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VILLAGE OF ISLAND LAKE, ILLINOIS

FINANCIAL REPORT

Five Months Ended September 30, 2016

VILLAGE OF ISLAND LAKE, ILLINOIS

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Five Months Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Village President and
the Members of the Board of Trustees
of the Village of Island Lake, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Island Lake, Illinois as of and for the five months ended September 30, 2016, and the related notes to the 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 did not audit the financial statements of the Village of Island Lake Police Pension Plan. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village of Island Lake Police Pension Plan is based solely on the report of the other auditors. 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.

Auditor Procedures – general

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 entity'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 entity'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 financial statement 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 Island Lake, Illinois as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

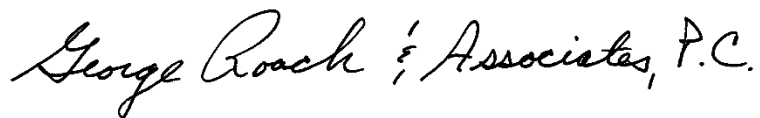
Required Supplementary Information

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 purposes of forming opinions on the financial statements that collectively comprise the Village of Island Lake, Illinois' financial statements as a whole. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

A handwritten signature in black ink that reads "George Roach & Associates, P.C." in a cursive script.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 19, 2017

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS -
UNAUDITED

VILLAGE OF ISLAND LAKE, ILLINOIS

*Management's Discussion and Analysis - Unaudited
Five Months Ended September 30, 2016*

As management of the Village of Island Lake (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the five months ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities and deferred inflows at September 30, 2016 by \$39,159,651 (Net Position). Of this amount, (\$1,273,923) is unrestricted net position and may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$784,920.
- At September 30, 2016, the Village's governmental funds reported combined ending fund balances of \$1,365,304, an increase of \$633,056 from the prior fiscal year end.
- The Village's total net capital assets increased by \$192,667 during the five months ended September 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety,

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

public works and transportation, culture and recreation, and economic development. The business-type activities of the Village include culture and recreation, water and sewer, and refuse. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains various individual governmental funds. 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, which is considered to be the Village's main major fund. Data from the other governmental funds are shown on the combining statement.

The basic governmental fund financial statements can be found on pages 8 through 17 of this report.

Proprietary funds - The Village maintains one type of proprietary fund (enterprise fund). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water services, all of which are considered to be major funds of the Village.

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village utilizes a fiduciary fund to segregate police pension funds. The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in meeting its obligation to provide as fully adequate as possible services to its residents.

The Village adopts an annual budget for all funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The budgetary comparison for the general fund can be found on pages 57 to 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred inflows exceeded liabilities and deferred inflows by \$39,159,651 at September 30, 2016.

Of the Village's net position, \$39,477,064 reflects its investment in capital assets (e.g., land, construction in progress, buildings, systems and equipment); less any related outstanding debt used to acquire those assets. 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

Village of Island Lake - Net Position

	Governmental Activities		Business-Type Activities		Total	
	9/30/2016	4/30/2016	9/30/2016	4/30/2016	9/30/2016	4/30/2016
Current and Other Assets	\$ 1,683,417	\$ 2,389,501	\$ 2,421,243	\$ 2,816,158	\$ 4,104,660	\$ 5,205,659
Capital Assets	31,691,839	31,977,297	8,856,019	8,377,894	40,547,858	40,355,191
Net Total Assets	\$ 33,375,256	\$ 34,366,798	\$ 11,277,262	\$ 11,194,052	\$ 44,652,518	\$ 45,560,850
Deferred Outflows - IMRF	\$ 1,111,912	\$ 1,111,912	\$ -	\$ -	\$ 1,111,912	\$ 1,111,912
Current Liabilities	\$ 438,465	\$ 553,860	\$ 532,098	\$ 309,066	\$ 970,563	\$ 862,926
Noncurrent Liabilities	5,333,487	5,800,471	300,729	390,729	5,634,216	6,191,200
Total Liabilities	5,771,952	6,354,331	832,827	699,795	6,604,779	7,054,126
Deferred Inflows -						
Property taxes	-	1,246,905	-	-	1,246,905	1,246,905
Net Position						
Net investment in capital assets	31,001,045	31,226,977	8,476,019	7,912,894	39,477,064	39,139,871
Restricted	956,510	739,274	-	-	956,510	739,274
Unrestricted	(3,242,339)	(4,088,777)	1,968,416	2,581,363	(1,273,923)	(1,507,414)
Total Net Position	\$ 28,715,216	\$ 27,877,474	\$ 10,444,435	\$ 10,494,257	\$ 39,159,651	\$ 38,371,731

An additional portion of the Village's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,273,923) may be used to meet the Village's ongoing obligations to citizens and creditors.

At September 30, 2016, the Village is able to report positive balances in two categories of net position, both for the Village as a whole, as well as for its separate governmental and business-type activities. The Village's net position increased by \$784,920 during the five months ended September 30, 2016.

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Village of Island Lake - Statement of Activities and Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	9/30/2016	4/30/2016	9/30/2016	4/30/2016	9/30/2016	4/30/2016
Program Revenues						
Charges for Services	\$ 813,658	\$ 1,476,430	\$ 342,629	\$ 1,024,682	\$ 1,156,287	\$ 2,501,112
Operating Grants & Contributions	-	106,679	-	-	-	106,679
General Revenues						
Property Tax	933,258	1,271,639	-	-	933,258	1,271,639
Other Tax	103,603	287,796	-	-	103,603	287,796
Utility Tax	234,803	528,284	-	-	234,803	528,284
Sales Tax	420,635	932,948	-	-	420,635	932,948
Income Tax	329,694	861,104	-	-	329,694	861,104
Other	16,662	211,014	-	-	16,662	211,014
Interest	350	3,589	3,305	6,591	3,655	10,180
Total Revenues	<u>\$ 2,852,663</u>	<u>\$ 5,679,483</u>	<u>\$ 345,934</u>	<u>\$ 1,031,273</u>	<u>\$ 3,198,597</u>	<u>\$ 6,710,756</u>
Expenses						
General Government	\$ 796,429	\$ 2,126,807	\$ -	\$ -	\$ 796,429	\$ 2,126,807
Public Safety	408,678	5,356,219	-	-	408,678	5,356,219
Streets & Roads	664,454	1,278,340	-	-	664,454	1,278,340
Culture & Recreation	133,384	223,363	-	-	133,384	223,363
Interest on Long-Term Debt	14,976	24,614	5,862	12,625	20,838	37,239
Proprietary Activities	-	-	428,014	1,119,775	428,014	1,119,775
Total Expenses	<u>2,017,921</u>	<u>9,009,343</u>	<u>433,876</u>	<u>1,132,400</u>	<u>2,451,797</u>	<u>10,141,743</u>
Increase (Decrease) before Transfers	834,742	(3,329,860)	(87,942)	(101,127)	746,800	(3,430,987)
Transfers In (Out)	-	-	-	-	-	-
Increase (Decrease) in Net Position	<u>834,742</u>	<u>(3,329,860)</u>	<u>(87,942)</u>	<u>(101,127)</u>	<u>746,800</u>	<u>(3,430,987)</u>
Net Position - Beginning of Year	27,877,474	31,207,334	10,494,257	10,452,649	38,371,731	41,659,983
Capitalized connection fees	-	-	38,120	142,735	38,120	142,735
Net Position - End of Year	<u>\$ 28,712,216</u>	<u>\$ 27,877,474</u>	<u>\$ 10,444,435</u>	<u>\$ 10,494,257</u>	<u>\$ 39,156,651</u>	<u>\$ 38,371,731</u>

Governmental activities

Governmental activities increased the Village's net position by \$834,742.

Business-type activities

Business-type activities decreased the Village's net position by \$87,942.

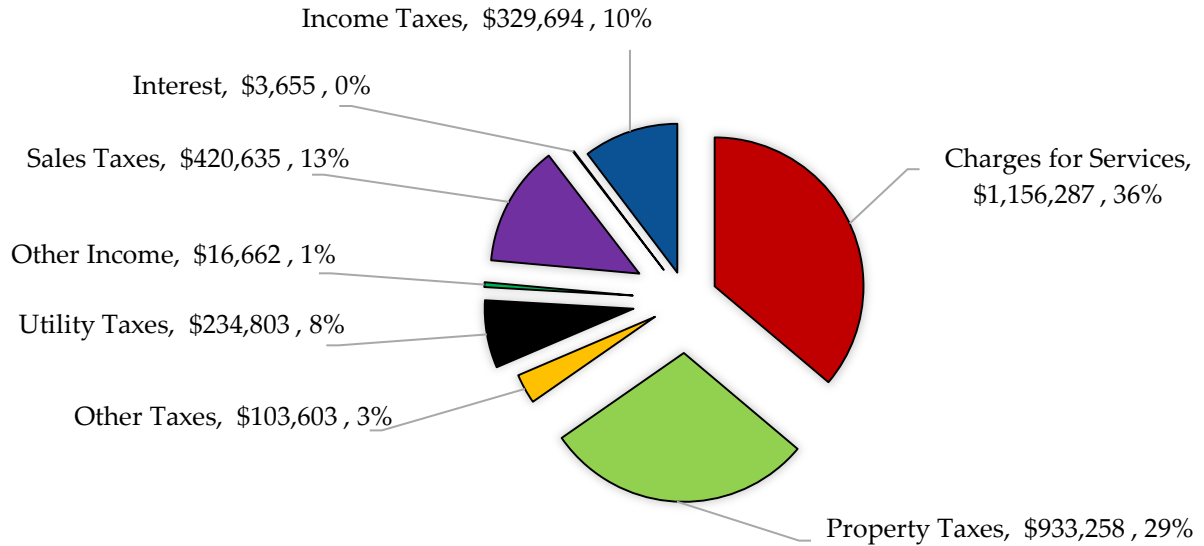
VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited
Five Months Ended September 30, 2016

Key elements of the increases to net position by governmental and business type activities are on the following page.

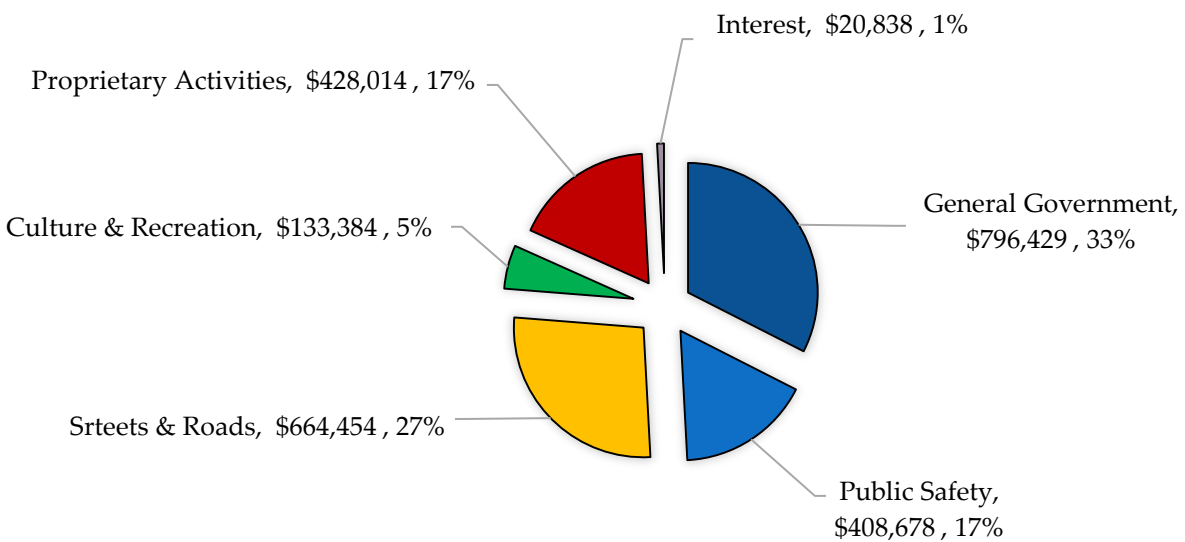
2016 REVENUES

ROUNDED TO NEAREST PERCENT



2016 EXPENSES

ROUNDED TO NEAREST PERCENT



VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

Governmental funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year.

At September 30, 2016, the Village's governmental funds reported combined ending fund balances of \$1,365,304, an increase of \$633,056 in comparison with the prior year. The fund balance is assigned or restricted to indicate that it is not available for new spending because it has already been allocated for specific restricted purposes.

The General Fund is the chief operating fund of the Village. At September 30, 2016, the fund balance of the General Fund was \$745,079. This represents an increase of \$518,546 compared to the prior fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were relatively minor. There were no changes in the total amount of the budget. The Village's estimated expenditures were less than the actual expenditures by \$16,260.

CAPITAL ASSETS

The Village's capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$40,547,858 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, systems, and equipment.

Village of Island Lake Capital Assets

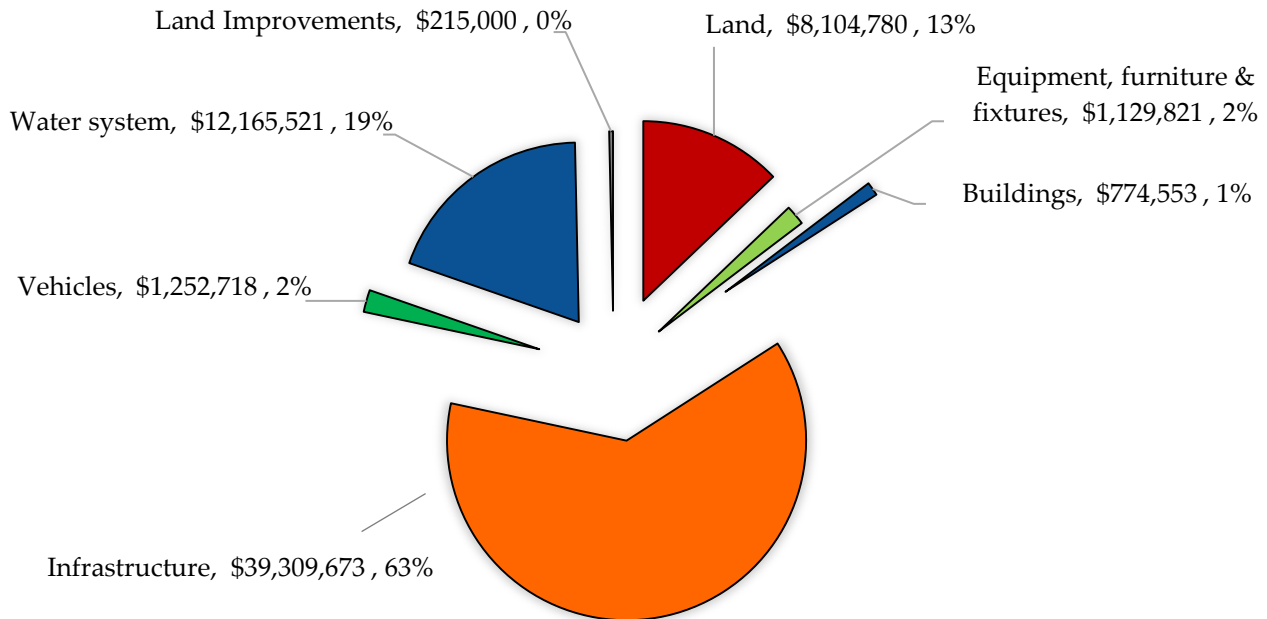
	Governmental Activities		Business Type Activities		Total	
	9/30/2016	4/30/2016	9/30/2016	4/30/2016	9/30/2016	4/30/2016
Land	\$ 8,104,780	\$ 8,104,780	\$ -	\$ -	\$ 8,104,780	\$ 8,104,780
Land improvements	215,000	215,000	-	-	215,000	215,000
Buildings	774,553	774,553	-	-	774,553	774,553
Equipment, furniture & fixtures	535,528	513,672	594,293	594,293	1,129,821	1,107,965
Vehicles	1,106,102	1,024,399	146,616	146,616	1,252,718	1,171,015
Infrastructure	39,309,673	39,309,673	-	-	39,309,673	39,309,673
Construction in progress	-	-	-	-	-	-
Water system	-	-	12,165,521	11,577,642	12,165,521	11,577,642
Total Capital Assets	50,045,636	49,942,077	12,906,430	12,318,551	62,952,066	62,260,628
Accumulated depreciation	18,353,797	17,964,780	4,050,411	3,940,657	22,404,208	21,905,437
Total Net Capital Assets	\$ 31,691,839	\$ 31,977,297	\$ 8,856,019	\$ 8,377,894	\$ 40,547,858	\$ 40,355,191

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited
Five Months Ended September 30, 2016

Additional information on the Village's capital assets can be found in note 3 on pages 32-33.

CAPITAL ASSETS (COST)



ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the Village for 2016 is \$157,929,539. This represents an increase in EAV of \$12,381,711 over the prior year's EAV. Taxes recorded in these financial statements are from the 2015 levy. A summary of the assessed valuations and extensions for tax years 2016, 2015, and 2014 is found on pages 56 and 57 of this report.

Description of Current or Expected Conditions

Currently, management is not aware of any other significant changes in conditions that could have a significant effect on the financial position or results of activities of the Village in the near future. However, management continues to monitor items that may impact future receipts, especially noting a potential decline in state funds as well as losses due to the tax cap.

VILLAGE OF ISLAND LAKE, ILLINOIS

Management's Discussion and Analysis - Unaudited

Five Months Ended September 30, 2016

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Island Lake, 3720 Greenleaf Avenue, Island Lake, IL 60042.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ISLAND LAKE

Government-wide - Statement of Net Position

September 30, 2016

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and equivalents, at cost	\$ 1,110,772	\$ 2,224,901	\$ 3,335,673
Receivables - net of allowances	536,722	185,227	721,949
Property tax receivable	28,669	-	28,669
Engineering escrow	7,254	-	7,254
Total Current Assets	1,683,417	2,410,128	4,093,545
Fixed assets, net of depreciation	31,691,839	8,856,019	40,547,858
Net Total Assets	\$ 33,375,256	\$ 11,266,147	\$ 44,641,403
Deferred Pension Outflows			
	\$ 1,111,912	\$ -	\$ 1,111,912
Liabilities			
Current Liabilities			
Accounts payable	\$ 15,827	\$ 208,397	\$ 224,224
Accrued payroll	103,948	10,808	114,756
Due to Police Pension Fund	25,696	-	25,696
Due to other governments	18,357	-	18,357
Deposits payable	143,170	222,893	366,063
Notes payable	45,352	-	45,352
Bonds payable	75,000	90,000	165,000
Noncurrent Liabilities			
Notes payable	165,442	-	165,442
Bonds payable	405,000	290,000	695,000
Net pension obligations	4,573,097	-	4,573,097
Net other post-employment benefit obligations	18,429	-	18,429
Compensated absences	171,519	10,729	182,248
Total Liabilities	5,760,837	832,827	6,593,664
Net Position			
Net investment in capital assets	31,001,045	8,476,019	39,477,064
Restricted	956,510	-	956,510
Unrestricted	(3,231,224)	1,957,301	(1,273,923)
Total Net Position	\$ 28,726,331	\$ 10,433,320	\$ 39,159,651

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE

Government-wide - Statement of Activities and Changes in Net Position

Five Months Ended September 30, 2016

	Program Revenues			Net Revenue (Expense) and Changes		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities	Expenses					
General government	\$ 796,429	\$ 531,149	\$ -	\$ (265,280)	\$ -	\$ (265,280)
Public safety	408,678	165,454	-	(243,224)	-	(243,224)
Culture and recreation	133,384	117,055	-	(16,329)	-	(16,329)
Highways and streets	664,454	-	-	(664,454)	-	(664,454)
Interest on long-term debt	14,976	-	-	(14,976)	-	(14,976)
Total Governmental Activities	2,017,921	813,658	-	(1,204,263)	-	(1,204,263)
Business-Type Activities						
Waterworks	428,014	342,629	-	-	(85,385)	(85,385)
Interest on long-term debt	5,862	-	-	-	(5,862)	(5,862)
Total Business-Type Activities	433,876	342,629	-	-	(91,247)	(91,247)
Total Primary Government	\$ 2,451,797	\$ 1,156,287	\$ -	(1,204,263)	(91,247)	(1,295,510)
General Revenues:						
Taxes						
Property Taxes				933,258	-	933,258
Utility taxes				234,803	-	234,803
Other taxes				103,603	-	103,603
Intergovernmental -unrestricted						
Sales taxes				420,635	-	420,635
Income taxes				329,694	-	329,694
Interest income				350	3,305	3,655
Miscellaneous income				16,662	-	16,662
Total Revenues				2,039,005	3,305	2,042,310
Connection fees capitalized				-	38,120	38,120
Total revenues and other sources/(uses)				2,039,005	41,425	2,080,430
Changes in Net Position				834,742	(49,822)	784,920
Net Position Beginning of Year				27,877,474	10,494,257	38,371,731
Total Net Position, End of Year				\$ 28,712,216	\$ 10,444,435	\$ 39,156,651

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE

Governmental Fund Types - Combined Balance Sheet

September 30, 2016

Assets	General	Garbage	Recreation	Motor	Debt Service	Total
	Fund	Fund	Fund	Fuel Tax	Fund	
Cash and equivalents, at cost	\$ 344,141	\$ 189,789	\$ 99,663	\$ 463,236	\$ 13,943	\$ 1,110,772
Property taxes receivable, current levy	28,669	-	-	-	-	28,669
Other receivables	281,774	254,948	-	-	-	536,722
Engineering escrow	7,254	-	-	-	-	7,254
Due from other funds	381,752	-	-	-	-	381,752
Total Assets	\$ 1,043,590	\$ 444,737	\$ 99,663	\$ 463,236	\$ 13,943	\$ 2,065,169
Liabilities						
Accounts payable and accruals	\$ 15,827	\$ -	\$ -	\$ -	\$ -	\$ 15,827
Accrued payroll	95,461	3,264	5,223	-	-	103,948
Due to police pension fund	25,696	-	-	-	-	25,696
Due to other funds	-	45,252	-	347,615	-	392,867
Due to other governments	18,357	-	-	-	-	18,357
Developer deposits	143,170	-	-	-	-	143,170
Total Liabilities	298,511	48,516	5,223	347,615	-	699,865
Fund Balance						
Nonspendable	-	-	-	-	-	-
Restricted	336,285	396,221	94,440	115,621	13,943	956,510
Unassigned	408,794	-	-	-	-	408,794
Total Fund Balance	745,079	396,221	94,440	115,621	13,943	1,365,304
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 1,043,590	\$ 444,737	\$ 99,663	\$ 463,236	\$ 13,943	\$ 2,065,169

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE

Governmental Fund Type - Combined Statement of Revenue, Expenditures and Changes in Fund Balances

Five Months Ended September 30, 2016

	General		Garbage		Recreation		Motor Fuel		Debt Service		Total
	Fund		Fund		Fund		Tax Fund		Fund		
Revenue											
Property taxes	\$ 950,008	\$	-	\$	-	\$	-	\$	19	\$	950,027
Intergovernmental revenue	769,712		-		-		84,210		-		853,922
Utility taxes	234,803		-		-		-		-		234,803
Fines	145,839		-		-		-		-		145,839
Classes	-		-		7,573		-		-		7,573
Craft Fair	-		-		985		-		-		985
Creative playtime	-		-		18,120		-		-		18,120
Licenses, fees, permits, taxes	192,908		315,195		-		-		-		508,103
Summer camp	-		-		38,392		-		-		38,392
Club fees	-		-		23,345		-		-		23,345
Grants and donations	19,023		-		28,217		-		-		47,240
Miscellaneous and other income	3,945		-		423		-		-		4,368
Loan Proceeds	44,422		-		-		-		-		44,422
Interest income	19,045		552		-		350		-		19,947
Total Revenue	2,379,705		315,747		117,055		84,560		19		2,897,086
Expenditures											
Administrative	1,044,696		37,274		73,955		-		-		1,155,925
Contractual	494,822		204,477		52,714		21,799		-		773,812
Commodities	53,798		-		6,715		3,469		-		63,982
Other expenditures	16,176		2,480		-		-		-		18,656
Capital expenditures	135,731		-		-		-		-		135,731
Debt service - principal	30,948		-		-		-		70,000		100,948

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE

Governmental Fund Type - Combined Statement of Revenue, Expenditures and Changes in Fund Balances

Five Months Ended September 30, 2016

	General Fund	Garbage Fund	Recreation Fund	Motor Fuel Tax Fund	Debt Service Fund	Total
Expenditures (Concluded)						
Debt service - interest	\$ 7,464	\$ -	\$ -	\$ -	\$ 7,512	\$ 14,976
Total Expenditures	1,783,635	244,231	133,384	25,268	77,512	2,264,030
Operating transfers in/(out)	(77,524)	-	-	-	77,524	-
Net Change in Fund Balance	518,546	71,516	(16,329)	59,292	31	633,056
Fund Balance						
Balance, beginning of year	226,533	324,705	110,769	56,329	13,912	732,248
Total Fund Balance	\$ 745,079	\$ 396,221	\$ 94,440	\$ 115,621	\$ 13,943	\$ 1,365,304

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE

Reconciliation of the Governmental Fund Balance to the Statement of Net Position and the Statement of Activities Five Months Ended September 30, 2016

Reconciliation of the Governmental Fund Balance to the Statement of Net Position

Total Fund Balances - Total Governmental Funds	\$ 1,365,304
---	---------------------

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

Amount net of depreciation	31,691,839
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Other employee benefit obligations accruals are not reported in funds	(3,479,614)
---	-------------

Long term debt is not recorded in the fund statement but is included as a liability in the Statement of Net Position	(862,313)
--	-----------

Total Net Position of Governmental Activities	\$ 28,715,216
--	----------------------

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities and Changes in Net Position

Net Change in Fund Balance - Governmental Funds	\$ 633,056
--	-------------------

Governmental funds report capital outlays as expenditures; however for the Statement of Activities the amounts are capitalized and depreciation over their useful life.

(amount shown is net of depreciation)	(285,458)
---------------------------------------	-----------

Governmental funds report the payment of debt as a expenditure; however the Statement of Activities records the payment as a reduction in the debt liability.

	100,948
--	---------

Governmental funds report loan proceeds as other financing source revenue, however the Statement of Activities records the proceeds as an increase in debt liability.

	(44,422)
--	----------

Governmental funds do not record GASB 68 pension liabilities; however the Statement of Activities records the expense of pensions.

	430,618
--	---------

Changes in Net Position - Governmental Activities	\$ 834,742
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF ISLAND LAKE
<i>Proprietary Fund Type - Waterworks Fund</i>
<i>Statement of Net Position</i>
<i>September 30, 2016</i>

	Waterworks
Assets	Fund
Cash and equivalents, at cost	\$ 2,224,901
Accounts receivable, net of allowance	185,227
Fixed assets, net of depreciation	8,856,019
Due from other funds	11,115
Total Assets	\$ 11,277,262
Liabilities	
Accounts payable and accruals	\$ 208,397
Accrued payroll	10,808
Builders deposits	202,678
Water deposits	20,215
Bonds payable - current	90,000
Bonds payable - noncurrent	290,000
Deferred compensation - noncurrent	10,729
Total Liabilities	832,827
Net Position	
Net investment in capital assets	8,476,019
Unrestricted	1,968,416
Total Net Position	10,444,435
Total Liabilities and Net Position	\$ 11,277,262

VILLAGE OF ISLAND LAKE

Proprietary Fund Type - Waterworks Fund Statement of Revenue, Expenditures and Changes in Net Position

Five Months Ended September 30, 2016

	Revenue	Waterworks Fund
Water usage charges		\$ 327,024
Water meters		2,700
Inspection fees		115
Late fees and discounts		12,790
Total Revenue		342,629
	Expenses	
Administrative		209,727
Contractual		70,568
Commodities		37,966
Total Expenditures		318,261
Operating Income (Loss) Before Depreciation/Amortization		24,368
Less: Depreciation and Amortization		109,753
Operating Income (Loss)		(85,385)
	Non-Operating Income (Expense)	
Interest expense		(5,862)
Interest income		3,305
Total Non-operating Income/(Expense)		(2,557)
Net Income (Loss)		(87,942)
Net Position, Beginning of Year		10,494,257
Capitalized connection fees		38,120
Total Net Position		\$ 10,444,435

VILLAGE OF ISLAND LAKE

Proprietary Fund Type - Waterworks Fund

Statement of Cash Flows

Five Months Ended September 30, 2016

Cashflows from Operating Activities

Cash received from customers and users	\$ 418,075
Cash paid to suppliers	(108,536)
Cash paid for personnel	(209,725)

Net Cash Provided by Operating Activities	99,814
--	---------------

Cashflows from Investing Activities

System additions - net	(147,751)
------------------------	-----------

Net Cash Provided by Investing Activities	(147,751)
--	------------------

Cashflows from Capital & Financing Activities

Contributed connection fees	38,120
Interest income	3,305
Interest payments	(5,862)
Debt payments	(85,000)

Net Cash Provided by Capital & Financing Activities	(49,437)
--	-----------------

Net Increase/(Decrease) in Cash	(97,374)
--	-----------------

Cash, beginning of year	2,322,275
--------------------------------	------------------

Cash, end of year	\$ 2,224,901
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Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Net income (loss) for the year	\$ (87,942)
Depreciation/amortization	109,753
(Increase) decrease in accounts receivable	38,735
(Increase) decrease in due from other funds	29,633
Increase (decrease) in deposits	9,635

Net Cash Provided by Operating Activities	\$ 99,814
--	------------------

Cash payments for interest made during the year were \$ 5,862.

VILLAGE OF ISLAND LAKE

Fiduciary Fund Type - Police Pension Fund

Statement of Net Position

September 30, 2016

Assets

Cash and Cash Equivalents	\$ 230,121
Investments, at Fair Value:	
U.S. Government and Agency Obligations	926,101
State and Local Obligations	215,059
Corporate Bonds	823,741
Equity Mutual Funds	1,427,299
 Accrued Interest Receivable	 21,993
 Other Receivable	 35,754
Due from the Village of Island Lake	<u>25,696</u>

Net Position

Held in Trust for Pension Benefits	<u><u>\$ 3,705,764</u></u>
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VILLAGE OF ISLAND LAKE

Fiduciary Fund Type - Police Pension Fund

Statement of Changes in Net Position

Five Months Ended September 30, 2016

Additions

Contributions - Employer	\$ 271,133
Contributions - Plan Members	36,973
Total Contributions	<u>308,106</u>

Investment Income

Interest Earned	35,603
Net Change in Fair Value	62,499
Total Investment Income	<u>98,102</u>

Less Investment Expenses

Net Investment Income	<u>(7,996)</u>
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Total Additions	<u>398,212</u>
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Deductions

Administration	5,209
Benefits and Refunds:	
Benefits	<u>140,325</u>

Total Deductions	<u>145,534</u>
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Change in Net Position

252,678

Net Position Held in Trust for Pension Benefits

Net Position, Beginning of Year	<u>3,453,087</u>
Net Position, End of Year	<u><u>\$ 3,705,765</u></u>

NOTES TO THE BASIC
FINANCIAL STATEMENTS

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY –

The Village's financial reporting entity comprises the following:

Primary Government Village –

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units- an Amendment of GASB Statement No. 14," and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 39, there are no component units included in the reporting entity.

Police Pension Employees Retirement System –

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

FINANCIAL STATEMENT PRESENTATION –

Government-Wide Statements –

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, culture and recreation, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements –

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

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS -

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

General fund –

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

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special revenue funds –

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains three major special revenue funds. The Garbage Fund is used to account for restricted revenues and expenditures related to the disposal of residential solid waste. The Recreation Fund is used to account for revenues and expenditures related to the establishment and maintenance of recreational programs. The Motor Fuel Tax Fund is used to account for restricted funds received from the State of Illinois Motor Fuel Tax to be used for operating and maintaining local streets and roads.

Debt service funds –

The debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Funds –

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

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

Fiduciary Funds –

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

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to be used for disability and retirement annuity payments to employees covered by the plan.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING -

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

On the government-wide Statement of Net Position and the Statement of Activities and Changes in Fund Balance, both governmental and business-like activities are presented using the economic resources measurement focus as defined on the following pages.

Measurement Focus –

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

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

Basis of Accounting –

In the government-wide Statement of Net Position and Statement of Activities and Changes, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

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

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY -

Cash and Investments –

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

Receivables –

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

Interfund Receivables, Payables and Activity –

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

Prepays –

Prepays are valued at cost, which approximates market. The cost of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

Capital Assets –

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets,

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

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

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

Land improvements	10 Years
Buildings	50 Years
Machinery and equipment	5-20 Years
Vehicles	5-10 Years
Infrastructure	50 Years
Water Plant	40-70 Years

Compensated Absences –

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for non-vesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as "terminal leave" prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Deferred Inflows–

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

Fund Equity –

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

Net investment in capital assets –

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

Restricted net assets –

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

Unrestricted net assets –

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

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 2 – STEWARDSHIP, ACCOUNTABILITY AND BUDGETARY COMPLIANCE

All budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service, enterprise, and pension trust funds. All annual appropriations lapse at fiscal year end.

During the first quarter of each year, the Finance Committee of the Board of Trustees, working in conjunction with the Village Treasurer, drafts an appropriation ordinance to be adopted by the Village Board. This ordinance appropriates each sum of money as are deemed necessary to be deposited in the reserves provided for in the Illinois Pension Code. The ordinance also specifies the objects and purposes for which these appropriations are made and the amount appropriated for each.

Prior to adoption of the appropriation ordinance, the Village makes the proposed ordinance conveniently available for public inspection and holds at least one hearing subsequent to published notice. Subsequent to the public hearing and before final action is taken on the appropriation ordinance, the Village Board may revise, alter, increase, or decrease the items contained therein.

Final action to adopt the appropriation for the year ended the following September 30th, is taken by the Board before December 31st.

The Board may subsequently transfer appropriation amounts to other appropriations. Furthermore, under certain conditions, it may pass a supplemental appropriation; however, a supplemental appropriation was not passed during the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplemental appropriations were made.

Budgetary Compliance -

The Village's budgetary comparison schedules are presented using the appropriations ordinance of the Village, the legal spending limit of the Village is outlined in the Appropriation Ordinance. The following funds have expenditures/expenses over the appropriations ordinance, but under the legal spending limit detailed in the Appropriation Ordinance, with the exception of the Police Pension Fund.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 2 – STEWARDSHIP, ACCOUNTABILITY AND BUDGETARY COMPLIANCE (CONTINUED)

Fund	Final Appropriation	Actual Expenditures
General	\$ 1,844,917	\$ 1,861,177
Motor Fuel Tax	117,458	25,268
Debt Service	35,136	77,512
Recreation	96,799	133,384
Garbage	266,490	244,231
Waterworks	810,657	433,877
Police Pension	168,750	153,530

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS

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

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Pension funds may also invest in certain non-U.S. obligations, mortgages, veteran's loans, life insurance company contracts, money market mutual funds and common and preferred stocks.

The deposits and investments of the Pension Funds are held separately from those of other Village funds. Statutes authorize the Pension Funds to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois Bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois direct obligations of

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

the State of Illinois; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance companies provided the investment in separate accounts does not exceed ten percent of the pension fund's net position.

Illinois Funds is an investment pool managed by the Illinois public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

VILLAGE INTEREST RATE RISK, CREDIT RISK, CUSTODIAL CREDIT RISK AND CONCENTRATION RISK

Deposits –

The carrying amount of the Village's deposits for governmental and business- type activities totaled \$3,335,673 and the bank balances totaled \$3,715,687 at September 30, 2016. The Village has \$105,332 of these balances invested in the Illinois Funds at September 30, 2016.

Interest Rate Risk –

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village's investment policy states that safety of principal is the foremost object of the Village. The policy additionally states that the investments of the Village shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. At September 30, 2016, the Village does not have any other investments outstanding other than the investment in the Illinois Funds, which has an average maturity of less than one year.

Credit Risk –

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in instruments authorized under State Statute, the Village's investment policy does not further limit investment instrument choices. At September 30, 2016, the Village's investment in the Illinois Funds is rated AAA by Standard & Poor's.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk –

In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. At year-end, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance. For an investment, this is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy states that all funds on deposit in banks are to be at a collateralization level of 102% of market value of principal and accrued interest. At year-end, the Village's investment in the Illinois Funds is non-categorizable for custodial credit risk.

Concentration Credit Risk –

This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy states that the Village shall diversify investments by security type and institution. At year-end, the Village's investment in the Illinois Funds represents more than 5% of the total cash and investment portfolio.

POLICE PENSION FUND - INTEREST RATE RISK, CREDIT RISK, CUSTODIAL CREDIT RISK AND CONCENTRATION RISK

Deposits-

At year-end, the carrying amount of the Pension Fund deposits totaled \$230,121 and the bank balances totaled \$230,121.

Police Pension Fund Investments –

At year-end, the Pension Fund has the following investments and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes	\$ 41,134	\$ -	\$ 41,134	\$ -	\$ -
U.S. Agencies	885,066	71,433	558,851	254,782	-
State and Local Obligation	215,059	-	186,324	28,735	-
Mutual Funds	1,427,300	1,427,300	-	-	-
Corporate Bonds	823,741	-	684,229	139,512	-
	<u>\$3,392,300</u>	<u>\$ 1,498,733</u>	<u>\$1,470,538</u>	<u>\$ 423,029</u>	<u>\$ -</u>

The Pension Fund assumes any callable securities will not be called.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk –

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Fund's investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Credit Risk –

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of U.S. government agencies and state and local securities were all rated AAA by Standard & Poor's or by Moody's Investors Services. Corporate Bonds held at year-end were rated between BBB+ and A by Standard & Poor's. The Pension Fund's investment policy also prescribes to the "prudent person" rule, which states, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

Custodial Credit Risk – Deposits –

In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At September 30, 2016, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension Fund's investment policy requires that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default.

Custodial Credit Risk – Investments –

For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Equity mutual funds are not subject to custodial credit risk. At September 30, 2016, the U.S. Government Agencies and the State and Local obligations are held by the counterparty in the trust department. The Pension Fund limits its exposure to custodial credit risk by utilizing an

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

Concentration Credit Risk –

This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. In accordance with the Pension Fund's investment policy, the Pension Fund may invest in any type of investment instrument permitted by Illinois law. At September 30, 2016, the Pension Fund has over 5% of plan net position invested in various agency securities as indicated in the previous table. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation.

The Pension Fund's investment policy has the below allocation guidelines, by asset class, for fixed income investments as follows:

	Normal Allocation	Range of Allocation
Cash, Money Market, IL Funds	0%	0-10%
Bank Certificate of Deposits	0%	0-10%
U.S. Treasury Securities	10%	0-40%
U.S. Government Agency Securities	50%	0-75%
U.S. Government Agency's MBS's	0%	0-20%
Taxable Municipal Securities	10%	0-20%
Corporate Bonds	30%	0-50%

- Cash will be maintained to manage cashflow of the Fund or as a transition asset.
- Bank certificates of deposit will only be used if market returns are favorable. They will be used as a substitute for the Treasury and Agency portion of the portfolio.
- Under normal market conditions the structure of the portfolio will be within these limits; however, the portfolio manager may diverge from the above suggestions due to abnormal market conditions.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

The Pension Fund's investment policy states that once the Fund reaches the equity allocation approved by the Board and permitted by law, normal asset allocation range for equity portfolio allocation weightings should be:

	<u>Normal Allocation</u>	<u>Range of Allocation</u>
U.S. Large Company Stocks	65%	30%
U.S. Mid-Sized Company Stocks	10%	10%
U.S. Small Company Stocks	10%	10%
Foreign Stocks	15%	15%

Property Taxes –

Property taxes for 2015 attach as an enforceable lien on January 1, 2016, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1, 2016 and September 1, 2016. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

CAPITAL ASSETS –

Governmental Activities –

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable capital assets				
Land	\$ 8,104,780	\$ -	\$ -	\$ 8,104,780
Depreciable capital assets				
Land improvements	215,000	-	-	215,000
Buildings	774,553	-	-	774,553
Machinery and equipment	513,672	21,856	-	535,528
Vehicles	1,024,399	81,703	-	1,106,102
Infrastructure	39,309,673	-	-	39,309,673
	<u>41,837,297</u>	<u>103,559</u>	<u>-</u>	<u>41,940,856</u>
Less accumulated depreciation				
Land improvements	215,000	-	-	215,000
Buildings	318,350	7,987	-	326,337
Machinery and equipment	257,518	16,024	-	273,542
Vehicles	611,222	45,455	-	656,677
Infrastructure	16,562,690	319,551	-	16,882,241
	<u>17,964,780</u>	<u>389,017</u>	<u>-</u>	<u>18,353,797</u>
Total net depreciable capital assets	<u>23,872,517</u>	<u>(285,458)</u>	<u>-</u>	<u>23,587,059</u>
Total net capital assets	<u>\$ 31,977,297</u>	<u>\$ (285,458)</u>	<u>\$ -</u>	<u>\$ 31,691,839</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 42,881
Public Safety	12,330
Highways and Streets	<u>333,806</u>
Governmental Depreciation	<u>\$ 389,017</u>

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Business-Type Activities –

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

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable capital assets				
Machinery and equipment	\$ 594,293	\$ -	\$ -	\$ 594,293
Vehicles	146,616	-	-	146,616
Water System/Infrastructure	11,577,642	587,879	-	12,165,521
Construction in progress	-	-	-	-
	<u>12,318,551</u>	<u>587,879</u>	<u>-</u>	<u>12,906,430</u>
Less accumulated depreciation				
Machinery and equipment	157,542	9,301	-	166,843
Vehicles	146,616	-	-	146,616
Water System/Infrastructure	3,636,499	100,453	-	3,736,952
	<u>3,940,657</u>	<u>109,754</u>	<u>-</u>	<u>4,050,411</u>
Total net capital assets	<u>\$ 8,377,894</u>	<u>\$ 478,125</u>	<u>\$ -</u>	<u>\$ 8,856,019</u>

Depreciation expense of \$109,753 was charged to the waterworks business-type activities.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances –

Interfund balances for the year consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Motor Fuel Tax	\$ 347,615
Waterworks	General	11,115
Waterworks	Garbage	45,252
Police Pension	General	25,696
		<u>\$ 429,678</u>

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

LONG- TERM DEBT -

Notes Payable –

The Village issues notes payable to provide funds for the acquisition capital equipment and facilities. Notes payable currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Note Payable of 2014 for the purchase of truck, due in monthly installments of \$1,174.83 including interest at 3.50% through December 15, 2018.	General	\$ 34,728	\$ -	\$ 5,399	\$ 29,329
Note Payable of 2015 for the purchase of police cars, due in monthly installments of \$1,592 including interest at 3.25% through October 15, 2018.	General	44,786	-	7,244	37,542
Note Payable of 2015 for the purchase of 2002 bucket truck, due in monthly installments of \$697 including interest at 3.25% through October 15, 2018.	General	19,980	-	3,232	16,748
Note Payable of 2012 for the purchase of Ford F 450, due in monthly installments of \$1,091 including interest at 3.25% through January 10, 2017	General	8,596	-	4,311	4,285
Note Payable of 2016 for the purchase of two Ford Explorers, due in monthly installments of \$1,698.48 including interest at 3.25% through October 10, 2019	General	67,290	-	7,622	59,668
Note Payable of 2016 for the purchase of a Ford F 250, due in monthly installments of \$692.08 including interest at 3.25% through June 15, 2019	General	24,940	-	3,140	21,800
Note Payable of 2016 for the purchase of Chevy Tahoe police vehicle, due in monthly installments of \$988.18 including interest at 3.25% through September 30, 2020	General	-	44,422	-	44,422
Totals		<u>\$ 200,320</u>	<u>\$ 44,422</u>	<u>\$ 30,948</u>	<u>\$ 213,794</u>

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Bonds Payable –

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Refunding G.O. Bonds (Alternate Revenue Source) Bonds, Series 2014 (\$620,000) due in annual installments of \$70,000 to \$90,000 plus interest at 2.00% to 3.20% through May 1, 2022.	General	550,000	-	70,000	480,000
Totals		<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 480,000</u>

Revenue Bonds Payable –

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Refunding G.O. Bonds (Alternate Revenue Source) Bonds, Series 2014 (\$620,000) due in annual installments of \$70,000 to \$90,000 plus interest at 2.00% to 3.20% through May 1, 2022.	Water Works	\$ 465,000	\$ -	\$ 85,000	\$ 380,000
Total		<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 380,000</u>

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Long-Term Liability Activity –

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities:					
Net pension obligation	\$ 5,003,715	\$ -	\$ 430,618	\$ 4,573,097	\$ -
Net other post-employment					
Benefits obligations	18,429	-	-	18,429	-
Compensated absences	171,519	-	-	171,519	-
Notes payable	200,320	44,422	30,948	213,794	80,886
Bonds payable	550,000	-	70,000	480,000	75,000
	<u>\$ 5,943,983</u>	<u>\$ 44,422</u>	<u>\$ 531,566</u>	<u>\$ 5,456,839</u>	<u>\$ 155,886</u>
Business-Type Activities:					
Compensated absences	\$ 10,729	\$ -	\$ -	\$ 10,729	\$ -
Revenue bonds payable	465,000	-	85,000	380,000	90,000
	<u>\$ 475,729</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 390,729</u>	<u>\$ 90,000</u>

The General Fund makes payments on the net pension obligation and net other post-employment benefit obligation. Payments on the notes payable are made by the General and Waterworks Funds. The Debt Service Fund makes the payments on the bonds payable and the Waterworks Fund makes the payments on the revenue bonds payable. For the governmental activities, compensated absences are generally liquidated by the General Fund. Also, for business-type activities, compensated absences are liquidated by the Waterworks Fund.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

Debt Service Requirements to Maturity –

The annual debt service requirements to maturity, including principal and interest, are as follows, with the exception of the variable rate bonds, in which future interest payments are not known:

Governmental Activities		
Fiscal Year	Bonds Payable	
Ending		
April 30,	Principal	Interest
2017	\$ -	\$ 6,812
2018	75,000	12,875
2019	75,000	11,188
2020	75,000	9,125
2021	80,000	6,800
2022	85,000	4,240
2023	90,000	1,440
	<u>\$ 480,000</u>	<u>\$ 52,480</u>

Business-Type Activities		
Fiscal Year	Bonds Payable	
Ending		
April 30,	Principal	Interest
2017	\$ -	\$ 5,012
2018	90,000	9,125
2019	95,000	7,038
2020	100,000	4,350
2021	95,000	1,425
	<u>\$ 380,000</u>	<u>\$ 26,950</u>

Defeased Debt –

In prior years the government defeased bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Since the requirements which normally satisfy defeasance have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government basic financial statements.

FUND BALANCE -

Investment in capital assets – net of related debt, was comprised of the following as of

September 30, 2016:

Governmental activities		
Capital assets - net of accumulated depreciation		\$ 31,691,839
Less capital related debt:		
Notes payable	\$ (210,794)	
Bonds payable	(480,000)	<u>(690,794)</u>
Net investment in capital assets		<u><u>\$ 31,001,045</u></u>
Business-type activities		
Capital assets - net of accumulated depreciation		\$ 8,856,019
Less capital related debt:		
Notes payable	-	-
Bonds payable	(380,000)	<u>(380,000)</u>
Net investment in capital assets		<u><u>\$ 8,476,019</u></u>

Fund Balance Classifications -

The Village implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended September 30, 2016. In the governmental funds financial statements, the Village first utilizes restricted resources to finance qualifying activities, then committed, assigned and unassigned fund balance.

Minimum Fund Balance Policy –

The Village's policy manual states that the General Fund should maintain a minimum unreserved fund balance equal to three months of budgeted operating expenditures, excluding transfers and capital expenditures. Fund balances in excess of said levels may be transferred to the capital projects fund at the discretion of the Board.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS, DEPOSITS AND INVESTMENTS (CONTINUED)

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Garbage	Recreation	Motor Fuel Tax	Debt Service	Total
Fund Balances						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Property tax levies:						
Audit	34,287	-	-	-	-	34,287
IMRF	144,771	-	-	-	-	144,771
Social security	157,227	-	-	-	-	157,227
Garbage	-	396,221	94,440	115,621	13,943	620,225
Highways and streets	-	-	-	-	-	-
Total Restricted	336,285	396,221	94,440	115,621	13,943	956,510
Unassigned	408,794	-	-	-	-	408,794
Total Fund Balances	<u>\$745,079</u>	<u>\$396,221</u>	<u>\$ 94,440</u>	<u>\$115,621</u>	<u>\$ 13,943</u>	<u>\$1,365,304</u>

NOTE 4 – RISK MANAGEMENT AND OTHER INFORMATION

RISK MANAGEMENT -

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. The Village purchases workers' compensation insurance from a commercial insurance company. The Village pays an annual premium for its insurance coverage based on total payroll of the Village for each plan year. Additionally, the Village's blanket insurance policy contains individual liability coverage on all employees. The Village purchases coverage against all other risks of loss from a commercial insurance company.

The Village currently reports all its risk management activities in the General Fund. There were no significant changes in insurance coverage from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 4 – RISK MANAGEMENT AND OTHER INFORMATION (CONTINUED)

The McHenry County Municipal Risk Management Agency (MCMRMA) –

The McHenry County Municipal Risk Management Agency is a proprietary agency whose members are McHenry County, Illinois governments. MCMRMA manages and funds first party property losses, third party liability claims, workers' compensation claims, and Public Officials liability claims of its members.

RISK MANAGEMENT -

Each member assumes the first \$1,000 of each occurrence, and has self-insurance retention at various amounts. Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers, a Chairman and a Treasurer.

The Village does not exercise any control over the activities of the Agency beyond its representation on the Board of Directors.

Initial contributions are determined in advance of each membership year based on the individual member's eligible revenue as defined in the bylaws of MCMRMA and assessment factors based on past member experience and the funding needs for the membership year. The Board of Directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year.

Members have a contractual obligation to fund any deficit of MCMRMA attributable to a membership year during which they were a member.

CONTINGENT LIABILITIES -

Litigation –

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

Grants –

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

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT

PLAN DESCRIPTIONS, PROVISIONS AND FUNDING POLICIES -

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

BENEFITS PROVIDED -

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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 employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

As of December 31, 2015, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	19
Inactive Plan Members entitled to but not yet receiving benefits	20
Active Plan Members	20
Total	59

CONTRIBUTIONS -

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 13.78%. For the five months ended September 30, 2016, the City contributed \$63,786 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY -

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS -

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.50%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study from years 2011 to 2013.
- For non-disabled retirees, an IMRF specific **Mortality** table was used with fully generational projection scale MP-2014 (base year 2014). The 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 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Long-Term	
	Portfolio	Expected
	Target	Real Rate
<u>Asset Class</u>	<u>Percentage</u>	<u>of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Executive Summary as of December 31, 2015

Actuarial Valuation Date	12/31/2015
Measurement Date of the Net Pension Liability	12/31/2015
Fiscal Period End	4/30/2016

Membership

Number of	
- Retirees and Beneficiaries	19
- Inactive, Non-Retired Members	20
- Active Members	20
- Total	59
Covered Valuation Payroll	\$ 1,005,863

Net Pension Liability

Total Pension Liability/(Asset)	\$ 6,943,122
Plan Fiduciary Net Position	5,851,499
Net Pension Liability/(Asset)	\$ 1,091,623
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%
Net Pension Liability as a Percentage of Covered Valuation Payroll	108.53%

Development of the Single Discount Rate as of December 31, 2015

Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate*	3.57%
Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded	2085
Resulting Single Discount Rate based on the above development	7.47%
Single Discount Rate calculated using December 31, 2014 Measurement Date	7.49%

Total Pension Expense/(Income)	\$ 150,488
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Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,002	\$ -
Changes in assumptions	10,534	-
Net difference between projected and actual earnings on pension plan investments	327,658	-
Total	\$ 371,194	\$ -

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SINGLE DISCOUNT RATE -

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47%.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE-

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

Sensitivity of Net Pension Liability/(Asset) to the Single discount rate Assumption

	1% Decrease 6.47%	Current Single Discount Rate Assumption 7.47%	1% Increase 8.47%
Total Pension Liability	\$ 7,815,926	\$ 6,943,122	\$ 6,220,220
Plan Fiduciary Net Position	5,851,499	5,851,499	5,851,499
Net Pension Liability/(Asset)	\$ 1,964,427	\$ 1,091,623	\$ 368,721

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios - Current Period

Calendar Year Ended December 31, 2015

A. Total pension liability

1. Service Cost	\$ 108,309
2. Interest on the Total Pension Liability	485,887
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	50,490
5. Changes of assumptions	16,116
6. Benefit payments, including refunds of employee contributions	(301,341)
7. Net change in total pension liability	359,461
8. Total pension liability – beginning	6,583,661
9. Total pension liability – ending	<u>\$ 6,943,122</u>

B. Plan fiduciary net position

1. Contributions – employer	\$ 138,667
2. Contributions – employee	45,264
3. Net investment income	29,082
4. Benefit payments, including refunds of employee contributions	(301,341)
5. Other (Net Transfer)	64,774
6. Net change in plan fiduciary net position	(23,554)
7. Plan fiduciary net position – beginning	5,875,053
8. Plan fiduciary net position – ending	<u>\$ 5,851,499</u>

C. Net pension liability/(asset)

\$ 1,091,623

D. Plan fiduciary net position as a percentage

of the total pension liability 84.28%

E. Covered Valuation payroll

\$ 1,005,863

F. Net pension liability as a percentage

of covered valuation payroll 108.53%

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5– ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the period ended September 30, 2016, the City recognized pension expense of \$63,786. At September 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Outflows of Resources
<i>Deferred Amounts to be Recognized in Pensions Expense in Future Periods</i>		
Differences between expected and actual	\$ 33,002	\$ -
Changes in assumptions	10,534	-
Net difference between projected and actual earnings on pensio plan investments	327,658	-
Total Deferred Amounts to be recognized in pension expense in future periods	371,194	-
Total Deferred Amounts Related to Pensions	\$ 371,194	\$ -

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

Year Ending Decmeber 31	Net Deferred Outflows of Resources
2016	\$ 104,985
2017	102,381
2018	81,915
2019	81,913
2020	-
Thereafter	-
Total	\$ 371,194

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate*

Valuation Date: December 31, 2015

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year

* Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – ILLINOIS MUNICIPAL RETIREMENT (CONCLUDED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability

Methods and Assumptions Used to Determine Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.47%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The 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 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes	There were no benefit changes during the year
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A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement annual actuarial valuation report.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – POLICE PENSION

PLAN DESCRIPTION –

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 108 1/2 Article 3) and may be amended only by the Illinois legislature. The Village of Island Lake accounts for the plan as a pension trust fund. The Village's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2016 was \$887,619.

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 1/2 of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, 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. The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary.

Membership

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	6
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	12
Total	<u><u>18</u></u>

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS-

Basis of accounting -- The financial statements are prepared using the accrual basis of accounting. Employees and employer contributions are recognized as revenues in the period in which employee services are performed.

Method used to value investments -- Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS –

Discount Rate used for the Total Pension Liability	7.00%
Long-Term Expected Rate of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.32%
Projected Individual Salary Increases	5.50%
Projected Increase in Total Payroll	5.50%
Consumer Price Index	2.50%
Inflation Rate Included	2.50%

TOTAL PENSION LIABILITY –

	2016
Active Employees	\$ 3,730,753
Inactive Employees	
Terminated Employees - Vested	-
Retired Employees	2,329,021
Disabled Employees	675,995
Other Beneficiaries	629,410
Total Pension Liability	\$ 7,365,179

SENSITIVITY OF THE DISCOUNT RATE –

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer Net Pension Liability	\$ 4,882,701	\$ 3,912,092	\$ 3,108,348

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

CHANGES IN THE TOTAL PENSION LIABILITY –

	2016
Service Cost	\$ 231,320
Interest	444,791
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	141,823
Changes in Assumptions	370,848
Benefit Payments and Refunds	(355,519)
Net Change in Total Pension Liability	\$ 833,263
Total Pension Liability - Beginning	6,531,916
Total Pension Liability - Ending (a)	<u>\$ 7,365,179</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,453,087</u>
Employer's Net Pension Liability - Ending (a)-(b)	<u>\$ 3,912,092</u>
Plan fiduciary Net Position as a Percentage of the Total pension Liability	46.88%
Covered-Employee Payroll	\$ 887,916
Employer's Net Pension Liability as a Percentage of Employee Payroll	441%

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

CHANGES IN NET PENSION LIABILITY -

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balances Beginning at 5/01/15	\$ 6,531,916	\$ 3,430,293	\$ 3,101,623
Changes for the year:			
Service Cost	\$ 231,320	\$ -	\$ 231,320
Interest	444,791	-	444,791
Actuarial Experience	141,823	-	141,823
Assumptions Changes	370,848	-	370,848
Plan Changes	-	-	-
Contributions - Employer	-	249,889	(249,889)
Contributions - Employee	-	131,357	(131,357)
Contributions - Other	-	-	-
Net Investment Income	-	12,427	(12,427)
Benefit payments, including refunds	(355,519)	(355,519)	-
Administrative Expense	-	(15,360)	15,360
Net Changes	833,263	22,794	810,469
Balances Ending at 4/30/16	\$ 7,365,179	\$ 3,453,087	\$ 3,912,092

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES –

The table below shows the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5 year period. Amounts not yet recognized are summarized below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 141,823	\$ -
Changes in Assumptions	370,848	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	228,057	-
Contributions Subsequent to the Measurement Date	-	-
Total	\$ 740,728	\$ -

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 5 – POLICE PENSION (CONCLUDED)

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

Year Ended April, 30:

2017	\$	119,911
2018		119,911
2019		119,911
2020		119,911
2021		119,913
Thereafter		141,171
Total	\$	<u>740,728</u>

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As of these financial statements, the Village has adopted GASB Statement No. 65, which redefined how certain financial statement elements are presented in the statement of financial position. The elements are classified as follows:

In addition to assets, the statement of financial 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 position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Accordingly, the item, deferred pension outflows, is reported only in the government-wide statement of net position. Deferred outflows of resources (\$1,111,912) reported are for pension related expenses to be recognized in the following year(s).

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 position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises and qualifies for reporting in this category. Accordingly, the item, deferred inflow-property taxes, is reported in the governmental funds balance sheet and government-wide statement of net position. Deferred inflows of resources (\$0) reported for property taxes to be received in the following year.

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Financial Statements

Five Months Ended September 30, 2016

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial Statements are issued or available to be issued. There are two types of subsequent events: recognized (events that relate to conditions present at the balance sheet date) and non-recognized (events or conditions that did not exist at the balance sheet date but arose after that date).

There have been no recognized or non-recognized subsequent events that have occurred between September 30, 2016 and the date of this audit report requiring disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ISLAND LAKE, ILLINOIS

Schedule of Required Supplemental Information
Multi-year Schedule of Changes in Net IMRF Pension Liability and Related Ratios

Last 10 Calendar Years

(Schedule to be built prospectively from 2015)

Calendar Year Ending	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 108,309									
Interest on the Total Pension Liability	485,887									
Benefit Changes	-									
Difference between Expected and Actual Experience	50,490									
Assumption Changes	16,116									
Benefit Payments and Refunds	(301,341)									
Net Change in Total Pension Liability	359,461									
Total Pension Liability - Beginning	6,583,661									
Total Pension Liability - Ending (a)	\$ 6,943,122									
Plan Fiduciary Net Position										
Employer Contributions	138,667									
Employee Contributions	45,264									
Pension Plan Net Investment Income	29,082									
Benefit Payments and Refunds	(301,341)									
Other	64,774									
Net Change in Plan Fiduciary Net Position	(23,554)									
Plan Fiduciary Net Position - Beginning	5,875,053									
Plan Fiduciary Net Position - Ending (b)	\$ 5,851,499									
Net Pension Liability/(Asset) - Ending (a) - (b)	1,091,623									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%									
Covered Valuation Payroll	\$ 1,005,863									
Net Pension Liability as a Percentage of Covered Valuation Payroll	108.53%									

VILLAGE OF ISLAND LAKE, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of IMRF Pension Contributions**

Last 10 Calendar Years

(Schedule to be built prospectively from 2015)

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 138,608 *	\$ 138,667	\$ (59)	\$ 1,005,863	13.79%

* Estimated based on a contribution rate of 13.78% and covered valuation payroll of \$1,005,863.

VILLAGE OF ISLAND LAKE, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Changes in Net Police Pension Liability and Related Ratios**

Last 10 Calendar Years

(Schedule to be built prospectively from 2015)

Calendar Year Ending	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 108,309									
Interest on the Total Pension Liability	485,887									
Benefit Changes	-									
Difference between Expected and Actual Experience	50,490									
Assumption Changes	16,116									
Benefit Payments and Refunds	(301,341)									
Net Change in Total Pension Liability	359,461									
Total Pension Liability - Beginning	6,583,661									
Total Pension Liability - Ending (a)	\$ 6,943,122									
Plan Fiduciary Net Position										
Employer Contributions	138,667									
Employee Contributions	45,264									
Pension Plan Net Investment Income	29,082									
Benefit Payments and Refunds	(301,341)									
Other	64,774									
Net Change in Plan Fiduciary Net Position	(23,554)									
Plan Fiduciary Net Position - Beginning	5,875,053									
Plan Fiduciary Net Position - Ending (b)	\$ 5,851,499									
Net Pension Liability/(Asset) - Ending (a) - (b)	1,091,623									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%									
Covered Valuation Payroll	\$ 1,005,863									
Net Pension Liability as a Percentage of Covered Valuation Payroll	108.53%									

VILLAGE OF ISLAND LAKE, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Police Pension Contributions
Last 10 Calendar Years**

(Schedule to be built prospectively from 2015)

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 138,608 *	\$ 138,667	\$ (59)	\$ 1,005,863	13.79%

* Estimated based on a contribution rate of 13.78% and covered valuation payroll of \$1,005,863.

VILLAGE OF ISLAND LAKE

General Fund - Comparison of Revenues with Appropriations

Five Months Ended September 30, 2016

Revenues	Appropriations		Modified Accrual Basis
	Original	Final	
Administrative	\$ 1,464,859	\$ 1,464,859	\$ 1,597,063
Audit fund	7,083	7,083	16,770
Lake management fund	7,546	7,546	5,401
Tort immunity (liability) fund	83,333	83,333	176,865
Police protection fund	135,597	135,597	312,017
Street and bridge fund	21,417	21,417	67,311
Social security fund	70,168	70,168	131,764
IMRF fund	65,331	65,331	72,514
Total Revenues	\$ 1,855,334	\$ 1,855,334	\$ 2,379,705

VILLAGE OF ISLAND LAKE

General Fund - Statement of Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual Basis
Administrative			
Administrative salaries	\$ 80,422	\$ 80,422	\$ 65,374
Elected officials	13,635	13,635	16,151
Overtime	417	417	12
Zoning board of appeals	3,333	3,333	-
Planning commission	-	-	420
Liquor commission	208	208	120
Sick-time buy back	3,333	3,333	1,176
Part-time salaries	14,583	14,583	46,645
Total Administrative Salaries	115,932	115,932	129,898
Contractual Service			
Health and life insurance	13,062	13,062	19,648
Maintenance - equipment	937	937	220
Maintenance - vehicles	833	833	66
Engineering services	2,500	2,500	3,385
Legal services	54,167	54,167	23,293
Data processing	54,667	54,667	44,377
Other professional services	6,956	6,956	2,415
Postage	3,542	3,542	2,752
Telephone	2,500	2,500	2,593
Publishing	375	375	2,179
Dues and subscriptions	3,619	3,619	2,477
Travel and meetings	396	396	349
Training	208	208	-
General insurance	208	208	-
Rentals	208	208	-
Forms and printing	2,917	2,917	75
Bank charges	167	167	-
Total Contractual Services	147,262	147,262	103,829
Commodities			
Office Supplies	917	917	1,073
Gasoline and oil	1,042	1,042	24

VILLAGE OF ISLAND LAKE

General Fund - Statement of Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual
			Basis
Administrative (continued)			
Commodities (continued)			
Operating supplies	\$ 1,250	\$ 1,250	\$ 794
Vehicle maintenance supplies	42	42	-
Total Commodities	3,250	3,250	1,891
Other Expenditures			
Community relations	9,167	9,167	15,558
Fireworks	8,333	8,333	-
Economic development	4,167	4,167	-
Miscellaneous expenses	917	917	618
Total Other Expenditures	22,583	22,583	16,176
Capital Outlay			
Equipment	-	-	1,267
Total Capital Outlay	-	-	1,267
Total Administrative Expenditures	289,028	289,028	253,061
Building and Grounds			
Personnel			
Salaries - personnel	3,542	3,542	3,835
Total Personnel	3,542	3,542	3,835
Contractual Services			
Maintenance - building	34,250	34,250	8,970
Maintenance - equipment	8,083	8,083	3,009
Maintenance - grounds	19,125	19,125	43,405
Janitorial service	-	-	7,500
Sewer fees	-	-	557
Rentals	1,562	1,562	1,601
Total Contractual Services	63,021	63,021	65,042

VILLAGE OF ISLAND LAKE*General Fund - Statement of Expenditures and Comparison with Appropriations**Five Months Ended September 30, 2016*

	Appropriations		Modified
	Original	Final	Accrual
			Basis
Building and Grounds (continued)			
Commodities			
Operating supplies	\$ -	\$ -	\$ 56
Building maintenance supplies	4,292	4,292	4,985
Miscellaneous other expenditures	-	-	382
Total Commodities	<u>4,292</u>	<u>4,292</u>	<u>5,423</u>
Total Building and Grounds	<u>70,854</u>	<u>70,854</u>	<u>74,300</u>
Personnel Services			
Fire and police commission salaries	708	708	360
Total Personnel Services	<u>708</u>	<u>708</u>	<u>360</u>
Contractual Services			
Other professional services	2,083	2,083	1,178
Miscellaneous	167	167	-
Medical services	-	-	934
Training	1,667	1,667	-
Dues	156	156	-
Total Contractual Services	<u>4,073</u>	<u>4,073</u>	<u>2,112</u>
Total Fire and Police Commission	<u>4,781</u>	<u>4,781</u>	<u>2,472</u>
Emergency Management			
Maintenance - equipment	417	417	39
Small tools and miscellaneous expenditures	458	458	421
Miscellaneous Expense	208	208	102
Total Emergency Management	<u>1,083</u>	<u>1,083</u>	<u>562</u>
Total General Expenditures	<u>365,747</u>	<u>365,747</u>	<u>330,395</u>

VILLAGE OF ISLAND LAKE

General Fund - Statement of Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual
			Basis
General Fund (continued)			
Lake Management Committee			
Contractual Services			
Personnel Services	\$ 1,500	\$ 1,500	\$ 1,320
Other professional services	6,229	6,229	8,150
Maintenance - equipment	-	-	213
Lake and weed maintenance	7,008	7,008	12,524
Total Contractual Services	14,737	14,737	22,207
Commodities			
Operating supplies	1,458	1,458	261
Signs and poles	208	208	-
Total Commodities	1,667	1,667	261
Capital Outlay			
Improvements	19,583	19,583	35,068
Total Capital Outlay	19,583	19,583	35,068
Total Lake Management Committee	35,987	35,987	57,536
Tort Immunity (Liability)			
Unemployment insurance	6,250	6,250	-
Liability insurance	77,083	77,083	66,851
Total Tort Immunity (Liability)	83,333	83,333	66,851
Audit			
Accounting services	7,083	7,083	-
Police Protection			
Personnel Services			
Employee salaries	449,847	449,847	408,991
Dispatcher salaries	-	-	23,741
Overtime	62,500	62,500	78,577

VILLAGE OF ISLAND LAKE*General Fund - Statement of Expenditures and Comparison with Appropriations**Five Months Ended September 30, 2016*

	Appropriations		Modified
	Original	Final	Accrual
			Basis
Police Protection (continued)			
Personnel Services			
Sick-time, vacation buy back	\$ 2,708	\$ 2,708	\$ 1,199
Part-time salary	72,917	72,917	61,020
Records clerk	31,633	31,633	-
FTO and OIC pay	6,250	6,250	8,528
Retirement contribution	-	-	50,000
Health and life insurance	51,411	51,411	32,324
Total Personnel Services	677,266	677,266	664,380
Contractual Services			
Maintenance - equipment	2,083	2,083	2,675
Maintenance - vehicles	10,417	10,417	11,048
Legal services	25,000	25,000	20,867
Telephone	958	958	3,647
Medical services	542	542	436
Other communications	208	208	237
Dues and subscriptions	3,333	3,333	2,235
Training	2,917	2,917	2,764
Data processing services	2,083	2,083	-
Other professional services	62,083	62,083	50,070
Animal control	42	42	-
Postage	542	542	463
Forms and printing	625	625	125
Travel expenses	833	833	1,301
Interest expense	708	708	-
Total Contractual Services	112,375	112,375	95,868
Police Protection (continued)			
Commodities			
Miscellaneous expense	208	208	418
Vehicle maintenance supplies	1,875	1,875	116
Gasoline and oil	25,000	25,000	15,928
Office supplies	1,458	1,458	1,078
Uniforms	7,500	7,500	2,123

VILLAGE OF ISLAND LAKE

General Fund - Statement of Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual
			Basis
Police Protection			
Commodities			
Operating supplies	\$ 3,750	\$ 3,750	\$ 6,098
Total Commodities	39,792	39,792	25,761
Capital Outlay			
Equipment	15,000	15,000	27,201
Vehicles	32,447	32,447	66,943
Total Capital Outlay	47,447	47,447	94,144
Total Police Protection	876,879	876,879	880,153
Street and Bridge Fund			
Personnel Services			
Employee salaries	158,433	158,433	163,779
Overtime	20,833	20,833	2,326
Sick-time buy back	1,250	1,250	-
Part-time salary	9,208	9,208	21,710
Health and life insurance	56,430	56,430	58,408
Total Personnel Services	246,155	246,155	246,223
Contractual Services			
Maintenance - equipment	6,667	6,667	3,069
Maintenance - vehicles	3,333	3,333	5,813
Telephone	21,250	21,250	1,635
Other communications	271	271	50
Storm water tracking	-	-	1,000
Other professional services	83	83	488
Dues and subscriptions	167	167	8
Training	667	667	-
Utilities	250	250	-
Rental	1,396	1,396	2,662
Tree removal	3,125	3,125	5,868
Total Contractual Services	37,208	37,208	20,593

VILLAGE OF ISLAND LAKE

General Fund - Statement of Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual
			Basis
Street and Bridge Fund (continued)			
Commodities			
Office supplies	\$ 521	\$ 521	\$ 1,083
Gasoline and oil	6,771	6,771	8,829
Operating supplies	2,750	2,750	2,289
Small tools	1,604	1,604	190
Signs and poles	833	833	-
Uniforms	2,312	2,312	2,853
Miscellaneous	-	-	31
Vehicle maintenance supplies	4,292	4,292	3,362
Street maintenance supplies	24,021	24,021	1,263
NPDES permitting	417	417	-
Total Commodities	43,521	43,521	19,900
Capital Outlay			
Equipment	417	417	-
Vehicles	32,154	32,154	43,664
Total Capital Outlay	32,570	32,570	43,664
Total Street and Bridge Fund	359,454	359,454	330,380
Social Security Fund			
Social security and Medicare tax	66,673	66,673	72,150
IMRF Fund			
IMRF contributions	49,760	49,760	46,170
Operational transfers out	-	-	77,542
Total General Fund	\$ 1,844,917	\$ 1,844,917	\$ 1,861,177

VILLAGE OF ISLAND LAKE

Garbage Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual Basis
Revenue			
Charges for services	\$ 275,707	\$ 275,707	\$ 315,195
Miscellaneous and other Income	208	208	552
Total Revenue	<u>275,915</u>	<u>275,915</u>	<u>315,747</u>
Expenditures			
Personnel Services			
Salaries	<u>15,134</u>	<u>15,134</u>	<u>37,274</u>
Contractual Services			
Health insurance	1,300	1,300	5,755
Data processing	83	83	344
Postage	1,000	1,000	1,914
Garbage disposal	242,472	242,472	194,965
Forms and printing	<u>250</u>	<u>250</u>	<u>1,499</u>
Total Contractual Services	<u>245,106</u>	<u>245,106</u>	<u>204,477</u>
Other Expenditures			
Miscellaneous expenditures	<u>6,250</u>	<u>6,250</u>	<u>2,480</u>
Total Other Expenditures	<u>6,250</u>	<u>6,250</u>	<u>2,480</u>
Total Expenditures	<u>266,490</u>	<u>266,490</u>	<u>244,231</u>
Net Change in Fund Balance	<u>\$ 9,425</u>	<u>\$ 9,425</u>	71,516
Fund Balance			
Balance, Beginning of Year			<u>324,705</u>
Total Fund Balance, End of Year			<u>\$ 396,221</u>

VILLAGE OF ISLAND LAKE

Recreation Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

Five Months Ended September 30, 2016

Revenue	Appropriations		Modified
	Original	Final	Accrual Basis
Classes	\$ 8,542	\$ 8,542	\$ 7,573
Craft Faire	1,458	1,458	985
Creative playtime	27,083	27,083	18,120
Summer camp	15,833	15,833	38,392
Club fees	52,083	52,083	23,345
Grants and donations	-	-	28,217
Miscellaneous and other income	5,500	5,500	423
Total Revenue	110,500	110,500	117,055
Expenditures			
Personnel Services			
General administrative salaries	15,600	15,600	15,880
Instructor salaries	4,401	4,401	3,104
Creative playtime salaries	20,833	20,833	15,441
Club salaries	24,317	24,317	32,727
IMRF	4,230	4,230	1,824
Social security tax	4,490	4,490	4,036
Medicare tax	945	945	943
Total Personnel Services	74,815	74,815	73,955
Contractual Services			
Health insurance	6,984	6,984	5,943
Telephone	604	604	202
Maintenance - equipment	583	583	200
Maintenance - vehicles	292	292	928
Field trips	3,333	3,333	5,889
Lakefest	-	-	17,962
Fireworks	-	-	17,049
Concerts in the park	-	-	4,541
Training	417	417	-
Publishing	2,083	2,083	-
Forms and printing	104	104	-
Total Contractual Services	14,400	14,400	52,714

VILLAGE OF ISLAND LAKE

Recreation Fund - Statement of Revenue and Expenditures and Comparison with Appropriations

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual Basis
Recreation Fund (continued)			
Commodities			
Recreation supplies	\$ -	\$ -	\$ 1,640
Office supplies	229	229	106
Fund raising specials	417	417	-
Small tools and minor equipment	125	125	-
Operating supplies	6,125	6,125	4,488
Craft fair	104	104	-
Gas & oil	500	500	453
Miscellaneous expenditures	83	83	28
Total Commodities	<u>7,583</u>	<u>7,583</u>	<u>6,715</u>
 Total Expenditures	 <u>96,799</u>	 <u>96,799</u>	 <u>133,384</u>
 Net Change in Fund Balance	 <u><u>\$ 13,701</u></u>	 <u><u>\$ 13,701</u></u>	 (16,329)
 Fund Balance			
Balance, Beginning of Year			<u>110,769</u>
Total Fund Balance, End of Year			<u><u>\$ 94,440</u></u>

VILLAGE OF ISLAND LAKE

Motor Fuel Tax Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual Basis
Revenue			
Allotments	\$ 90,000	\$ 90,000	\$ 84,210
Interest income	250	250	350
Total Revenue	<u>90,250</u>	<u>90,250</u>	<u>84,560</u>
Expenditures			
Maintenance streets	76,250	76,250	-
Street lighting	27,083	27,083	21,799
Materials and supplies	14,125	14,125	3,469
Total Expenditures	<u>117,458</u>	<u>117,458</u>	<u>25,268</u>
Net Change in Fund Balance	<u>\$ (27,208)</u>	<u>\$ (27,208)</u>	59,292
Fund Balance			
Balance, Beginning of Year			<u>56,329</u>
Total Fund Balance, End of Year			<u>\$ 115,621</u>

VILLAGE OF ISLAND LAKE

Debt Service Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

Five Months Ended September 30, 2016

	Appropriations		Modified
	Original	Final	Accrual Basis
Revenue			
Property taxes	\$ -	\$ -	\$ 19
Total Revenue	<u>-</u>	<u>-</u>	<u>19</u>
Expenditures			
Principal payments	29,167	29,167	70,000
Interest expense	5,969	5,969	7,512
Total Expenditures	<u>35,136</u>	<u>35,136</u>	<u>77,512</u>
Excess (Deficiency) of Revenue Over Expenditures and Other Uses	<u>(35,136)</u>	<u>(35,136)</u>	<u>(77,493)</u>
Operational transfers in/(out)	<u>-</u>	<u>-</u>	<u>77,524</u>
Net Change in Fund Balance	<u>\$ (35,136)</u>	<u>\$ (35,136)</u>	31
Fund Balance			
Balance, Beginning of Year			<u>13,912</u>
Total Fund Balance, End of Year			<u>\$ 13,943</u>

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION

VILLAGE OF ISLAND LAKE, ILLINOIS

Notes to Required Supplementary Information

Five Months Ended September 30, 2016

The accounting policies of the Village include the preparation of financial statements on the modified accrual basis of accounting. The Village also prepares its budget on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, debt service expenditures, and claims and judgments are recognized only when payment is due.

- Budgets are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.
- The Village procedures in establishing the budgetary data reflected in the General Fund Financial Statements are presented below:
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The Village Treasurer, in consultation with the Board, is authorized to expense the un-expensed balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
- Formal budgetary integration is not employed as a management control device during the year for any fund.
- Budgetary comparisons presented in the accompanying financial statements are prepared on the modified accrual basis of accounting. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

SUPPLEMENTARY INFORMATION

VILLAGE OF ISLAND LAKE

Proprietary Fund - Waterworks Fund - Statement of Expenditures - Budget and Actual

Five Months Ended September 30, 2016

	Appropriations		Accrual
	Original	Final	Basis
Personnel services			
Salaries	\$ 141,033	\$ 141,033	\$ 121,303
Overtime	12,067	12,067	7,641
Sick-time buy back	-	-	1,168
Part-time salaries	13,362	13,362	5,726
Uniforms	-	-	1,617
Health and life insurance	36,273	36,273	44,293
Social security	11,572	11,572	8,395
Medicare	2,706	2,706	1,970
IMRF	26,261	26,261	17,614
Total personnel services	243,275	243,275	209,727
Contractual services			
Maintenance - building	3,333	3,333	-
Maintenance - equipment	51,812	51,812	5,266
Maintenance - water distribution system	13,333	13,333	-
Maintenance - vehicles	2,146	2,146	1,524
Accounting services	1,367	1,367	-
Engineering services	19,167	19,167	-
Legal services	1,042	1,042	-
Data processing	1,875	1,875	550
Other professional services	6,833	6,833	2,326
Postage	2,452	2,452	1,780
Telephone	1,292	1,292	464
Publishing	208	208	56
Dues and subscriptions	1,377	1,377	2,106
Training	921	921	140
Utilities	59,358	59,358	31,548
Liability insurance	20,833	20,833	22,284
Rentals	333	333	-
Forms and printing	1,000	1,000	2,049
Bank charges	208	208	475
Total contractual services	188,892	188,892	70,568

VILLAGE OF ISLAND LAKE

Proprietary Fund - Waterworks Fund - Statement of Expenditures - Budget and Actual

Five Months Ended September 30, 2016

	Appropriations		Accrual
	Original	Final	Basis
Commodities			
Office supplies	\$ 500	\$ 500	\$ -
Gasoline and oil	5,479	5,479	547
Operating supplies	3,729	3,729	562
Small tools and minor equipment	1,042	1,042	27
Chemicals	37,062	37,062	26,512
Uniforms	1,771	1,771	-
Miscellaneous	125	125	-
Vehicle maintenance supplies	1,687	1,687	379
Building and grounds maintenance supplies	1,875	1,875	408
Water distribution supplies	12,979	12,979	4,287
Water meters	20,167	20,167	5,244
Total commodities	86,417	86,417	37,966
Capital outlay			
Equipment	11,292	11,292	
Vehicles	4,167	4,167	-
Construction (contracted)	236,667	236,667	-
Depreciation	-	-	109,753
Total capital outlay	252,125	252,125	109,753
Debt service			
Principal payments	35,417	35,417	-
Interest expense	4,531	4,531	5,863
Total debt service	39,948	39,948	5,863
Total Waterworks Operating Fund	\$ 810,657	\$ 810,657	\$ 433,877

VILLAGE OF ISLAND LAKE

Fiduciary Fund - Police Pension Fund - Statement of Revenues, Expenditures and Change in Net Position - Budget and Actual

Five Months Ended September 30, 2016

Revenue	Appropriations		Modified
	Original	Final	Accrual Basis
Property tax	\$ 99,167	\$ 99,167	\$ 271,133
Investment income	-	-	98,102
Employee contributions	37,083	37,083	36,973
Total Revenue	136,250	136,250	406,208
Expenditures			
Police pension	168,750	168,750	140,325
Accounting services	-	-	3,850
Legal services	-	-	1,600
Other professional fees	-	-	5,209
Miscellaneous expenditures	-	-	2,546
Total Expenditures	168,750	168,750	153,530
Net Change in Fund Balance	\$ (32,500)	\$ (32,500)	252,678
Fund Balance			
Balance, Beginning of Year			3,453,087
Total Fund Balance, End of Year			\$ 3,705,765

VILLAGE OF ISLAND LAKE

Property Tax Extension Rates

Five Months Ended September 30, 2016

Tax Levy Year Assessed Valuation	2015	2014	2013
Lake County	\$ 72,983,457	\$ 63,792,436	\$ 69,040,909
McHenry County	84,946,082	72,938,878	74,800,349
Totals	<u>\$ 157,929,539</u>	<u>\$ 136,731,314</u>	<u>\$ 143,841,258</u>

Tax Rates and Percentages - Allocated by Fund

Lake County	Rate	Percentage	Rate	Percentage	Rate	Percentage
General	0.278487	33.36%	0.269605	30.82%	0.251000	30.72%
Social Security	0.092190	11.05%	0.106696	12.20%	0.099000	12.12%
Police Protection	0.071463	8.56%	0.082708	9.45%	0.078000	9.55%
Audit	0.010519	1.26%	0.012747	1.46%	0.013000	1.59%
Tort Immunity	0.123744	14.83%	0.143217	16.37%	0.134000	16.40%
IMRF	0.050735	6.08%	0.058719	6.71%	0.055000	6.73%
Street & Bridge	0.017804	2.13%	0.019950	2.28%	0.018000	2.20%
Police Pension	0.189700	22.73%	0.181169	20.71%	0.169000	20.69%
Totals	<u>0.834642</u>	<u>100.00%</u>	<u>0.874811</u>	<u>100.00%</u>	<u>0.817000</u>	<u>100.00%</u>

Special Service Area #1	<u>-</u>	<u>0.048259</u>	<u>0.425000</u>
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McHenry County	Rate	Percentage	Rate	Percentage	Rate	Percentage
General	0.284555	34.09%	0.275358	31.54%	0.255142	31.54%
Garbage	-	0.00%	-	0.00%	-	31.54%
Social Security	0.094199	11.29%	0.108973	12.48%	0.100806	12.46%
Police Protection	0.073020	8.75%	0.084472	9.67%	0.078316	9.68%
Audit	0.010748	1.29%	0.013018	1.49%	0.012008	1.48%
Tort Immunity	0.126442	15.15%	0.146272	16.75%	0.135566	16.75%
IMRF	0.051841	6.21%	0.059972	6.87%	0.055617	6.87%
Street & Bridge	-	0.00%	-	0.00%	-	0.00%
Police Pension	0.193835	23.22%	0.185034	21.19%	0.171717	21.22%
Totals	<u>0.834640</u>	<u>100.00%</u>	<u>0.873099</u>	<u>100.00%</u>	<u>0.809172</u>	<u>131.54%</u>

Special Service Area #1	<u>-</u>	<u>0.477810</u>	<u>0.420090</u>
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Five Months Ended September 30, 2016

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