Village of Lake Zurich, Illinois

2021

Annual Comprehensive Financial Report

For the Fiscal Year Ending December 31, 2021



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Annual Comprehensive Financial Report of the Village of Lake Zurich, Illinois

For the Year Ended December 31, 2021

Prepared by the Finance Department

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Village of Lake Zurich

Table of Contents
December 31, 2021

	Page
Introductory Section	
Letter of Transmittal	i
Organizational Chart	xv
List of Elected and Appointed Officials	xvi
Financial Section	
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	MD&A 1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	20
Index to Notes to Financial Statements	21
Notes to Financial Statements	22

	Page
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	65
Special Revenue Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - TIF Tax Allocation	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Downtown TIF #2	67
Historical Pension and Other Postemployment Benefit Information	
Illinois Municipal Retirement Fund - Schedule of Changes in the Village's Net Pension Liability and Related Ratios	68
Illinois Municipal Retirement Fund - Schedule of Employer Contributions	70
Police Pension Fund - Schedule of Changes in the Village's Net Pension Liability and Related Ratios	72
Police Pension Fund - Schedule of Employer Contributions	74
Police Pension Fund - Schedule of Investment Returns	76
Firefighters' Pension Fund - Schedule of Changes in the Village's Net Pension Liability and Related Ratios	78
Firefighters' Pension Fund - Schedule of Employer Contributions	80
Firefighters' Pension Fund - Schedule of Investment Returns	82
Retiree Health Insurance Plan - Schedule of Changes in the Village's Total OPEB Liability and Related Ratios	84
Notes to Required Supplementary Information	85
Supplementary Information	
General Fund	
Detailed Schedule of Revenues - Budget and Actual	86
Schedule of Expenditures - Budget and Actual	88
Governmental Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	91

	Page
Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Budget and Actual	
Hotel Tax	93
Motor Fuel Tax	94
Special Events	95
Dispatch Services	96
TIF #3	97
Non-Home Rule Sales Tax Capital Projects	98
Debt Service	99
TIF Debt Service	100
Capital Improvements	101
Enterprise Funds	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	
Waterworks and Sewerage	103
Schedule of Operating Revenues - Budget to Actual - Waterworks and Sewerage	104
Schedule of Operating Expenses - Budget to Actual - Waterworks and Sewerage	105
Internal Service Funds	
Combining Statement of Net Position - Internal Service Funds	106
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	107
Combining Statement of Cash Flows - Internal Service Funds	108
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	
Medical Self-Insurance	109
Risk Management	110
Equipment Replacement	111
Fiduciary Funds	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	112
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	113

	Page
Other Supplementary Schedules	
Long-Term Debt Requirements	
General Obligation Refunding Bonds (Alternative Revenue Source) Series of 2014A	114
General Obligation Refunding Bonds (Alternative Revenue Source) Series of 2015A	115
General Obligation Waterworks and Sewerage Bonds (Alternative Revenue Source) Series of 2013A	116
IEPA Loan of 2006	117
IEPA Loan of 2008	118
General Obligation Refunding Bonds (Alternative Revenue Source) Series of 2016A	119
General Obligation Waterworks and Sewerage Bonds (Alternative Revenue Source) Series of 2016B	120
Statistical Section	
Financial Trends	
Net Position by Component	121
Change in Net Position	122
Fund Balances of Governmental Funds	124
General Governmental Revenues by Source	125
General Governmental Expenditures by Function	126
Changes in Fund Balances of Governmental Funds	127
Revenue Capacity	
Assessed Value and Actual Value of Taxable Property	128
Property Tax Rates - Direct and Overlapping Governments	129
Principal Property Taxpayers	130
Property Tax Levies and Collections	131
Debt Capacity	
Ratios of Outstanding Debt by Type	132
Ratios of General Bonded Debt Outstanding	133
Direct and Overlapping Bonded Debt - Governmental Activities	134
Schedule of Legal Debt Margin Information	135
Pledged-Revenue Coverage	136

	Page
Demographic and Economic Information	
Demographic and Economic Information	137
Principal Employers	138
Full-Time Equivalent Employees	139
Operating Indicators by Function	140
Capital Asset Statistics by Function/Program	142

OFFICE OF THE VILLAGE MANAGER
Ray Keller

July 13, 2022

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

The Finance Department is pleased to submit herewith the Annual Comprehensive Financial Report of the Village of Lake Zurich, Illinois (the Village) for the fiscal year ended December 31, 2021. This report provides a broad view of the Village's financial activities for the twelve-month 2021 fiscal year and its financial position at December 31, 2021.

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

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

Baker Tilly US, LLP (Certified Public Accountants) has issued an unmodified ("clean") opinion on the Village's financial statements for the fiscal year ended December 31, 2021. The independent auditors' report is located at the front of the financial section of this report.

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

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

Profile of the Government

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

Settlers first came to the area in the 1830's. George Ela settled in the area of Deer Grove, not far from Cedar Lake (now Lake Zurich) in 1835. Seth Paine, a Chicagoan, came to the area in 1836, and built a number of commercial establishments in what is now downtown Lake Zurich. New England farmers and German immigrants followed, and the Village was incorporated on September 19, 1896.

The Village grew slowly after its incorporation. The Palatine and Lake Zurich and Wauconda Railroad was built in 1910, but the line was discontinued in 1920. Rand Road (now U.S. Route 12) was paved through town in 1922, and helped establish Lake Zurich, with its rural setting and 250-acre lake, as a summer resort community. The east-west State Route 22, which also runs through Lake Zurich, was constructed in 1927. Population growth accelerated after World War II, with the Village's population increasing from 850 in 1950 to 3,458 in 1960, and further to 4,082 in 1970, 8,225 in 1980, and 14,927 in 1990 (up 81.5% from 1980). The 2020 Census reported a population of 19,759 up 32% from 1990. The land area of the Village is 6.9 square miles.

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

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

The Reporting Entity

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

Accounting System and Budgetary Control

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

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

The annual budget serves as the foundation for the Village's financial planning and control. It also serves as the legal authority to spend public funds. The Village Board has adopted the Budget Act for purposes of legally appropriating public funds. The Village Manager was designated by the Village Board as the Budget Officer. All departments submit their budget requests to the Village Manager approximately four months before the start of the next fiscal year. The Director of Finance prepares a projection of revenues to be received during the fiscal year. The Village Manager, Director of Finance, and appropriate staff review all budget requests and revenue estimates and develop a proposed budget. The proposed budget is presented to the Village Board and a formal public hearing is held prior to its adoption by the Village Board, which is required by state law prior to the first day of the fiscal year. The Budget Officer may approve the transfer of budgeted funds from one account to another, provided the two accounts are within the same object class and within the same department and fund. Further, the legal level of budgetary control resides at the department level, or where no departmental segregation of a fund exists, the fund level. Amendments or increases to the annual budget may be done only by a two-thirds vote of the Village Board. The Village's fiscal periods coincide with the calendar year.

Factors Affecting Economic Condition

Global Economy: In March 2020, the global economy was significantly impacted by the drastic response to COVID-19, which led to unprecedented unemployment, due to business closures; significant market declines; temporary closures of non-life sustaining business activities, including "stay-at-home" orders for certain hard-hit areas. Local tax revenues took drastic declines during these mandated shut down months, but have since rebounded, at least for the time being.

During Spring 2022, the global economy has been strained due to continuing supply-chain bottlenecks; on-going outbreaks of COVID leading to massive shutdowns of regional economies and ports in China; the Russian invasion of Ukraine: the highest consumer inflation in 40 years, especially in food and energy prices; and raising interest rates by the Federal Reserve. The global instability created by these geo-political events has caused wild volatility in global stock markets and bond prices, specifically during the first half of 2022.

Local Economy: Lake Zurich is primarily a white-collar community and therefore the residents have been less affected by losses of manufacturing jobs.

Lake Zurich has a very strong retail sales tax base acquired through commodity retail establishments primarily located on the Rand Road Corridor. The Village has a strong mix of retail superstores, such as Costco, Home Depot, Wal-Mart, Target, Jewel and Mariano's, which has helped in weathering downturns in the economy. Despite a strong sales tax base, the rising cost of operations limits the Village's ability to properly maintain and improve the citizens' investment in Village infrastructure. To assist with long term planning, the Village embarked on a 20-year Community Investment Plan (CIP) to manage the over $130 million in infrastructure, including roads, water mains, sanitary and storm sewers, buildings and equipment. Village management is continuously looking for ways to cut costs and/or increase revenues. However, a large proportion of the increasing costs are mandated by statute, regulatory agencies, and/or labor contracts.

Retail vacancy rates decreased in Quarter 1 of 2022 to 3.1% vacant from 3.4% in the fourth Quarter of 2021. This continues a steady decline from a peak retail vacancy rate of 8.5% that Lake Zurich experienced in Quarter 4 of 2020, during the economic hardships of mandated COVID lockdowns. As of March 31, 2022, there was 82,341 square feet of retail space reported vacant in Lake Zurich, with average rates at $14.77 per square foot (nnn).

The industrial vacancy rate decreased to 1.8% in Quarter 1 of 2022 comparted to Quarter 4 of last year when 2.2% was reported vacant. The Lake Zurich Industrial Park is mature, thriving, and continues to attract large employers in manufacturing, production, and transportation industries. Indeed, the industrial park is Lake Zurich's primary employment center. The Village's industrial vacancy rate experienced a recent peak of 7.5% in Quarter 2 of 2020, once again due to the mandated shut downs prompted by the COVID public health emergency. It has experienced a steady decline since then to its current 1.8% vacant rate.

Meanwhile, the Village's Office vacancy rate has hovered between 2.5% and 3.8% vacant since early 2020 and currently sites at 3.3% vacant as of the end of Quarter 1 2022. Lake Zurich does not have a heavy concentration of office spaces and thus was rather insulated from a spiking office vacancy rate during the COVID shutdowns.

Despite the economic and supply chain challenges of the last several months related to the COVID pandemic, the Village issued nearly $38 million in construction value for permits during 2021, an increase of nearly $15.3 million from 2020.

Lake Zurich economic development efforts paid off in 2021, with efforts to attract private sector investment resulting in new projects across the village and at least 30 new businesses opening up from the Main Street District to the Route 22 corridor to the industrial park.

The Village was pleased to attract Factor 75 to the vacant Peapod building on Ensell Road. Main Street development projects ramped up with the total renovations of the former Bank of America building on West Main into a high-end dining establishment with oyster bar and fresh seafood retail store. The Village also completed an agreement with the Lake Zurich Florist for the sale and redevelopment of a new two-story mixed-use building on South Old Rand Road. Finally, during 2021 the Village sold the small office building at 133 West Main Street to a Korean BBQ restaurant, which has moved its operations from Park Ridge to Lake Zurich.

During the pandemic, the United States saw an increasing trend of people moving out of city urban environments and into the suburbs, facilitated by the pandemic-era work-from-home lifestyles. Lake Zurich saw its piece of this national trend. During 2021, the Village has approved several new residential start-ups that are currently underway, including The Sanctuary of Lake Zurich on the northwest corner of the Lake (*23 townhomes within three buildings plus a commercial / restaurant component*), Canterbury Townes

on Route 222 (*38 townhomes within nine buildings*), Avery Ridge off of Midlothian Road (*34 single-family homes)* and Wildwood Estates on Honey Lake Road (*24 duplex residences within 12 buildings*).

In Fall of 2021, the Village successfully attracted its first adult-use recreational cannabis dispensary, Justice Cannabis, to locate at the former TGI Friday's restaurant on Rand Road. During 2022, the company will be renovating the building into one of its flagship retail locations in Illinois.

Lake Zurich's recovery from the economic slumps of the COVID pandemic has been strong, thanks to the organizational and financial restructuring efforts over the past 6 – 8 years. These sound financial practices and policy decisions enabled the Village to weather the pandemic and the economic conditions that came with it.

Throughout the pandemic, the Village worked with the local Chamber of Commerce and Lake County Partners to secure over $1.8 million of small business grants to over 100 local Lake Zurich businesses. Village Staff developed a webpage dedicated to a live, updated listing of eateries offering take-out/delivery during the mandated shut-downs. The Village suspended noise ordinances and eased signage restrictions for grocery stores and other businesses deemed essential and authorized to stay open. The Village also eased rent restrictions to business tenants who rent village-owned building and worked with households that encouraged financial difficulties to allow flexible water-sewer payment plans for those in need.

At the Staff-level of the organization, the Village adjusted personnel levels to allow mobile working arrangements and staggered work times for personnel required to be physically present. Commercial plan reviews and inspections were transitioned to online permitting and virtual inspections. The Village moved public meetings to virtual formats, which had the added benefit of increasing accessibility to local legislative meetings.

Signature park and recreation programs made big returns in 2021 after being cancelled in 2020 due to the pandemic restrictions. The Academy of Performing Arts (dance), day camp, and early childhood Yellow Brick Road preschool programs saw huge increases during 2021 in both participation and revenue. Aquatic beach passes saw a 30% increase from 2020 to 2021. Dance programs saw a 66% increase from 2020 to 2021. The Village's Staff at Parks and Rec were able to return to the Paulus Park Barn facility in summer 2021 after renovations were completed following the 2019 structure fire.

During 2021, the Village progressed on an in-depth study with outside consultants at Engineering Enterprises Inc. to examine alternative water sources for the residents and businesses of Lake Zurich. Specifically, the Village is looking at the most cost-effective methods of obtaining Lake Michigan water through different joint action water agencies in the northwest suburbs. The Central Lake County Joint Action Water Agency (CLCJAWA) is rising to the top of the options as the most practical, due to its geographical proximately to Lake Zurich and large volume of water capacity available. A final decision on water source is expected by the end of 2022 or early 2023.

In 2021, the Village conducted its fourth biennial National Community Survey. This is a statistically-valid survey conducted by social scientists and statisticians at the National Research Center. Residents continue to rate the quality of life in Lake Zurich highly, with 92% giving the Village an "excellent or good" rating as a place to live. Nearly all Lake Zurich residents (95%) gave positive ratings to the overall feeling of safety in the Village. These numbers are higher than national benchmark comparisons.

Residents also expressed their support of the continued revitalization of the Main Street District with 31% rating the downtown "excellent or good," up from 10% in 2017. When asked about recent economic development efforts, 55% of residents rated Lake Zurich progress as "excellent or good," up from 42% in 2017.

Finally, the Village is directly impacted by the financial condition of the State of Illinois. Shared revenue payments to the Village continue to be a target for fixing the State's own financial difficulties, however, preliminary information on the State's upcoming budget for 2022/2023 proposes an increase to the distribution rate formula for the Local Government Distributive Fund (LGDF). Non-Home Rule Sales Tax collection continues to have an administrative fee applied. We are closely monitoring the political environment in Springfield. As a non-home rule community, options for replacing any lost revenue are virtually non-existent.

***Long-Term Financial Planning*:** The Village uses a number of processes and resultant planning documents to accomplish its financial planning. As discussed above, the Village adopts an annual budget. The Village Board adopted the formal Community Investment Plan (CIP) in September 2017, forecasting out funding needs for capital items that are expected to exceed $20,000 and have a useful life of more than a year, such as road improvements, large machinery and equipment, and building improvements. Projects were prioritized by mandatory, essential, deferrable and contributory. The CIP covers a twenty-year span of anticipated capital needs, and an update to the CIP is expected in 2022.

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

Major Accomplishments and Initiatives for Fiscal Year 2021

The fiscal year ended December 31, 2021 saw many accomplishments and major initiatives come to fruition, including:

- **Balanced Budget**. Created balanced 2022 budget with an eye on sustaining progress towards strategic goals with nearly $11 million in infrastructure funding (a record high), including funds for road resurfacing, sewer lift stations, seal coating, street patching, surface crack sealing, and asphalt materials. The 2022 budget totals $59.9 million to fund a full-service municipality with 157 full-time employees.

- **Paulus Park Grant**. Implementation has started on the $400,000 IDNR grant that was secured for Paulus Park enhancements, including woodland trails, shorelines restorations, a new fishing pier, and other park amenities.

- **Steadily Funding Pensions**. Continued to fund public safety pension obligations to meet the 100% funding goal by the end of 2040. As of January 1, 2022, the Police Pension Fund is 57.6% funded and the Fire Pension is 69.5% funded.

- **Building Reserves**. The Village's official General Fund balance is to maintain a minimum of 25% with a target of 40% of total expenditures of the upcoming year. The General Fund balance at the end of 2021 is 36%, a significant accomplishment that allows for top bond ratings and low interest rates for tax payers.

- **Maintaining Top Status**. Maintained a AAA stable outlook bond rating status from Standard & Poor's, partly based on a strong local economy and overall budgetary flexibility and performance.

- **Alternative Water Source Transition.** Kicked off the in-depth analysis with consultants at EEI to examine alternative water sources. Arranged facility tours for elected officials. Cultivating a professional relationship with Central Lake County JAWA as the most feasible choice. One of the largest strategic decisions in the 126-year history of the Village of Lake Zurich.

- **Targeted Funding for Roads.** Used $1.8 million in Non-Home Rule Sales Tax (nearly 100% of this source) to fund the 2021 road resurfacing program along Deerpath Road and the Quail Run subdivision.

- **Sanitary Sewer Lining.** Last year, the Village completed year 5 of the ongoing sanitary sewer lining program that kicked off in 2017. Lining was completed in Old Mill Grove and Manor subdivisions. $1.5 million project.

- **Tennis and Pickleball Courts Refreshed.** The Village renovated the Heatherleigh tennis courts, which now also include pickleball courts (to be used with portable nets) and repurposed the former Safety Town pad at Paulus Park to be a permanent pickleball court furnished with a net for community use.

- **Kuechmann Kove at the Arboretum:** The Village welcomed the newest amenity to the community in 2021, the Kuechmann Kove playscape at Kuechmann Arboretum. Building this kid's nature playscape is intended to provide an opportunity for unstructured play in a woodland setting and could not have been accomplished without the dedicated volunteers of the Ancient Oaks Foundation.

- **Main Street Development**

    - Successfully sold the village-owned office building at 133 West Main Street to Korean Blue Ridge BBQ restaurant, which has moved from Park Ridge to Lake Zurich.

    - Completed the TIF development agreement with Vela Carina for the redevelopment of the long-vacant Bank of America building, resulting in a total renovation of this building with a high-end dining establishment that will include a banquet space, bar area, oyster bar, and fresh seafood retail store.

    - Completed the TIF development agreement with the Lake Zurich Florist for the sale and redevelopment of village-owned vacant lots on South Old Rand Road, which will result in a new two-story mixed-use building with four commercial tenant spaces and four residential units on the second floor.

- **Kildeer Crossings.** Added 90 non-resident water customers plus future commercial water customer (expected to generate $2.8 million over next 40 years). Secured $500,000 contribution from Pulte Homes for capital investment in Lake Zurich.

  Negotiated with Pulte to secure a $956,000 payment to Lake Zurich for non-resident connection fees for homes as they are permitted. Negotiated with Pulte to replace Lake Zurich's 50+ year old water line that extends across property (a $200,000+ project).

- **Filled PeaPod Vacancy.** Secured HelloFresh / Factor 75 to occupy the former 100,000 square foot PeaPod facility at 1325 Ensell Road.

- **Residential Developments.** We continue to welcome new families to Lake Zurich. This past year has seen several new residential start-ups, including:

  - The Sanctuary of Lake Zurich (*23 townhomes within three buildings with a commercial component*).

  - Canterbury Estates on Route 22 (*38 townhomes in within 9 buildings*).

  - Wildwood Estates on Honey Lake Road (*24 duplex residents with 12 buildings*).

- **Foreign Outreach.** Over the summer of 2021, the Village hosted a Select Chicago workshop that focused on foreign direct investment. The session included reps of companies from Australia, Poland, Lithuania, and Estonia.

- **Attracted several new businesses to Lake Zurich**, including:
  - Sungor Transportation
  - G2 Revolution
  - Andy's Deli
  - Popeyes
  - La Michoacana
  - All Stars Lake County
  - MVP Sports Academy
  - Milieu Landscaping
  - Journey Cremations
  - Brightway Insurance
  - Every Kind of Beautiful
  - Acosta's Home Furnishings
  - Formula One Cheer

- **Construction Permits**. Despite the economic and supply chain challenges related to the COVID-19 pandemic, the Village issued 1,435 construction permits in 2021, just below 2020 when the Village issued 1,506 permits.

- **Attracting Growth Industries.** Successfully attracted Lake Zurich's first dispensary, Justice Cannabis, to locate at the former TGIF building on Rand Road. The company will be renovating the building into one of its flagship retail locations in Illinois (held up by lawsuits at the State level – not related to Justice).

- **Streambank Stabilization Efforts**. The Village partnered with the Lake County Storm Water Management Commission for streambank stabilization efforts in the Coventry Creek and Cedar Creek subdivisions and shoreline restorations along the Paulus Park shore.

- **Double the Trees.** Doubled investment in suburban forest canopy to $100,000 and 456 parkway trees for 2022.

- **Expanded Recycling**. Launched new styrofoam recycling program in partnership with the American Legion, providing residents with another option to dispose of a material that typically ends up in nearby landfills.

- **Curbside E-Waste Event.** Lake Zurich's first ever curbside e-waste collection event occurred in July 2021. This is part of the Village's new agreement with Prairieland Disposal / LRS. A total of 28 pallets full of old electronics were collected. Each pallet weighs about 200 pounds, so between 2 – 3 tons of e-waste was collected in this new convenient way to dispose of e-waste.

- **Eco-Friendly Snow Plowing.** Added anti-icing and pre-wet controls to all snow plow vehicles to reduce road salt usage and phosphate deposits.

- **Settled Two Union Contracts**. Renegotiated the collective bargaining agreements with FOP Dispatch for 2022-2044 contract and IAFF for 2021-2024 contract. Locked in three years of COLA's with Dispatch at 2.5% each year. Locked in four years of COLA's with Fire at 2.5% each year.

- **Governor's Hometown Award.** During 2021, the Village received the Governor's Hometown Award for the transformation of Kuechmann Arboretum over the last several years, including the improved walking trails, benches, dedicated signage, and nature playscape. This Hometown Award is proudly displayed on Rand Road.

- **Barn Rehab.** Finished renovations at the Paulus Park Barn and completed the return of operations to the Barn after the 2019 structure fire, followed by the restoration of the popular skate park.

- **Attracted Several New Employees to the Team.** Throughout the pandemic, talent acquisition efforts were challenging, but the Village still managed to hire more than 60 part-time and full-time individuals (most of these are seasonal parks staff). During a time where local governments nationwide have experienced recruitment and hiring struggles, the Village has continued to attract, hire, and train highly qualified individuals.

  This includes new Fire Chief David Pilgard, who was appointed as Chief in July 2021 after 33 years of service with the Lake Zurich fire service, and new Finance Director Amy Sparkowski, who was appointed as Director in August 2021.

- **National Incident Based Reporting.** The Lake Zurich Police Department was one of the first agencies in the region to successfully transition from the Illinois Uniform Crime Reporting (IUCR) Program to the National Incident-Based Reporting System (NIBRS).

- **Staying Prepared - Incident Command System.** The Village of Lake Zurich Office of Emergency Management Staff Team used the Incident Command System (ICS) to develop Incident Action Plans (IAPs) for significant events that could occur in the community. In addition to

enhancing the readiness of the village, the foundation was laid to continue to use the ICS by more personnel thus increasing the preparedness to respond to significant and critical incidents.

- **Parks and Recreation Events Returned.** The Village offered COVID-friendly events for the community, such as the drive-thru Bunny event and various social media contests in Spring 2021 and the return to in-person community events in Summer 2021. The Village welcomed four new event partners this year with Phase 3's Bushel of Apples Fest, All Community Event's Jack O' Lantern World, Food Truck Socials at the Promenade and the new Unplugged Fest.

  An expanded internal event line-up included a community clothing drive and Groove Grove Friday's at the Promenade. Food Truck Socials and Groove Grove operated from the Block A / Promenade property to increase exposure and use of the site and bring more community members to enjoy Main Street.

- **NCS #4 – Reaffirming our Direction.** In summer 2021, the Village completed its 4th National Community Survey, a statistically-valid survey conducted by the National Research Center.
  - Results show about 9 in 10 residents give "excellent or good" ratings to the overall quality of life in Lake Zurich and as a place to raise children.
  - 75% were pleased with the overall quality of services provided by the Village, public information services, and the job Village government does with treating residents with respect.
  - Ratings that increased since 2019 include customer service, the value of services for taxes paid, overall direction and being honest.

- **Promoting Transparent Government.** Continued to promote the availability of live broadcasts of Village public meetings and information through the Village website, Benchmarks, and Facebook.

- **Meeting People Where They Are.** Engaged discussions with residents in the community continued at various venues, including neighborhood block parties and the ongoing monthly Coffee with the Mayor events at the Koffee Kup.

Some of the more significant initiatives planned for the 2022 fiscal year are as follows:

. **Goal #1 – Financial Sustainability**

- **Contain Engineering Expenses**. Review and update engineering and site design fee structure to ensure cost coverage and market comparability.

- **County-Wide RMS Consortium**. Monitor and guide where possible the county-wide records management effort launching through the Sheriff's Office. Analyze costs savings available to the Village from migrating members of the Lake Zurich RMS consortium to the new county-wide effort.

- **Long-Term Perspective**. Update the award-winning 20-year Community Investment Plan and budget guide for priority capital projects in future years.

- **Financial Forecasts**. Update 5-year financial forecasts for all Village funds, including extended COVID-impacted scenarios.

- **Storm Water Management**. Explore possible options for sustainable storm water management infrastructure investment.

- **Pension Obligations**. Continue to fund public safety pension obligations to meet 100% funding goal by 2040.

Goal #2 – Community and Economic Development

- **Economic Development Plans and Marketing Strategy**. Develop strategies to advance current economic development efforts with a more encompassing and comprehensive methodology, including a comprehensive marketing plan to promote the Main Street District, recruit retail and commercial businesses to the Route 12 and 22 corridors, attract new residents, and promote community pride and events.

- **Grow the Industrial / Manufacturing Tax Base**. Prepare database of remaining parcels in the industrial park and partner with owners and industrial brokers to facilitate industrial development. Use the information contained in the database to more rapidly respond to inquiries from the Illinois Department of Commerce and Economic Opportunity seeking location and site data for manufacturers considering expanding or relocating to Illinois**.**

- **Business Retention Program**. Implement business retention program, including survey of current and post-COVID needs of the Lake Zurich business community and develop a library for business-oriented resources. Once distributed and results analyzed, a retention program can be developed based on survey data from the business community.

- **Apply for Capital Grants.** Rebuild Downtowns & Main Streets Capital Grant program, which awards up to $3 million for downtown redevelopment efforts throughout the State, is in process, with an early 2022 application deadline.

- **Complete Ongoing Developments**. Facilitate the completion of the ongoing developments started in 2021, including Life Time, Avery Ridge, Wildwood Estates, Canterbury Townes, Sanctuary of Lake Zurich, and Vault 232.

- **Grow Village Boundaries**. Facilitate the annexation and expansion of Heritage Christian Church on Quentin Road into the municipal boundaries of Lake Zurich.

- **Implement Updated Comprehensive Plan.** Implement Comprehensive Plan recommendations for updates to the Village's zoning and land development codes following the recommendations of the Strategic Plan.

- **Continue Successful Block A Reuse**. Continue to enhance the Block A property as usable public gathering space with current available resources, while planning for permanent private sector development.

Goal #3 – Infrastructure Investment

- **Focus on Main Street District.** Complete $1.7M in water, sewer and road improvements on South Old Rand Road; provide parking enhancement on North Old Rand Road, and complete design for West Main Street infrastructure, to support Main Street area redevelopment opportunities.

- **Alternative Water Source Study.** Complete the Alternative Water Source Study, expected during the first quarter of 2022. Begin implementation of action steps to secure, finance and construct long-term investments in the Village's existing well facilities, or take next steps for transition to a Lake Michigan source.

- **Upgrading Fire Station.** Replace the 25-year-old industrial-personal protective equipment washing machine at fire station 1. Replace/upgrade the 20-year-old vehicle exhaust system at fire station 1.

- **New Public Safety Equipment.** Place in service the new fire engine ordered in 2021. Order and place in service a new ambulance. Order and place in service a new set of extrication equipment.

- **Maintain Annual Road Investment**. Invest a minimum of $2 million in ongoing road resurfacing program.

- **Accelerate Tree Replacement**. Double the annual investment to $100,000 for parkway trees to enhance the suburban forest canopy.

- **Resurfacing at Village properties.** Reinvest in and reduce liability risks of the parking lots at Village Hall and Buffalo Creek, and the tennis and basketball courts at Sonoma Park.

- **Prevent Sewer Collapses.** Implement year 5 of a multi-year sewer lining program to minimize future sewer collapses.

- **Enhance Paulus Park.** Finalize all projects associated with the $400,000 IDNR OSLAD grant such as the ADA non-motorized craft launch, fishing pier, shoreline restoration and stage. Replace aging Chalet building deck.

- **Improve Village Walkability.** Identify routes for future trail improvements for walking and biking.

Goal #4 – Service Sustainability

- **Keep Service Levels High.** Maintain public safety and public works service levels (response times, customer service, etc.) within current fiscal constraints.

- **Planning for Next Gen Employees.** Continue to monitor and adjust retirement and succession plans for police, fire, and public works departments to accommodate the numerous retirements of long-term employees expected in the near future.

- **Adjust to New Public Safety Laws.** Continue to meet the implementation deadlines for new laws and training requirements, specifically those found in the Illinois SAFE-T Act.

- **SCADA Communications** - Integrate updated communications for the SCADA (Supervisory Control and Data Acquisition) systems between remote municipal facilities.

- **Software Application Refresh** – Two key software system are being sunset by the vendor and need to be replaced while maintaining legacy transactions. Firehouse, an application used by the Fire Department, will migrate to ESO during 2022. Webtrac and Rectrac used by the Recreation Department will migrate to a new application server-based environment near the end of 2022.

- **Invoice Cloud** – Self-service, pay-your-way options and online invoice review for water billing was kicked off in late 2021 and will be made available to the public during the Q1 of 2022.

- **Regional Collaboration and Cost-Sharing.** Work with regional public safety partners in preparation for regional Computer-Aided Dispatch (CAD), and police Records Management Systems (RMS).

- **Software We Depend On.** Replace the current fire department Records Management System for National Fire Incident Reporting due to the end-of-life for Fire House software. Transition from current, unsupported Rectrac 10.3 software to its new platform, Rectrac 3.1.

- **Strategic Plan Update**. Adopt an updated Village Strategic Plan for 2022 and Beyond.

- **Expand Public Safety Recruitment Outreach**. Expand efforts to recruit a broad pool of candidates for public safety positions. 2022 is a testing year for the police and fire departments, at a time when area departments are experiencing decreases in candidate pools.

- **Emergency Management Updates.** The Village Emergency Operations Plan will be reviewed and updated to current Incident Command and Emergency Management practices.

Goal #5 – Civic Engagement

- **Village Website**. Reorganize and refresh community information throughout the Village website to showcase Lake Zurich under the working title: *We Are Lake Zurich.*

- **Non-Cash Transactions at Events**. The use of credit cards at Village events continues to increase at events calling for an upgraded data communications system to reduce wait times.

- **Special Events.** Continue offering community-wide events that bring together residents and guests in fun, safe settings.

- **Keep Government Accessible.** Continue availability of live online broadcasts of Village public meetings and information available through the Village website, Benchmarks and social media platforms.

- **Meeting Residents Where They Are**. Continue monthly Coffee with the Mayor and similar events as conditions warrant. When safe to proceed, encourage neighborhood block parties with village officials, police and fire to foster civically engaged residents. Continue hosting special events to enhance social capital and quality of life.

Acknowledgements

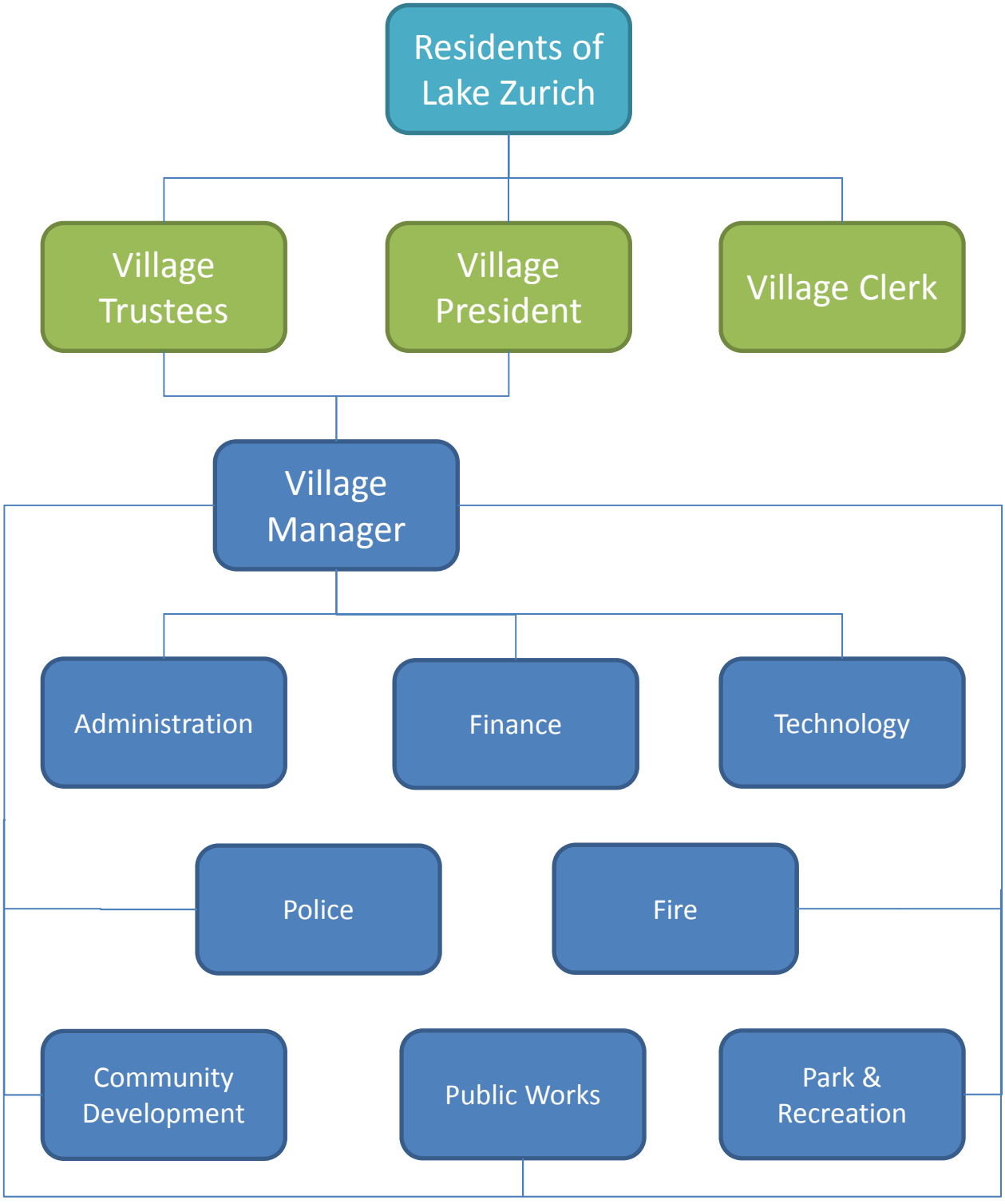
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. The Village President and Village Board of Trustees must be acknowledged and thanked for setting the highest standards of professionalism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

Respectfully submitted,

Ray Keller
Ray Keller
Village Manager

Amy Sparkowski
Amy Sparkowski
Director of Finance/
Village Treasurer

Village of Lake Zurich
Organization Chart



VILLAGE OF LAKE ZURICH, ILLINOIS

LIST OF ELECTED AND APPOINTED OFFICIALS

December 31, 2021

VILLAGE BOARD OF TRUSTEES

Tom Poynton, Mayor

Dan Bobrowski	Mary Beth Euker
Marc Spacone	Janice Gannon
Jonathan Sprawka	Greg Weider

Kathleen Johnson, Village Clerk

Ray Keller, Village Manager

Amy Sparkowski, Finance Director/Treasurer

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lake Zurich, Illinois (the Village), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village as of December 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that rise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2022 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Oak Brook, Illinois
July 13, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report is management's overview and analysis of the financial position and financial performance of the Village of Lake Zurich for the fiscal year ended December 31, 2021. This statement should be read along with the transmittal letter and financial statements for the most complete understanding of the Village of Lake Zurich's financial activities for the year.

FINANCIAL HIGHLIGHTS

VILLAGE FUNDS AS A WHOLE:

- Total assets and deferred outflows of the Village exceeded liabilities and deferred inflows by $110 million.
- Total net position of the Village increased $14.8 million.
- Combined revenues totaled $48.5 million, a 9.8% increase.
- Overall expenses totaled $33.7 million, a 8.2% decrease.

GENERAL FUND:

- Fund balance increased by $909k.
- Total fund balance at the end of the year was $13.0 million, of which $1.7 million was non-spendable as advances to other funds, inventory and prepaid expenditures.
- Cash and investments totaled $9.6 million.

BUSINESS-TYPE ACTIVITIES (Water and Sewer Fund)

- Net position increased $2.9 million, mainly due to an increase in revenues.
- Total net position at the end of the year was $49.0 million, of which $39.0 million was invested in capital assets, $1.1 million was restricted for employee retirement, and $8.9 million was unrestricted funds.
- Working capital of the fund increased from $6.9 million to $8.8 million.

LONG-TERM DEBT

- Total long-term debt decreased $4.4 million to $67.2 million outstanding as of December 31, 2021. Included in this figure is a $3.0 million decrease to net pension liability.
- Bonded debt alone decreased $1.4 million to $21.8 million outstanding as of December 31, 2021.

CAPITAL ASSETS

- Total capital assets, net of accumulated depreciation, increased $411k to $130.6 million.
- Capital assets for governmental activities, net of accumulated depreciation, increased $109k to $86.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government wide statements

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

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

Governmental activities encompass general government, public safety, highways and streets, culture and recreation and economic development. In general, taxes and intergovernmental revenues support governmental funds. The business-type activities of the Village consist of water and sewer operations, which are funded primarily from user fees. Revenues generated from water and sewer operations are intended to cover all or a significant amount of total costs. The government-wide financial statements can be found on pages 4-5 of this report.

Fund Financial Statements

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

Governmental Funds

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

The Village of Lake Zurich has thirteen governmental funds to account for governmental functions. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds, all of which are considered to be "major" funds. The purposes of these major funds are as follows:

> *The General Fund* is the general operating fund for the Village and is utilized to account for all activity that is not accounted for in another fund.
>
> *The TIF (#1) Tax Allocation Fund* accounts for all revenues and transfers to pay for administrative, debt service, and capital improvement activity necessary to stimulate and induce redevelopment of Downtown Lake Zurich pursuant to the Tax Increment Finance (TIF) Act.
>
> *The Downtown TIF #2 Special Revenue Fund* captures all the costs and revenue associated with the construction and improvements to TIF District #2.

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

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

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

Data from the other seven (7) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report. Budgetary comparisons are included at the fund level in the combining and individual fund financial statements. The basic governmental fund financial statements can be found on pages 6 through 13 of this report.

Proprietary Funds

The Village of Lake Zurich maintains one proprietary fund – the Waterworks and Sewerage Fund. This proprietary fund is categorized as an enterprise fund, which are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. As proprietary funds are reported on a full accrual basis, the Village of Lake Zurich fund statements for its Waterworks and Sewerage fund mirror the government-wide statements. The basic proprietary fund financial statements can be found on pages 14 through 17 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Hence, fiduciary funds are not included in the government-wide statements, as their resources are not available to support the Village's own programs. The Village of Lake Zurich has eight (8) fiduciary funds – the Police Pension Fund, the Firefighters Pension Fund, and six (6) Custodial Fund for Special Service Areas. Like proprietary funds, fiduciary funds are accounted for on a full accrual basis. The basic fiduciary fund statements can be found on pages 19 and 20 of this report.

Notes to the Financial Statements

The notes to the financial statements provide information that is critical to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement are on pages 21 through 64 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Included in this report is a budgetary comparison statement for the General Fund and the special revenue funds, as well as information regarding the Village's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information is available on pages 65 through 85.

Amendments to Budget

Amendments to the budget are typically made throughout the year. The Village Manager, as Budget Officer, is authorized to implement a budget transfer between accounts within the same object class,

provided it is within the same department and fund. No transfers were authorized by the Budget Officer during the year. Budget transfers between object classes and any increases or decreases to the total budget must be approved by the Village Board. Two (2) budget amendments were approved during the fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

The combined net position for the fiscal year ended December 31, 2021 totaled $110 million and consisted of net position from both governmental activities and business-type activities of $61 million and $49 million respectively. Following is a table that shows total net position of the Village as of December 31, 2021 with a comparison to the preceding fiscal year.

Statement of Net Position
As of December 31, 2020 and 2021

	Governmental Activities		Business-type Activities		Total Village Wide	
Category	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Current and other assets	$ 59,018,382	$ 47,617,058	$ 13,483,662	$ 9,617,716	$ 72,502,044	$ 57,234,774
Capital assets	86,028,829	85,919,640	44,594,077	45,114,261	130,622,906	$131,033,901
Total assets	145,047,211	133,536,698	58,077,739	54,731,977	203,124,950	$188,268,675
Deferred Outflows	7,692,843	7,951,927	118,305	69,896	7,811,148	$ 8,021,823
Total assets & deferred outflows	152,740,054	141,488,625	58,196,044	54,801,873	210,936,098	196,290,498
Current and other liabilities	6,286,633	4,561,238	2,966,786	1,902,092	9,253,419	6,463,330
Long-term liabilities	59,393,237	63,832,134	5,006,628	5,943,689	64,399,865	69,775,823
Total liabilities	65,679,870	68,393,372	7,973,414	7,845,781	73,653,284	76,239,153
Deferred Inflows	26,026,045	23,984,578	1,174,306	795,101	27,200,351	24,779,679
Total liabilities and deferred inflows	91,705,915	92,377,950	9,147,720	8,640,882	100,853,635	101,018,832
Net position:						
Net invest capital assets	86,028,829	85,919,640	39,003,754	38,573,695	125,032,583	124,493,335
Restricted	16,840,573	10,948,697	1,096,080	-	17,936,653	10,948,697
Unrestricted	(41,835,263)	(47,757,662)	8,948,490	7,587,296	(32,886,773)	(40,170,366)
Total net position	$ 61,034,139	$ 49,110,675	$ 49,048,324	$ 46,160,991	$110,082,463	$ 95,271,666

The Village's net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure less any related debt used to acquire those assets still outstanding), is the largest portion of the Village's net position. As of December 31, 2021, capital assets net of related debt totaled $125 million. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

In the governmental activities, the total net position increased by $11.9 million. The General Fund was able to transfer additional funds to the Capital Improvement and the Equipment Replacement funds to accumulate resources for upcoming capital needs. General Fund was still able to post a surplus of $909k.

Cash and investments for governmental activities increased $6.8 million. Total assets and deferred outflows for the governmental activities increased $11.3 million to $152.7 million. This is attributable to the increase in cash and investments. Total liabilities and deferred inflows decreased slightly from $92.4 million to $91.7 million.

For the business-type activities, total net position increased by $2.9 million. This is mainly due to an increase in operating revenues.

During the current fiscal year, total net position of the Village increased by $14.8 million compared to a $8.4 million increase in 2020. A more detailed explanation of the change in net position of the governmental activities and business-type activities is provided in the following sections.

Statement of Activities

The following summarizes the changes in the Village's net position for the 2021 fiscal year:

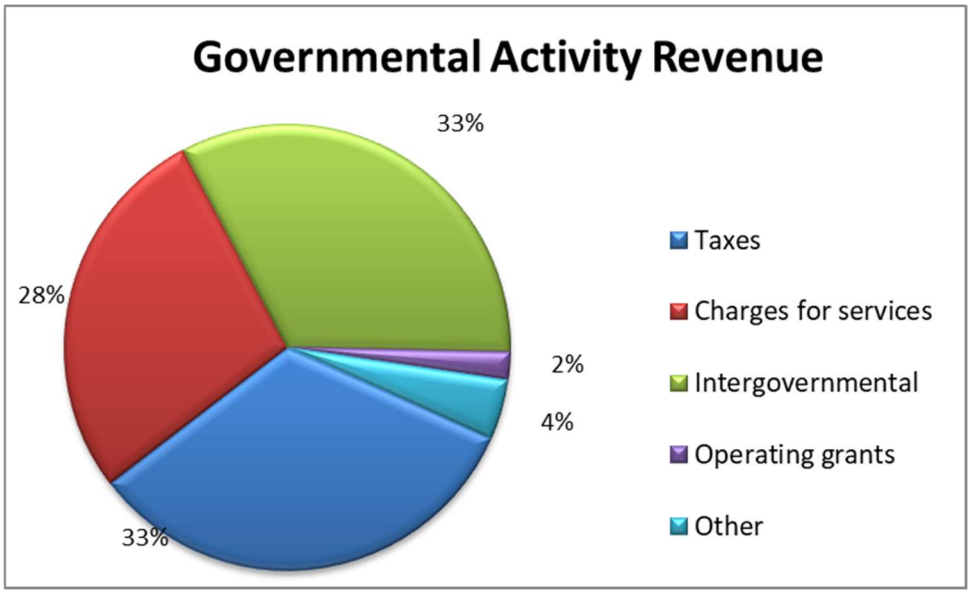
Change in Net Position
For the Fiscal Years Ended December 31, 2020 and 2021

	Governmental Activities		Business-type Activities		Total Village Wide	
Category	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues:						
Program revenues:						
Charges for services	$ 11,246,919	$ 9,430,920	$ 7,848,540	$ 7,395,537	$ 19,095,459	$ 16,826,457
Operating grants	810,422	1,788,515	-	-	810,422	1,788,515
Capital grants	648,180	468,874	-	-	648,180	468,874
General revenues:						
Taxes	13,388,750	12,798,403	-	-	13,388,750	12,798,403
Intergovernmental	13,446,255	11,558,871	-	-	13,446,255	11,558,871
Investment earnings	(14,708)	183,374	(1,707)	55,823	(16,415)	239,197
Other	1,136,646	496,973	849	6,946	1,137,495	503,919
Total revenues	40,662,464	36,725,930	7,847,682	7,458,306	48,510,146	44,184,236
Expenses:						
General Government	1,724,549	1,761,391	-	-	1,724,549	1,761,391
Public Safety	18,808,688	21,301,322	-	-	18,808,688	21,301,322
Highways and Streets	5,464,562	5,241,285	-	-	5,464,562	5,241,285
Culture and Recreation	1,236,703	997,789	-	-	1,236,703	997,789
Economic Development	618,979	1,502,578	-	-	618,979	1,502,578
Interest on long-term debt	885,519	946,072	-	-	885,519	946,072
Water/Sewer	-	-	4,960,349	4,962,077	4,960,349	4,962,077
Total expenses	28,739,000	31,750,437	4,960,349	4,962,077	33,699,349	36,712,514
Change in Net Position	11,923,464	4,975,493	2,887,333	2,496,229	14,810,797	7,471,722
Beginning net position	49,110,675	43,215,568	46,160,991	43,664,762	95,271,666	86,880,330
Adjustment for GASB 84	-	919,614	-	-	-	919,614
Ending net position	61,034,139	49,110,675	49,048,324	46,160,991	110,082,463	95,271,666

Governmental Activities

As is typical for governmental activities of local governments, program revenues cover a small percentage of program expenses, with general revenues covering the majority of expenses. For fiscal year 2021, governmental program expenses of $28.7 million exceeded program revenues of $12.7 million by $16.0 million. General revenues of $28.0 million made up for the deficiency.

Revenues
The following graph indicates the breakdown of 2021 revenues by type.



Total revenues of $40.7 million were higher than last year by $3.9 million (10.7%). No new major revenue sources were implemented. The increase was spread between charges for services ($1.8 million), sales tax ($1.2 million), shared income tax ($461k), and property taxes ($336k) as the biggest categories.

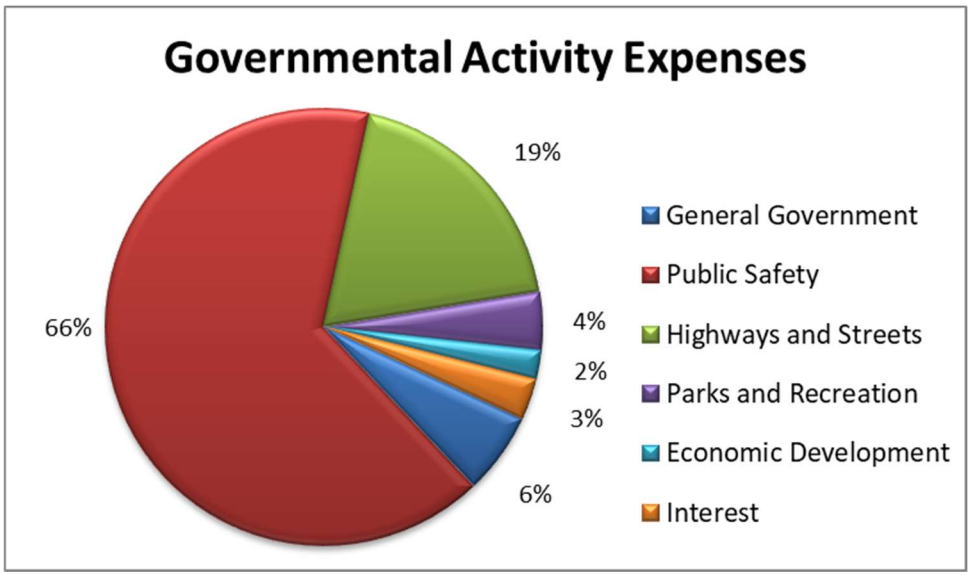
Utility taxes have been fluctuating, and ended the year up $104k (8.5%). The telecommunications tax has been unpredictable in the past few years. Receipts were down 16.1% at $409k. Receipts have been declining due to changes in how customers receive their phone service, such as free long-distance with most cellular plans.

Sales tax revenues came in at $9.7 million, an increase of $1.2 million (14.6%). Lake Zurich's mix of retailers provides stability and consistency during more difficult financial periods better than localities that are selling more luxury or specialty products.

The State Income Tax receipts of $2.6 million have also been fluctuating as the State of Illinois changed the total rate and sharing percentage, effective July 2017. While the tax rate was increased, the sharing rate was decreased. The State has also declared additional credits for businesses not previously offered, decreasing the amounts available for distribution to local governments. Income Tax was up $461k for the year, an increase of 21.6%.

Charges for Services make up 28% of the Village's governmental revenue. Charges for services increased by $1.8 million (19.3%), coming in at $11.2 million. No new charges were implemented; activity levels increased in excess of pre-pandemic levels.

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



Expenses associated with governmental activities decreased by $3.0 million, or 9.5%. The most significant decreases relate to public safety, which decreased $1.8 million (8.3%) and economic development which decreased $862k (57.4%). The decrease in public safety was primarily due to the GASB 68 pension adjustment related to the pension funds' deferred outflows and inflows.

Business Type Activities

For business-type activities, net position increased a total of $2.9 million. Program revenues of $7.8 million exceeded program expenses of $5.0 million. Depreciation of water and sewer fund capital assets is a large portion of the expenses at $2.0 million (41% of operating expenses).

Revenues associated with business-type activities totaled $7.8 million, up 6% from the prior year. This increase was largely due to the increased water and sewer connection fees from new residential developments. Business-type expenses remained consistent compared to the prior year. The Village has prioritized a few large capital projects for the past three years, utilizing bond funds specifically issued to address these concerns. As the infrastructure continues to age, capital expenses will continue to be a large drain of resources for this fund.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

Governmental Funds

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

At December 31, 2021 governmental funds reported combined fund balances of $32.0 million. Of this amount, $10.1 million is unrestricted and is available for future obligations. About $12.8 million is restricted, with $3.5 million restricted for Tax Increment Financing (TIF), $3.6 million for capital projects and $922k for debt service. The remainder of restricted funds relate to special recreation, public safety, highway and streets, special events, and a small amount for tourism, generated by the hotel tax.

GENERAL FUND:
The General Fund is the Village's primary operating fund. For the fiscal year ended December 31, 2021, fund balance in the General Fund increased by $909k from current year activities. Change to fund balance is a combination of revenues of $31.3 million compared to expenditures of $27.3 million. Other financing uses of $3.1 million are also included, representing a transfer of $2.1 million to the Capital Improvement Fund, $476k to the Dispatch Services Fund, $131k to the Special Events Fund and $400k to the Equipment Replacement Fund. After all activity and adjustments are accounted for, the General Fund has an ending fund balance of $13.0 million.

OTHER MAJOR FUNDS:

- The TIF Tax Allocation Fund currently has a fund balance of $35k. This is $64k higher than the previous year negative fund balance of $29k. The increase is primarily due to an increase in property taxes. Any fund balance in the TIF Tax Allocation Fund would be restricted entirely for TIF purposes.
- The Debt Service Fund has a positive fund balance of $922k that is restricted entirely for the payment of future debt service. This is $21k higher than the previous year, in order to meet the annual short term general obligation refunding bonds that will be paid by the Debt Service Fund.
- The TIF (#1) Debt Service Fund currently has a negative fund balance of $906k. While any fund balance in this fund would be restricted for payment of future debt service, the fund received a long-term advance of over $1.5 million to cover its expenditures to date. Fund balance decreased by $82k during the year and the long-term advance is at $1.3 million, unchanged from last year. Now that the TIF has been extended, the debt restructured, and several negative increment parcels removed, the TIF is working on rebuilding the fund balance of future years.
- The Capital Improvements Fund fund balance increased $2.6 million to $7.3 million. The majority of the increase is due to advanced funding from the General Fund for upcoming capital projects. $240k of this fund balance is earmarked for noise mitigation related to the CN rail, which will be drawn down over the next few fiscal years.
- The Downtown TIF Fund #2 increased fund balance by $211k over the year, due primarily to decreased economic development expenses. Fund balance at year-end of $3.4 million is restricted entirely for TIF purposes, almost solely land held for resale.

Proprietary Funds

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

At December 31, 2021, net position of the proprietary fund totaled $48.5 million. Cash and investments totaled $10.8 million, an increase of $2.9 million (37.8%). Operating revenues increased 1% from the previous year to $7.2 million. No rate increases to the Lake Zurich portion of water bills took effect during 2021. Completion of the water meter replacement project is providing more accurate consumption records. Gallons billed (476 million gallons) and gallons pumped (583 million gallons) remained fairly consistent with the prior year demonstrating conservation use of water and more accurate billing. Operating expenses (including depreciation) of $4.9 million were consistent with the previous year. Depreciation increased by $61k (3%) to $2.0 million.

Fiduciary Funds

Police and Firefighters' Pension Funds: The Village's two single-employer pension plans experienced growth in the fiscal year ended December 31, 2021. Combined, the funds reported a $9.8 million increase in plan fiduciary net position. Investment earnings (net of related expenses) posted a combined gain of $9.2 million between the two funds. Cash and investments totaled $88.6 million as of December 31st.

Custodial Funds: The Village has six (6) special service area funds. Combined, the funds reported a $34k increase in net position to $462k. This increase was primarily due to decreased deductions.

GENERAL FUND HIGHLIGHTS

Amendments to Budget

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

Two budget amendments were approved for this fiscal year that affected the General Fund. Revenues and other financing sources were increased $3.0 million, with an increase to expenditures and other financing uses of $3.04 million. The largest revenue increases were to Sales Tax ($1.4 million), and Income Tax ($809k). For expenditures, the major decreases were for Engineering and Architectural expenses of ($106k) and Fuel ($65k). Additionally, increases were made to transfers out to the Capital Improvement Fund ($2.1 million) and the Equipment Replacement Fund ($400k) to help fund several upcoming expensive but necessary capital projects and replacements.

Change in Fund Balance

General Fund

When the original budget was adopted in December of 2021, a surplus of $9k was expected for the General Fund. After the budget amendments, the expectation changed to a budget surplus of $12k. The actual Fund Balance for General Fund, however, shows a surplus at year-end of $909k. Revenues and other financing sources came in at $31.3 million for the year, $566k more than budgeted. Expenditures totaled $27.3 million, which was $331k less than budgeted. Overall, expenditures and other financing uses totaled $30.4 million. The following table summarizes General Fund revenues and expenditures, with a comparison to budget, for the fiscal year ended December 31, 2021.

General Fund Budgetary Highlights
Fiscal Year Ended December 31, 2021

	Final Budget	Actual
Revenues & Other Financing Sources		
Taxes	$ 10,241,440	$ 10,292,894
Licenses and permits	913,345	917,300
Intergovernmental	16,807,132	17,504,551
Charges for services	2,139,254	2,005,711
Fines and forfeits	481,096	397,506
Other revenue	147,413	178,033
Sub-total revenues	$ 30,729,680	$ 31,295,995
Other financing sources	40,978	40,978
Total Revenues and Other Financing Sources	$ 30,770,658	$ 31,336,973
Expenditures and Other Financing Uses		
General government	$ 1,968,664	$ 1,768,601
Public safety	21,233,018	21,160,981
Highways and streets	3,092,776	3,060,038
Culture and recreation	893,497	886,568
Economic development	473,962	454,622
Sub-total expenditures	$ 27,661,917	$ 27,330,810
Other financing uses		
Transfers to Other Funds	3,096,700	3,096,700
Total Expenditures and Other Financing Sources	30,758,617	30,427,510
Change in Fund Balance	$ 12,041	$ 909,463

CAPITAL ASSETS

The Village of Lake Zurich's investment in capital assets, net of accumulated depreciation, amounted to $130.6 million at December 31, 2021. The investment includes land, buildings, improvements, machinery and equipment, vehicles and infrastructure as follows:

	Governmental Activities		Business-type Activities		Total	
	FYE 21	FYE 20	FYE 21	FYE 20	FYE 21	FYE 20
Land and Improvements	$ 34,959,097	$35,245,051	$ 249,652	$ 249,652	$ 35,208,749	$ 35,494,703
Building and Improvements	6,414,577	6,711,452	-	-	6,414,577	6,711,452
Machinery & Equipment	1,372,731	1,528,779	1,447,309	1,413,485	2,820,040	2,942,264
Vehicles	3,156,750	2,889,543	773,569	668,811	3,930,319	3,558,354
Other	578,528	123,419	282,885	282,885	861,413	406,304
Infrastructure	39,547,146	39,421,396	41,840,662	42,499,428	81,387,808	81,920,824
Total	$ 86,028,829	$85,919,640	$ 44,594,077	$45,114,261	$ 130,622,906	$ 131,033,901

Capital additions for the year totaled $2.7 million for governmental funds and $1.5 million for the business-type activities of the water and sewer fund. Additions included the following major projects:

Governmental Funds:

- Land improvements of $368k, with $325k on the Paulus Park OSLAD Project and $43k on tennis court resurfacing.
- Infrastructure improvements of $1.62 million for the annual road program.
- Vehicles of $632k, for a new fire engine.

Business-Type Fund:

- Infrastructure improvements of $1.2 million for the sanitary sewer lining.
- Machinery and Equipment of $129k, for pump replacements.
- Vehicles of $183k for a Ford F550 ($103k), and a sewer rodder ($80k).

Additional information on the Village's capital assets is presented in the notes to the basic financial statements on pages 38 and 39.

DEBT ADMINISTRATION

During the fiscal year, bonded debt was decreased by $1.4 million. Series 2021 was issued for $1,172,000 on a short-term basis and was repaid before the end of the fiscal year. During the year, there was no additional new debt.

	Governmental Activities		Business-type Activities		Total Village Wide	
	FYE 21	FYE 20	FYE 21	FYE 20	FYE 21	FYE 20
General Obligation Bonds	$ -	$ -	$ -	$ -	$ -	$ -
TIF Alternate Revenue Bonds	19,875,000	21,235,000	-	-	19,875,000	21,235,000
TIF Revenue Bonds	-	-	-	-	-	-
Water Alternate Revenue Bonds	-	-	1,325,000	1,875,000	1,325,000	1,875,000
Bonded Debt Total	**19,875,000**	**21,235,000**	**1,325,000**	**1,875,000**	**21,200,000**	**23,110,000**
IEPA Loan	-	-	1,319,536	1,526,081	1,319,536	1,526,081
Compensated Absences	1,995,589	1,847,043	88,500	98,266	2,084,089	1,945,309
Net Pension Liability	36,184,028	39,164,762	-	-	36,184,028	39,164,762
Capital Lease Obligation	25,377	14,560	2,877,634	3,042,112	2,903,011	3,056,672
Other Postemployment Benefits	3,022,047	3,177,041	260,441	274,753	3,282,488	3,451,794
Other	134,479	170,567	68,152	97,373	202,631	267,940
Total Other LT Debt	**41,361,520**	**44,373,973**	**4,614,263**	**5,038,585**	**45,975,783**	**49,412,558**
Combined LT Debt Total	61,236,520	65,608,973	5,939,263	6,913,585	67,175,783	72,522,558

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

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

Additional information on the Village's long-term debt is presented in the notes to the basic financial statements on pages 41 through 44.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Village is directly impacted by the financial condition of the State of Illinois. The political environment in Springfield is being closely monitored for legislation that could reduce or eliminate the shared revenue, and in turn impact the level of service to the residents. The State reduced the local sharing of the Income Tax starting in July 2017 and implemented an administration fee on local taxes such as the Non-Home Rule Sales Tax. Preliminary information on the State's upcoming budget for 2022/2023 proposes an increase to the distribution rate formula for the Local Government Distributive Fund (LGDF).

- The Illinois Department of Revenue certified the CPI used for calculating the Village's 2021 Tax Levy to be 1.4%. Any increase in CPI along with the value of new construction will be used to offset the growing cost of funding for both police and fire pension funds for the Village.

- Minimizing retail vacancies continue to be a priority for the Village, as sales tax is a significant revenue source. The Village will continue to monitor economic trends relating to retail sales and adjust forecasts/spending as appropriate.

- During Spring 2022, the global economy has been strained due to continuing supply-chain bottlenecks; on-going outbreaks of COVID leading to massive shutdowns of regional economies and ports in China; the Russian invasion of Ukraine: the highest consumer inflation in 40 years, especially in food and energy prices; and raising interest rates by the Federal Reserve. The global instability created by these geo-political events has caused wild volatility in global stock markets and bond prices, specifically during the first half of 2022.

- One of the four union contracts is set to December 31, 2022. Negotiated salary and benefit increases are expected to be reasonable and in-line with market conditions, allowing for increased stability in the operating budget of the Village.

The above factors were taken into consideration for funding and planning purposes for current and future fiscal years. At December 31, 2021 the unrestricted fund balance of the General Fund was 36% of total expenditures of the upcoming year. Village policy states a minimum unrestricted fund balance be maintained of 25% with a target of 40%.

The Water/Sewer Fund had cash and investments of $10.8 million at December 31, 2021. The fund also had unrestricted net position of $8.4 million. The Village monitors both revenues and expenses to determine the rate levels necessary to cover the maintenance and long-term replacement infrastructure needs of the Water/Sewer Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Lake Zurich's financial position and activities for the fiscal year ended December 31, 2021. Questions and requests for additional information should be directed to the Finance Director, Village of Lake Zurich, 70 E. Main Street, Lake Zurich, Illinois 60047.

BASIC FINANCIAL STATEMENTS

Village of Lake Zurich

Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	$ 34,348,780	$ 10,750,161	$ 45,098,941
Receivables (net):			
Property taxes	11,471,712	-	11,471,712
Accounts	2,099,534	983,631	3,083,165
Internal balances	(595,532)	595,532	-
Due from fiduciary funds	-	2,137	2,137
Due from other governmental units	2,796,037	-	2,796,037
Prepaid items	1,850,039	49,911	1,899,950
Inventories	22,533	6,210	28,743
Land held for resale	3,046,464	-	3,046,464
Net pension asset	3,978,815	1,096,080	5,074,895
Capital assets:			
Capital assets not being depreciated	31,052,079	532,537	31,584,616
Capital assets net of accumulated depreciation	54,976,750	44,061,540	99,038,290
Total assets	145,047,211	58,077,739	203,124,950
Deferred Outflows of Resources			
Pension related amounts	5,294,157	86,080	5,380,237
Unamortized loss on refunding	2,024,756	-	2,024,756
OPEB related amounts	373,930	32,225	406,155
Total deferred outflows of resources	7,692,843	118,305	7,811,148
Liabilities, Deferred inflows of Resources and Net Position			
Liabilities			
Accounts payable	1,182,729	1,956,967	3,139,696
Accrued payroll	620,321	50,953	671,274
Deposits payable	475,985	-	475,985
Other payables	240,259	-	240,259
Accrued interest payable	84,305	26,231	110,536
Unearned revenues	1,839,751	-	1,839,751
Noncurrent liabilities:			
Due within one year	1,843,283	932,635	2,775,918
Due in more than one year	59,393,237	5,006,628	64,399,865
Total liabilities	65,679,870	7,973,414	73,653,284
Deferred Inflows of Resources			
Property taxes levied for future periods	11,299,134	-	11,299,134
Pension related amounts	14,240,338	1,132,373	15,372,711
OPEB related amounts	486,573	41,933	528,506
Total deferred inflows of resources	26,026,045	1,174,306	27,200,351
Net Position			
Net investment in capital assets	86,028,829	39,003,754	125,032,583
Restricted for:			
Special recreation	71,987	-	71,987
Public safety	352,563	-	352,563
TIF	3,457,012	-	3,457,012
Debt service	921,761	-	921,761
Noise mitigation	239,530	-	239,530
Capital projects	3,572,887	-	3,572,887
Highways and streets	3,779,300	-	3,779,300
Tourism	374,975	-	374,975
PEG fees	91,743	-	91,743
Employee retirement	3,978,815	1,096,080	5,074,895
Unrestricted	(41,835,263)	8,948,490	(32,886,773)
Total net position	$ 61,034,139	$ 49,048,324	$ 110,082,463

See notes to financial statements

Village of Lake Zurich

Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental activities:							
General government	$ 1,724,549	$ 944,651	$ 14,734	$ -	$ (765,164)	$ -	$ (765,164)
Public safety	18,808,688	9,213,468	-	-	(9,595,220)	-	(9,595,220)
Highways and streets	5,464,562	55,038	795,688	448,180	(4,165,656)	-	(4,165,656)
Culture and recreation	1,236,703	1,033,762	-	200,000	(2,941)	-	(2,941)
Economic development	618,979	-	-	-	(618,979)	-	(618,979)
Interest and fiscal charges	885,519	-	-	-	(885,519)	-	(885,519)
Total governmental activities	28,739,000	11,246,919	810,422	648,180	(16,033,479)	-	(16,033,479)
Business-type activities:							
Waterworks and sewerage	4,960,349	7,848,540	-	-	-	2,888,191	2,888,191
Total business-type activities	4,960,349	7,848,540	-	-	-	2,888,191	2,888,191
Total	$ 33,699,349	$ 19,095,459	$ 810,422	$ 648,180	(16,033,479)	2,888,191	(13,145,288)
General Revenues							
Taxes							
Property taxes					11,170,535	-	11,170,535
Utility taxes					1,321,613	-	1,321,613
Telecommunications taxes					408,996	-	408,996
Other taxes					487,606	-	487,606
Intergovernmental, unrestricted							
Replacement					110,952	-	110,952
Sales taxes					9,722,198	-	9,722,198
Local use					754,627	-	754,627
Shared income tax					2,594,046	-	2,594,046
Intergovernmental revenues					264,432	-	264,432
Special events					99,860	-	99,860
Investment income					(14,708)	(1,707)	(16,415)
Miscellaneous					756,127	849	756,976
Other					280,659	-	280,659
Total general revenues					27,956,943	(858)	27,956,085
Change in net position					11,923,464	2,887,333	14,810,797
Net Position, Beginning					49,110,675	46,160,991	95,271,666
Net Position, Ending					$ 61,034,139	$ 49,048,324	$ 110,082,463

See notes to financial statements

Village of Lake Zurich

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	TIF Tax Allocation	Downtown TIF #2	Debt Service
Assets				
Cash and investments	$ 9,575,883	$ 182,914	$ 473,240	$ 890,512
Receivables:				
Property taxes receivable	8,442,765	1,428,825	297,793	1,246,249
Accounts receivable	1,131,457	-	65,625	-
Due from other funds	754	-	-	-
Advances to other funds	1,525,000	-	-	-
Due from other governments	2,796,037	-	-	-
Prepaid items	144,722	-	-	-
Inventories	22,533	-	-	-
Land held for resale	-	-	3,046,464	-
Total assets	$ 23,639,151	$ 1,611,739	$ 3,883,122	$ 2,136,761

See notes to financial statements

TIF Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total
$ 393,899	$ 8,703,647	$ 7,809,361	$ 28,029,456
-	-	56,080	11,471,712
-	11,666	879,753	2,088,501
-	-	80	834
-	-	100,000	1,625,000
-	-	-	2,796,037
-	-	8,308	153,030
-	-	-	22,533
-	-	-	3,046,464
$ 393,899	$ 8,715,313	$ 8,853,582	$ 49,233,567

See notes to financial statements

Village of Lake Zurich

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	TIF Tax Allocation	Downtown TIF #2	Debt Service
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 732,060	$ -	$ 43,365	$ -
Accrued wages	561,464	-	-	-
Other liabilities	160,898	-	65,000	-
Due to other funds	80	-	-	-
Advances from other funds	-	185,000	100,000	-
Unearned revenues	374,616	-	2,500	-
Deposits	475,985	-	-	-
Total liabilities	2,305,103	185,000	210,865	-
Deferred Inflows of Resources				
Property taxes levied for future periods	8,344,848	1,391,886	291,320	1,215,000
Total deferred inflows of resources	8,344,848	1,391,886	291,320	1,215,000
Fund Balances (Deficit)				
Nonspendable for prepaid items	144,722	-	-	-
Nonspendable for inventory	22,533	-	-	-
Nonspendable for advances to other funds	1,525,000	-	-	-
Restricted for special recreation	71,987	-	-	-
Restricted for public safety	154,753	-	-	-
Restricted for TIF	-	34,853	3,380,937	-
Restricted for debt service	-	-	-	921,761
Restricted for noise mitigation	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for highways and streets	-	-	-	-
Restricted for tourism	-	-	-	-
Restricted for PEG	91,743	-	-	-
Assigned to capital project funds	-	-	-	-
Assigned to special events	-	-	-	-
Assigned to dispatch services	-	-	-	-
Assigned to special projects	11,015	-	-	-
Unassigned	10,967,447	-	-	-
Total fund balances (deficit)	12,989,200	34,853	3,380,937	921,761
Total liabilities, deferred inflows of resources and fund balances	$ 23,639,151	$ 1,611,739	$ 3,883,122	$ 2,136,761

See notes to financial statements

TIF Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total
$ -	$ 80,400	$ 304,008	$ 1,159,833
-	-	53,331	614,795
-	-	14,361	240,259
-	-	754	834
1,300,000	-	40,000	1,625,000
-	1,352,477	110,158	1,839,751
-	-	-	475,985
1,300,000	1,432,877	522,612	5,956,457
-	-	56,080	11,299,134
-	-	56,080	11,299,134
-	-	8,308	153,030
-	-	-	22,533
-	-	-	1,525,000
-	-	-	71,987
-	-	197,810	352,563
-	-	41,222	3,457,012
-	-	-	921,761
-	239,530	-	239,530
-	-	3,572,887	3,572,887
-	-	3,779,300	3,779,300
-	-	374,975	374,975
-	-	-	91,743
-	7,042,906	-	7,042,906
-	-	145,457	145,457
-	-	154,931	154,931
-	-	-	11,015
(906,101)	-	-	10,061,346
(906,101)	7,282,436	8,274,890	31,977,976
$ 393,899	$ 8,715,313	$ 8,853,582	$ 49,233,567

See notes to financial statements

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances, Governmental Funds	$	31,977,976
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.		86,028,829
Less internal service fund portion		(3,872,200)
The loss on refunding of bonds is capitalized and amortized over the life of the bonds on the statement of net position.		2,024,756
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		5,294,157
Deferred outflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds.		373,930
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(14,240,338)
Deferred inflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds.		(486,573)
Internal service funds are reported in the statement of net position as governmental activities.		11,275,612
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		3,978,815
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable		(19,875,000)
Capital lease payable		(25,377)
Compensated absences		(1,995,589)
Accrued interest		(84,305)
Unamortized debt discount		(134,479)
Net pension liability		(36,184,028)
Total OPEB liability		(3,022,047)
Net Position of Governmental Activities	$	61,034,139

See notes to financial statements

Village of Lake Zurich

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2021

	General Fund	TIF Tax Allocation	Downtown TIF #2	Debt Service
Revenues				
Taxes	$ 10,292,894	$ 1,394,675	$ 291,904	$ 1,210,911
Licenses and permits	917,300	-	-	-
Intergovernmental	17,504,551	-	-	-
Charges for services	2,005,711	-	-	-
Fines, forfeitures and penalties	397,506	-	-	-
Special events	-	-	-	-
Investment income	(17,548)	339	247	769
Miscellaneous revenues	195,581	-	29,000	-
Total revenues	31,295,995	1,395,014	321,151	1,211,680
Expenditures				
Current:				
General government	1,768,601	-	-	-
Public safety	21,160,981	-	-	-
Highways and streets	3,060,038	-	-	-
Culture and recreation	886,568	-	-	-
Economic development	454,622	545,854	109,875	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	18,557
Total expenditures	27,330,810	545,854	109,875	18,557
Excess (deficiency) of revenues over expenditures	3,965,185	849,160	211,276	1,193,123
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(3,096,700)	(785,000)	-	(1,172,000)
Proceeds from sales of capital assets	40,978	-	-	-
Total other financing sources (uses)	(3,055,722)	(785,000)	-	(1,172,000)
Net change in fund balances	909,463	64,160	211,276	21,123
Fund Balances (Deficit), Beginning	12,079,737	(29,307)	3,169,661	900,638
Fund Balances (Deficit), Ending	$ 12,989,200	$ 34,853	$ 3,380,937	$ 921,761

See notes to financial statements

TIF Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total
$ -	$ -	$ 2,624,360	$ 15,814,744
-	-	-	917,300
-	200,000	1,426,253	19,130,804
-	250,617	935,027	3,191,355
-	-	-	397,506
-	-	99,454	99,454
(692)	(6,087)	4,326	(18,646)
-	572,678	-	797,259
(692)	1,017,208	5,089,420	40,329,776
-	-	16,842	1,785,443
-	-	1,556,343	22,717,324
-	-	2,391,788	5,451,826
-	-	265,033	1,151,601
-	-	526	1,110,877
-	482,789	-	482,789
1,360,000	-	-	1,360,000
678,526	-	-	697,083
2,038,526	482,789	4,230,532	34,756,943
(2,039,218)	534,419	858,888	5,572,833
1,957,000	2,090,000	680,558	4,727,558
-	-	(73,858)	(5,127,558)
-	-	-	40,978
1,957,000	2,090,000	606,700	(359,022)
(82,218)	2,624,419	1,465,588	5,213,811
(823,883)	4,658,017	6,809,302	26,764,165
$ (906,101)	$ 7,282,436	$ 8,274,890	$ 31,977,976

See notes to financial statements

Village of Lake Zurich

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2021

Net Change in Fund Balances, Total Governmental Funds	$	5,213,811
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 net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.		2,745,375
Less internal service funds		(254,847)
Depreciation is reported in the government-wide financial statements		(2,636,186)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt issued		(17,695)
Principal repaid		1,366,878
Governmental funds report debt premiums and discounts as other financing sources or uses. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Debt discount		36,088
Amortization of loss on refunding		(230,081)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(148,546)
Accrued interest on debt		5,558
Net pension asset/liability		5,892,808
Net OPEB liability		154,994
Deferred outflows of resources related to pensions		24,071
Deferred outflows of resources related to OPEB		(53,074)
Deferred inflows of resources related to pensions		(1,558,870)
Deferred inflows of resources related to OPEB		(6,402)
Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities		1,389,582
Change in Net Position of Governmental Activities	$	11,923,464

See notes to financial statements

Village of Lake Zurich

Statement of Net Position
Proprietary Funds
December 31, 2021

	Waterworks and Sewerage	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash and investments	$ 10,750,161	$ 6,319,324
Accounts receivable	983,631	11,033
Due from fiduciary funds	2,137	-
Prepaid items	49,911	1,697,009
Inventories	6,210	-
Total current assets	11,792,050	8,027,366
Noncurrent assets:		
Capital assets:		
Capital assets not being depreciated	532,537	-
Property and equipment	86,176,949	5,608,098
Less accumulated depreciation	(42,115,409)	(1,735,898)
Other assets:		
Net pension asset	1,096,080	-
Total noncurrent assets	45,690,157	3,872,200
Total assets	57,482,207	11,899,566
Deferred Outflows of Resources		
Pension related amounts	86,080	-
OPEB related amount	32,225	-
Total deferred outflows of resources	118,305	-

See notes to financial statements

Village of Lake Zurich

Statement of Net Position
Proprietary Funds
December 31, 2021

	Waterworks and Sewerage	Governmental Activities - Internal Service Funds
Liabilities		
Current liabilities:		
Accounts payable	$ 1,956,967	$ 22,896
Accrued wages	50,953	5,526
Accrued interest	26,231	-
Compensated absences	17,700	-
Unamortized bond premium	29,220	-
IEPA loan payable	211,741	-
Capital lease obligation	168,974	-
Alternative revenue bonds payable	505,000	-
Total current liabilities	2,966,786	28,422
Noncurrent liabilities:		
Long-term debt:		
Compensated absences	70,800	-
Total other postemployment benefit liability	260,441	-
Unamortized bond premium	38,932	-
IEPA loan payable	1,107,795	-
Capital lease obligation	2,708,660	-
Alternative revenue bonds payable	820,000	-
Total noncurrent liabilities	5,006,628	-
Total liabilities	7,973,414	28,422
Deferred Inflows of Resources		
Pension related amounts	1,132,373	-
OPEB related amounts	41,933	-
Total deferred inflows of resources	1,174,306	-
Net Position		
Net investment in capital assets	39,003,754	3,872,200
Restricted for:		
Employee retirement	1,096,080	-
Unrestricted net position	8,352,958	7,998,944
Total net position	48,452,792	11,871,144
Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds.	595,532	(595,532)
Net Position Business-Type Activities	$ 49,048,324	
Net internal service funds reported in the statement of net position as governmental activities		$ 11,275,612

See notes to financial statements

Village of Lake Zurich

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2021

	Waterworks and Sewerage	Governmental Activities - Internal Service Funds
Operating Revenues		
Charges for services	$ 7,226,903	$ -
Contributions	-	4,823,771
Total operating revenues	7,226,903	4,823,771
Operating Expenses		
Administration	246,692	-
Operations	2,643,138	29,477
Insurance and claims	-	3,381,479
Depreciation	1,989,123	377,470
Total operating expenses	4,878,953	3,788,426
Operating income (loss)	2,347,950	1,035,345
Nonoperating Revenues (Expenses)		
Connection fees	621,637	-
Investment income	(1,707)	3,938
Miscellaneous	-	11,926
Gain on sale of capital assets	849	-
Interest and fiscal charges	(143,023)	-
Total nonoperating revenues (expenses)	477,756	15,864
Income (loss) before transfers	2,825,706	1,051,209
Transfers		
Transfers in	-	600,000
Transfers out	-	(200,000)
Total transfers	-	400,000
Change in net position	2,825,706	1,451,209
Net Position, Beginning	45,627,086	10,419,935
Net Position, Ending	$ 48,452,792	$ 11,871,144
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	61,627	
Change in net position of business-type activities	$ 2,887,333	

See notes to financial statements

Village of Lake Zurich

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2021

	Waterworks and Sewerage	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities		
Received from customers	$ 7,175,624	$ 4,819,448
Paid to suppliers for goods and services	(559,080)	(838,877)
Paid to employees for services	(1,724,521)	(2,971,317)
Net cash flows from operating activities	4,892,023	1,009,254
Cash Flows From Investing Activities		
Investment income	(1,707)	3,938
Net cash flows from investing activities	(1,707)	3,938
Cash Flows From Noncapital Financing Activities		
Receipt of transfer	-	400,000
Miscellaneous	-	10,217
Due to / from other funds	1,750	-
Net cash flows from noncapital financing activities	1,750	410,217
Cash Flows From Capital and Related Financing Activities		
Principal paid	(921,023)	-
Interest paid	(174,797)	-
Connection fees received	621,637	-
Acquisition and construction of capital assets	(1,472,237)	(630,608)
Proceeds from the sale of capital assets	4,145	-
Net cash flows from capital and related financing activities	(1,942,275)	(630,608)
Net change in cash and cash equivalents	2,949,791	792,801
Cash and Cash Equivalents, Beginning	7,800,370	5,526,523
Cash and Cash Equivalents, Ending	$ 10,750,161	$ 6,319,324

See notes to financial statements

Village of Lake Zurich

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2021

	Waterworks and Sewerage	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities		
Operating income (loss)	$ 2,347,950	$ 1,035,345
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	1,989,123	377,470
Changes in assets and liabilities:		
Accounts receivable	(51,279)	(4,323)
Prepaid items	862	(388,810)
Inventories	(3,529)	-
Net pension asset	(802,332)	-
Deferred outflows, pension related items	(53,112)	-
Deferred outflows, OPEB related items	4,703	-
Accounts payable	1,102,058	(13,464)
Accrued wages	2,452	3,036
Compensated absences	(9,766)	-
Total OPEB liability	(14,312)	-
Deferred inflows, pension related items	378,798	-
Deferred inflows, OPEB related items	407	-
Net cash flows from operating activities	$ 4,892,023	$ 1,009,254

Noncash Capital and Related Financing Activities
None

See notes to financial statements

Village of Lake Zurich

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Pension Trust Funds	Custodial Fund - Special Service Areas
Assets		
Cash and investments	$ 15,963	$ 465,156
Investments:		
U.S. treasuries	3,579,160	-
U.S. agencies	18,069,690	-
Mutual funds	54,835,587	-
Corporate bonds	5,080,602	-
State and local obligations	4,948,695	-
Money markets	622,201	-
Certificates of deposit	1,207,670	-
Insurance contracts	257,789	-
Receivables:		
Accrued interest	170,694	-
Prepaid items	4,843	-
Total assets	88,792,894	465,156
Liabilities		
Accounts payable	20,493	589
Due to primary government	-	2,137
Total liabilities	20,493	2,726
Net Position		
Restricted for retirement benefits	88,772,401	-
Restricted for special service areas	-	462,430
Total net position	$ 88,772,401	$ 462,430

See notes to financial statements

Village of Lake Zurich

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2021

	Pension Trust Funds	Custodial Fund - Special Service Areas
Additions		
Contributions		
Employer	$ 4,518,488	$ -
Employee	850,821	-
Property tax	-	57,791
Total contributions	5,369,309	57,791
Investment income		
Net appreciation (depreciation) in fair value of investments	5,352,444	-
Interest on investments	3,988,602	-
Total investment income	9,341,046	-
Less investment expense	(173,476)	-
Net investment income	9,167,570	-
Total additions	14,536,879	57,791
Deductions		
Pension payments and refunds	4,605,077	-
Administration	81,919	-
Public works	-	23,682
Total deductions	4,686,996	23,682
Change in fiduciary net position	9,849,883	34,109
Net Position, Beginning	78,922,518	428,321
Net Position, Ending	$ 88,772,401	$ 462,430

See notes to financial statements

Index to Notes to Financial Statements
December 31, 2021

		Page
1.	**Summary of Significant Accounting Policies**	22
	Reporting Entity	22
	Government-Wide and Fund Financial Statements	23
	Measurement Focus, Basis of Accounting and Financial Statement Presentation	25
	Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	26
	Deposits and Investments	26
	Receivables	29
	Inventories and Prepaid Items	30
	Capital Assets	30
	Deferred Outflows of Resources	31
	Compensated Absences	31
	Long-Term Obligations	31
	Deferred Inflows of Resources	31
	Equity Classifications	31
	Land Held for Resale	32
2.	**Stewardship, Compliance and Accountability**	33
	Deficit Balances	33
3.	**Detailed Notes on All Funds**	33
	Deposits and Investments	33
	Receivables	37
	Capital Assets	38
	Interfund Receivables/Payables, Advances and Transfers	39
	Short-Term Debt Activity	41
	Long-Term Obligations	41
	Lease Disclosures	44
	Net Position/Fund Balances	45
4.	**Other Information**	45
	Employees' Retirement System	45
	Risk Management	58
	Commitments and Contingencies	59
	Other Postemployment Benefits	59
	Subsequent Event	62
	Tax Increment Financing District	62
	Tax Abatement	63
	Effect of New Accounting Standards on Current-Period Financial Statements	64

1. Summary of Significant Accounting Policies

The Village of Lake Zurich, Illinois (the Village) was incorporated in 1896. The Village is a non home-rule municipality, under the 1970 Illinois Constitution, located in Lake County, Illinois. The Village operates under a President-Trustee form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, sanitation (water and sewer), health and social services, public improvements, planning and zoning and general administrative services.

The accounting policies of the Village of Lake Zurich, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The Village has not identified any organizations that meet this criteria.

Fiduciary Component Units

The Police Pension Employees Retirement System (PPERS) is established for the Village's police employees. PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one pension beneficiary elected by the membership and two police employees elected by the membership constitute the pension board. The Village and the PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. A municipality is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension plan. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. PPERS is reported as a fiduciary component unit pension trust fund and the data for the pension is included in the government's fiduciary fund financial statements as a pension trust fund. No separate annual financial report is issued for the PPERS.

The Firefighters' Pension Employees Retirement System (FPERS) is established for the Village's firefighters. FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one pension beneficiary elected by the membership; and two fire employees elected by the membership constitute the pension board. The Village and the FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. A municipality is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension plan. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. FPERS is reported as a fiduciary component unit and the data for the pension is included in the government's fiduciary fund financial statements as a pension trust fund. No separate annual financial report is issued for the FPERS.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The effect of material interfund activity has been eliminated from these statements. Interfund services provided and used are not eliminated from these statements.

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

Fund Financial Statements

Financial statements of the Village are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major funds:

General Fund

General Fund accounts for the Village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue Funds

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

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

Debt Service Funds

Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs.

TIF Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of TIF debt principal, interest and related costs.

Capital Projects Fund

Capital Improvements Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the Village.

Enterprise Funds

The Village reports the following major enterprise fund:

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

The Village reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Foreign Fire Tax Fund
Hotel Tax Fund
Motor Fuel Tax Fund
Special Events Fund
Dispatch Services Fund
TIF #3 Fund

Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Non-Home Rule Sales Tax Capital Projects Fund

In addition, the Village reports the following fund types:

Internal Service Funds

Internal Service Funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governmental units, on a cost-reimbursement basis.

Medical Self-Insurance Fund
Risk Management Fund
Equipment Replacement Fund

Pension Trust Funds

Pension Trust Funds are used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Police Pension Fund
Firefighters' Pension Fund

Custodial Funds

Custodial Funds are used to account for and report assets controlled by the Village and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Special Service Areas Fund accounts for receipts and disbursements related to maintenance within special service areas within the Village.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Village considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, franchise taxes, licenses, miscellaneous taxes, public charges for services and interest. Other general revenues such as permits, fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and Fiduciary Funds

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks and Sewerage Fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

For purposes of the statement of cash flows, the Village considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Illinois Statutes authorize the Village to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Funds Investment Pool.

Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions and the Illinois insurance company general and separate accounts, mutual funds meeting certain requirements, equity securities and corporate bonds meeting certain requirements. Pension funds with net assets in excess of $10,000,000 and an appointed investment advisor may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements.

The Police Pension Fund's investment policy allows investments in all of the above listed accounts, but does exclude any repurchase agreements. The Police Pension Fund's investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	40.0 %	1.10 %
Large cap domestic equities	42.0	6.00
Small cap domestic equities	12.0	7.80
International equities	6.0	6.90

Illinois Compiled Statues (ILCS) limit the Police Pension Fund's investments in equities, mutual funds and variable annuities to 65 percent. Securities in any one company should not exceed 5 percent of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

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

The Firefighters' Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code. The Firefighters' Pension Fund's investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	40.0 %	1.10 %
Large cap domestic equities	42.0	6.00
Small cap domestic equities	12.0	7.80
International equities	6.0	6.90

Illinois Compiled Statues (ILCS) limit the Firefighters' Pension Fund's investments in equities, mutual funds and variable annuities to 65 percent. Securities in any one company should not exceed 5 percent of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

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

The Village has adopted an investment policy. That policy follows the state statute for allowable investments.

Interest Rate Risk

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio in a manner that provides sufficient liquidity to enable the Village to meet all operating requirements which may be reasonably anticipated in any fund. The investment policy limits the maximum maturity length of investments to three years from the date of purchase unless the funds invested are earmarked for a special purpose, in which case the maximum maturity length shall be five years from the date of purchase, but must coincide as nearly as possible with the expected use of the funds. The Police Pension Fund's and Firefighters' Pension Fund's investment policy does not limit the maximum maturity length of investments in the funds.

Credit Risk

The Village limits its exposure to credit risk by investing in securities issued by the United States Government, securities issued by agencies of the United States Government, which are implicitly guaranteed by the United States Government, or corporate bonds rated within the three highest classifications by at least two standard rating services. The Police Pension Fund and the Firefighters' Pension Fund limit exposure to credit risk by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB- by Standard and Poors, Baa3 by Moody's and BBB- by Fitch by at lease two of the three rating agencies.

Concentration of Credit Risk

In order to limit the exposure to concentration of credit risk, the Village's investment policy states that no more than 25 percent of the Village's total investment portfolio may be invested in a single security type or with a single financial institution, with the exception of U.S Treasury securities and authorized pools. The Village's investment policy does not specifically prohibit the use of or the investment in derivatives. The Police Pension Fund and Firefighters' Pension Fund do not have formal written policies with regard to the concentration of credit risk for investments. The Police Pension Fund and Firefighters' Pension Fund are both subject to the Illinois Compiled Statues (ILCS) which limits fund's investments in equities, mutual funds and variable annuities to 65 percent. Securities in any one company should not exceed 5 percent of the total fund.

Custodial Credit Risk, Deposits

The Village's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 110 percent of the value of the deposit. Both the Police Pension and Firefighters' Pension's investment policies limit exposure to deposit custodial credit risk by requiring deposits in excess of FDIC insurable limits to be collateralized.

Custodial Credit Risk, Investments

The Village's investment policy requires pledging of collateral with a fair value of 110 percent of all bank balances in excess of federal depository insurance with the collateral held by the Village's agent in the Village's name. To limit exposure, the Police Pension Fund and the Firefighters' Pension Fund require all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment basis with the underlying investments held by a third party acting as the fund's agent separate from where the investment was purchased in the fund's name.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

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

Illinois Metropolitan Investment Fund (IMET) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. Investment in IMET's 1-3 year fund may be redeemed with 5 business days' notice.

See Note 3 for further information.

Receivables

Property taxes for levy year 2021 attaches as an enforceable lien on January 1, 2021, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance).

Tax bills for levy year 2021 are prepared by Lake County and issued on or about May 1, 2022 and August 1, 2022 and are payable in two installments, on or about June 1, 2021 and September 1, 2021 or within 30 days of the tax bills being issued.

The County collects such taxes and remits them periodically. The 2021 property tax levy is recognized as a receivable and deferred inflows in fiscal 2021, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At December 31, 2021, the property taxes receivable and related deferred inflows consisted of the estimated amount collectible from the 2021 levy.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on FIFO and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $10,000 for computers and software, $15,000 for vehicles and furniture and fixtures, $25,000 for land improvements and machinery and equipment, $50,000 for buildings and building improvements and $250,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Land improvements	20-30	Years
Buildings	45	Years
Building improvements	10-30	Years
Vehicles	3-25	Years
Computers and software	5	Years
Furniture and fixtures	5-20	Years
Machinery and equipment	10-30	Years
Infrastructure	40-50	Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

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

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable, notes payable, net pension liability, total other postemployment benefit liability and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted Net Position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.

d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Village Board has, by ordinance, adopted a financial policy authorizing the Finance Director to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The Village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note 3 for further information.

Land Held for Resale

The Village's land held for resale includes land that is being held for sale for future development of the Village. The assets are valued at lower of cost or market.

2. Stewardship, Compliance and Accountability

Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2021, the following individual funds held a deficit balance:

Fund	Amount
TIF Debt Service	$ (906,101)

3. Detailed Notes on All Funds

Deposits and Investments

The Village's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Petty cash	$ 2,675	$ -	N/A
Deposits	38,128,807	38,882,767	Custodial credit risk - deposits
Mutual funds, other than bond funds	54,835,587	54,835,587	N/A
Corporate bonds	5,080,602	5,080,602	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
U.S. treasuries	5,779,419	5,779,419	Custodial credit risk, interest rate risk
U.S. agencies	18,069,690	18,069,690	Credit risk, custodial credit risk - investments, concentration of credit risk, interest rate risk
Money markets	622,201	622,201	N/A
State and local obligations	5,211,733	5,211,733	Credit risk, custodial credit risk - investments, concentration of credit risk, interest rate risk
Negotiable CDs	6,192,951	6,192,951	Credit risk, custodial credit risk - investments, concentration of credit risk, interest rate risk
Insurance contracts	257,789	257,789	Credit risk, custodial credit risk - investments, concentration of credit risk
Total deposits and investments	$134,181,454	$134,932,739	

Reconciliation to financial statements

Per statement of net position:	
Cash and investments	$ 45,098,941
Per statement of net position, fiduciary funds:	
Cash and investments, pension trusts	15,963
Cash and investments, custodial fund	465,156
U.S. treasuries	3,579,160
U.S. agencies	18,069,690
Money markets	622,201
Corporate bonds	5,080,602
State and local obligations	4,948,695
Mutual funds, bond funds	54,835,587
Certificates of deposit	1,207,670
Insurance contracts	257,789
Total deposits and investments	$134,181,454

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 are valued using either a discounted cash flow or market comparable companies technique.

As of December 31, 2021 the Village utilized the market valuation method for all recurring fair value measurements and investments were measured using the valuation inputs as follows:

Village

	December 31, 2021			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. treasuries	$ 2,200,259	$ -	$ -	$ 2,200,259
State & local bonds	263,038	-	-	263,038
Negotiable certificates of deposit	-	4,985,281	-	4,985,281
Total	$ 2,463,297	$ 4,985,281	$ -	$ 7,448,578

Police Pension

Investment Type	December 31, 2021 Level 1	Level 2	Level 3	Total
U.S. treasuries	$ 1,344,027	$ -	$ -	$ 1,344,027
Mutual funds, other than bond funds	21,012,513	-	-	21,012,513
Negotiable certificates of deposit	-	224,633	-	224,633
Corporate bonds	2,075,517	-	-	2,075,517
State and local obligations	-	1,919,788	-	1,919,788
U.S. agencies	-	6,941,074	-	6,941,074
Total	$ 24,432,057	$ 9,085,495	$ -	$ 33,517,552

Firefighters' Pension

Investment Type	December 31, 2021 Level 1	Level 2	Level 3	Total
U.S. treasuries	$ 2,235,133	$ -	$ -	$ 2,235,133
Mutual funds, other than bond funds	33,823,074	-	-	33,823,074
Negotiable certificates of deposit	-	983,037	-	983,037
Corporate bonds	3,005,085	-	-	3,005,085
State and local obligations	-	3,028,907	-	3,028,907
U.S. agencies	-	11,128,616	-	11,128,616
Insurance contracts	-	-	257,789	257,789
Total	$ 39,063,292	$ 15,140,560	$ 257,789	$ 54,461,641

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Village's deposits may not be returned to the Village.

The Village does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Village does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2021, the Village's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Negotiable CDs	Not Rated	Not Rated
U.S. agencies	AA+	Aaa
Corporate bonds	AAA-BBB	Aaa-Baa2
State and local obligations	AAA-AA-	Aaa-A2
Insurance contracts	Not Rated	Not Rated

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2021, the Police Pension Fund has over 5 percent of net plan assets invested in various agency securities as indicated in the table below.

The Police Pension Board has diversified its investment holdings as follows:

Federal Farm Credit Bank	$	3,355,908
Federal Home Loan Bank		2,736,342

At December 31, 2021, the Firefighters' Pension Fund has over 5 percent of net plan assets invested in various agency securities as indicated in the table below.

The Firefighters' Pension Board has diversified its investment holdings as follows:

Federal Farm Credit Bank	$	5,396,855
Federal Home Loan Bank		4,743,292

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2021, investments were as follows:

Village

		Maturity (In Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
Negotiable certificates of deposit	$ 4,985,281	$ 2,744,276	$ 2,241,005	$ -	$ -
U.S. agencies	263,038	-	263,038	-	-
U.S. treasuries	2,200,259	-	2,200,259	-	-
Total	$ 7,448,578	$ 2,744,276	$ 4,704,302	$ -	$ -

Police Pension

Investment Type	Fair Value	Maturity (In Years) Less than 1	1-5	6-10	Greater than 10
U.S. treasuries	$ 1,344,027	$ 101,453	$ 790,097	$ 452,477	$ -
Negotiable certificates of deposit	224,633	-	224,633	-	-
U.S. agencies	6,941,074	150,630	2,226,447	4,563,997	-
Corporate bonds	2,075,517	-	1,044,903	1,030,614	-
State and local obligations	1,919,788	353,892	514,132	1,051,764	-
Total	$ 12,505,039	$ 605,975	$ 4,800,212	$ 7,098,852	$ -

Firefighters' Pension

Investment Type	Fair Value	Maturity (In Years) Less than 1	1-5	6-10	Greater than 10
U.S. treasuries	$ 2,235,133	$ 252,305	$ 1,172,375	$ 810,453	$ -
Negotiable certificates of deposit	983,037	-	501,050	481,987	-
U.S. agencies	11,128,616	-	3,178,695	7,948,586	1,335
Corporate bonds	3,005,085	501,373	1,859,739	643,973	-
State and local obligations	3,028,907	163,584	720,665	1,896,110	248,548
Total	$ 20,380,778	$ 917,262	$ 7,432,524	$ 11,781,109	$ 249,883

Money-Weighted Rate of Return

Police Pension Fund

For the year ended December 31, 2021, the annual money-weighted rate of return on the Police Pension plan investments, net of pension plan investment expense, was 11.70 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters' Pension Fund

For the year ended December 31, 2021, the annual money-weighted rate of return on the Firefighters' Pension plan investments, net of pension plan investment expense, was 11.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See Note 1 for further information on deposit and investment policies.

Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 30,473,551	$ -	$ -	$ 30,473,551
Construction in progress	123,419	458,042	2,933	578,528
Total capital assets not being depreciated	30,596,970	458,042	2,933	31,052,079
Capital assets being depreciated:				
Land improvements	8,533,822	42,627	-	8,576,449
Buildings	12,258,956	-	-	12,258,956
Building improvements	708,778	-	-	708,778
Vehicles	6,277,263	632,317	121,630	6,787,950
Machinery and equipment	2,965,856	-	-	2,965,856
Computers/software	166,694	-	-	166,694
Infrastructure	76,102,808	1,615,322	-	77,718,130
Total capital assets being depreciated	107,014,177	2,290,266	121,630	109,182,813
Total capital assets	137,611,147	2,748,308	124,563	140,234,892
Less accumulated depreciation for:				
Land improvements	(3,766,297)	(324,606)	-	(4,090,903)
Buildings	(6,063,317)	(271,176)	-	(6,334,493)
Building improvements	(192,965)	(25,699)	-	(218,664)
Vehicles	(3,387,720)	(365,110)	121,630	(3,631,200)
Machinery and equipment	(1,531,884)	(143,265)	-	(1,675,149)
Computers/software	(71,887)	(12,783)	-	(84,670)
Infrastructure	(36,677,437)	(1,493,547)	-	(38,170,984)
Total accumulated depreciation	(51,691,507)	(2,636,186)	121,630	(54,206,063)
Net capital assets being depreciated	55,322,670	(345,920)	-	54,976,750
Total governmental activities capital assets, net of accumulated depreciation	$ 85,919,640	$ 112,122	$ 2,933	$ 86,028,829

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 84,940
Public safety	464,913
Highways and streets	1,888,095
Culture and recreation	198,238
Total governmental activities depreciation expense	$ 2,636,186

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 249,652	$ -	$ -	$ 249,652
Construction in progress	282,885	-	-	282,885
Total capital assets not being depreciated	532,537	-	-	532,537
Capital assets being depreciated:				
Vehicles	942,452	183,117	-	1,125,569
Machinery and equipment	2,033,540	128,678	26,985	2,135,233
Computer/software	206,030	-	-	206,030
Infrastructure	81,549,676	1,160,441	-	82,710,117
Total capital assets being depreciated	84,731,698	1,472,236	26,985	86,176,949
Total capital assets	85,264,235	1,472,236	26,985	86,709,486
Less accumulated depreciation for:				
Vehicles	(273,641)	(78,359)	-	(352,000)
Machinery and equipment	(718,558)	(88,762)	23,687	(783,633)
Computer/software	(107,527)	(2,794)	-	(110,321)
Infrastructure	(39,050,248)	(1,819,207)	-	(40,869,455)
Total accumulated depreciation	(40,149,974)	(1,989,122)	23,687	(42,115,409)
Net capital assets being depreciated	44,581,724	(516,886)	3,298	44,061,540
Business-type capital assets, net of accumulated depreciation	$ 45,114,261	$ (516,886)	$ 3,298	$ 44,594,077

Interfund Receivables/Payables, Advances and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 754
Nonmajor Governmental	General	80
Total, fund financial statements		834
Add interfund receivables created with internal service fund eliminations		595,532
Less government-wide eliminations		(834)
Total internal balances, government-wide statement of net position		$ 595,532

All amounts are due within one year.

Advances

The general fund is advancing funds to the TIF #3 fund, the TIF debt service fund and the TIF tax allocation. The amount advanced is due to the cash flow issues in the funds since the districts' inceptions.

The non-home rule sales tax capital projects fund is advancing funds to the downtown TIF #2 fund. The amount advanced is due to the cash flow issues in the fund since the district's inception.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General	TIF #3	$ 40,000	$ 40,000
General	TIF Debt Service	1,300,000	1,300,000
General	TIF Tax Allocation	185,000	185,000
Non-Home Rule Sales Tax Capital Projects	Downtown TIF #2	100,000	100,000
Total		$ 1,625,000	

The principal purpose of these advances is to fund TIF eligible expenditures in advance of sufficient increment to cover costs.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Capital Improvement	General	$ 2,090,000	Funding for capital projects
Internal Service	General	400,000	Funding for internal services
Nonmajor Governmental	General	606,700	Funding for special events administration and Dispatch Center
TIF Debt Service	TIF Tax Allocation	785,000	Funding for debt payment
TIF Debt Service	Debt Service	1,172,000	Funding for debt payment
Nonmajor Governmental	Nonmajor Governmental	73,858	Funding for special events
Internal Service	Internal Service	200,000	Funding for internal services
Total, fund financial statements		5,327,558	
Less government-wide eliminations		(5,327,558)	
Total transfers, government-wide statement of activities		$ -	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Short-Term Debt Activity

The Village issued short-term debt for $1,172,000. The Taxable General Obligation Refunding Bond (Limited Tax), Series 2021 dated June 8, 2021 were matured October 8, 2021; payable in annual installment with interest rate of 4.75 percent.

Short-term debt activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Taxable General Obligation Refunding Bond (Limited Tax), Series 2021	$ -	$ 1,172,000	$ 1,172,000	$ -

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
Tax increment financing bonds	$ 21,235,000	$ -	$ 1,360,000	$ 19,875,000	$ 1,400,000
(Discounts)/Premiums	170,567	-	36,088	134,479	36,088
Total bonds payable	21,405,567	-	1,396,088	20,009,479	1,436,088
Other liabilities:					
Vested compensated absences	1,847,043	524,830	376,284	1,995,589	399,118
Capital leases	14,560	17,695	6,878	25,377	8,077
Total other postemployment benefits liability	3,177,041	39,506	194,500	3,022,047	-
Net pension liability	39,164,762	6,869,150	9,849,884	36,184,028	-
Total other liabilities	44,203,406	7,451,181	10,427,546	41,227,041	407,195
Total governmental activities long-term liabilities	$ 65,608,973	$ 7,451,181	$ 11,823,634	$ 61,236,520	$ 1,843,283
Business-Type Activities					
Bonds and loans payable:					
Alternative revenue bonds	$ 1,875,000	$ -	$ 550,000	$ 1,325,000	$ 505,000
Illinois EPA loans - direct placement	1,526,081	-	206,545	1,319,536	211,741
(Discounts)/Premiums	97,373	-	29,221	68,152	29,220
Total bonds and loans payable	3,498,454	-	785,766	2,712,688	745,961
Other liabilities:					
Vested compensated absences	98,266	9,887	19,653	88,500	17,700
Capital leases	3,042,112	-	164,478	2,877,634	168,974
Total other postemployment benefits liability	274,753	2,450	16,762	260,441	-
Total other liabilities	3,415,131	12,337	200,893	3,226,575	186,674
Total business-type activities long-term liabilities	$ 6,913,585	$ 12,337	$ 986,659	$ 5,939,263	$ 932,635

The Village is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625 percent of the most recent available equalized assessed valuation of the Village. As of December 31, 2021, the statutory debt limit for the Village was $78,007,527, providing a debt margin of $78,007,527.

Business-Type Activities Alternative Revenue Debt

Business-Type Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
Water and Sewerage Fund, 2013 General Obligation Bonds (Alternative Revenue)	9/4/2013	12/15/2023	3.00%-4.00%	$ 3,800,000	$ 805,000
General Obligation Waterworks and Sewerage System Alternative Revenue Bonds Series 2016B	8/1/2016	12/15/2026	2.00%	1,000,000	520,000
Total business-type activities, alternative revenue debt					$ 1,325,000

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Alternative Revenue Debt Principal	Interest
2022	$ 505,000	$ 42,600
2023	500,000	24,400
2024	105,000	6,400
2025	105,000	4,300
2026	110,000	2,200
Total	$ 1,325,000	$ 79,900

Tax Increment Financing Bonds

Tax increment financing bonds are payable from incremental taxes derived from a separately created tax increment financing district.

The Village has pledged future sales tax revenues, net of specified operating expenses, to repay revenue bonds issued in 2014, 2015 and 2016. Proceeds from the bonds provided financing for the various TIF improvements.

Tax Increment Financing Bonds at December 31, 2021, consists of the following:

Governmental Activities

Tax Increment Financing Bonds	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
General Obligation TIF Alternative Revenue Bonds Series 2014A	9/8/2014	12/15/2024	2.00% - 3.00%	$ 6,325,000	$ 2,310,000
General Obligation TIF Alternative Revenue Bonds Series 2015A	4/23/2015	12/15/2034	3.25% - 3.75%	11,775,000	11,775,000
General Obligation TIF Alternative Revenue Bonds Series 2016A	5/16/2016	2/1/2029	1.10% - 3.05%	6,785,000	5,790,000
Total governmental activities tax increment financing bonds					$ 19,875,000

Debt service requirements to maturity are as follows:

Years	Governmental Activities Tax Increment Financing Bonds Principal	Interest
2022	$ 1,400,000	$ 628,691
2023	1,440,000	591,978
2024	1,500,000	553,188
2025	1,525,000	511,403
2026	1,565,000	465,814
2027-2031	7,850,000	1,588,674
2032-2034	4,595,000	345,552
Total	$ 19,875,000	$ 4,685,300

Other Loans Payable - Direct Placement

Loans are payable from Illinois Environmental Protection Agency. The outstanding IEPA notes are direct borrowings and contain a provision that in an event of default, the IEPA shall pursue the collection of the amounts past due, the outstanding balance and relating costs by any other reasonable means provided by the law.

Business-Type Activities

Other Loans Payable - Direct Placement	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
IEPA Loan 2006	10/15/2005	12/16/2026	2.5%	$ 2,000,000	$ 596,727
IEPA Loan 2008	9/27/2007	8/11/2028	1.25%	1,673,182	722,809
Total business-type activities other loans payable - direct placement					$ 1,319,536

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Other Loans Payable - Direct Placement	
	Principal	Interest
2022	$ 211,741	$ 31,673
2023	217,067	26,347
2024	222,528	20,886
2025	228,126	15,288
2026	220,577	9,550
2027-2028	219,497	6,902
Total	$ 1,319,536	$ 110,646

Other Debt Information

Estimated payments of certain obligations are not included in the debt service requirement schedules. The compensated absences liability, total other postemployment benefits liability and net pension liability attributable to governmental activities will be liquidated primarily by the general fund.

Prior-Year Defeasance of Debt

In prior years, the Village defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village's financial statements. At December 31, 2021, $3,480,000 of bonds outstanding are considered defeased.

Lease Disclosures

Lessee, Capital Leases

During fiscal year 2017, the Village entered into a capital lease obligation for water meters. The interest rate for the lease is 2.50 percent. During fiscal year 2018, the Village entered into a capital lease obligation for a sewer cleaner. The interest rate for the lease is 3.12 percent. During fiscal year 2019, the Village entered into two capital lease obligations for copier equipment. The interest rates for the leases are 6.57 percent and 5.24 percent. During fiscal year 2021, the Village entered into a capital lease obligation for copier equipment. The interest rate for the lease is 4.45 percent.

The gross amount of these assets under capital leases is $3,411,582, which are included in capital assets in the business-type activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2021, are as follows:

Years	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	$ 8,077	$ 1,052	$ 9,129	$ 168,974	$ 71,958	$ 240,932
2023	6,745	654	7,399	220,449	66,902	287,351
2024	5,756	348	6,104	226,376	60,975	287,351
2025	3,817	136	3,953	166,104	54,887	220,991
2026	982	7	989	194,303	50,480	244,783
2027-2031	-	-	-	1,289,912	163,098	1,453,010
2032-2034	-	-	-	611,516	17,289	628,805
Total	$ 25,377	$ 2,197	$ 27,574	$ 2,877,634	$ 485,589	$ 3,363,223

Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2021, includes the following:

Governmental Activities

Net investment in capital assets:	
Capital assets not being depreciated	$ 31,052,079
Capital assets net of accumulated depreciation	54,976,750
Total net investment in capital assets	$ 86,028,829

The Governmental Activities long-term debt for Tax increment financing bonds (and related premiums/ discounts) and the capital leases did not result in capital assets. The Tax increment financing bond proceeds were used to purchase land held for resale.

Business-Type Activities

Net investment in capital assets:	
Capital assets not being depreciated	$ 532,537
Capital assets net of accumulated depreciation	44,061,540
Less unamortized debt premium	(68,153)
Less capital related debt	(5,522,170)
Total net investment in capital assets	$ 39,003,754

4. Other Information

Employees' Retirement System

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for the plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The Police Pension Plan and the Firefighters' Pension Plan do not issue separate reports on the pension plans. IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. This report is also available for download at www.imrf.org.

For the year ended December 31, 2021, the Village recognized the following balances in the government-wide financial statements:

	Total Pension Liability	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
IMRF	$ 40,376,532	$ -	$ 398,556	$ 5,242,929	$ (1,591,157)
Police Pension Plan	53,491,177	19,426,868	1,927,994	3,816,580	940,609
Firefighters' Pension Plan	71,465,253	16,757,160	3,053,687	6,313,202	950,728
Total	$165,332,962	$ 36,184,028	$ 5,380,237	$ 15,372,711	$ 300,180

Illinois Municipal Retirement Fund

Plan Description

All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 3 percent for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased ever year after retirement, upon reaching age 67, by the lesser of 3 percent of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Plan Membership

At December 31, 2021, the measurement date, membership in the plan was as follows:

Retirees and beneficiaries	125
Inactive, non-retired members	93
Active members	69
Total	287

Contributions

As set by statute, Village employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statute requires the Village to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village’s actuarially determined contribution rate for calendar year 2021 was 11.00 percent of annual covered payroll for IMRF. 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.

Net Pension Liability/(Asset)

The net pension liability/(asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial Assumptions

The total pension liability for IMRF was determined by actuarial valuations performed as of December 31, 2021 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Investment Rate of Return	7.25%
Salary increases	2.85% to 13.75%, including inflation
Price inflation	2.50%

Mortality

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106 percent} and Female (adjusted 105 percent} tables and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020.

Long-Term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

		Projected Returns/Risks	
Asset Class	**Target Allocation**	**One Year Arithmetic**	**Ten Year Geometric**
Equities	39.00 %	5.85 %	4.50 %
International equities	15.00	7.40	5.75
Fixed income	25.00	2.10	2.00
Real estate	10.00	6.80	5.90
Alternatives	10.00		
Private equity		11.45	8.10
Hedge funds		-	-
Commodities		5.50	4.30
Cash equivalents	1.00	1.70	1.70

Discount Rate

The discount rate used to measure the total pension liability for IMRF was 7.25 percent. The discount rate calculated using the December 31, 2020 measurement date was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents net pension liability/(asset) of the Village calculated using the discount rate of 7.25 percent as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	$ 45,272,080	$ 40,376,532	$ 36,600,411
Plan fiduciary net pension	45,451,427	45,451,427	45,451,427
Net pension liability/(asset)	$ (179,347)	$ (5,074,895)	$ (8,851,016)

Changes in Net Pension Liability/(Asset)

The changes in net pension liability/(asset) for the calendar year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at December 31, 2020	$ 38,298,206	$ 39,658,695	$ (1,360,489)
Service cost	491,209	-	491,209
Interest on total pension liability	2,730,469	-	2,730,469
Differences between expected and actual experience of the total pension liability	620,977	-	620,977
Benefit payments, including refunds of employee contributions	(1,764,329)	(1,764,329)	-
Contributions, employer	-	616,348	(616,348)
Contributions, employee	-	257,450	(257,450)
Net investment income	-	6,580,211	(6,580,211)
Other (net transfer)	-	103,052	(103,052)
Balances at December 31, 2021	$ 40,376,532	$ 45,451,427	$ (5,074,895)
Plan fiduciary net position as a percentage of the total pension liability			112.57 %

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

For the year ended December 31, 2021, the Village recognized pension expense of $(1,591,157). The Village reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 398,556	$ 51,864
Assumption changes	-	119,880
Net difference between projected and actual earnings on pension plan investments	-	5,071,185
Total	$ 398,556	$ 5,242,929

The amounts reported as deferred outflows and inflows of resources related to pensions $(4,844,373) will be recognized in pension expense as follows:

Year Ending December 31,	Village
2022	$ (1,076,252)
2023	(1,773,921)
2024	(1,247,498)
2025	(746,702)
Total	$ (4,844,373)

Police Pension

Plan Description

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

As provided for in the Illinois Compiled Statutes, the Plan provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Police Pension Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one half of the salary attached to the rank on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5 percent of the final average salary for each year of creditable service. The salary is initially capped at $106,800 but increases annually thereafter and is limited to 75 percent of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a police shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3 percent or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

Plan Membership

At December 31, 2021, the Police Pension membership consisted of:

Retirees and beneficiaries	31
Inactive, non-retired members	4
Active members	31
Total	66

Contributions

Covered employees are required to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90 percent funded by the year 2040. The Village's actuarially determined contribution rate for the fiscal year ending December 31, 2021 was 60.78 percent of annual covered payroll.

Net Pension Liability/(Asset)

The net pension liability/(asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

Summary of Significant Accounting Policies

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

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Interest rate	6.75%
Inflation	2.50%
Projected salary increases	2.50% - 12.00%
Cost-of-living adjustments	1.25% - 3.00%

Mortality rates for active lives, inactive lives, survivor lives and disabled lives were based on the PubS-2010 Employee Mortality, projected 5 years past the valuation date with Scale MP-2021. Ten percent of active deaths are assumed to be in the line of duty. The actuarial assumptions were based on the results of a 2022 experience study performed for the Illinois Police Officers' Pension Investment Fund.

Discount Rate

The discount rate used to measure the total pension liability for the Police Pension Plan was 6.75 percent, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	$ 61,459,873	$ 53,491,177	$ 47,030,351
Plan fiduciary net position	34,064,309	34,064,309	34,064,309
Net pension liability	$ 27,395,564	$ 19,426,868	$ 12,966,042

Changes in Net Pension Liability/(Asset)

The Village's changes in net pension liability/(asset) for the calendar year ended December 31, 2021 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/Asset (a) - (b)**
Balances at December 31, 2020	$ 51,568,715	$ 30,491,747	$ 21,076,968
Service cost	634,170	-	634,170
Interest on total pension liability	3,445,778	-	3,445,778
Differences between expected and actual experience of the total pension liability	7,132	-	7,132
Change of assumptions	144,038	-	144,038
Benefit payments, including refunds of employee contributions	(2,308,656)	(2,308,656)	-
Contributions, employer	-	2,020,139	(2,020,139)
Contributions, employee	-	333,942	(333,942)
Net investment income	-	3,558,796	(3,558,796)
Administration	-	(31,659)	31,659
Balances at December 31, 2021	$ 53,491,177	$ 34,064,309	$ 19,426,868
Plan fiduciary net position as a percentage of the total pension liability			63.68 %

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

For the year ended December 31, 2021, the Village recognized pension expense of $940,609. The Village reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 1,531,666	$ 468,117
Assumption changes	396,328	333,996
Net difference between projected and actual earnings on pension plan investments	-	3,014,467
Total	$ 1,927,994	$ 3,816,580

The amounts reported as deferred outflows and inflows of resources related to pensions $(1,888,586) will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2022	$ (739,363)
2023	(793,702)
2024	(398,024)
2025	17,308
2026	25,195
Total	$ (1,888,586)

Firefighters' Pension

Plan Description

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

As provided for in the Illinois Compiled Statutes, the Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one twelfth of 2.5 percent of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75 percent of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5 percent of the final average salary for each year of creditable service. The salary is initially capped at $106,800 but increases annually thereafter and is limited to 75 percent of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a firefighter shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3 percent or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

Plan Membership

At December 31, 2021, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries	35
Inactive, non-retired members	4
Active members	50
Total	89

Contributions

Participants contribute a fixed percentage of their base salary to the plans. At December 31, 2021, the contribution percentage was 9.455 percent. If a participant leaves covered employment with less than 20 years of service, accumulated participant contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the Village's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90 percent funded by the year 2040. The Village's actuarially determined contribution rate for the fiscal year ending December 31, 2021 was 47.41 percent of annual covered payroll.

Net Pension Liability/(Asset)

The net pension liability/(asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

Summary of Significant Accounting Policies

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

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Interest rate	6.75%
Inflation	2.50%
Projected salary increases	2.50% - 18.00%
Cost-of-living adjustments	1.25% - 3.00%

Mortality rates for active lives, inactive lives, survivor lives and disabled lives were based on the PubS-2010 Employee Mortality, projected 5 years past the valuation date with Scale MP-2021. Twenty percent of active deaths are assumed to be in the line of duty. The actuarial assumptions were based on the results of a 2021 experience study performed for the Illinois Firefighters' Pension Investment Fund.

Discount Rate

The discount rate used to measure the total pension liability for the Firefighters' Pension Plan was 6.75 percent, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	$ 82,745,233	$ 71,465,253	$ 62,377,515
Plan fiduciary net position	54,708,093	54,708,093	54,708,093
Net pension liability	$ 28,037,140	$ 16,757,160	$ 7,669,422

Changes in Net Pension Liability/(Asset)

The Village's changes in net pension liability/(asset) for the calendar year ended December 31, 2021 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/Asset (a) - (b)
Balances at December 31, 2020	$ 66,518,565	$ 48,430,771	$ 18,087,794
Service cost	1,288,974	-	1,288,974
Interest on total pension liability	4,499,505	-	4,499,505
Differences between expected and actual experience of the total pension liability	276,813	-	276,813
Change of assumptions	1,163,791	-	1,163,791
Benefit payments, including refunds of employee contributions	(2,296,421)	(2,296,421)	-
Contributions, employer	-	2,498,348	(2,498,348)
Contributions, employee	-	502,853	(502,853)
Contributions, buy back	14,026	14,026	-
Net investment income	-	5,607,760	(5,607,760)
Administration	-	(49,244)	49,244
Balances at December 31, 2021	$ 71,465,253	$ 54,708,093	$ 16,757,160
Plan fiduciary net position as a percentage of the total pension liability			76.55 %

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

For the year ended December 31, 2021, the Village recognized pension expense of $950,728. The Village reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,623,059	$ 956,452
Assumption changes	1,430,628	653,960
Net difference between projected and actual earnings on pension plan investments	-	4,702,790
Total	$ 3,053,687	$ 6,313,202

The amounts reported as deferred outflows and inflows of resources related to pensions $(3,259,515) will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2022	$ (1,160,405)
2023	(1,944,323)
2024	(455,747)
2025	(162,450)
2026	257,609
Thereafter	205,801
Total	$ (3,259,515)

Pension Segment Information

Fiduciary Net Position

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
Assets			
Cash and investments	$ 9,284	$ 6,679	$ 15,963
Investments:			
U.S. treasuries	1,344,027	2,235,133	3,579,160
U.S. agencies	6,941,074	11,128,616	18,069,690
Mutual funds	21,012,513	33,823,074	54,835,587
Corporate bonds	2,075,517	3,005,085	5,080,602
State and local obligations	1,919,788	3,028,907	4,948,695
Money markets	491,114	131,087	622,201
Certificates of deposit	224,633	983,037	1,207,670
Insurance contracts	-	257,789	257,789
Receivables, (net allowances for uncollectibles)			
Accrued interest	61,467	109,227	170,694
Prepaid items	2,022	2,821	4,843
Total assets	34,081,439	54,711,455	88,792,894
Liabilities			
Accounts payable	17,131	3,362	20,493
Total liabilities	17,131	3,362	20,493
Net Position			
Restricted for pension benefits	$ 34,064,308	$ 54,708,093	$ 88,772,401

Changes in Plan Net Position

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
Additions			
Contributions:			
Employer	$ 2,020,139	$ 2,498,349	$ 4,518,488
Employee	333,942	516,879	850,821
Total contributions	2,354,081	3,015,228	5,369,309
Investment income:			
Net appreciation (depreciation) in fair value of investments	2,125,766	3,226,678	5,352,444
Interest on investments	1,499,304	2,489,298	3,988,602
Total investment income	3,625,070	5,715,976	9,341,046
Less investment expense	(65,840)	(107,636)	(173,476)
Net investment income	3,559,230	5,608,340	9,167,570
Total additions	5,913,311	8,623,568	14,536,879
Deductions			
Pension payments and refunds	2,308,656	2,296,421	4,605,077
Administration	32,094	49,825	81,919
Total deductions	2,340,750	2,346,246	4,686,996
Change in net position	3,572,561	6,277,322	9,849,883
Net position, beginning	30,491,747	48,430,771	78,922,518
Net position, ending	$ 34,064,308	$ 54,708,093	$ 88,772,401

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Village participates in a public entity risk pool called to provide coverage for losses from (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees). However, other risks, such as (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the Village in internal service funds - the self-insurance fund and the risk management fund.

Public Entity Risk Pool

IRMA

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

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

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

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

Intergovernmental Personnel Benefit Cooperative

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

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

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the Village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

Other Postemployment Benefits

Plan Description

The Village administers a single-employer defined contribution healthcare plan ("the Retiree Health Plan"). The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a separate report. The activity of the plan is reported in the Village's governmental and business-type activities.

Benefits Provided

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

All health care benefits are provided through the Village's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the Village's plan becomes secondary. All retirees contribute 100 percent of the actuarially determined premium to the plan. Active employees do not contribute to the plan until retirement.

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	22
Active plan members	146
Total	168

Total OPEB Liability

The Village's total OPEB liability of $3,282,488 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.00%
Healthcare cost trend rates	HMO Plan 5.00%; PPO Plan and HDHP 6.00%
Retirees' share of benefit-related costs	100%

The discount rate was based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on the RP-2014 Blue Collar Mortality projected to the valuation date with Scale MP-2017.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2020 - December 31, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2020	$ 3,451,794
Changes for the year:	
Service cost	64,244
Interest	64,581
Changes in assumptions or other inputs	(86,869)
Benefit payments	(211,262)
Net changes	(169,306)
Balances at December 31, 2021	$ 3,282,488

Changes of assumptions and other inputs reflect a change in the discount rate from 1.93 percent in 2020 to 2.25 percent in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	$ 3,568,125	$ 3,282,488	$ 3,034,902

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 3,002,025	$ 3,282,488	$ 3,611,042

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Village recognized negative OPEB expense of $106,542. At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 252,703
Changes of assumptions or other inputs	406,155	275,803
Total	$ 406,155	$ 528,506

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

Year Ended December 31:	Amount
2022	$ (22,284)
2023	(22,284)
2024	(22,284)
2025	(22,284)
2026	(22,284)
Thereafter	(10,931)
Total	$ (122,351)

Subsequent Event

Subsequent to December 31, 2021, the investment markets have experienced significant volatility. It is highly likely that the values of the Village's investments have changed by material amounts since year end.

Tax Increment Financing District

The Village of Lake Zurich has established several Tax Increment Redevelopment Project Areas (RPA's) to encourage redevelopment of certain sites for more market oriented commercial uses of the properties that will enhance their value and improve their contributions to the Village and its surrounding areas. As part of the redevelopment plans, the Village has made significant improvements to utilities, public parking, intersections and traffic signalization, streets and landscaping. The redevelopment plans also include site preparation, land acquisition and assembly and demolition/clearance.

Construction and development in the RPA's were the responsibility of developers and are substantially complete. To entice development of the areas, the Village created tax increment financing (TIF) districts to finance public improvements made within the RPA's.

Several funds have been established to record the revenues generated in the RPA's that relate directly to servicing the debt issued to make public improvements in the RPA's.

Tax Abatement

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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

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

As of December 31, 2021, the Village has an accrued rebate liability of $142,722 for amounts collected by the state but not yet paid to the Village and/or due to the other entities. Of this amount, $73,594 is due to commercial entities and $69,128 to governmental entities. For the fiscal year-to-date, the Village recorded $381,750 in payment across all sales tax rebate agreements.

Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION