352</b>	<b>\$ 1,614,273</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 1,936,548	\$ 2,036,548	\$ 2,036,548
Employee	145,350	145,350	143,448
Pensioner	107,600	107,600	134,433
 Total operating revenues	 2,189,498	 2,289,498	 2,314,429
<b>OPERATING EXPENSES</b>			
Insurance and claims			
Personnel services	20,000	20,000	7,100
Claims	1,461,581	1,606,581	1,601,256
Contractual services	562,500	586,500	573,147
Less reimbursements	(38,000)	(38,000)	(27,476)
 Total operating expenses	 2,006,081	 2,175,081	 2,154,027
 <b>OPERATING INCOME</b>	 183,417	 114,417	 160,402
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	100	100	507
 Total non-operating revenue (expense)	 100	 100	 507
 <b>CHANGE IN NET POSITION</b>	 \$ 183,517	 \$ 114,517	 160,909
 <b>NET POSITION, MAY 1</b>			 364,709
 <b>NET POSITION, DECEMBER 31</b>			 \$ 525,618

(See independent auditor's report.)

# **VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 800,000	\$ 800,000	\$ 800,000
Total operating revenues	800,000	800,000	800,000
<b>OPERATING EXPENSES</b>			
Insurance and claims			
Personnel services	100,250	70,250	55,676
Contractual services	587,190	567,190	382,203
Less reimbursements	(75,000)	(25,000)	(26,284)
Total operating expenses	612,440	612,440	411,595
CHANGE IN NET POSITION	\$ 187,560	\$ 187,560	388,405
NET POSITION, MAY 1			852,630
<b>NET POSITION, DECEMBER 31</b>			<b>\$ 1,241,035</b>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Contributions			
Employer	\$ 742,371	\$ 761,908	\$ 752,563
Miscellaneous	-	12,550	12,550
 Total operating revenues	 742,371	 774,458	 765,113
<b>OPERATING EXPENSES</b>			
Operations			
Vehicles	163,000	188,000	186,771
Technology	166,217	166,217	118,259
Equipment	153,500	160,587	163,168
Depreciation	35,592	35,592	98,581
 Total operating expenses	 518,309	 550,396	 566,779
<b>OPERATING INCOME</b>			
	 224,062	 224,062	 198,334
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	200	200	936
 Total non-operating revenue (expense)	 200	 200	 936
<b>INCOME BEFORE TRANSFERS</b>			
	 224,262	 224,262	 199,270
<b>TRANSFERS</b>			
Transfer in	-	-	310,000
 Total transfers	 -	 -	 310,000
<b>CHANGE IN NET POSITION - BUDGETARY BASIS</b>			
	 \$ 224,262	 \$ 224,262	 509,270
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Vehicle costs capitalized			186,771
Equipment costs capitalized			110,343
 CHANGE IN NET POSITION - GAAP BASIS	 806,384		
<b>NET POSITION, MAY 1</b>			
			 1,375,419
<b>NET POSITION, DECEMBER 31</b>			
			 \$ 2,181,803

(See independent auditor's report.)

## **FIDUCIARY FUNDS**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,225	\$ 256,328	\$ 260,553
Investments			
U.S. Treasury obligations	1,144,637	468,185	1,612,822
U.S. agencies securities	6,015,940	5,014,296	11,030,236
Mutual funds	10,996,326	8,619,783	19,616,109
Common stocks	-	7,610,021	7,610,021
Corporate bonds	-	5,022,386	5,022,386
State and local obligations	1,375,758	1,064,667	2,440,425
Money market funds	80,220	490,892	571,112
Insurance contracts	-	382,805	382,805
Receivables			
Accrued interest	53,782	123,022	176,804
Prepays	1,912	3,326	5,238
 Total assets	 19,672,800	 29,055,711	 48,728,511
<b>LIABILITIES</b>			
Accounts payable	14,830	16,452	31,282
 Total liabilities	 14,830	 16,452	 31,282
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
	 \$ 19,657,970	 \$ 29,039,259	 \$ 48,697,229

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions - employer	\$ 1,564,453	\$ 1,911,342	\$ 3,475,795
Contributions - employee	218,169	328,920	547,089
 Total contributions	 1,782,622	 2,240,262	 4,022,884
 Investment income			
Net appreciation in fair value of investments	387,242	197,183	584,425
Interest earned on investments	521,371	591,048	1,112,419
 Total investment income	 908,613	 788,231	 1,696,844
Less investment expense	(39,252)	(38,216)	(77,468)
 Net investment income	 869,361	 750,015	 1,619,376
 Total additions	 2,651,983	 2,990,277	 5,642,260
 <b>DEDUCTIONS</b>			
Benefits and refunds			
Pension payments and refunds	901,384	550,340	1,451,724
Administrative	25,420	63,270	88,690
 Total deductions	 926,804	 613,610	 1,540,414
 NET INCREASE	 1,725,179	 2,376,667	 4,101,846
 <b>NET POSITION RESTRICTED FOR PENSIONS</b>			
May 1	17,932,791	26,662,592	44,595,383
December 31	 \$ 19,657,970	 \$ 29,039,259	 \$ 48,697,229

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

For the Eight Months Ended December 31, 2016

---

	<b>Balances</b>			<b>Balances</b>
	<b>May 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>
<b>Total All Agency Funds</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,833,150	\$ 782,269	\$ 670,837	\$ 1,944,582
Receivables				
Other	19,483	17,811	14,250	23,044
Due from other funds	-	6,768	295	6,473
<b>TOTAL ASSETS</b>	<b>\$ 1,852,633</b>	<b>\$ 806,848</b>	<b>\$ 685,382</b>	<b>\$ 1,974,099</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 606,247	\$ 203,380	\$ 160,634	\$ 648,993
Due to other funds	13,486	253,205	18,904	247,787
Deposits payable	1,232,900	271,107	426,688	1,077,319
<b>TOTAL LIABILITIES</b>	<b>\$ 1,852,633</b>	<b>\$ 727,692</b>	<b>\$ 606,226</b>	<b>\$ 1,974,099</b>
<b>1. Escrow Performance</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,227,553	\$ 713,106	\$ 643,419	\$ 1,297,240
Receivables				
Other	6,877	16,300	12,490	10,687
Due from other funds	-	6,768	295	6,473
<b>TOTAL ASSETS</b>	<b>\$ 1,234,430</b>	<b>\$ 736,174</b>	<b>\$ 656,204</b>	<b>\$ 1,314,400</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 681	\$ 136,848	\$ 137,298	\$ 231
Due to other funds	849	253,205	17,204	236,850
Deposits payable	1,232,900	271,107	426,688	1,077,319
<b>TOTAL LIABILITIES</b>	<b>\$ 1,234,430</b>	<b>\$ 661,160</b>	<b>\$ 581,190</b>	<b>\$ 1,314,400</b>
<b>2. Special Service Areas</b>				
<b>ASSETS</b>				
Cash and investments	\$ 605,597	\$ 69,163	\$ 27,418	\$ 647,342
Receivables				
Other	12,606	1,511	1,760	12,357
<b>TOTAL ASSETS</b>	<b>\$ 618,203</b>	<b>\$ 70,674</b>	<b>\$ 29,178</b>	<b>\$ 659,699</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 605,566	\$ 66,532	\$ 23,336	\$ 648,762
Due to other funds	12,637	-	1,700	10,937
<b>TOTAL LIABILITIES</b>	<b>\$ 618,203</b>	<b>\$ 66,532</b>	<b>\$ 25,036</b>	<b>\$ 659,699</b>

(See independent auditor's report.)

**SUPPLEMENTAL DATA**

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Total	August 1	Amount	February 1	Amount
2016	\$ 240,000	\$ 56,833	\$ 296,833	2017	\$ 28,417	2018	\$ 28,416
2017	300,000	44,578	344,578	2018	22,289	2019	22,289
2018	350,000	29,028	379,028	2019	14,514	2020	14,514
2019	405,000	10,226	415,226	2020	5,113	2021	5,113
	<u>\$ 1,295,000</u>	<u>\$ 140,665</u>	<u>\$ 1,435,665</u>		<u>\$ 70,333</u>		<u>\$ 70,332</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Tax Levy Year</b>	<b>Tax Levy</b>			<b>Interest Due on</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>July 1</b>	<b>Amount</b>	<b>January 1</b>	<b>Amount</b>
2016	\$ 435,000	\$ 73,475	\$ 508,475	2017	\$ 36,738	2018	\$ 36,737
2017	460,000	51,100	511,100	2018	25,550	2019	25,550
2018	485,000	29,900	514,900	2019	14,950	2020	14,950
2019	505,000	10,100	515,100	2020	5,050	2021	5,050
	<u>\$ 1,885,000</u>	<u>\$ 164,575</u>	<u>\$ 2,049,575</u>		<u>\$ 82,288</u>		<u>\$ 82,287</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2017	\$ 645,000	\$ 151,000	\$ 796,000	2017	\$ 75,500	2017	\$ 75,500
2018	655,000	138,100	793,100	2018	69,050	2018	69,050
2019	670,000	125,000	795,000	2019	62,500	2019	62,500
2020	685,000	111,600	796,600	2020	55,800	2020	55,800
2021	725,000	91,050	816,050	2021	45,525	2021	45,525
2022	745,000	69,300	814,300	2022	34,650	2022	34,650
2023	760,000	46,950	806,950	2023	23,475	2023	23,475
2024	805,000	24,150	829,150	2024	12,075	2024	12,075
	<u>\$ 5,690,000</u>	<u>\$ 757,150</u>	<u>\$ 6,447,150</u>		<u>\$ 378,575</u>		<u>\$ 378,575</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2017	\$ -	\$ 413,685	\$ 413,685	2017	\$ 206,842	2017	\$ 206,843
2018	-	413,685	413,685	2018	206,842	2018	206,843
2019	-	413,685	413,685	2019	206,842	2019	206,843
2020	-	413,685	413,685	2020	206,842	2020	206,843
2021	-	413,685	413,685	2021	206,842	2021	206,843
2022	-	413,685	413,685	2022	206,842	2022	206,843
2023	-	413,685	413,685	2023	206,842	2023	206,843
2024	-	413,685	413,685	2024	206,842	2024	206,843
2025	810,000	413,685	1,223,685	2025	206,842	2025	206,843
2026	840,000	387,360	1,227,360	2026	193,680	2026	193,680
2027	875,000	360,060	1,235,060	2027	180,030	2027	180,030
2028	915,000	331,622	1,246,622	2028	165,811	2028	165,811
2029	955,000	301,428	1,256,428	2029	150,714	2029	150,714
2030	1,370,000	268,956	1,638,956	2030	134,478	2030	134,478
2031	1,415,000	221,008	1,636,008	2031	110,504	2031	110,504
2032	1,480,000	170,066	1,650,066	2032	85,033	2032	85,033
2033	1,530,000	116,048	1,646,048	2033	58,024	2033	58,024
2034	1,585,000	59,438	1,644,438	2034	29,719	2034	29,719
	<u>\$ 11,775,000</u>	<u>\$ 5,939,151</u>	<u>\$ 17,714,151</u>		<u>\$ 2,969,571</u>		<u>\$ 2,969,580</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2017	\$ 400,000	\$ 104,500	\$ 504,500	2017	\$ 52,250	2017	\$ 52,250
2018	435,000	92,500	527,500	2018	46,250	2018	46,250
2019	450,000	79,450	529,450	2019	39,725	2019	39,725
2020	450,000	64,825	514,825	2020	32,412	2020	32,413
2021	450,000	49,075	499,075	2021	24,537	2021	24,538
2022	405,000	32,200	437,200	2022	16,100	2022	16,100
2023	400,000	16,000	416,000	2023	8,000	2023	8,000
	<u>\$ 2,990,000</u>	<u>\$ 438,550</u>	<u>\$ 3,428,550</u>		<u>\$ 219,274</u>		<u>\$ 219,276</u>

(See independent auditor's report.)

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

## LONG-TERM DEBT REQUIREMENTS IEPA LOAN OF 2006

December 31, 2016

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

## **FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Principal	Interest	Total	Interest Due on			
				June 16	Amount	December 16	Amount
2017	\$ 102,464	\$ 27,750	\$ 130,214	2017	\$ 14,193	2017	\$ 13,557
2018	105,042	25,173	130,215	2018	12,913	2018	12,260
2019	107,684	22,531	130,215	2019	11,600	2019	10,931
2020	110,393	19,822	130,215	2020	10,254	2020	9,568
2021	113,170	17,045	130,215	2021	8,874	2021	8,171
2022	116,017	14,197	130,214	2022	7,459	2022	6,738
2023	118,935	11,279	130,214	2023	6,009	2023	5,270
2024	121,927	8,287	130,214	2024	4,522	2024	3,765
2025	124,994	5,220	130,214	2025	2,998	2025	2,222
2026	114,853	2,076	116,929	2026	1,436	2026	640
	<u>\$ 1,135,479</u>	<u>\$ 153,380</u>	<u>\$ 1,288,859</u>		<u>\$ 80,258</u>		<u>\$ 73,122</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>February 11</b>	<b>Amount</b>	<b>August 11</b>	<b>Amount</b>
2017	\$ 84,541	\$ 28,658	\$ 113,199	2017	\$ 14,592	2017	\$ 14,066
2018	86,668	26,531	113,199	2018	13,535	2018	12,996
2019	88,848	24,351	113,199	2019	12,451	2019	11,900
2020	91,083	22,116	113,199	2020	11,341	2020	10,775
2021	93,375	19,824	113,199	2021	10,202	2021	9,622
2022	95,724	17,476	113,200	2022	9,035	2022	8,441
2023	98,132	15,068	113,200	2023	7,839	2023	7,229
2024	100,600	12,599	113,199	2024	6,612	2024	5,987
2025	103,131	10,068	113,199	2025	5,354	2025	4,714
2026	105,725	7,474	113,199	2026	4,065	2026	3,409
2027	108,385	4,814	113,199	2027	2,744	2027	2,070
2028	111,113	2,088	113,201	2028	1,389	2028	699
	<u>\$ 1,167,325</u>	<u>\$ 191,067</u>	<u>\$ 1,358,392</u>		<u>\$ 99,159</u>		<u>\$ 91,908</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>February 1</b>	<b>Amount</b>	<b>August 1</b>	<b>Amount</b>
2017	\$ -	\$ 189,909	\$ 189,909	2017	\$ 105,713	2017	\$ 84,196
2018	120,000	167,733	287,733	2018	84,196	2018	83,537
2019	120,000	166,263	286,263	2019	83,536	2019	82,727
2020	120,000	164,493	284,493	2020	82,726	2020	81,767
2021	635,000	157,976	792,976	2021	81,766	2021	76,210
2022	655,000	145,706	800,706	2022	76,210	2022	69,496
2023	680,000	131,343	811,343	2023	69,496	2023	61,847
2024	695,000	115,353	810,353	2024	61,846	2024	53,507
2025	715,000	97,717	812,717	2025	53,506	2025	44,211
2026	725,000	78,453	803,453	2026	44,211	2026	34,242
2027	750,000	57,797	807,797	2027	34,242	2027	23,555
2028	775,000	35,679	810,679	2028	23,555	2028	12,124
2029	795,000	12,124	807,124	2029	12,124	2029	-
	<u>\$ 6,785,000</u>	<u>\$ 1,520,546</u>	<u>\$ 8,305,546</u>		<u>\$ 813,127</u>		<u>\$ 707,419</u>

(See independent auditor's report.)

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

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

**FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest Due on</b>			
				<b>June 15</b>	<b>Amount</b>	<b>December 15</b>	<b>Amount</b>
2017	\$ 90,000	\$ 26,556	\$ 116,556	2017	\$ 16,556	2017	\$ 10,000
2018	95,000	18,200	113,200	2018	9,100	2018	9,100
2019	95,000	16,300	111,300	2019	8,150	2019	8,150
2020	100,000	14,400	114,400	2020	7,200	2020	7,200
2021	100,000	12,400	112,400	2021	6,200	2021	6,200
2022	100,000	10,400	110,400	2022	5,200	2022	5,200
2023	100,000	8,400	108,400	2023	4,200	2023	4,200
2024	105,000	6,400	111,400	2024	3,200	2024	3,200
2025	105,000	4,300	109,300	2025	2,150	2025	2,150
2026	110,000	2,200	112,200	2026	1,100	2026	1,100
	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 119,556</u></b>	<b><u>\$ 1,119,556</u></b>		<b><u>\$ 63,056</u></b>		<b><u>\$ 56,500</u></b>

(See independent auditor's report.)

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	122-133
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	134-137
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	138-143
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	144-145
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	146-149

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 84,175,365	\$ 81,219,210	\$ 80,849,072	\$ 80,013,336
Restricted	1,852,808	1,952,723	3,262,355	3,222,374
Unrestricted	(20,215,178)	(18,868,258)	(17,511,096)	(16,028,682)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 65,812,995</b>	<b>\$ 64,303,675</b>	<b>\$ 66,600,331</b>	<b>\$ 67,207,028</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 43,220,026	\$ 42,163,703	\$ 41,351,561	\$ 40,968,949
Unrestricted	3,311,111	2,589,565	2,424,907	1,261,950
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 46,531,137</b>	<b>\$ 44,753,268</b>	<b>\$ 43,776,468</b>	<b>\$ 42,230,899</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 127,395,391	\$ 123,382,913	\$ 122,200,633	\$ 120,982,285
Restricted	1,852,808	1,952,723	3,262,355	3,222,374
Unrestricted	(16,904,067)	(16,278,693)	(15,086,189)	(14,766,732)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 112,344,132</b>	<b>\$ 109,056,943</b>	<b>\$ 110,376,799</b>	<b>\$ 109,437,927</b>

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

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

Data Source

Audited Financial Statements

---

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016*	December 31, 2016**
\$ 76,652,153	\$ 76,983,201	\$ 79,846,136	\$ 80,503,360	\$ 82,125,245	\$ 82,623,774
17,592,724	18,839,037	10,192,895	10,960,283	10,779,838	12,026,955
(24,640,955)	(22,946,143)	(22,692,562)	(21,489,679)	(58,319,684)	(56,718,186)
<u>\$ 69,603,922</u>	<u>\$ 72,876,095</u>	<u>\$ 67,346,469</u>	<u>\$ 69,973,964</u>	<u>\$ 34,585,399</u>	<u>\$ 37,932,543</u>
\$ 41,753,593	\$ 41,029,978	\$ 41,321,810	\$ 39,678,649	\$ 39,130,472	\$ 39,849,034
593,365	1,228,483	1,406,104	3,440,249	4,078,672	3,147,564
<u>\$ 42,346,958</u>	<u>\$ 42,258,461</u>	<u>\$ 42,727,914</u>	<u>\$ 43,118,898</u>	<u>\$ 43,209,144</u>	<u>\$ 42,996,598</u>
\$ 118,405,746	\$ 118,013,179	\$ 121,167,946	\$ 120,182,009	\$ 121,255,717	\$ 122,472,808
17,592,724	18,839,037	10,192,895	10,960,283	10,779,838	12,026,955
(24,047,590)	(21,717,660)	(21,286,458)	(18,049,430)	(54,241,012)	(53,570,622)
<u>\$ 111,950,880</u>	<u>\$ 115,134,556</u>	<u>\$ 110,074,383</u>	<u>\$ 113,092,862</u>	<u>\$ 77,794,543</u>	<u>\$ 80,929,141</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

CHANGE IN NET POSITION

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 3,156,278	\$ 3,529,170	\$ 2,952,818	\$ 3,396,022
Public safety	16,081,083	16,767,143	15,425,916	16,529,348
Highways and streets	3,722,055	3,972,096	4,183,379	4,021,341
Culture and recreation	2,034,648	2,242,138	1,574,777	1,332,039
Economic development	425,359	913,927	1,920,010	1,098,934
Interest on long-term debt	2,045,277	1,695,254	1,146,842	1,233,206
Total governmental activities expenses	<u>27,464,700</u>	<u>29,119,728</u>	<u>27,203,742</u>	<u>27,610,890</u>
Business-type activities				
Waterworks and sewerage	5,148,885	5,170,570	5,013,468	4,753,896
Total business-type activities expenses	<u>5,148,885</u>	<u>5,170,570</u>	<u>5,013,468</u>	<u>4,753,896</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>				
	<u>\$ 32,613,585</u>	<u>\$ 34,290,298</u>	<u>\$ 32,217,210</u>	<u>\$ 32,364,786</u>
<b>PROGRAM REVENUES</b>				
Governmental activities				
Charges for services				
General government	\$ 2,603,229	\$ 2,136,166	\$ 2,175,734	\$ 1,967,590
Public safety	4,488,006	4,560,817	5,264,203	5,643,674
Highways and streets	-	-	-	-
Culture and recreation	619,381	629,882	478,097	642,923
Economic development	-	-	-	-
Operating grants	-	-	-	-
Capital grants	633,667	677,672	1,738,582	1,718,995
Total governmental activities program revenues	<u>8,344,283</u>	<u>8,004,537</u>	<u>9,656,616</u>	<u>9,973,182</u>
Business-type activities				
Charges for services				
Waterworks and sewerage	4,290,807	3,846,907	4,512,406	3,716,174
Capital grants	-	-	5,560	-
Total business-type activities program revenues	<u>4,290,807</u>	<u>3,846,907</u>	<u>4,517,966</u>	<u>3,716,174</u>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>				
	<u>\$ 12,635,090</u>	<u>\$ 11,851,444</u>	<u>\$ 14,174,582</u>	<u>\$ 13,689,356</u>

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*
\$ 3,074,208	\$ 3,140,972	\$ 1,613,068	\$ 1,802,610	\$ 1,522,322	\$ 772,641
17,950,169	18,486,450	18,582,961	19,438,857	20,687,223	16,155,251
4,439,375	4,290,953	4,647,467	4,969,501	4,855,446	3,518,270
1,347,279	1,205,021	1,109,942	1,143,280	1,147,881	920,054
926,436	479,102	940,077	1,128,755	1,515,262	1,231,598
1,045,608	1,254,435	1,409,508	1,738,490	1,475,911	1,088,971
 28,783,075	 28,856,933	 28,303,023	 30,221,493	 31,204,045	 23,686,785
 4,673,670	 4,986,492	 4,871,170	 4,901,767	 4,679,952	 3,772,676
 4,673,670	 4,986,492	 4,871,170	 4,901,767	 4,679,952	 3,772,676
 \$ 33,456,745	 \$ 33,843,425	 \$ 33,174,193	 \$ 35,123,260	 \$ 35,883,997	 \$ 27,459,461
   \$ 838,464	 \$ 1,965,735	 \$ 535,567	 \$ 617,962	 \$ 651,761	 \$ 282,411
6,844,127	7,205,320	7,086,380	7,392,854	7,096,281	5,712,362
439,467	520,172	469,234	186,992	74,080	28,177
676,449	599,609	529,221	613,484	655,848	572,725
-	-	-	35,000	95,579	67,340
835,918	1,165,632	688,520	905,163	594,937	392,568
537,892	516	-	-	47,133	-
 10,172,317	 11,456,984	 9,308,922	 9,751,455	 9,215,619	 7,055,583
 3,682,437	 4,784,199	 4,782,300	 4,949,523	 5,382,500	 3,545,694
989,110	110,136	530,814	336,000	-	-
 4,671,547	 4,894,335	 5,313,114	 5,285,523	 5,382,500	 3,545,694
 \$ 14,843,864	 \$ 16,351,319	 \$ 14,622,036	 \$ 15,036,978	 \$ 14,598,119	 \$ 10,601,277

**VILLAGE OF LAKE ZURICH, ILLINOIS**

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>NET (EXPENSE) REVENUE</b>				
Governmental activities	\$ (19,120,417)	\$ (21,115,191)	\$ (17,547,126)	\$ (17,637,708)
Business-type activities	<u>(858,078)</u>	<u>(1,323,663)</u>	<u>(495,502)</u>	<u>(1,037,722)</u>
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<b><u>\$ (19,978,495)</u></b>	<b><u>\$ (22,438,854)</u></b>	<b><u>\$ (18,042,628)</u></b>	<b><u>\$ (18,675,430)</u></b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities				
Taxes				
Property	\$ 8,091,060	\$ 8,248,091	\$ 8,887,061	\$ 8,841,223
Intergovernmental				
Sales	5,458,214	5,592,133	5,476,150	5,793,566
State income	1,788,320	1,683,021	1,536,443	1,541,627
Other	815,847	825,019	592,692	734,484
Special events	-	-	-	-
Investment income	407,397	107,426	25,419	48,447
Miscellaneous	684,602	2,650,181	2,826,017	785,058
Transfers in (out)	-	500,000	500,000	500,000
Total governmental activities	17,245,440	19,605,871	19,843,782	18,244,405
Business-type activities				
Property taxes	11,732	11,724	11,719	(11,706)
Investment income	179,907	34,070	6,983	3,859
Gain on sale of capital assets	-	-	-	-
Transfers in (out)	-	(500,000)	(500,000)	(500,000)
Total business-type activities	191,639	(454,206)	(481,298)	(507,847)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ 17,437,079</u></b>	<b><u>\$ 19,151,665</u></b>	<b><u>\$ 19,362,484</u></b>	<b><u>\$ 17,736,558</u></b>
<b>SPECIAL ITEM</b>				
Governmental activities	\$ -	\$ -	\$ -	\$ -
<b>CHANGE IN NET POSITION</b>				
Governmental activities	\$ (1,874,977)	\$ (1,509,320)	\$ 2,296,656	\$ 606,697
Business-type activities	<u>(666,439)</u>	<u>(1,777,869)</u>	<u>(976,800)</u>	<u>(1,545,569)</u>
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	<b><u>\$ (2,541,416)</u></b>	<b><u>\$ (3,287,189)</u></b>	<b><u>\$ 1,319,856</u></b>	<b><u>\$ (938,872)</u></b>

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

Data Source

Audited Financial Statements

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*
\$ (18,610,758)	\$ (17,399,949)	\$ (18,994,101)	\$ (20,470,038)	\$ (21,988,426)	\$ (16,631,202)
(2,123)	(92,157)	441,944	383,756	702,548	(226,982)
<u>\$ (18,612,881)</u>	<u>\$ (17,492,106)</u>	<u>\$ (18,552,157)</u>	<u>\$ (20,086,282)</u>	<u>\$ (21,285,878)</u>	<u>\$ (16,858,184)</u>
 \$ 9,060,819	 \$ 9,096,330	 \$ 9,342,465	 \$ 9,927,632	 \$ 10,134,009	 \$ 10,413,933
7,375,471	7,940,113	8,145,378	8,640,078	8,767,277	6,093,965
1,601,915	1,769,156	1,912,965	1,922,554	2,092,124	1,192,340
2,045,202	1,445,829	1,336,144	2,296,792	2,748,646	1,838,240
-	-	-	-	108,533	118,252
86,173	69,478	17,587	69,306	76,417	35,346
236,987	654,381	247,071	241,171	241,191	286,270
-	-	(26,291)	-	-	-
<u>20,406,567</u>	<u>20,975,287</u>	<u>20,975,319</u>	<u>23,097,533</u>	<u>24,168,197</u>	<u>19,978,346</u>
 - 10,873	 - 3,660	 - 1,218	 - 7,228	 - 12,191	 - 14,436
-	-	-	-	5,044	-
-	-	26,291	-	-	-
<u>10,873</u>	<u>3,660</u>	<u>27,509</u>	<u>7,228</u>	<u>17,235</u>	<u>14,436</u>
<u>\$ 20,417,440</u>	<u>\$ 20,978,947</u>	<u>\$ 21,002,828</u>	<u>\$ 23,104,761</u>	<u>\$ 24,185,432</u>	<u>\$ 19,992,782</u>
 \$ -	 \$ -	 \$ (7,018,317)	 \$ -	 \$ -	 \$ -
 \$ 1,795,809	 \$ 3,575,338	 \$ (5,037,099)	 \$ 2,627,495	 \$ 2,179,771	 \$ 3,347,144
8,750	(88,497)	469,453	390,984	719,783	(212,546)
<u>\$ 1,804,559</u>	<u>\$ 3,486,841</u>	<u>\$ (4,567,646)</u>	<u>\$ 3,018,479</u>	<u>\$ 2,899,554</u>	<u>\$ 3,134,598</u>

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>GENERAL FUND</b>				
Reserved	\$ 835,582	\$ 1,029,890	\$ 1,107,457	\$ 1,137,365
Unreserved	2,323,035	2,167,788	2,410,450	4,024,311
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unrestricted	-	-	-	-
<b>TOTAL GENERAL FUND</b>	<b>\$ 3,158,617</b>	<b>\$ 3,197,678</b>	<b>\$ 3,517,907</b>	<b>\$ 5,161,676</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved	\$ 13,847,115	\$ 14,010,393	\$ 15,787,496	\$ 15,710,939
Unreserved, reported in				
Special Revenue Funds	31,762	59,940	151,872	259,001
Capital Project Funds	670,718	587,586	954,551	1,490,591
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unrestricted	-	-	-	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 14,549,595</b>	<b>\$ 14,657,919</b>	<b>\$ 16,893,919</b>	<b>\$ 17,460,531</b>

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

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

Data Source

Audited Financial Statements

---

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
- 1,888,744	1,552,148	1,874,738	1,802,987	1,679,491	
339,445	328,685	348,816	434,061	363,308	344,337
<u>5,382,483</u>	<u>7,368,345</u>	<u>7,667,560</u>	<u>7,329,746</u>	<u>7,931,993</u>	<u>8,439,557</u>
<u>\$ 5,721,928</u>	<u>\$ 9,585,774</u>	<u>\$ 9,568,524</u>	<u>\$ 9,638,545</u>	<u>\$ 10,098,288</u>	<u>\$ 10,463,385</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
- 2,187	4,013	30,581	6,597		
17,631,245	18,510,352	9,844,079	10,526,222	10,416,530	11,682,618
-	-	-	258,605	170,808	120,860
(381,557)	-	-	(1,336,239)	(1,494,225)	(1,291,801)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 17,249,688	\$ 18,510,352	\$ 9,846,266	\$ 9,452,601	\$ 9,123,694	\$ 10,518,274

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
Taxes	\$ 9,429,834	\$ 9,585,231	\$ 10,160,886	\$ 10,667,029	\$ 12,020,367	\$ 12,249,275	\$ 12,462,615	\$ 14,047,185	\$ 14,575,401	\$ 13,415,421
Licenses and permits	885,010	575,208	618,304	830,107	598,732	669,712	821,173	1,030,867	861,876	342,861
Intergovernmental	8,696,048	8,777,845	9,343,867	8,771,807	9,445,800	10,972,018	14,288,150	15,103,784	15,254,299	11,034,163
Charges for services	5,005,354	5,005,802	5,236,050	5,804,830	6,170,629	6,491,618	1,395,081	1,587,616	1,681,998	1,324,421
Fines and forfeits	481,478	408,715	789,855	810,309	762,168	753,126	812,169	785,685	593,134	420,251
Special events	-	-	-	-	-	-	-	-	108,533	118,247
Interest income	407,397	107,426	25,419	48,447	86,174	69,478	17,587	69,306	76,417	35,346
Miscellaneous	684,602	2,650,181	2,826,017	785,058	1,045,451	1,227,043	513,757	224,545	189,008	343,219
<b>TOTAL</b>	<b>\$ 25,589,723</b>	<b>\$ 27,110,408</b>	<b>\$ 29,000,398</b>	<b>\$ 27,717,587</b>	<b>\$ 30,129,321</b>	<b>\$ 32,432,270</b>	<b>\$ 30,310,532</b>	<b>\$ 32,848,988</b>	<b>\$ 33,340,666</b>	<b>\$ 27,033,929</b>

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

Note: Includes all governmental funds.

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
General government	\$ 2,849,795	\$ 3,083,437	\$ 3,063,431	\$ 2,939,988	\$ 3,022,604	\$ 3,012,651	\$ 2,028,374	\$ 2,576,664	\$ 2,478,464	\$ 1,810,269
Public safety	15,024,150	14,471,695	14,934,390	15,670,720	17,188,744	18,380,336	18,557,096	19,097,605	20,087,385	15,540,578
Highways and streets	2,962,734	2,809,433	2,982,812	2,778,043	2,886,662	3,837,520	4,328,310	4,668,487	4,986,161	3,790,189
Culture and recreation	1,943,021	2,004,690	1,367,164	1,115,371	1,086,760	952,048	879,566	885,710	888,270	717,928
Economic development	425,359	913,927	1,920,010	1,098,934	925,553	478,179	938,891	1,128,464	1,507,657	1,227,799
Capital outlay	2,044,233	2,771,192	1,031,091	865,580	1,501,194	1,239,971	1,450,335	1,401,055	645,296	290,463
Debt service										
Principal	1,665,000	1,900,000	1,250,000	905,000	520,000	1,105,000	2,162,000	2,790,000	1,460,000	1,701,000
Interest and fiscal charges	2,069,288	1,933,501	901,415	1,172,426	919,876	1,028,952	1,331,090	1,585,100	1,205,295	891,844
<b>TOTAL</b>	<b><u>\$ 28,983,580</u></b>	<b><u>\$ 29,887,875</u></b>	<b><u>\$ 27,450,313</u></b>	<b><u>\$ 26,546,062</u></b>	<b><u>\$ 28,051,393</u></b>	<b><u>\$ 30,034,657</u></b>	<b><u>\$ 31,675,662</u></b>	<b><u>\$ 34,133,085</u></b>	<b><u>\$ 33,258,528</u></b>	<b><u>\$ 25,970,070</u></b>

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

Note: Includes all governmental funds.

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>REVENUES</b>				
Taxes	\$ 9,429,834	\$ 9,585,231	\$ 10,160,886	\$ 10,667,029
Licenses and permits	885,010	575,208	618,304	830,107
Intergovernmental	8,696,048	8,777,845	9,343,867	8,771,807
Charges for services	5,005,354	5,005,802	5,236,050	5,804,830
Fines and forfeitures	481,478	408,715	789,855	810,309
Special events	-	-	-	-
Investment income	407,397	107,426	25,419	48,447
Miscellaneous	684,602	2,650,181	2,826,017	785,058
 Total revenues	 25,589,723	 27,110,408	 29,000,398	 27,717,587
<b>EXPENDITURES</b>				
General government	2,849,795	3,083,437	3,063,431	2,939,988
Public safety	15,024,150	14,471,695	14,934,390	15,670,720
Highways and streets	2,962,734	2,809,433	2,982,812	2,778,043
Culture and recreation	1,943,021	2,004,690	1,367,164	1,115,371
Economic development	425,359	913,927	1,920,010	1,098,934
Capital outlay	2,044,233	2,771,192	1,031,091	865,580
Debt service				
Principal	1,665,000	1,900,000	1,250,000	905,000
Interest	2,069,288	1,933,501	901,415	1,172,426
 Total expenditures	 28,983,580	 29,887,875	 27,450,313	 26,546,062
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(3,393,857)	(2,777,467)	1,550,085	1,171,525
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance, at par	-	18,145,000	475,000	4,445,000
Premium on bonds issued	-	170,367	-	-
Payment to escrow agent	-	(15,890,515)	-	(3,875,000)
Proceeds from capital lease obligation	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	8,747,910	1,375,643	1,505,934
Transfers (out)	-	(8,247,910)	(875,643)	(1,005,934)
 Total other financing sources (uses)	 -	 2,924,852	 975,000	 1,070,000
<b>NET CHANGE IN FUND BALANCES</b>				
	\$ (3,393,857)	\$ 147,385	\$ 2,525,085	\$ 2,241,525
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>				
	13.22%	13.77%	8.72%	8.14%

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

Data Source

Audited Financial Statements

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*
\$ 12,020,367	\$ 12,249,275	\$ 12,462,615	\$ 14,047,185	\$ 14,575,401	\$ 13,415,421
598,732	669,712	821,173	1,030,867	861,876	342,861
9,445,800	10,972,018	14,288,150	15,103,784	15,254,299	11,034,163
6,170,629	6,491,618	1,395,081	1,587,616	1,681,998	1,324,421
762,168	753,126	812,169	785,685	593,134	420,251
-	-	-	-	108,533	118,247
86,174	69,478	17,587	69,306	76,417	35,346
1,045,451	1,227,043	513,757	224,545	189,008	343,219
<u>30,129,321</u>	<u>32,432,270</u>	<u>30,310,532</u>	<u>32,848,988</u>	<u>33,340,666</u>	<u>27,033,929</u>
 3,022,604	 3,012,651	 2,028,374	 2,576,664	 2,478,464	 1,810,269
17,188,744	18,380,336	18,557,096	19,097,605	20,087,385	15,540,578
2,886,662	3,837,520	4,328,310	4,668,487	4,986,161	3,790,189
1,086,760	952,048	879,566	885,710	888,270	717,928
925,553	478,179	938,891	1,128,464	1,507,657	1,227,799
1,501,194	1,239,971	1,450,335	1,401,055	645,296	290,463
 520,000	 1,105,000	 2,162,000	 2,790,000	 1,460,000	 1,701,000
919,876	1,028,952	1,331,090	1,585,100	1,205,295	891,844
<u>28,051,393</u>	<u>30,034,657</u>	<u>31,675,662</u>	<u>34,133,085</u>	<u>33,258,528</u>	<u>25,970,070</u>
 2,077,928	 2,397,613	 (1,365,130)	 (1,284,097)	 82,138	 1,063,859
 - 2,650,000	 - 588,025	 - (2,674,286)	 - 251,892	 - -	 - 7,861,000
19,155,000	397,596	(18,746,704)	129,856	24,705	48,698
 - 1,519,953	 - (2,725,982)	 (2,725,982)	 (7,075,090)	 (7,075,090)	 (2,751,426)
2,376,589	7,075,090	7,075,090	960,453	48,698	35,000
 1,713,738	 (1,519,953)	 (2,725,982)	 (7,075,090)	 (2,751,426)	 (2,186,600)
 - 815,631	 187,607	 960,453	 48,698	 48,698	 695,818
 \$ 2,077,928	 \$ 3,213,244	 \$ (1,177,523)	 \$ (323,644)	 \$ 130,836	 \$ 1,759,677
5.30%	7.42%	12.08%	12.10%	8.17%	10.10%

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Ten Levy Years

<b>Levy Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Total</b>	<b>Railroad</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2006	\$ 567,359,961	\$ 153,118,205	\$ 720,478,166	\$ 30,833	\$ 720,508,999	\$ 0.870
2007	600,225,289	169,303,669	769,528,958	33,174	769,562,132	0.813
2008	660,488,632	188,391,102	848,879,734	45,081	848,924,815	0.825
2009	684,983,790	200,512,583	885,496,373	61,540	885,557,913	0.804
2010	692,693,597	205,270,180	897,963,777	70,478	898,034,255	0.856
2011	670,744,254	201,024,795	871,769,049	352,395	872,121,444	0.907
2012	632,208,141	207,333,243	839,541,384	321,748	839,863,132	0.998
2013	586,319,303	205,938,281	792,257,584	258,669	792,516,253	1.132
2014	553,285,740	215,022,246	768,307,986	671,745	768,979,731	1.143
2015	579,562,017	213,818,454	793,380,471	810,109	794,190,580	1.130

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

Last Ten Levy Years

Tax Levy Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>TAX RATES</b>										
Village of Lake Zurich										
Corporate	0.154	0.145	0.008	0.012	0.260	0.256	0.261	0.247	0.251	0.011
Police protection	0.117	0.111	0.111	0.097	0.078	0.078	0.080	0.084	0.088	0.196
Fire protection	0.107	0.101	0.101	0.088	0.077	0.078	0.080	0.084	0.088	0.196
Ambulance	0.100	0.095	0.096	0.083	0.015	0.016	0.018	0.019	0.020	0.020
Illinois Municipal Retirement	0.028	0.027	0.027	0.027	0.006	0.023	0.023	0.026	0.026	0.042
Federal Social Security	0.106	0.1	0.096	0.094	-	-	-	-	-	-
Insurance	0.043	0.041	0.076	0.074	-	-	-	-	-	-
Debt service	0.140	0.125	0.126	0.109	0.116	0.124	0.136	0.211	0.211	0.204
Special recreation	0.023	0.022	0.021	0.020	0.021	0.022	0.023	0.024	0.023	0.023
Police pension	0.024	0.023	0.079	0.096	0.142	0.136	0.159	0.185	0.188	0.197
Firefighters' pension	0.024	0.023	0.084	0.104	0.141	0.174	0.218	0.252	0.248	0.241
Total direct tax rate	0.866	0.813	0.825	0.804	0.856	0.907	0.998	1.132	1.143	1.130
<b>OVERLAPPING RATES</b>										
Lake County	0.450	0.444	0.453	0.464	0.505	0.554	0.608	0.663	0.682	0.663
Lake County Forest Preserve	0.204	0.201	0.199	0.200	0.198	0.201	0.212	0.218	0.210	0.208
Ela Area Library District	0.317	0.306	0.308	0.308	0.329	0.356	0.386	0.409	0.410	0.398
School District #95	3.992	3.830	3.899	3.901	4.136	4.446	4.914	5.242	5.291	5.191
School District #96	2.989	2.772	2.869	2.916	3.086	3.453	3.756	3.976	4.040	3.870
High School District #125	2.134	2.114	2.139	2.185	2.306	2.465	2.751	2.989	3.049	3.004
Community College #532	0.195	0.192	0.196	0.200	0.218	0.240	0.272	0.296	0.306	0.299
Ela Township - Corp. and GA	0.086	0.082	0.084	0.084	0.091	0.099	0.088	0.100	0.100	0.098
Ela Township - road and bridge	0.010	0.010	0.005	0.007	0.008	0.009	0.010	0.011	0.010	0.010
Ela Township - gravel or R.I.	0.032	0.032	0.038	0.036	0.039	0.042	0.030	0.046	0.045	0.045
Barrington Public Library District	0.169	0.152	0.150	0.161	0.170	0.185	0.213	0.228	0.231	0.225
<b>TOTAL DIRECT AND OVERLAPPING TAX RATE</b>										
	11.444	10.948	11.165	11.266	11.942	12.957	14.238	15.310	15.517	15.141

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**PRINCIPAL PROPERTY TAXPAYERS**

Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Village Square Retail Center LLC	\$ 7,637,308	1	0.96%	\$ 6,376,941	1	0.83%
Landings Capital Partners, LLC	6,146,637	2	0.77%	6,273,252	2	0.82%
Individual Taxpayer (North Lake Commons)	5,854,717	3	0.74%	5,212,404	3	0.68%
Echo Incorporated	5,742,027	4	0.72%	4,666,200	4	0.61%
Deerpath Court Retail Center LLC	5,109,461	5	0.64%	4,116,887	5	0.53%
Deerpath Commons Retail Center	4,868,775	6	0.61%			0.00%
Liberty Realty Lake Zurich LLC			0.00%	3,333,289	6	0.43%
Costco	3,796,729	7	0.48%	3,329,023	7	0.43%
Roundys Supermarkets, Inc	3,658,811	8	0.46%			0.00%
HD Development of Maryland LLC			0.00%	2,791,139	8	0.36%
Greenhill Company LLC	3,657,305	9	0.46%	2,551,194	10	0.33%
Wal-Mart Properties, Inc.	3,652,117	10	0.46%	2,686,750	9	0.35%
<b>TOTAL</b>	<b><u>\$ 50,123,887</u></b>		<b><u>6.30%</u></b>	<b><u>\$ 41,337,079</u></b>		<b><u>5.37%</u></b>

Data Source

Office of the County Clerk and Ela Township Assessor

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Levy Years

---

<b>Fiscal Year Ended</b>	<b>Tax Levy Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	2006	\$ 6,664,408	\$ 6,661,241	99.95%	N/A	\$ 6,661,241	99.95%
2008	2007	6,901,759	6,895,811	99.91%	N/A	6,895,811	99.91%
2009	2008	7,305,853	7,291,787	99.81%	N/A	7,291,787	99.81%
2010	2009	7,220,195	7,214,819	99.93%	N/A	7,214,819	99.93%
2011	2010	7,465,360	7,445,276	99.73%	N/A	7,445,276	99.73%
2012	2011	7,617,559	7,619,717	100.03%	N/A	7,619,717	100.03%
2013	2012	7,909,312	7,895,992	99.83%	N/A	7,895,992	99.83%
2014	2013	8,637,807	8,624,832	99.85%	N/A	8,624,832	99.85%
2015	2014	8,794,144	8,780,768	99.85%	\$ 8,382	8,789,150	99.94%
2016	2015	9,016,727	8,967,347	99.45%	*	8,967,347	99.45%

N/A - Currently not available.

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

Data Source

Office of the County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

---

Fiscal Year Ended	Governmental Activities						
	General		TIF Revenue Bonds	Revenue	Capital		Notes Payable
	General Obligation Bonds	Obligation Revenue Bonds			Lease Obligation	Installment Contracts	
2008	\$ 5,095,000	\$ 9,100,000	\$ 10,000,000	\$ -	\$ 505,000	\$ 6,091,851	
2009	4,575,000	20,135,000	8,270,000	-	255,000		-
2010	4,160,000	20,135,000	8,165,000	-	-		-
2011	3,815,000	20,265,000	8,165,000	-	-		-
2012	3,455,000	20,235,000	7,915,000	-	-		-
2013	3,085,000	20,145,000	7,775,000	313,563	-		-
2014	2,700,000	19,405,000	7,275,000	243,559	-		-
2015	2,305,000	25,865,000	550,000	764,956	-		-
2016	1,885,000	25,375,000	-	599,590	-		-
2016**	1,885,000	25,858,877	-	551,196	-		-

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

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

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

Data Source

Audited Financial Statements

---

**Business-Type Activities**

<b>Waterworks and Sewerage Revenue Bonds</b>	<b>IEPA Loan</b>	<b>Total Primary Government</b>	<b>Total</b>	<b>Equalized</b>	<b>Percentage</b>	<b>Percentage</b>	<b>Per Capita*</b>
			<b>Assessed Value (EAV)</b>	<b>Percentage of EAV</b>	<b>of Personal Income*</b>		
\$ 4,510,000	\$ 2,489,808	\$ 37,791,659	\$ 769,562,132	4.91%	4.27%	\$ 1,989.87	
3,925,000	3,542,854	40,702,854	848,924,815	4.79%	5.66%	2,042.09	
3,320,000	3,450,320	39,230,320	885,557,913	4.43%	5.24%	1,920.51	
2,690,000	3,294,988	38,229,988	898,034,255	4.26%	5.19%	1,947.43	
1,665,000	3,132,971	36,402,971	872,121,444	4.17%	4.52%	1,837.33	
975,000	2,968,015	35,261,578	839,863,132	4.20%	4.78%	1,770.43	
4,075,000	2,797,744	36,496,303	792,516,253	4.82%	4.68%	1,832.42	
3,800,000	2,623,190	35,908,146	756,892,029	4.67%	4.59%	1,795.14	
3,390,000	2,444,244	33,693,834	768,979,731	4.38%	4.09%	1,685.28	
3,604,255	2,302,805	34,274,001	794,190,580	4.32%	4.04%	1,714.30	

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>Gross General Obligation Bonds</b>	<b>Less Amounts Available</b>			<b>Percentage of Equalized Assessed Value</b>			<b>Per Capita</b>
		<b>In Debt</b>	<b>Service Fund</b>	<b>Total</b>				
2008	\$ 5,095,000	\$ 196,268	\$ 4,898,732	0.64%	\$	257.94		
2009	4,575,000	259,631	4,315,369	0.51%		216.50		
2010	4,160,000	723,398	3,436,602	0.39%		168.24		
2011	3,815,000	778,594	3,036,406	0.34%		154.67		
2012	3,815,000	791,581	3,023,419	0.32%		134.43		
2013	3,085,000	796,995	2,288,005	0.26%		114.88		
2014	2,700,000	796,996	1,903,004	0.22%		95.55		
2015	2,305,000	825,140	1,479,860	0.17%		73.98		
2016	1,885,000	841,020	1,043,980	0.13%		52.22		
2016*	1,885,000	1,326,294	558,706	0.07%		27.95		

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

Data Source

Village records

**VILLAGE OF LAKE ZURICH, ILLINOIS**

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

December 31, 2016

---

<b>Governmental Unit</b>	<b>Gross Debt</b>	<b>(1) Percentage of Debt Applicable to Government</b>	<b>The Village's Share of Debt*</b>
Village of Lake Zurich	<u>\$ 1,885,000</u>	(2) 100.00%	<u>\$ 1,885,000</u>
Lake County	190,055,000	3.39%	6,442,865
Lake County Forest Preserve	284,615,000	3.39%	9,648,449
Ela Area Library District	3,195,000	44.60%	1,424,970
School District #95	17,288,415	50.58%	8,744,480
School District #96	405,000	2.82%	11,421
High School District #125	33,420,000	1.06%	354,252
Community College #532	<u>72,220,000</u>	3.57%	<u>2,578,254</u>
	<u>601,198,415</u>		<u>29,204,691</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b><u>\$ 603,083,415</u></b>		<b><u>\$ 31,089,691</u></b>

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

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

Data Source

Lake County Clerk

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SCHEDULE OF LEGAL DEBT MARGIN INFORMATION**

December 31, 2016

---

<b>EQUALIZED ASSESSED VALUATION - 2015*</b>	<b>\$ 794,190,580</b>
Legal debt limit - 8.625% of assessed valuation	\$ 68,498,938
Amount of debt applicable to debt limit:	
General obligation bonds	<u>1,885,000</u>
<b>LEGAL DEBT MARGIN</b>	<b>\$ 66,613,938</b>

\* Most Recent EAV Available

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

## VILLAGE OF LAKE ZURICH, ILLINOIS

### PLEDGED-REVENUE COVERAGE

Last Six Fiscal Years

---

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

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

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

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

#### Data Source

Village records

## VILLAGE OF LAKE ZURICH, ILLINOIS

### DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

---

Fiscal Year	(1) Population	(1) Personal Income (in Thousands)	(1) Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2008	18,992	\$ 884,640	\$ 46,580	35.8	6,366	2.2%
2009	19,932	718,927	36,069	34.7	6,188	6.7%
2010	20,427	749,303	36,682	34.7	6,207	10.3%
2011	19,631	737,085	37,547	38.6	6,023	8.5%
2012	19,813	805,220	40,641	39.8	5,944	8.8%
2013	19,917	737,088	37,008	36.8	5,913	4.4%
2014	20,003	782,677	39,128	41.1	5,892	6.7%
2015	20,054	787,541	39,271	39.9	5,716	4.5%
2016	19,993	823,072	41,168	38.8	5,769	5.5%
2016*	19,993	847,643	42,397	40	5,666	5.3%

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

#### Data Sources

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

## VILLAGE OF LAKE ZURICH, ILLINOIS

### PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Echo Inc.	830	1	4%	640	2	3%
Peapod	800	2	4%			
School District #95	759	3	4%	844	1	4%
Smalley Steel Ring Co.	540	4	3%	285	4	2%
ACCO Brands Corp	500	5	3%			
Termax Corp	400	6	2%			
Village of Lake Zurich	158	7	1%	178	6	1%
Lexington Lake Zurich	150	8	1%	155	7	1%
Tredegar Film Products	134	9	1%	125	8	1%
Gere Marie	125	10	1%			
CM Packaging, Inc.				320	3	2%
Pinnacle Food Products				175	5	1%
Dyecast Inc./Citation				120	9	1%
Sylvania Inc.				90	10	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>4,396</u>	<u>24%</u>	<u>2,932</u>			<u>16%</u>
Village population			19,993			18,992

#### Data Sources

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

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

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**FULL-TIME EQUIVALENT EMPLOYEES**

Last Ten Fiscal Years

<b>Function/Program</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
<b>GENERAL GOVERNMENT</b>										
Administration	2	7	3	4	4	4	5	5	4	4
Finance	8	4	6	7	7	5	5	5	5	5
Technology	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1
<b>COMMUNITY SERVICES</b>										
Building and zoning	10	10	9	8	8	8	7	7	7	7
Public works - general services	19	19	23	20	20	18	17	17	17	17
Public works - water and sewer	13	12	12	12	12	13	14	14	13	13
<b>POLICE</b>										
POLICE	58	55	55	53	53	51	51	51	51	51
<b>FIRE</b>										
FIRE	62	62	61	60	60	58	58	58	58	58
<b>ENGINEERING</b>										
ENGINEERING	4	3	3	3	3	-	-	-	-	-
<b>RECREATION</b>										
RECREATION	11	10	5	3	3	2	2	2	2	3
<b>TOTAL</b>	<b>187</b>	<b>182</b>	<b>177</b>	<b>170</b>	<b>170</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>158</b>	<b>159</b>

N/A - Technology was separated from finance in 2013

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

Data Source

Village records

## VILLAGE OF LAKE ZURICH, ILLINOIS

### OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

<b>Function/Program</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>
<b>PUBLIC WORKS</b>				
Forestry				
Number of parkway trees planted	42	40	48	102
Number of parkway trees trimmed	737	527	600	800
Fleet services				
Number of vehicles maintained	95	94	93	92
Preventative maintenance	736	739	676	969
<b>PUBLIC SAFETY</b>				
Fire				
Number of fire calls	1,793	1,401	1,453	1,401
Number of EMS calls	1,665	1,694	1,672	1,735
Number of training hours	11,817	10,753	9,476	11,366
Police				
Part I crime	N/A	N/A	N/A	N/A
Calls for service	9,860	9,650	9,113	9,063
State tickets issued	4,672	4,885	4,515	3,773
Compliance tickets issued	N/A	N/A	101	103
Parking tickets issued	1,983	1,944	1,902	1,674
Red light citations	N/A	N/A	4,854	4,506
<b>COMMUNITY DEVELOPMENT</b>				
Number of building permits issued	1,135	1,325	1,343	1,492
Number of building inspections	5,142	4,000	3,368	5,533
Number of food service inspections	N/A	N/A	N/A	N/A
<b>HIGHWAYS AND STREETS</b>				
Sidewalk replaced (square feet)	3,140	2,800	11,748	5,625
Annual resurfacing program (\$)	100,000	400,000	350,000	1,106,893
Crack sealing (lbs. installed)	13,000	13,000	-	-
Curb replaced (ln. ft.)	N/A	N/A	3,282	262
<b>WATER AND SEWER</b>				
Water main breaks	35	43	38	31
Hydrants flushed	3,520	3,560	3,560	1,765
Water meters read	79,878	80,088	79,716	80,676
Water meter service requests	819	873	869	910
Total distribution pumpage (1,000 gallons)	687MG	621MG	624MG	600MG
Average daily consumption (1,000 gallons)	1.88MG	1.70MG	1.71MG	1.4MG
Sanitary sewer televising (feet)	3,000	2,500	2,500	2,250
Sanitary sewer repairs	1	6	1	1

N/A - Not available

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

#### Data Source

Village records

---

April 30, 2012	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	December 31, 2016*
54	122	140	24	21	218
638	707	800	902	1,148	320
91	91	85	92	81	82
346	324	664	964	753	501
1,382	1,398	1,483	1,844	1,633	590
1,746	1,787	1,848	2,150	2,204	1,511
11,949	9,651	8,877	10,075	8,566	6,546
257	293	324	344	276	94
9,168	N/A	9,392	9,067	8,757	5,409
3,774	3,474	2,786	2,637	2,318	1,442
108	46	29	36	42	18
1,693	1,609	1,640	1,389	856	581
4,237	3,692	4,536	5,262	3,548	3,118
1,539	1,506	1,639	3,487	829	1,274
6,317	4,813	5,611	6,484	2,128	2,644
N/A	N/A	N/A	N/A	N/A	
5,825	5,025	3,150	15,345	23,114	37,885
-	-	1,109,353	1,323,465	1,442,109	1,316,758
-	-	11,515	55,564	55,000	43,668
267	614	427	3,892	4,366	8,555
30	70	51	40	30	25
1,780	1,780	1,790	1,790	1,797	-
80,796	80,916	81,000	81,000	81,000	53,432
893	1,019	1,053	1,172	997	730
599MG	681MG	630MG	640MG	593MG	443MG
1.4MG	1.5MG	1.4MG	1.3MG	1.3MG	1.3MG
2,000	2,829	10,920	33,974	3,182	3,152
1	1	3	2	3	10

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

Last Ten Fiscal Years

<b>Function/Program</b>	<b>April 30, 2008</b>	<b>April 30, 2009</b>	<b>April 30, 2010</b>	<b>April 30, 2011</b>	<b>April 30, 2012</b>	<b>April 30, 2013</b>	<b>April 30, 2014</b>	<b>April 30, 2015</b>	<b>April 30, 2016</b>	<b>December 31, 2016*</b>
<b>POLICE</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Firing range	N/A	N/A	1	1	1	1	1	1	1	1
Patrol units	22	21	22	23	23	23	23	23	22	22
<b>FIRE STATIONS</b>	<b>4</b>									
<b>PUBLIC WORKS</b>										
Streets (lane miles)	159.0	159.0	159.0	159.0	159.4	159.7	159.7	160.0	161.6	161.6
Sidewalks (miles)	91	91	91	91	91	91	91	91	101	102
Streetlights	175	175	175	175	175	180	180	180	215	220
<b>WATER AND SEWER</b>										
Water mains (miles)	108	108	108	108	109	109	110	110	111	112
Fire hydrants	1,760	1,760	1,760	1,760	1,765	1,765	1,790	1,790	1,790	1,790
Sanitary sewers (miles)	107	107	107	107	107	107	107	107	93	93

N/A - Not available

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

Data Source

Village records