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VILLAGE OF KILDEER, ILLINOIS

ANNUAL FINANCIAL REPORT

APRIL 30, 2011

VILLAGE OF KILDEER, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Village of Kildeer
Kildeer, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of

VILLAGE OF KILDEER

as of and for the year ended April 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Kildeer's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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 Village of Kildeer, as of April 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Village of Kildeer's basic financial statements. The supplemental financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Village of Kildeer. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 16, 2011

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KILDEER, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Village of Kildeer, Illinois (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at April 30, 2011 by \$33,659,335 (net assets). Unrestricted net assets, which are assets that may be used to meet the Village's ongoing obligations to citizens and creditors, are \$2,956,634 at April 30, 2011.
- The Village's total net assets decreased by \$260,461.
- At April 30, 2011, the Village's governmental funds reported combined ending fund balances of \$2,991,308. This is an increase of \$1,204,356 in comparison with the prior year.
- At April 30, 2011, the unreserved and undesignated fund balance for the General Fund was \$1,460,120, or 28 percent of total General Fund expenditures.
- The Village's total debt for governmental and business-type activities increased by \$621,240 (37 percent) during the year ended April 30, 2011. The key factor in this increase was issuance of debt certificates partially offset by principal payments made on the debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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. Both perspectives (government-wide and fund level financial statements) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

This report also contains other 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 Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 and earned but unpaid salaries).

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, and public works and transportation. The business-type activities of the Village include sewer operations.

The government-wide financial statements can be found on pages 9 and 10 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 three 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, Motor Fuel Tax Fund, and Capital Projects Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Proprietary funds - The Village maintains one 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 an enterprise fund to account for its sewer operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operation, which is considered to be a major fund of the Village.

The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

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 basic fiduciary fund financial statements can be found on pages 18 and 19 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 20 through 37 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 citizens.

The Village adopts an annual budget ordinance for its General Fund and Motor Fuel Tax Fund. A budget comparison statement has been provided for these funds to demonstrate compliance with this budget ordinance.

Required supplementary information can be found on pages 38 through 42 of this report. Other supplemental financial information can be found on pages 43 and 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$33,659,335 at April 30, 2011.

By far the largest portion of the Village's net assets (89 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles, infrastructure, sanitary sewers, and lift stations); less any related debt used to acquire those assets that is still outstanding. 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 Kildeer's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Current and Other Assets	\$ 3,950,352	\$ 2,608,280	\$ 1,378,821	\$ 1,254,516	\$ 5,329,173	\$ 3,862,796
Capital Assets	25,677,182	26,616,753	5,871,644	5,929,983	31,548,826	32,546,736
Total Assets	<u>\$ 29,627,534</u>	<u>\$ 29,225,033</u>	<u>\$ 7,250,465</u>	<u>\$ 7,184,499</u>	<u>\$ 36,877,999</u>	<u>\$ 36,409,532</u>
Long-Term Liabilities Outstanding	\$ 2,048,133	\$ 1,420,593	\$ 264,922	\$ 274,331	\$ 2,313,055	\$ 1,694,924
Other Liabilities	886,982	785,999	18,627	8,813	905,609	794,812
Total Liabilities	<u>\$ 2,935,115</u>	<u>\$ 2,206,592</u>	<u>\$ 283,549</u>	<u>\$ 283,144</u>	<u>\$ 3,218,664</u>	<u>\$ 2,489,736</u>
Net Assets:						
Invested in Capital Assets, Net						
of Related Debt	\$ 24,251,008	\$ 25,196,160	\$ 5,606,722	\$ 5,655,652	\$ 29,857,730	\$ 30,851,812
Restricted	806,981	840,083	37,990	37,990	844,971	878,073
Unrestricted	1,634,430	982,198	1,322,204	1,207,713	2,956,634	2,189,911
Total Net Assets	<u>\$ 26,692,419</u>	<u>\$ 27,018,441</u>	<u>\$ 6,966,916</u>	<u>\$ 6,901,355</u>	<u>\$ 33,659,335</u>	<u>\$ 33,919,796</u>

An additional portion of the Village's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets, which are assets that may be used to meet the Village's ongoing obligations to citizens and creditors, are \$2,956,634 at April 30, 2011.

Governmental Activities. Governmental activities decreased the Village's net assets by \$326,022, thereby accounting for 125 percent of the total decline in the net assets of the Village. Key differences from the prior year are as follows:

Village of Kildeer's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,053,047	\$ 1,955,967	\$ 674,289	\$ 633,420	\$ 2,727,336	\$ 2,589,387
Operating Grants and Contributions	10,868	7,000	-	-	10,868	7,000
Capital Grants and Contributions	108,640	1,408,491	-	-	108,640	1,408,491
General Revenues:						
Property Taxes	673,436	662,083	-	-	673,436	662,083
Other Taxes	1,662,484	1,535,076	-	-	1,662,484	1,535,076
Unrestricted Investment Earnings	3,618	6,682	7,752	14,301	11,370	20,983
Other	143,072	79,870	-	-	143,072	79,870
Total Revenues	\$ 4,655,165	\$ 5,655,169	\$ 682,041	\$ 647,721	\$ 5,337,206	\$ 6,302,890
Expenses:						
General Government	\$ 657,248	\$ 698,027	\$ -	\$ -	\$ 657,248	\$ 698,027
Public Safety	2,918,201	2,621,054	-	-	2,918,201	2,621,054
Public Works and Transportation	1,259,178	1,313,149	-	-	1,259,178	1,313,149
Unallocated Depreciation	48,466	48,466	-	-	48,466	48,466
Interest and Fees on Long-Term Debt	98,094	72,414	13,264	13,573	111,358	85,987
Sewer	-	-	603,216	578,307	603,216	578,307
Total Expenses	\$ 4,981,187	\$ 4,753,110	\$ 616,480	\$ 591,880	\$ 5,597,667	\$ 5,344,990
Increase/(Decrease) in Net Assets	\$ (326,022)	\$ 902,059	\$ 65,561	\$ 55,841	\$ (260,461)	\$ 957,900
Net Assets - Beginning	27,018,441	26,038,171	6,901,355	6,845,514	33,919,796	32,883,685
Net Assets Adjustment	-	78,211	-	-	-	78,211
Net Assets - Ending	\$ 26,692,419	\$ 27,018,441	\$ 6,966,916	\$ 6,901,355	\$ 33,659,335	\$ 33,919,796

The most significant change in revenues was a decrease in Capital Grants and Contributions of \$1,299,851 which is due primarily to a decrease in contributions from developers.

The most significant change in expenses was an increase in Public Safety of \$297,147 which is due primarily to an increase in salaries and related payroll taxes.

Business-type activities - Business-type activities increased the Village's net assets by \$65,561. The most significant change in revenues was an increase in Charges for Services of \$40,869 which is due primarily to an increase in sewer charges to reflect the increased charges by Lake County.

Expenses were higher than the prior year due primarily to an increase in sewer operating expenses.

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.

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 April 30, 2011, the Village's governmental funds reported combined ending fund balances of \$2,991,308, an increase of \$1,204,356 in comparison with the prior year.

The General Fund is the chief operating fund of the Village. At April 30, 2011, unreserved and undesignated fund balance of the General Fund was \$1,460,120. As a measure of the General Fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to total General Fund expenditures. Unreserved, undesignated fund balance represents 28 percent of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$634,151 during the year ended April 30, 2011.

Proprietary funds - The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,322,204. The total increase in net assets for the Sewer Fund was \$65,561. Factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

GENERAL FUND BUDGET HIGHLIGHTS

The Village did not amend its budget ordinance during the year ended April 30, 2011.

Significant differences between the budget and the actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$344,245 (favorable) and was primarily due to higher than expected State Sales Tax, State Income Tax, and Refunds and Reimbursements.
- The difference between budgeted expenditures and actual expenditures was \$571,459 (unfavorable) and was mostly due to more than expected Debt Service payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Village's investment in capital assets for its governmental and business-type activities as of April 30, 2011 amounts to \$31,548,826 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, infrastructure, sanitary sewers, and lift stations. The total decrease in the Village's investment in capital assets for the year ended April 30, 2011 was 3 percent.

	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
Land	\$ 13,293,342	\$ 13,293,342	\$ -	\$ -	\$ 13,293,342	\$ 13,293,342
Buildings	1,938,646	1,987,112	-	-	1,938,646	1,987,112
Equipment	44,422	69,441	-	-	44,422	69,441
Vehicles	41,118	79,723	-	-	41,118	79,723
Infrastructure	10,359,654	11,187,135	-	-	10,359,654	11,187,135
Sanitary Sewers	-	-	5,445,479	5,528,297	5,445,479	5,528,297
Lift Stations	-	-	426,165	401,686	426,165	401,686
Total	\$ 25,677,182	\$ 26,616,753	\$ 5,871,644	\$ 5,929,983	\$ 31,548,826	\$ 32,546,736

Major capital asset events during the current fiscal year included the following:

- Purchase of Bioxide Feed Station for \$36,340

Additional information on the Village's capital assets can be found in note 3 on page 28 of this report.

Long-term debt - At April 30, 2011, the Village had total governmental and business-type activities debt outstanding of \$2,316,164. Of this amount, \$2,164,148 comprises debt backed by the full faith and credit of the Village. The remainder of the Village's debt (\$152,016) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Village of Kildeer's Outstanding Debt						
	Governmental Activities		Business-Type Activities		Total	
	4/30/2011	4/30/2010	4/30/2011	4/30/2010	4/30/2011	4/30/2010
General Obligation Debt						
Certificates	\$ 2,025,000	\$ 1,384,175	\$ -	\$ -	\$ 2,025,000	\$ 1,384,175
Supplemental Act						
Assessment Bonds	-	-	152,016	152,016	152,016	152,016
Capital Lease Payable	26,242	36,418	-	-	26,242	36,418
Notes Payable	-	-	112,906	122,315	112,906	122,315
Total	<u>\$ 2,051,242</u>	<u>\$ 1,420,593</u>	<u>\$ 264,922</u>	<u>\$ 274,331</u>	<u>\$ 2,316,164</u>	<u>\$ 1,694,924</u>

The Village's total debt increased by \$621,240 (37 percent) during the year ended April 30, 2011. The key factor in this increase was issuance of debt certificates partially offset by principal payments made on the debt.

Additional information on the Village's long-term debt can be found in note 4 on pages 29 and 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

No significant changes are expected in the budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Village President
 Village of Kildeer
 21911 Quentin Road
 Kildeer, IL, 60047

BASIC FINANCIAL STATEMENTS

VILLAGE OF KILDEER, ILLINOIS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
APRIL 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,667,191	\$ 1,292,465	\$ 3,959,656
Receivables (Net of Allowance for Estimated Uncollectible Amounts of \$0)			
Property Taxes	698,039	-	698,039
Accounts	76,067	888	76,955
From Other Governmental Units	383,592	-	383,592
Special Assessments	-	85,468	85,468
Prepaid Expenses	38,588	-	38,588
Net Pension Asset - Police	43,757	-	43,757
Debt Issuance Cost, Net of Amortization	43,118	-	43,118
Capital Assets			
Land	13,293,342	-	13,293,342
Other Capital Assets, Net of Depreciation	<u>12,383,840</u>	<u>5,871,644</u>	<u>18,255,484</u>
 Total Assets	 <u>\$ 29,627,534</u>	 <u>\$ 7,250,465</u>	 <u>\$ 36,877,999</u>
LIABILITIES			
Accounts Payable	\$ 56,300	\$ 10,620	\$ 66,920
Accrued Expenses	57,695	8,007	65,702
Sales Tax Rebates	74,948	-	74,948
Deferred Revenue	698,039	-	698,039
Net Pension Obligation - IMRF	2,110	-	2,110
Non-Current Liabilities			
Due Within One Year	80,054	9,409	89,463
Due in More Than One Year	<u>1,965,969</u>	<u>255,513</u>	<u>2,221,482</u>
 Total Liabilities	 <u>\$ 2,935,115</u>	 <u>\$ 283,549</u>	 <u>\$ 3,218,664</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 24,251,008	\$ 5,606,722	\$ 29,857,730
Restricted for:			
Capital Projects	530,910	-	530,910
DUI Enforcement	13,900	-	13,900
Drug Enforcement	6,137	-	6,137
Squad Cars	30,042	-	30,042
Land Development	56,229	-	56,229
Street Extension	32,856	-	32,856
Highways and Streets	136,907	-	136,907
Capital Sewer Projects	-	37,990	37,990
Unrestricted / (Deficit)	<u>1,634,430</u>	<u>1,322,204</u>	<u>2,956,634</u>
 Total Net Assets	 <u>\$ 26,692,419</u>	 <u>\$ 6,966,916</u>	 <u>\$ 33,659,335</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 YEAR ENDED APRIL 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 657,248	\$ 345,453	\$ -	\$ 108,640
Public Safety	2,918,201	1,707,594	10,868	-
Public Works and Transportation	1,259,178	-	-	-
Unallocated Depreciation	48,466	-	-	-
Interest and Fees on Long-Term Debt	98,094	-	-	-
	<u>\$ 4,981,187</u>	<u>\$ 2,053,047</u>	<u>\$ 10,868</u>	<u>\$ 108,640</u>
Business-Type Activities				
Sewer	\$ 603,216	\$ 674,289	\$ -	\$ -
Interest and Fees on Long-Term Debt	13,264	-	-	-
	<u>\$ 616,480</u>	<u>\$ 674,289</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 5,597,667</u>	<u>\$ 2,727,336</u>	<u>\$ 10,868</u>	<u>\$ 108,640</u>

General Revenues

Taxes

Property Tax, Levied for General Purposes

State Sales Tax

State Income Tax

State Replacement Tax

State Use Tax

State Motor Fuel Tax

Other Taxes

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - May 1, 2010

Net Assets - April 30, 2011

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (203,155)	\$ -	\$ (203,155)
(1,199,739)	-	(1,199,739)
(1,259,178)	-	(1,259,178)
(48,466)	-	(48,466)
(98,094)	-	(98,094)
<u>\$ (2,808,632)</u>	<u>\$ -</u>	<u>\$ (2,808,632)</u>
\$ -	\$ 71,073	\$ 71,073
-	(13,264)	(13,264)
<u>\$ -</u>	<u>\$ 57,809</u>	<u>\$ 57,809</u>
\$ (2,808,632)	\$ 57,809	\$ (2,750,823)
\$ 673,436	\$ -	\$ 673,436
1,121,376	-	1,121,376
325,745	-	325,745
1,330	-	1,330
61,509	-	61,509
123,840	-	123,840
28,684	-	28,684
3,618	7,752	11,370
143,072	-	143,072
<u>\$ 2,482,610</u>	<u>\$ 7,752</u>	<u>\$ 2,490,362</u>
\$ (326,022)	\$ 65,561	\$ (260,461)
27,018,441	6,901,355	33,919,796
<u>\$ 26,692,419</u>	<u>\$ 6,966,916</u>	<u>\$ 33,659,335</u>

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 APRIL 30, 2011

	General Fund	Motor Fuel Tax Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,397,158	\$ 128,284	\$ 1,141,749	\$ 2,667,191
Receivables (Net of Allowance for Estimated Uncollectible Amounts of \$0)				
Property Taxes	698,039	-	-	698,039
Accounts	44,187	-	31,880	76,067
From Other Governmental Units	374,969	8,623	-	383,592
Prepaid Expenses	38,588	-	-	38,588
	<u>\$ 2,552,941</u>	<u>\$ 136,907</u>	<u>\$ 1,173,629</u>	<u>\$ 3,863,477</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 24,420	\$ -	\$ 31,880	\$ 56,300
Accrued Expenses	42,882	-	-	42,882
Sales Tax Rebates	74,948	-	-	74,948
Deferred Revenue	698,039	-	-	698,039
Total Liabilities	<u>\$ 840,289</u>	<u>\$ -</u>	<u>\$ 31,880</u>	<u>\$ 872,169</u>
FUND BALANCES				
Reserved for:				
DUI Enforcement	\$ 13,900	\$ -	\$ -	\$ 13,900
Drug Enforcement	6,137	-	-	6,137
Squad Cars	30,042	-	-	30,042
Land Development	56,229	-	-	56,229
Street Extension	32,856	-	-	32,856
Unreserved				
Designated for:				
Facility Maintenance	60,000	-	-	60,000
Debt Service	53,368	-	-	53,368
Undesignated	1,460,120	136,907	1,141,749	2,738,776
Total Fund Balances	<u>\$ 1,712,652</u>	<u>\$ 136,907</u>	<u>\$ 1,141,749</u>	<u>\$ 2,991,308</u>
	<u>\$ 2,552,941</u>	<u>\$ 136,907</u>	<u>\$ 1,173,629</u>	<u>\$ 3,863,477</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 APRIL 30, 2011

Total Fund Balances - Governmental Funds		\$ 2,991,308
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets, net of accumulated depreciation		25,677,182
Net Pension Asset - Police is not included in the governmental funds.		43,757
Net Pension Obligation - IMRF is not included in the governmental funds.		(2,110)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds and Notes Payable	\$ (2,051,242)	
Accrued Interest on Long-Term Debt	(14,813)	
Debt Issuance Costs	43,118	
Discounts on Bonds	14,229	
Compensated Absences Payable	<u>(9,010)</u>	
		<u>(2,017,718)</u>
Net Assets of Governmental Activities		<u>\$ 26,692,419</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2011

	General Fund	Motor Fuel Tax Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Taxes				
Property Tax	\$ 673,436	\$ -	\$ -	\$ 673,436
Intergovernmental				
State Sales Tax	1,121,376	-	-	1,121,376
State Income Tax	325,745	-	-	325,745
State Replacement Tax	1,330	-	-	1,330
State Use Tax	61,509	-	-	61,509
State Motor Fuel Tax	-	123,840	-	123,840
Telecommunications Tax	28,684	-	-	28,684
Grants	10,868	-	-	10,868
County Agreements	-	-	108,640	108,640
Other Local Sources				
Vehicle Stickers	58,843	-	-	58,843
Other Licenses and Permits	155,609	-	-	155,609
Sewer Administration Fees	53,142	-	-	53,142
Franchise Fees	77,859	-	-	77,859
Contract Services	1,454,416	-	-	1,454,416
Police Fines	253,178	-	-	253,178
Expired Completion Bonds	40,000	-	-	40,000
Interest	2,888	253	477	3,618
Miscellaneous				
Books and Copies	2,154	-	-	2,154
Refunds and Reimbursements	95,553	-	-	95,553
Other Miscellaneous	5,365	-	-	5,365
Total Revenues	\$ 4,421,955	\$ 124,093	\$ 109,117	\$ 4,655,165
EXPENDITURES				
Current				
General Government	\$ 538,346	\$ -	\$ -	\$ 538,346
Public Safety	2,848,180	-	-	2,848,180
Public Works and Transportation	266,697	165,000	-	431,697
Capital Outlay	13,965	-	108,640	122,605
Debt Service				
Principal	1,394,352	-	-	1,394,352
Interest and Fees	80,263	-	-	80,263
Issuance Cost	60,366	-	-	60,366
Total Expenditures	\$ 5,202,169	\$ 165,000	\$ 108,640	\$ 5,475,809
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (780,214)	\$ (40,907)	\$ 477	\$ (820,644)
OTHER FINANCING SOURCES/(USES)				
Proceeds from Issuance of Long-Term Debt	\$ 2,025,000	\$ -	\$ -	\$ 2,025,000
Transfers	(610,635)	-	610,635	-
	\$ 1,414,365	\$ -	\$ 610,635	\$ 2,025,000
NET CHANGE IN FUND BALANCES	\$ 634,151	\$ (40,907)	\$ 611,112	\$ 1,204,356
FUND BALANCES - MAY 1, 2010	1,078,501	177,814	530,637	1,786,952
FUND BALANCES - APRIL 30, 2011	\$ 1,712,652	\$ 136,907	\$ 1,141,749	\$ 2,991,308

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED APRIL 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,204,356

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense (939,571)

The change in the Net Pension Asset - Police is not included in the governmental funds. 8,428

The change in the Net Pension Obligation - IMRF is not included in the governmental funds. (2,110)

Long-term debt proceeds provide current financial resources to governmental funds and are therefore shown as a revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but issuing debt increases long-term liabilities in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Loan Proceeds (2,010,022)

Long-term debt issuance costs decrease current financial resources in the governmental funds and are therefore shown as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but debt issuance costs are amortized and reported as an asset in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Debt Issuance Costs 45,388

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of Debt Issuance Costs	\$	(2,269)	
Amortization of Bond Discounts		(749)	
Accrued Interest on Long-Term Debt		(14,813)	
Compensated Absences		(9,010)	
		(26,841)	(26,841)

Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Repayment of Long-Term Debt 1,394,351

Change in Net Assets of Governmental Activities \$ (326,021)

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 APRIL 30, 2011

	Enterprise Fund Sewer
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,292,465
Receivables (Net of Allowance for Estimated Uncollectible Accounts of \$0)	
Accounts	888
Special Assessments	85,468
	\$ 1,378,821
Non-Current Assets	
Capital Assets	
Sewer System	\$ 7,236,599
Less: Accumulated Depreciation	(1,364,955)
	\$ 5,871,644
Total Assets	\$ 7,250,465
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 10,620
Accrued Expenses	8,007
Loans Payable - Current	9,409
	\$ 28,036
Non-Current Liabilities	
Loans Payable (Net of Current Portion Shown Above)	\$ 255,513
Total Liabilities	\$ 283,549
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 5,606,722
Restricted for:	
Capital Sewer Projects	37,990
Unrestricted / (Deficit)	1,322,204
Total Net Assets	\$ 6,966,916

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED APRIL 30, 2011

	Enterprise Fund
	Sewer
OPERATING REVENUES	
Charges for Services	
Sewer Charges	\$ 674,289
	\$ 674,289
OPERATING EXPENSES	
Sewer Department	
Administration	\$ 53,142
System Maintenance	12,180
Utilities	14,332
Operating Expenses	427,366
Miscellaneous Expenses	1,517
Depreciation	94,679
	\$ 603,216
OPERATING INCOME/(LOSS)	\$ 71,073
NON-OPERATING REVENUE/(EXPENSE)	
Interest Income	\$ 7,752
Interest Expense	(13,264)
	\$ (5,512)
CHANGE IN NET ASSETS	\$ 65,561
NET ASSETS - MAY 1, 2010	6,901,355
NET ASSETS - APRIL 30, 2011	\$ 6,966,916

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED APRIL 30, 2011

	Enterprise Fund
	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 694,068
Payments to Suppliers for Goods and Services	(498,572)
Net Cash Provided/(Used) by Operating Activities	\$ 195,496
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Assessments Received	\$ 12,210
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 12,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Capital Debt	\$ (13,415)
Principal Paid on Capital Debt	(9,409)
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (22,824)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents and Investments	\$ 7,752
Purchases of Property and Equipment	(36,340)
Net Cash Provided/(Used) by Investing Activities	\$ (28,588)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 156,294
CASH AND CASH EQUIVALENTS BALANCE - MAY 1, 2010	1,136,171
CASH AND CASH EQUIVALENTS BALANCE - APRIL 30, 2011	\$ 1,292,465
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ 71,073
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	94,679
Change in assets and liabilities:	
Receivables, net	19,779
Accounts Payable	9,965
Net Cash Provided/(Used) by Operating Activities	\$ 195,496

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 APRIL 30, 2011

	Agency Funds		Trust Fund
	Escrow Fund	Special Service Area Fund	Police Pension Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 82,753	\$ 739,353	\$ 318,167
Investments, at fair value	-	-	2,583,963
Receivables (Net of Allowance for Estimated Uncollectible Amounts of \$0)			
Employee Contributions	-	-	6,735
	<u>\$ 82,753</u>	<u>\$ 739,353</u>	<u>\$ 2,908,865</u>
TOTAL ASSETS	<u><u>\$ 82,753</u></u>	<u><u>\$ 739,353</u></u>	<u><u>\$ 2,908,865</u></u>
LIABILITIES			
Current Liabilities			
Due to Developers	\$ 82,753	\$ -	\$ -
Due to Bondholders	-	739,353	-
Withholdings Payable	-	-	511
	<u>\$ 82,753</u>	<u>\$ 739,353</u>	<u>\$ 511</u>
TOTAL LIABILITIES	<u><u>\$ 82,753</u></u>	<u><u>\$ 739,353</u></u>	<u><u>\$ 511</u></u>
NET ASSETS HELD IN TRUST			<u><u>\$ 2,908,354</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED APRIL 30, 2011

	Trust Fund Police Pension Fund
ADDITIONS	
Contributions	
Employer	\$ 348,651
Plan Member	127,766
Transfer from Other Pension	95,027
Total Contributions	\$ 571,444
Investment Earnings	
Interest and Dividends	\$ 98,637
Realized Gain/(Loss)	(1,903)
Unrealized Gain/(Loss)	47,449
Total Investment Earnings	\$ 144,183
TOTAL ADDITIONS	\$ 715,627
DEDUCTIONS	
Benefits	\$ 132,117
Administrative Expenses	40,723
TOTAL DEDUCTIONS	\$ 172,840
NET INCREASE/(DECREASE)	\$ 542,787
NET ASSETS HELD IN TRUST - MAY 1, 2010	2,365,567
NET ASSETS HELD IN TRUST - APRIL 30, 2011	\$ 2,908,354

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF KILDEER, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Village of Kildeer, Illinois (Village) 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. The Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, and the Village has chosen to do so. The more significant accounting policies established in GAAP and used by the Village are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the Village. Component units are legally separate entities for which the Village (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Village. Using these criteria, the Village has determined that the Police Pension Fund meets the above criteria. The Police Pension Fund is blended into the Village's primary government financial statements as a fiduciary fund although it remains a separate legal entity. In addition, the Village is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Statements*

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's general government, public safety, and public works and transportation are classified as governmental activities. The Village's sewer services are classified as business-type activities.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basic Financial Statements – Government-Wide Statements (Continued)*

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public works and transportation, public safety, etc.) or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues and expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in one column in the fund financial statements. The Village does not have any nonmajor funds as the Village has elected to treat all funds as major funds.

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 Village reports these governmental funds and fund types:

1. The General Fund is the Village's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
2. The Special Revenue Fund (Motor Fuel Tax Fund) is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Basic Financial Statements – Fund Financial Statements (Continued)*

Governmental Funds (Continued)

3. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Proprietary Fund Types

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

Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Fiduciary Fund Types

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

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

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

2. Modified Accrual

The governmental funds' financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. An exception was made to the 60 day recognition period for Income Tax revenues due to delayed payments from the State of Illinois. The exception was made to preserve the consistency of revenue recognition between years. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt, which is recognized when due and payable.

The Village reports deferred revenue on its governmental funds Balance Sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. At April 30, 2011 the Village has \$698,039 of deferred revenue from property taxes.

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all Village funds. Instead, the funds maintain their uninvested cash balances in a common bank account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Village funds and are, therefore, interfund loans which have not been authorized by Village Board action.

No Village fund had a cash overdraft at April 30, 2011.

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, checking accounts, savings accounts, money market accounts, and short-term investments with an original maturity of less than three months.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

F. *Receivables*

Receivables are reported net of estimated uncollectible amounts. No property tax receivable allowance is recorded as the Village receives approximately 100% of the amount levied.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Inventories and Prepaid Items*

It is the Village's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the value of resale or supply items on hand.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported on the consumption basis. Prepaid items are recorded in both the government-wide and fund financial statements.

H. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

I. *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 of donation. 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. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

Buildings	50 years
Equipment	5 years
Vehicles	5 years
Infrastructure	25 - 40 years
Sanitary Sewers	75 - 100 years
Lift Stations	100 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

GASB Statement No. 34 requires the Village to report and depreciate new infrastructure assets effective as of May 1, 2004. The Village completed an inventory of infrastructure assets acquired prior to May 1, 2004. These assets have been valued at their estimated historical cost, or for donated assets, at their estimated fair market value at the date of donation. All infrastructure additions subsequent to May 1, 2004 are recorded at cost, or fair market value as of the date donated, as applicable.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Village, but is not accumulated from year to year. Sick leave is accumulated from year to year up to specified maximums, but is not paid upon termination. Overtime can accumulate as compensatory time up to 40 hours and is payable upon separation.

K. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities and proprietary fund Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds 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.

L. *Government-Wide and Proprietary Fund Net Assets*

Government-wide and proprietary fund net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets – consist of net assets that are restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets are reported in this category.

M. *Governmental Fund Balances*

Governmental fund balances are reported as "reserved" when the balances are not available for appropriation or expenditure or because they are legally segregated for a specific future use. The remaining balances are "unreserved" fund balances. From time to time, the Village agrees to set aside or "designate" resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management's tentative plans and can be changed.

N. *Property Tax Calendar and Revenues*

The Village is responsible for levying property taxes, but the taxes are collected by the County. Taxes are levied each calendar year on all taxable real property located in the Village on or before the last Tuesday in December. The 2010 levy was passed by the

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Property Tax Calendar and Revenues* (Continued)

Board on December 7, 2010. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

O. *Defining Operating Revenues and Expenses*

The Village's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's Sewer Fund consist of charges for services and the costs for providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

P. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. *Deposits*

Deposits with financial institutions are fully insured or collateralized by securities held in the Village's name.

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6 and Chapter 40, Act 5/Article 4 – Pensions.

B. *Investments*

Village

As of April 30, 2011 the Village had the following investments:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 1,899,605	\$ 1,899,605	\$ -	\$ -	\$ -
Totals	\$ 1,899,605	\$ 1,899,605	\$ -	\$ -	\$ -

Interest Rate Risk – The Village does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

B. *Investments* (Continued)

Village (Continued)

Credit Risk. State law limits investments based on credit risk. The Village has an investment policy that would further limit its investment choices. As of April 30, 2011, the Village's investments were rated as follows:

<u>Investment</u>	<u>Credit Rating</u>	<u>Rating Source</u>
State Investment Pool	AAA/Aaa	Standard and Poor's/Moody's

Police Pension

As of April 30, 2011 the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>5 - 10</u>	<u>More Than 10</u>
Mutual Funds	\$ 689,223	\$ 689,223	\$ -	\$ -	\$ -
Federal Home Loan Bank	247,922	108,257	139,665	-	-
Federal Farm Credit Bank	249,828	-	-	249,828	-
Federal Home Loan Mortgage Corp	506,800	180,214	326,586	-	-
U.S. Government Obligations	201,264	201,264	-	-	-
Federal National Mortgage Association	475,852	422,090	53,762	-	-
Stocks	213,074	213,074	-	-	-
Totals	<u>\$ 2,583,963</u>	<u>\$ 1,814,122</u>	<u>\$ 520,013</u>	<u>\$ 249,828</u>	<u>\$ -</u>

Interest Rate Risk – The Police Pension Fund does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. The Police Pension Fund has an investment policy that would further limit its investment choices. As of April 30, 2011, the Police Pension Fund's investments were rated as follows:

<u>Investment</u>	<u>Credit Rating</u>	<u>Rating Source</u>
Federal Home Loan Bank	AAA/Aaa	Standard and Poor's/Moody's
Federal Farm Credit Bank	AAA/Aaa	Standard and Poor's/Moody's
Federal Home Loan Mortgage Corp	AAA/Aaa	Standard and Poor's/Moody's
Federal National Mortgage Association	AAA/Aaa	Standard and Poor's/Moody's

Concentration of Credit Risk. The Police Pension Fund places no limit on the amount the Police Pension Fund may invest in any one issuer. More than 5% of the Police Pension Fund's investments are in Federal Home Loan Bank (10%), Federal Farm Credit Bank (10%), Federal Home Loan Mortgage Corp (20%), U.S. Government Obligations (8%), and Federal National Mortgage Association (18%).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	Balance May 1, 2010	Increases	Decreases	Balance April 30, 2011
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,293,342	\$ -	\$ -	\$ 13,293,342
Total Capital Assets not being depreciated	\$ 13,293,342	\$ -	\$ -	\$ 13,293,342
Other Capital Assets				
Buildings	\$ 2,423,308	\$ -	\$ -	\$ 2,423,308
Equipment	184,481	-	-	184,481
Vehicles	214,632	-	-	214,632
Infrastructure	20,287,384	-	-	20,287,384
Total Other Capital Assets at Historical Cost	\$ 23,109,805	\$ -	\$ -	\$ 23,109,805
Less Accumulated Depreciation for				
Buildings	\$ 436,196	\$ 48,466	\$ -	\$ 484,662
Equipment	115,040	25,019	-	140,059
Vehicles	134,909	38,605	-	173,514
Infrastructure	9,100,249	827,481	-	9,927,730
Total Accumulated Depreciation	\$ 9,786,394	\$ 939,571	\$ -	\$ 10,725,965
Other Capital Assets, Net	\$ 13,323,411	\$ (939,571)	\$ -	\$ 12,383,840
Governmental Activities Capital Assets, Net	\$ 26,616,753	\$ (939,571)	\$ -	\$ 25,677,182
Business-Type Activities				
Other Capital Assets				
Sanitary Sewers	\$ 6,740,938	\$ -	\$ -	\$ 6,740,938
Lift Stations	459,321	36,340	-	495,661
Total Other Capital Assets at Historical Cost	\$ 7,200,259	\$ 36,340	\$ -	\$ 7,236,599
Less Accumulated Depreciation for				
Sanitary Sewers	\$ 1,212,641	\$ 82,818	\$ -	\$ 1,295,459
Lift Stations	57,635	11,861	-	69,496
Total Accumulated Depreciation	\$ 1,270,276	\$ 94,679	\$ -	\$ 1,364,955
Other Capital Assets, Net	\$ 5,929,983	\$ (58,339)	\$ -	\$ 5,871,644
Business-Type Activities Capital Assets, Net	\$ 5,929,983	\$ (58,339)	\$ -	\$ 5,871,644

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 6,420
Public Safety	57,204
Public Works and Transportation	827,481
Unallocated	48,466
Total Governmental Activities Depreciation Expense	\$ 939,571
Business-Type Activities	
Sewer	\$ 94,679
Total Business-Type Activities Depreciation Expense	\$ 94,679

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2011 was as follows:

	Balance May 1, 2010	Additions	Retirements	Balance April 30, 2011	Amounts Due Within One Year
Governmental Activities					
Long-Term Debt					
General Obligation Limited Debt					
Certificates					
Dated 6/19/01	\$ 1,384,175	\$ -	\$ 1,384,175	\$ -	\$ -
Dated 2/3/11	-	2,025,000	-	2,025,000	70,000
Capital Lease Dated 8/31/09	36,418	-	10,176	26,242	10,803
Total Long-Term Debt Payable	<u>\$ 1,420,593</u>	<u>\$ 2,025,000</u>	<u>\$ 1,394,351</u>	<u>\$ 2,051,242</u>	<u>\$ 80,803</u>
Other Long-Term Liabilities					
Debt Certificates Discounts, Net of Amortization	\$ -	\$ (14,978)	\$ (749)	\$ (14,229)	\$ (749)
Compensated Absences	-	9,010	-	9,010	-
Total Other Long-Term Liabilities	<u>\$ -</u>	<u>\$ (5,968)</u>	<u>\$ (749)</u>	<u>\$ (5,219)</u>	<u>\$ (749)</u>
Governmental Activities Long-Term Obligations	<u>\$ 1,420,593</u>	<u>\$ 2,019,032</u>	<u>\$ 1,393,602</u>	<u>\$ 2,046,023</u>	<u>\$ 80,054</u>
Business-Type Activities					
Long-Term Debt					
Bonds Payable					
Supplemental Act Assessment					
Bonds Dated 7/27/98	\$ 152,016	\$ -	\$ -	\$ 152,016	\$ -
Note Payable Dated 1/1/04	122,315	-	9,409	112,906	9,409
Total Long-Term Debt Payable	<u>\$ 274,331</u>	<u>\$ -</u>	<u>\$ 9,409</u>	<u>\$ 264,922</u>	<u>\$ 9,409</u>
Business-Type Activities Long-Term Obligations	<u>\$ 274,331</u>	<u>\$ -</u>	<u>\$ 9,409</u>	<u>\$ 264,922</u>	<u>\$ 9,409</u>

Long-term debt payable consisted of the following at April 30, 2011:

	Maturity Dates	Interest Rates	Face Amount	Carrying Amount
Governmental Activities:				
General Obligation Limited Debt				
Certificates				
Dated 6/19/01	7/1/2011	5.33%	\$ 1,556,970	\$ -
Dated 2/3/11	2/1/2031	3.00% - 5.375%	2,025,000	2,025,000
Capital Lease Dated 8/31/09	8/31/2013	6.00%	42,871	26,242
Business-Type Activities:				
Supplemental Act Assessment				
Bonds Dated 7/27/98	7/1/2018	4.89%	152,016	152,016
Note Payable Dated 1/1/04	1/1/2023	4.89%	188,177	112,906

At April 30, 2011 the annual debt service requirements to service long-term debt attributable to governmental activities are:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 80,803	\$ 91,384	\$ 172,187
2013	81,470	89,121	170,591
2014	78,969	86,465	165,434
2015	75,000	84,156	159,156
2016	80,000	81,906	161,906
2017	80,000	79,506	159,506
2018	85,000	76,706	161,706
2019	85,000	73,519	158,519
2020	90,000	69,906	159,906
2021	95,000	66,081	161,081
2022	100,000	62,044	162,044
2023	100,000	57,294	157,294
2024	105,000	52,544	157,544
2025	110,000	47,556	157,556
2026	120,000	42,331	162,331
2027	125,000	36,181	161,181
2028	130,000	29,775	159,775
2029	135,000	23,113	158,113
2030	145,000	15,856	160,856
2031	150,000	8,063	158,063
	<u>\$ 2,051,242</u>	<u>\$ 1,173,507</u>	<u>\$ 3,224,749</u>

At April 30, 2011 the annual debt service requirements to service long-term debt attributable to business-type activities are:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,409	\$ 12,955	\$ 22,364
2013	9,409	12,495	21,904
2014	9,409	12,034	21,443
2015	9,409	11,574	20,983
2016	9,409	11,114	20,523
2017	9,409	10,654	20,063
2018	9,409	10,194	19,603
2019	161,425	9,734	171,159
2020	9,409	1,840	11,249
2021	9,409	1,380	10,789
2022	9,409	920	10,329
2023	9,407	461	9,868
	<u>\$ 264,922</u>	<u>\$ 95,355</u>	<u>\$ 360,277</u>

NOTE 5 - RESERVED/RESTRICTED EQUITY

The following amounts are restricted/reserved equity balances at April 30, 2011:

<u>Purpose</u>	<u>Restricted Net Assets</u>	<u>Reserved Fund Balance</u>
Capital Projects	\$ 1,141,749	\$ -
DUI Enforcement	13,900	13,900
Drug Enforcement	6,137	6,137
Squad Cars	30,042	30,042
Land Development	56,229	56,229
Street Extension	32,856	32,856
Highways and Streets	136,907	-
Capital Sewer Projects	37,990	-
	<u>\$ 1,455,810</u>	<u>\$ 139,164</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DESIGNATED FUND BALANCE

Portions of the Village's fund balance have been board designated for the following purposes as of April 30, 2011:

Purpose	Designation
General Fund	
Facility Maintenance	\$ 60,000
Debt Service	53,368

NOTE 7 - DEFICIT FUND BALANCE

No Village fund had a deficit fund balance at April 30, 2011.

NOTE 8 - PROPERTY TAXES

Property taxes receivable and deferred revenue recorded in these financial statements are from the 2010 tax levy. The deferred revenue is 100% of the 2010 levy. These taxes are deferred as none of the taxes are collected before the end of the fiscal year and the Village does not consider the amounts to be available and does not budget for their use in fiscal year 2011. The Village has determined that 100% of the amounts collected for the 2009 levy are allocable for use in fiscal year 2011. Therefore, 100% of the amounts collected for the 2009 levy (\$673,436) are recorded in these financial statements as property taxes revenue. A summary of the assessed valuations, rates and extensions for the years 2010, 2009, and 2008 follows:

TAX YEAR	2010		2009		2008	
	ASSESSED VALUATION		ASSESSED VALUATION		ASSESSED VALUATION	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
Corporate	0.2160	\$ 694,822	0.2000	\$ 670,797	0.1970	\$ 661,546
Special Service Area #1	-	\$ 300,000	-	\$ 299,920	-	\$ 299,920
Road and Bridge (from Townships)	-	\$ 3,217	-	\$ 3,354	-	\$ 12,031

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2011, the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General Fund	\$ 4,630,710	\$ 5,202,169	\$ 571,459
Capital Projects Fund	-	108,640	108,640

The General Fund expenditures exceeded the budget due to the issuance of new bonds and old bonds being paid off, both of which were not budgeted for.

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND

A. *Plan Description*

The Village'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 Village's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. This report may be obtained on-line at www.imrf.org.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

B. *Funding Policy*

As set by statute, the Village's Regular plan members are required to contribute 4.50% 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 Village's contribution rate for calendar year 2010 was 9.74% of annual covered payroll. The Village's annual required contribution rate for calendar year 2010 was 10.62%. The Village 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

C. *Annual Pension Cost*

For calendar year ending December 31, 2010, the Village's actual contributions for pension cost for the Regular plan were \$23,349. Its required contribution for calendar year 2010 was \$25,459.

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 25,459	92%	\$ 2,110
12/31/2009	20,057	100%	-
12/31/2008	21,110	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

D. *Funded Status and Funding Progress*

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 54.25% funded. The actuarial accrued liability for benefits was \$232,281 and the actuarial value of assets was \$126,021, resulting in an underfunded actuarial accrued liability (UAAL) of \$106,260. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$239,728 and the ratio of the UAAL to the covered payroll was 44%.

This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. *Funded Status and Funding Progress (Continued)*

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 126,021	\$ 232,281	\$ 106,260	54.25%	\$ 239,728	44.33%
12/31/2009	83,108	217,123	134,015	38.28%	226,637	59.13%
12/31/2008	930,924	1,024,756	93,832	90.84%	238,536	39.34%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$168,029. On a market basis, the funded ratio would be 72.34%.

NOTE 11 - POLICE PENSION PLAN

A. *Plan Description and Contribution Information*

The Kildeer Police Pension Fund of the Village of Kildeer (Plan) is a single-employer defined benefit pension plan that covers all full-time police sworn personnel of the Village. The Pension Board administers the Plan and the Illinois Department of Insurance is the oversight agency.

The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Chapter 40-Pensions-Act 5/Article 3 of the Illinois Compiled Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Illinois legislature. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at April 30, 2010, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	1
Active Plan Members	19
Total	<u>20</u>

Contribution requirements of both the Plan members and the Village are established and may be amended by the Illinois legislature. Plan members are required to contribute 9.91% of their annual covered salary. The Village is required to contribute at an actuarially determined rate. Administrative costs of the Plan are financed through investment earnings.

B. *Summary of Significant Accounting Policies*

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Village contributions to the Plan are recognized when due and when the Village has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

B. *Summary of Significant Accounting Policies (Continued)*

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 a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Any investments that do not have an established market are reported at estimated fair value.

C. *Concentrations*

No concentrations existed as of the year ended April 30, 2011.

D. *Annual Pension Cost and Net Pension Obligation*

The Village's annual pension cost and net pension obligation to the Plan as of April 30, 2010 is as follows:

Annual required contribution	\$ 97,384
Interest on net pension obligation (optional)	-
Adjustment to annual required contribution	-
Annual pension cost	<u>\$ 97,384</u>
Contributions made	<u>105,812</u>
Increase/(decrease) in net pension obligation	\$ (8,428)
Net pension obligation beginning of year	<u>(35,329)</u>
Net pension obligation end of year	<u><u>\$ (43,757)</u></u>

The annual required contribution for the current year was determined as part of the April 30, 2010 actuarial valuation using the entry-age-normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5%. Both (a) and (b) include an inflation component. The assumptions include postretirement benefit increases of 3%.

The unfunded actuarial accrued liability is being amortized as a level percentage of pay method on a closed period. The remaining amortization period at April 30, 2010 was 37 years.

Actuarial Valuation Date	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2010	\$ 97,384	108.7%	\$ (43,757)
12/31/2009	292,151	105.3%	(35,329)
12/31/2008	357,848	105.5%	(19,616)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

E. Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2010	\$ 2,368,318	\$ 5,221,609	\$ 2,853,291	45.4%	\$ 1,297,179	220.0%
4/30/2009	1,843,113	4,533,451	2,690,338	40.7%	1,351,831	199.0%
12/31/2008	1,729,802	4,331,004	2,601,202	39.9%	1,324,803	196.3%

Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
4/30/2010	\$ 97,384	108.7%
12/31/2009	292,151	105.3%
12/31/2008	357,848	105.5%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	4/30/2010
Actuarial cost method	Entry Age Normal Cost
Actuarial value of assets	Market
Amortization method	Level percentage of pay in accordance with Sec 3-127 of the Illinois Pension Code
Remaining amortization period	37 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases (including inflation)	5.5%

NOTE 12 - INTERFUND TRANSFERS

The following funds were transfers for the year ended April 30, 2011:

Transfer from	Transfer to	Amount
General Fund	Capital Projects Fund	\$ 610,635

The transfers were made to the Capital Projects Fund for future capital improvements.

NOTE 13 - JOINT VENTURE

The Village is a member of Solid Waste Agency of Lake County (SWALCO), which consists of forty-one municipalities. SWALCO is a municipal corporation and public body politic and corporate established pursuant to the Constitutions of the State of Illinois and the Intergovernmental Cooperation Act of the State of Illinois, as amended (the Act). SWALCO is empowered under the Act to plan, construct, finance, operate and maintain a solid waste disposal system to serve its members.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - JOINT VENTURE (Continued)

Member percentage shares are subject to change in future years based on the combination of the population and equalized assessed valuation of the municipalities.

The members form a contiguous geographic service area which is located in Lake County. Under the Agency Agreement, additional members may join SWALCO upon the approval of each member.

SWALCO is governed by a Board of Directors, which consists of one appointed representative from each member municipality. Each Director has one equal vote. The officers of SWALCO are appointed by the Board of Directors. The Board of Directors determines the general policy of SWALCO; makes all appropriations; approves contracts; adopts resolutions providing for the issuance of bonds or notes by SWALCO; adopts bylaws, rules and regulations; and exercises such powers and performs such duties as may be prescribed in the Agency Agreement or the bylaws.

SWALCO is an oversight advisory board providing long-range planning services to member municipalities. The Village is a participant in SWALCO, but no agreement has been reached as to the services to be provided.

Complete financial statements can be obtained from the Solid Waste Agency of Lake County, 1300 N. Skokie Highway, Suite 103, Gurnee, Illinois 60031.

NOTE 14 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to handle these risks of loss. During fiscal year 2011 there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2011, there were no significant adjustments in premiums based on actual experience.

Levels of coverage provided are as follows:

Coverage	Limit
General Liability	\$2,000,000 Each Occurrence
Employee Benefit Liability	\$2,000,000 Each Employee
Public Entity Management Liability	\$2,000,000 Each Wrongful Act
Law Enforcement Liability	\$2,000,000 Each Wrongful Act
Employment Practices Liability	\$1,000,000 Each Wrongful Act
Auto Liability	\$2,000,000 Each Accident
Workers Compensation	Statutory
Employers Liability	\$2,500,000
Umbrella Liability	\$3,000,000 Each Occurrence
Excess Liability	\$5,000,000 Each Occurrence
Property - Blanket Building & Business Personal Property	\$3,261,145
Crime - Employee Dishonesty	\$1,000,000

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - CONTINGENCIES

The Village is not aware of any litigation which might have a material adverse effect on the Village's financial position.

NOTE 16 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Village. The Village's legal debt limitation is as follows:

2010 EAV	\$	321,676,990
Rate		<u>8.625%</u>
Debt Margin	\$	27,744,640
Current Debt		<u>2,316,164</u>
Remaining Debt Margin	\$	<u><u>25,428,476</u></u>

NOTE 17 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 16, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KILDEER, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE OVER (UNDER)
	ORIGINAL AND FINAL		
REVENUES			
Local Taxes			
Property Tax	\$ 663,673	\$ 673,436	\$ 9,763
Intergovernmental			
State Sales Tax	1,000,000	1,121,376	121,376
State Income Tax	250,000	325,745	75,745
State Replacement Tax	1,200	1,330	130
State Use Tax	45,000	61,509	16,509
Telecommunications Tax	31,000	28,684	(2,316)
Grants	7,000	10,868	3,868
Other Local Sources			
Vehicle Stickers	59,000	58,843	(157)
Other Licenses and Permits	105,000	155,609	50,609
Sewer Administration Fees	53,140	53,142	2
Franchise Fees	50,000	77,859	27,859
Contract Services	1,454,416	1,454,416	-
Police Fines	280,636	253,178	(27,458)
Expired Completion Bonds	20,000	40,000	20,000
Interest	10,000	2,888	(7,112)
Miscellaneous			
Books and Copies	500	2,154	1,654
Refunds and Reimbursements	35,000	95,553	60,553
Other Miscellaneous	12,145	5,365	(6,780)
	<u>\$ 4,077,710</u>	<u>\$ 4,421,955</u>	<u>\$ 344,245</u>
EXPENDITURES			
Current			
General Government			
Personnel Salaries	\$ 143,100	\$ 86,042	\$ (57,058)
Payroll Taxes	10,748	10,374	(374)
Retirement and Benefits	36,188	28,942	(7,246)
Training and Education	1,000	819	(181)
Travel and Lodging	500	1,228	728
Legal Services	25,000	-	(25,000)
Contract Services	10,000	3,982	(6,018)
Planning and Zoning Services	21,500	46,131	24,631
Inspection Services	12,000	17,790	5,790
Financial Services	35,000	5,313	(29,687)
Information Technology	42,000	14,251	(27,749)
Other Professional Fees	5,000	15,595	10,595
Audit Fees	10,000	10,000	-
Codification	3,500	2,933	(567)
Alarm and Video	1,268	-	(1,268)
Insurance	12,500	8,907	(3,593)
Dues and Subscriptions	2,831	4,159	1,328
Supplies	19,000	5,302	(13,698)
Copy Services	5,000	699	(4,301)
Postage	6,000	2,301	(3,699)
Utilities	9,400	6,130	(3,270)
Equipment Maintenance	14,068	8,864	(5,204)
Building and Grounds Maintenance	61,000	38,461	(22,539)
Software	12,084	-	(12,084)
Sales Tax Rebate	225,000	216,460	(8,540)
Community Events	3,000	1,413	(1,587)
Newsletter	10,000	-	(10,000)
Miscellaneous Expenses	5,800	2,250	(3,550)
	<u>\$ 742,487</u>	<u>\$ 538,346</u>	<u>\$ (204,141)</u>

See Accompanying Independent Auditor's Report

VILLAGE OF KILDEER, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	ACTUAL AMOUNTS <u> </u>	VARIANCE OVER <u>(UNDER)</u>
EXPENDITURES (Continued)			
Current (Continued)			
Public Safety			
Personnel Salaries	\$ 1,495,282	\$ 1,675,883	\$ 180,601
Payroll Taxes	29,587	50,232	20,645
Health Benefits	352,796	345,932	(6,864)
Pension Contribution	358,506	369,848	11,342
Insurance	137,802	64,772	(73,030)
Investigations and Lab	6,000	580	(5,420)
Legal Services	75,000	61,842	(13,158)
Contract Services	24,920	25,315	395
Admin Adjudication	4,000	3,230	(770)
Police Grant Expense	5,500	2,043	(3,457)
Emergency Management Programs	2,500	4,415	1,915
Community Emergency Response Team	3,000	-	(3,000)
Community Relations	4,660	1,290	(3,370)
Firearms and Defense	6,120	5,422	(698)
Communications	5,000	6,507	1,507
Conferences and Dues	2,500	14,648	12,148
Dispatching	76,382	73,891	(2,491)
Drug Seizures	2,500	-	(2,500)
Traffic Rebate	-	8,123	8,123
Training and Education	11,500	4,503	(6,997)
Travel and Lodging	1,500	243	(1,257)
Printing	6,000	1,469	(4,531)
Copy Services	5,200	2,887	(2,313)
Postage	3,176	1,898	(1,278)
Fuel	50,000	48,141	(1,859)
Storage	2,460	2,536	76
Supplies	8,400	4,404	(3,996)
Uniforms	6,500	14,217	7,717
Maintenance and Repairs	44,700	51,807	7,107
Miscellaneous Expenses	8,220	2,102	(6,118)
	<u>\$ 2,739,711</u>	<u>\$ 2,848,180</u>	<u>\$ 108,469</u>
Public Works and Transportation			
Contract Services	\$ 10,000	\$ -	\$ (10,000)
Mosquito Control	10,000	10,000	-
Road Maintenance	53,000	80,648	27,648
Snow and Ice Control	220,000	127,541	(92,459)
Street Signs and Safety	8,000	282	(7,718)
Street Lighting	8,000	3,312	(4,688)
Right of Way Maintenance	40,000	24,381	(15,619)
Traffic Signal Maintenance	17,000	16,080	(920)
Storm Sewer Line Maintenance	40,000	2,479	(37,521)
Miscellaneous Expenses	1,800	1,974	174
	<u>\$ 407,800</u>	<u>\$ 266,697</u>	<u>\$ (141,103)</u>
Provision for Contingencies	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>
Total Current	<u>\$ 4,389,998</u>	<u>\$ 3,653,223</u>	<u>\$ (736,775)</u>
Capital Outlay			
General Government	\$ 15,000	\$ 1,730	\$ (13,270)
Public Safety	28,850	12,235	(16,615)
	<u>\$ 43,850</u>	<u>\$ 13,965</u>	<u>\$ (29,885)</u>

See Accompanying Independent Auditor's Report

VILLAGE OF KILDEER, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	<u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE OVER (UNDER)</u>
EXPENDITURES (Continued)			
Debt Service			
Principal	\$ 125,781	\$ 1,394,352	\$ 1,268,571
Interest and Fees	71,081	80,263	9,182
Issuance Cost	-	60,366	60,366
	<u>\$ 196,862</u>	<u>\$ 1,534,981</u>	<u>\$ 1,338,119</u>
Total Expenditures	<u>\$ 4,630,710</u>	<u>\$ 5,202,169</u>	<u>\$ 571,459</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (553,000)</u>	<u>\$ (780,214)</u>	<u>\$ (227,214)</u>
OTHER FINANCING SOURCES/(USES)			
Proceeds from Issuance of Long-Term Debt	\$ 500,000	\$ 2,025,000	\$ 1,525,000
Transfers	-	(610,635)	(610,635)
	<u>\$ 500,000</u>	<u>\$ 1,414,365</u>	<u>\$ 914,365</u>
NET CHANGE IN FUND BALANCE	\$ (53,000)	\$ 634,151	\$ 687,151
FUND BALANCE - MAY 1, 2010	<u>53,000</u>	<u>1,078,501</u>	<u>1,025,501</u>
FUND BALANCE - APRIL 30, 2011	<u>\$ -</u>	<u>\$ 1,712,652</u>	<u>\$ 1,712,652</u>

See Accompanying Independent Auditor's Report

VILLAGE OF KILDEER, ILLINOIS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 MOTOR FUEL TAX FUND
 YEAR ENDED APRIL 30, 2011

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	ACTUAL AMOUNTS	VARIANCE OVER (UNDER)
REVENUES			
Intergovernmental			
State Motor Fuel Tax	\$ 110,000	\$ 123,840	\$ 13,840
Other Local Sources			
Interest	250	253	3
Total Revenues	<u>\$ 110,250</u>	<u>\$ 124,093</u>	<u>\$ 13,843</u>
EXPENDITURES			
Current			
Public Works and Transportation			
Road Improvements	<u>\$ 150,000</u>	<u>\$ 165,000</u>	<u>\$ 15,000</u>
Provision for Contingencies	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>
Total Expenditures	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ -</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (54,750)	\$ (40,907)	\$ 13,843
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ (54,750)	\$ (40,907)	\$ 13,843
FUND BALANCE - MAY 1, 2010	<u>160,000</u>	<u>177,814</u>	<u>17,814</u>
FUND BALANCE - APRIL 30, 2011	<u>\$ 105,250</u>	<u>\$ 136,907</u>	<u>\$ 31,657</u>

See Accompanying Independent Auditor's Report

VILLAGE OF KILDEER, ILLINOIS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 APRIL 30, 2011

NOTE 1 - BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for all funds. All annual budgets lapse at fiscal year end.

Budgeted expenditures are controlled at the departmental level with the Village Administrator's oversight. All transfers and any revisions that change the total expenditures not contemplated of any fund must be approved by the Village's Board of Trustees. All budget amendments must be approved by the Village's Board of Trustees.

The budget was approved on April 12, 2010.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2011, the expenditures of the following fund, presented as Required Supplementary Information, exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General Fund	\$ 4,630,710	\$ 5,202,169	\$ 571,459

The General Fund expenditures exceeded the budget due to the issuance of new bonds and old bonds being paid off, both of which were not budgeted for.

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF KILDEER, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED APRIL 30, 2011

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	ACTUAL AMOUNTS	VARIANCE OVER (UNDER)
REVENUES			
Intergovernmental			
County Agreements	\$ -	\$ 108,640	\$ 108,640
Other Local Sources			
Interest	-	477	477
Total Revenues	<u>\$ -</u>	<u>\$ 109,117</u>	<u>\$ 109,117</u>
EXPENDITURES			
Capital Outlay			
General Government	<u>\$ -</u>	<u>\$ 108,640</u>	<u>\$ 108,640</u>
Total Expenditures	<u>\$ -</u>	<u>\$ 108,640</u>	<u>\$ 108,640</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 477	\$ 477
OTHER FINANCING SOURCES/(USES)			
Transfers	<u>-</u>	<u>610,635</u>	<u>610,635</u>
NET CHANGE IN FUND BALANCE	\$ -	611,112	\$ 611,112
FUND BALANCE - MAY 1, 2010	<u>-</u>	<u>530,637</u>	<u>530,637</u>
FUND BALANCE - APRIL 30, 2011	<u>\$ -</u>	<u>\$ 1,141,749</u>	<u>\$ 1,141,749</u>

See Accompanying Independent Auditor's Report

VILLAGE OF KILDEER, ILLINOIS
 SCHEDULE OF INDIVIDUAL DEBT SERVICE REQUIREMENTS
 FOR BUSINESS-TYPE ACTIVITIES
 APRIL 30, 2011

Annual debt service requirements to service the Supplemental Act Assessment Bonds are:

Year Ending April 30	Principal	Interest	Total
2012	\$ -	\$ 7,434	\$ 7,434
2013	-	7,434	7,434
2014	-	7,434	7,434
2015	-	7,434	7,434
2016	-	7,434	7,434
2017	-	7,434	7,434
2018	-	7,434	7,434
2019	152,016	7,434	159,450
	<u>\$ 152,016</u>	<u>\$ 59,472</u>	<u>\$ 211,488</u>

Annual debt service requirements to service the Village of Deer Park note payable are:

Year Ending April 30	Principal	Interest	Total
2012	\$ 9,409	\$ 5,521	\$ 14,930
2013	9,409	5,061	14,470
2014	9,409	4,600	14,009
2015	9,409	4,140	13,549
2016	9,409	3,680	13,089
2017	9,409	3,220	12,629
2018	9,409	2,760	12,169
2019	9,409	2,300	11,709
2020	9,409	1,840	11,249
2021	9,409	1,380	10,789
2022	9,409	920	10,329
2023	9,407	461	9,868
	<u>\$ 112,906</u>	<u>\$ 35,883</u>	<u>\$ 148,789</u>

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