



Village of  
**L**incolnshire  
Illinois

Comprehensive Annual Financial Report  
For the Year Ended December 31, 2012

VILLAGE OF LINCOLNSHIRE, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
December 31, 2012

Prepared by Finance Department

Michael R. Peterson  
Finance Director

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## INTRODUCTORY SECTION

VILLAGE OF LINCOLNSHIRE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2012

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Mayor

Brett Blomberg

Village Board

Elizabeth Brandt  
Karen Feldman  
Mara Grujanac

David Saltiel  
Dan Servi  
Tom McDonough

Village Clerk

Barbara Mastandrea

Village Treasurer

Christopher Curtis

\* \* \* \* \*

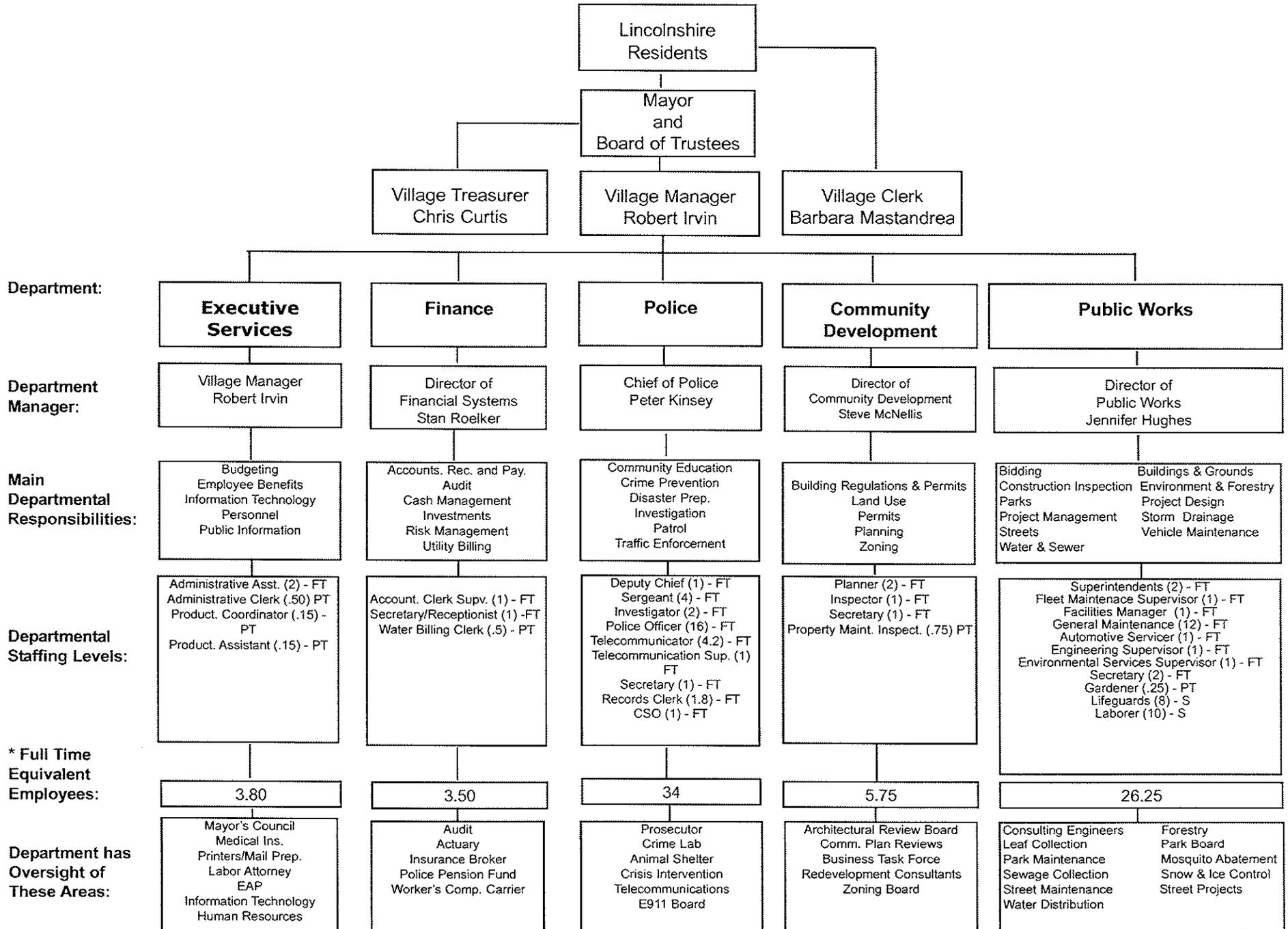
Village Manager

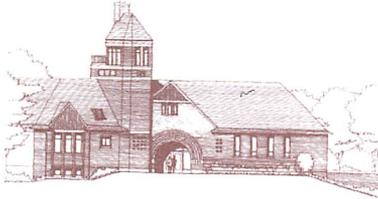
Bradly Burke

Finance Director

Michael R. Peterson

**VILLAGE OF LINCOLNSHIRE  
Organizational Chart (2012) - 72.3 FTEs\***





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Lincolnshire, IL 60069-3035  
847•883•8600  
847•883•8608 (FAX)

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## Village of Lincolnshire

June 12, 2013

To the Mayor, Board of Trustees and Citizens of the Village of Lincolnshire:

### **Formal Transmittal**

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Village of Lincolnshire for the fiscal year ended December 31, 2012.

This report consists of management's representations concerning the finances of the Village. Management assumes full responsibility for the completeness and reliability of the information presented herein. To provide a reasonable basis for making these representations, the Village Management has established a comprehensive internal control framework that is designed both to protect the Village's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their anticipated benefits, the Village's objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Sikich LLP, Independent Certified Public Accountants, have issued an unqualified opinion on the Village's financial statements for the fiscal year ended December 31, 2012. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the Village**

### *Basic Information*

The Village of Lincolnshire is located 38 miles north of the City of Chicago in the mid-southern portion of the County of Lake. The community covers nearly five-square miles in area with the northern branch of the Des Plaines River running through its boundaries. Thousands of native deciduous trees and numerous outlots help create a bucolic atmosphere making the Village a very desirable community to reside. The Village is also home to the nationally recognized Adlai E. Stevenson High School. The Village was incorporated in 1957 and became home rule by a voter approved referendum in 1975. The most recent federal census recorded 7,275 residents. Its day-time population is estimated at over seventeen thousand.

As a home-rule entity, the Village has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the issuance of debt or to increase property taxes.

The Village has operated under the council-manager form of government since its incorporation. Policy-making and legislative authority are vested in a seven-member Board composed of a mayor and six trustees elected on an at-large basis for four year, staggered terms. The Village Council appoints the Village Manager, Treasurer, Village Clerk, and Corporation Counsel. The Village Manager is responsible for carrying out the policies and ordinances of the Village Council, for overseeing the day-to-day operation of the Village, and for appointing the heads of the various departments.

The Village provides a full range of services including police protection; community and economic development; construction and maintenance of the Village's streets and other infrastructure. It also is responsible for the operation and maintenance of an extensive water and sanitary sewer distribution and collection system. An environmental services division helps manage the successful woodlands program serving to protect and preserve urban forest and open space. Fire protection is provided by the local fire district, the Lincolnshire-Riverwoods Fire District. The Village's annual financial report (CAFR) also includes the activities of the Police Pension Fund; however, control of the police pension fund rests with an independent board.

The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit their request for appropriations to the Village Manager so a budget can be prepared. The Village Manager presents the proposed budget to the Village Board for review in November. The Village Board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than December 31, the close of the Village's fiscal year. The budget is prepared by fund, function (i.e., public works), and division (i.e., streets). All budgeted transfers must be approved by the Board. Any revisions altering the total expenditures of any department must be approved by the Village Board. Budget-to-actual comparisons are provided in this report for each governmental and proprietary fund for which an appropriated annual budget has been adopted.

## Assessment of Economic Condition and Future Outlook

### *Local Economy*

Annual operational/capital costs and debt service has traditionally been funded with current revenues. In addition, property taxes have only been levied exclusively to fund the Village's two pension plans (police and municipal employees). Unfortunately, over the last couple of years the current recession has taken its toll on property values, construction activity and consumer and business spending which in turn has been reflected in the Village's finances. However, signs of a recovery are beginning to be seen. Village revenues appeared to have stopped their downward slide and have started to move up from their previous lows. While this is a healthy sign it must be noted commercial building permits of any significance have been negligible.

The Village has consistently tracked three basic economic indicators serving as benchmarks as to how Lincolnshire finances would be impacted. Prior to FY2008, annually for eleven years, Village real estate values consistently showed, in total, an average increase of 5%. Since 2008 property values continued to drop. The continued decline in real estate values forced the majority of taxing bodies within the Village's boundaries to significantly raise their property tax rates. The positive news is the Village is starting to see positive upward trends in its revenues.

Five types of revenue sources account for 76% of the total projected revenues for the FY13 General Fund. These sources and their respective budget increases over FY12 are as follows: State Sales Tax (13.2%), Home Rule Sales Tax (10.3%), Utility Tax (5.2%), Telecommunication Tax (-.7%) and Rooms & Admissions Tax (8.9%). Although revenues are expected to rise, there are no actual rate increases planned for FY13. The General Fund budget does include the use of \$881,200 cash reserves to offset \$903,100 capital project costs in FY13. The majority of the sales tax increase relates to the anticipated mid- year opening of The Farmers Market.

Major revenue sources and regional/national economic trends continue to be monitored since they normally have the largest impact on the Village's finances. Concurrently, expenditures continue to be closely examined and, where appropriate, be reduced and/or deferred. The newly adopted home-rule sales tax (0.5%) has proven to be a valuable addition to the Village's revenue stream.

### Key Village Indicators and Fiscal Trends

(dollars in millions)

Fiscal Year	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006<sup>(1)</sup></u>	<u>05/06</u>	<u>04/05</u>	<u>03/04</u>
EAV (million)	\$562	604	639	688	701	682	644	616	586	566
Gen Fund Tax Revenue	\$9.6	8.7	6.7	6.7	8.0	8.8	5.9	9.1	7.9	7.1
Gen Fund Reserve Ratio (% of annual exp plus debt)	140	122	99	99	108	114	130	159	128	108

<sup>(1)</sup> This was a shortened fiscal year (8 months). The "reserve ratio" was calculated using expenditures that were extrapolated for a 12-month period.

### Long-Term Financial Planning

The Village's long-term strategy is aimed at preserving the outstanding quality of life enjoyed by

its residents and also ensure residents' expectation for excellent service continues to be delivered. The financial stress resulting from the recent recession required the Village to focus more so on delivering its core services than in the past. Operating and capital expenditure spending levels are expected to moderately rise; reversing the recent trend where expenses shrank to meet the challenge of diminished revenues.

The home-rule sale tax (0.5%) adopted in 2011 has a two-fold purpose: (1) to fund needed general fund capital items and infrastructure, and (2) to replace the declining water/sewer connection fees that once totally funded utility infrastructure improvements.

The Village anticipates finalizing an intergovernmental agreement with the Village of Vernon Hills for police dispatching services. This relationship for services will result in a net savings for Lincolnshire.

### *Relevant Financial Policies for this Year*

The cornerstone of the Village's strategic financial planning has always been to conservatively anticipate revenues to be "lower than projected" and to assume expenditures to be "at 100% of budgeted". The fund balance for the general fund is currently at 140% of annualized general fund operating expenditures excluding annual debt service. This exceeds the Village's policy guideline established for budgetary and planning purposes ("75% of one-year's operational expenditures excluding capital outlay, but including annual debt service").

The FY12 balanced General Fund budget was prepared without the necessity of drawing on the fund's reserves for General Fund operating expenses. In recent years "belt-tightening" measures were initiated where appropriate for operating and capital expenditures (i.e., joint purchasing agreements, leaving open unfilled positions, project by project evaluation). As for revenues, two new taxes-the natural gas use tax and the home rule sales tax implemented in FY11. Both have proven to be successful in generating additional tax revenues.

The Village's economic incentive program has been successful in generating significant additional sales tax. Two commercial enterprises are currently part of the incentive program with a third agreement to become active in 2013.

### *Major Initiatives of the Year*

With the slow economic recovery the Village's strategy was to maintain a modest scaled back capital acquisition and infrastructure program. A number of upgrades and repairs were made to the water and sanitary sewer distribution/collection systems. Downtown site improvements in the TIF district will be completed in 2013 and include a "pocket park" and pedestrian bridge connect to Village Green South. In a recovering economy the downtown site is expected to be a prime area to attract developers for the two remaining Village-owned parcels in this area.

Water rates once again were increased to ensure user fees continued to adequately cover water costs; while sewer fees remained unchanged.

### **Awards and Acknowledgments**

#### *Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded

a Certificate of Achievement for Excellence in Financial Reporting to the Village for its comprehensive annual financial report for the fiscal year ended December 31, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the twenty-seventh consecutive year that the Village has received this award. In order to be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized, Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report successfully satisfied both generally accepted accounting principles and applicable legal requirements.

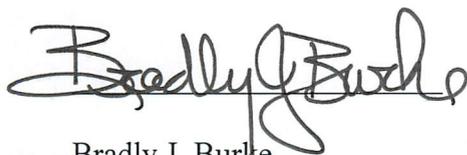
A Certificate of Achievement is valid for only one year. Funding for this award was cut in FY11 and FY 12 by the Village Board during the budget process. Future funding will be reconsidered annually. The Village believes that its current CAFR continues to meet the Certificate of Achievement Program's requirements.

The Village also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning January 1, 2010. This was the twenty-fifth consecutive year that the Village has received this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Village's Budget document was judged to be proficient as a policy document, financial plan, operations guide, and communication device.

#### *Individuals*

The preparation of the CAFR on a timely basis was made possible by the dedicated staff of the Finance Department. In particular, we would like to express our sincere appreciation to Sheri Beck, Account Clerk Supervisor, Candy Normandy, Finance Secretary and Nancy Panos, Utility Billing Clerk, for their continued efforts throughout the year which allowed for the smooth and timely preparation of this report. Appreciation is also extended to the Village Treasurer, Chris Curtis, for his assistance and professional oversight in the performance of the audit. Finally, we wish to express our appreciation to the members of the Village Board for their interest and support in planning and conducting the financial operations in a responsible and progressive manner.

Respectively Submitted,



Bradly J. Burke  
Village Manager



Michael R. Peterson  
Finance Director

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
Members of the Board of Trustees  
Village of Lincolnshire, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lincolnshire, Illinois (the Village), as of and for the year ended December 31, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lincolnshire, Illinois, as of December 31, 2012, 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.

## **Emphasis of Matter**

The Village adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended December 31, 2012. Statement No. 63 added new classifications on the statements of position and changed net assets to net position. Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No. 63. The adoption of this statement had no effect on any of the Village's net position or fund balances for the year ended December 31, 2012.

## **Other Matters**

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Village of Lincolnshire's financial statements as a whole. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink, appearing to read "Sibich LLP". The signature is written in a cursive, flowing style.

Naperville, Illinois  
April 29, 2013

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

**VILLAGE OF LINCOLNSHIRE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

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As management of the Village of Lincolnshire, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2012 (FY12). Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the Village's financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the Village exceed its liabilities at December 31, 2012 by \$117.6 million (net position). Of this amount, \$1.1 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$2.89 million during the twelve months ended December 31, 2012. The net position associated with "governmental activities" increased \$3.58 million, while the "business-type activities" decreased \$.70 million. The decrease in the "business-type activities" was primarily due to depreciation incurred by assets held in the Water/Sewer Fund.
- As of December 31, 2012, the Village's governmental fund's combined ending fund balances totaled \$20.88 million, an increase of \$1.24 million, or 6.3%, compared with the prior fiscal period. The components of the combined fund balance amount are ten different funds; five of which are considered "major" and five considered "non-major." The two largest funds are the General Corporate Fund and Tax Incremental Fund (TIF) Fund. At 55.9% the General Fund comprises the largest share, and the TIF fund is second at 32.4% of the balance. Most of the TIF's fund balance is contained in the value of land held for resale. Of the \$11.7 million held in the General Fund, 99.4% of it is available for spending at the government's discretion (classified as "unrestricted, unassigned").
- At the end of the current fiscal period, the General Fund showed an "Unassigned" fund balance of \$11,612,825. The unassigned fund balance is the equivalent of 140.8% of the General Corporate Fund FY2012 annual operating expenditures, excluding capital, but including debt service. The Village's policy is to maintain a minimum of 75% of equivalent expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Governmental Accounting Standards Board (GASB) Statement 34 is designed to provide two perspectives of the Village's financial performance; a focus on the Village as a whole (government-wide) and a focus on the major individual funds. Both perspectives (government-wide and major fund) provide a broader basis upon which to compare and judge the Village's financial accountability. This improved accountability is in part achieved by consolidating financial transactions (eliminating activities between certain funds and focusing on major funds), allocating specific revenues that finance operations to those expenditures, and displaying information about long-term financial decisions.

The management discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, (3) identify Village's financial position and ability to address future challenges, (4) identify material deviations from budget, and (5) identify concerns specific to individual funds. Readers are encouraged to review the additional information furnished in the transmittal letter that starts on page iii of this report.

## **GOVERNMENT REPORTING THE VILLAGE AS A WHOLE**

### Government-wide Financial Statements

The Village's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall financial status. Financial reporting, at this level, uses accounting similar to full accrual accounting used in the private sector. Inter-fund activity is eliminated and the cost of assets with a long service life is spread out over future years so that capital expenditures are amortized (through depreciation) when the benefits are realized.

The first government-wide statement is the *Statement of Net Position* that presents information about all of the Village's assets and liabilities, with the difference reported as *net position*. Over a multi-year period, an increase or decrease in net position can detect an improvement or deterioration in the financial position of the Village as a whole. Additionally, one would need to evaluate non-financial factors, such as the condition of Village infrastructure, the satisfaction of constituents, and other information beyond the scope of this report to make a more complete assessment of whether the Village as a whole has improved.

The second government-wide statement is the *Statement of Activities*, which reports how the Village's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues (such as state shared revenues) from business-type activities intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety and public services. Public services encompass the repair and maintenance of the streets and storm drainage system along with the care of the parks and grounds areas. The TIF District and Special Service Areas are also included in the governmental activities. Business-type activities include the water and sewer utility. Fiduciary activities, such as employee pension plans, are not available to fund Village programs and therefore are not included in the government-wide statements.

The Village's financial reporting includes the funds of the Village (primary government). The Village is not accountable for any outside organizations and therefore, no adjustments were made to blend financial information from other legally separate entities into this report.

The government-wide financial statements are presented on pages 4 - 6 of this report.

## REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report. The Village has three types of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, Governmental fund statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements provide a long-term view. Comparisons between the individual governmental fund statements and government wide statement provides information about financing decisions and the amount invested in maintaining and improving infrastructure. These two perspectives can provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances reconcile the differences between these two perspectives. Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for other funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the Village's budget.

The basic governmental fund financial statements are presented on pages 7 - 12 of this report.

*Proprietary funds* reported in the fund financial statements are for those services for which the Village charges customers a user fee. There are two kinds of proprietary funds, enterprise and internal service. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Enterprise fund services are primarily provided to customers external to the Village organization such as those of water and sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Internal service fund provides services (repair and maintenance of Village vehicles) and charges user fees to individual departments within the Village organization. Because the internal service fund primarily serves the Village, it is included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements, but with more detail for the major enterprise fund and individual component units. Individual fund information for the internal service fund is found in combining statements in a later section of this report.

The basic proprietary fund financial statements are presented on pages 13 - 17 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The Lincolnshire Police Pension plan is reported as a pension trust fund in the financial Statements, but is excluded from the government-wide reporting. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are presented on pages 18 - 19 of this report.

#### *Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

#### *Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to budgetary information and the Village's progress in funding its I.M.R.F. and Police Pension obligations to provide pension benefits to its employees.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major and internal service fund are presented in a subsequent section of this report beginning on page 65.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted in an earlier statement, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Lincolnshire, assets exceeded liabilities by \$117.6 million at the close of the most recent fiscal year.

The largest portion of the Village's net position (93.6%) is its investment in capital assets - land, buildings, machinery and equipment - less any related debt used to acquire those assets still outstanding. The Village uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Village's net position and summary of changes in net position should be viewed in their separate governmental and business-type components.

**CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and Other Assets	\$28,910,034	\$31,317,019	\$2,006,747	\$2,386,666	\$30,916,781	\$33,703,685
Capital Assets	71,273,300	71,865,454	39,630,867	38,206,725	110,904,167	110,072,179
Deferred Outflows of Resources	0	0	0	0	0	0
<b>Total Assets</b>	\$100,184,334	\$103,182,473	\$41,637,614	\$40,593,391	\$141,820,948	\$143,775,864
Other Liabilities	5,615,030	4,960,795	1,000,727	812,010	6,615,757	5,772,805
Long-Term Liabilities	19,539,635	17,006,013	981,121	821,103	20,520,756	17,827,116
Deferred Inflows of Resources	0	2,600,600	0	0	0	2,600,600
<b>Total Liabilities</b>	\$25,154,665	\$ 24,567,408	\$1,981,848	\$1,633,113	\$27,136,513	\$26,200,521
Net Position						
Investment in Capital Assets Net of Related Debt	68,420,057	70,013,193	38,521,272	37,256,118	106,941,329	107,269,311
Unrestricted	(3,308,622)	(566,152)	1,134,494	1,704,160	(2,174,128)	1,138,008
Restricted	9,917,234	9,168,024			9,917,234	9,168,024
<b>Total Net Position</b>	\$75,028,669	\$78,615,065	\$39,655,766	\$38,960,278	\$114,684,435	\$117,575,343

At the end of FY12, the Village is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The Village has funded capital improvements to a large extent on a pay-as-you-go basis with few exceptions.

Business-type Activities reported a decrease in Net Position primarily as a result of depreciation.

The following table provides a summary of the Village's changes in net position:

### STATEMENT OF ACTIVITIES

(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	1,517	1,679	3,877	4,111	5,394	5,790
Operating Grants & Contr	264	241	213	0	477	241
Capital Grants & Contr	806	0		36	806	36
General Revenue:						
Property Taxes	4,430	4,380			4,430	4,380
Other Taxes	8,669	9,602			8,669	9,602
Miscellaneous	57	29	4	(13)	61	16
Interest Income	40	45	3	4	43	49
<b>Total Revenues</b>	<b>15,783</b>	<b>15,976</b>	<b>4,097</b>	<b>4,138</b>	<b>19,880</b>	<b>20,114</b>
<b>EXPENSES:</b>						
General Government	2,197	2,055			2,197	2,055
Public Safety	3,669	3,853			3,669	3,853
Community Development	495	450			495	450
Public Works	2,962	3,116			2,962	3,116
Parks & Recreation	1,261	1,234			1,261	1,234
Interest	1,048	983			1,048	983
Water and Sewer			5,409	5,534	5,409	5,534
<b>Total Expense</b>	<b>11,632</b>	<b>11,691</b>	<b>5,409</b>	<b>5,534</b>	<b>17,041</b>	<b>17,225</b>
Inc (Dec) in assets before transfers	4,151	4,285	(1,312)	(1,396)	2,839	2,889
Transfers	(245)	(700)	245	700	0	0
Inc (Dec) in Net Position	3,906	3,585	(1,067)	(696)	2,839	2,889
Net Position - Beginning	71,123	75,029	40,723	39,656	111,846	114,685
Net Position - Ending	\$75,029	\$78,615	\$39,656	\$38,960	\$114,685	\$117,575

## **Government Activities**

Governmental Activities increased the Village of Lincolnshire's net position by \$3.58 million. Key elements of this increase are reflected in the above condensed Statement of Activities.

### **Revenue:**

The total revenues increased \$.19 million from FY11 \$15.78 million to FY12 \$15.97

Property taxes represent about 32.5% of the Village's Governmental Activities revenue. As the Village is subject to the Tax Cap Limitation Act, the Village's property tax revenue decreased 1.1% from \$4,430,090 to \$4,380,298. Like much of Lake County, the Village's equalized assessed valuation decreased 7.03% from \$687,583,446 to \$639,251,598 for tax years 2010 (received 2011) and tax year 2011 (received 2012), respectively. Contrary to the property tax revenue dropping 6.9% Police Pension, 3.46 IMRF, and 3.0% for debt service relating to Sedgebrook's SSA; the Tax Increment Financing property tax revenue increased 4.71%.

The Illinois Department of Revenue reports the Village of Lincolnshire's sales tax revenue during 2012 increased \$140,042. The sales tax categories reporting the largest dollar gains include furniture, agriculture, and lumber at \$136,079; \$62,052 and \$38,702 respectively. The number one category continues to be "agriculture and all others" at \$1,818,052; followed by \$956,478 "drinking and eating places", and \$745,079 furniture category. Sales tax categories posting declines for 2012 include "drinking and eating" (\$43,522), manufactures (\$42,866), automotive (7,033).

Lincolnshire's other tax revenues posting gains for 2012 include: Real Estate Transfer Tax up \$680,681 as the result of a \$440,000 tax for the sale of #4 Overlook Drive commercial property; State Income Tax \$64,490 (11.4%); Telecommunication Tax \$126,135 (10.4%); Room & Admission Tax \$104,599 (6.5%); and Local Use Tax \$5,579 (5.3%). These gains reflect a gradual improvement in the local economy. The Village of Lincolnshire's Utility Tax is the only declining tax revenue \$72,299 (-5.7%). The State of Illinois continues to delay payments, and as of December 31, 2012, payments from the State were lagging four months from the collection month to the disbursement of funds. The typical lag was two months until the State started experiencing large financial problems few years ago.

During FY12 the Lincolnshire Police Department continued to provide one liaison officer to Adlai E. Stevenson High School. Contribution of \$110,523 received from AESHS is recorded as revenue in Governmental Activities.

The "second tier" revenue sources (Licenses & Permits 29.3%, Fines & Forfeitures 0.6%, Charges for Services 13.9%, and Investment earnings 14.0%) were up 14.1% from the previous year. Building permit fees, which normally accounted for 25% to 45% of the L&P category, was 38% of the total for FY2012, which is up 97% from FY2011. The increase was largely related to residential improvements. Large-scale commercial building projects were non-existent in this category in FY2012. This sector continues to lack of any significant commercial building activity, outside of interior tenant finish work.

The economy remained weak through 2012; the Federal Reserve Board has continued to maintain the Fed Funds rate at an all-time historical low of 0.25% since February 2010. The Village continued to invest funds not readily needed for operations in the Certificate of Deposit Account Registry Service (CDARS) through Bridgeview Bank, Bank of America, Cole Taylor Bank and FTN Financial Group. Investment earnings continue to struggle as the result of low yields ranging from 15 to 40 basis points throughout the year. The provisions of the Village's investment policy did not change in FY12; however, a close monitoring of the performance continues.

**Expenses:**

The Village's Governmental Activities expenses increased \$59,148 from the prior year; \$11.632 million in FY11 compared to \$11.691 million in FY12. The Village continues to monitor the need for personnel adjustments and other cost containment measures to maintain a healthy financial future.

The Village continued its approach of fully funding pension obligations based on both short-term costs and long-term actuarial analysis. Typically, municipal governments' pension funding levels fluctuate year to year. Lower interest rates have had a huge impact on portfolio values for all pension funds. The IMRF actuary utilizes a "smoothing technique" that delays and softens the effect to the employer rate. In fact, the Village's FY11 employer contribution rate of 12.57% decreased to 12.51% for FY12. Actual expenses decreased \$9,325 as the result of the IMRF employer rate decrease.

Annual Police Pension costs are actuarially calculated based on assumptions for salary, benefit costs and investment returns. The Village continues to meet the financial obligations as presented by an independent actuary. The Annual Required Contribution for FY12 was \$545,957; up \$38,532 from FY11. Pension funding specifics can be found in Note 10 on pages 42-47.

**Business-Type Activities**

Business-type activities decreased the Village's net position by \$.695 million. The Water & Sewer Fund is the only business-type activity within the proprietary funds operated by the Village. The fund is made up of an "operations" component and a "capital improvement" component. The Fund's operating income before depreciation was \$151,831 for 2012.

**Revenues:**

Total revenues increased \$57,568; \$4.090 million in FY11 compared to \$4.148 million in FY12.

With the lack of new building construction, water customer accounts remained at 2,453 throughout the year; with 2,233 residential and 220 commercial accounts. Lincolnshire's water and sewer rates increased 1%.

Actively investing more idle funds resulted in an increase to the investment income over the prior year.

**Expenses:**

Depreciation increased by \$9,084 to \$1,607,113 for 2012.

The Village reports the Water/Sewer and Internal Service Fund (Governmental Activities) as proprietary funds. The Water/Sewer Fund is considered a "major fund." Water is purchased from the City of Highland Park at a rate of \$2.25 per thousand gallons. Highland Park imposed an increase of 1.8% effective January 1, 2012. Wastewater treatment service is provided under a contractual agreement with Lake County Public Works at a rate of \$4.00 (effective March 1, 2010) per thousand gallons of water usage. The Village charges all municipal customers at a rate of \$9.60 combined water & sewer rate per 1,000 gallons. The spread between the purchase and sale rates is intended to finance the operations of the municipal waterworks and sewage system, including, but not limited to labor costs, supplies and miscellaneous infrastructure repairs. The 2007 sanitary sewer treatment agreement between Lake County and the Village provides for a "summer sewer credit" during the summer period. The premise is that all water used during the summer does not return through the sanitary sewer system. The resident's summer sanitary sewer charge does not exceed 10% above their average non-summer period (September to May).

The proprietary funds' operating expenses increased \$106,207 from the prior year; \$4.23 million in FY11 compared to \$4.36 million in FY12.

The Water and Sewer Fund operating expenses were \$2,374 over budget; Administrative expenses ended the year well below budget relating to salaries and general insurance; while Operation Expenses exceeded the budget, the highest contributing factor being the under estimated cost of purchasing water from the City of Highland Park.

As noted previously above, business-type activities are intended to be self sufficient, that is, charges for services should be adequate to cover all operating costs. Comparative operating information for the operations section of the business-type fund for the last four fiscal years ending December 31, are presented below:

UTILITY OPERATING RESULTS FROM FY2009 TO FY2012 (in thousands)				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
WATER Rate per 1,000 gallons- In Village	\$ 4.08	\$ 4.12	\$4.24	\$4.33
SEWER Rate per 1,000 gallons- In Village	\$ 4.99	\$ 5.12	\$5.27	\$5.27
Operating Revenue	\$3,574	\$3,822	\$3,840	\$4,053
Operating Expenses (excluding depreciation)	\$3,684	\$3,800	\$3,781	\$3,900

As part of the FY2012 budget the Village increased its water usage fees 2.1%, while sanitary sewer fees remained the same. These rates became effective January 16, 2012.

Since FY2000-01, rate increases from both these Village suppliers have become a regular occurrence. In FY2012 the cost of water (\$1,153,920) and sanitary sewer treatment (\$1,475,672) was 72.0 % of total operating expenses. The most recent percentages were 67.4% for FY2011 and 66.7% for FY2010.

For budget year 2012 water and sewer rate increases were instituted to absorb proposed rate increases by its water supplier and its sewage processor.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

## ***Governmental Funds***

The Governmental Accounting Standards Board prepares standards to be followed by units of local government. Standard 54 has significantly changed the reporting of Fund Balance. The Village of Lincolnshire has implemented Standard 54 effective FY11.

New definitions were created by Standard 54:

Fund Balance – the difference between assets and liabilities in a Governmental Fund.

Nonspendable Fund Balance – the portion of a Governmental Fund’s net position not available to be spent, either short term or long term, in either form (e.g. prepaid assets, inventories, short-term receivables) or through legal restrictions (i.e., principal of an endowment).

Restricted Fund Balance – the portion of a Governmental Fund’s fund balance subject to external enforceable legal purpose restrictions as to what the fund balance can be spent on.

Committed Fund Balance – the portion of a Governmental Fund’s fund balance limited with self-imposed constraints or limitations that have been placed at the highest level of decision making authority.

Assigned Fund Balance – the portion of a Governmental Fund’s fund balance to denote management’s intended use of resources.

Unassigned Fund Balance – available expendable financial resources in a governmental fund not the object of tentative management plan (i.e., assigned). Positive unassigned fund balance can only be reported in the General Fund.

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

As previously discussed, *governmental funds* are reported in the fund statement with its focus on the near-term inflows, outflows and of *spendable* resources. Such information is useful in assessing the Village’s financing requirements. In particular, the “*unrestricted*” *classification of the fund balance* serves as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of December 31, 2012 the Village’s governmental fund balance reported a combined ending fund balance of \$20.9 million. This was an increase of \$1.24 million compared to the prior fiscal year. The main components comprising that increase were the gain of \$1.98 million in the General Fund and loss of \$810 thousand in the TIF Fund.

The total combined governmental fund balance of \$11.646 million is classified according to the newly implemented GASB standard as an “unreserved/unassigned” fund balance. The General Fund holds a significant portion at \$11.612 million; while the remaining \$33,815 is reported as Capital Project Funds. These funds are available for spending at the government’s discretion. The fund balances classified as “non-spendable” and “restricted” are \$67,197 and \$7.14 million respectively. These balances are not available for discretionary spending because they have already been spent or are restricted for a variety of purposes. The TIF fund (\$6.77 million) and the Sedgebrook SSA Debt Service fund (\$2.03 million) comprise the majority of the fund balances that are classified in the “restricted” category.

For its purposes, the Village calculates a fund balance ratio taking into account only the current year's operating expenditures including debt service, but excluding expenditures classified as "capital."

The General Fund serves as the Village's primary operating fund and the largest source of day-to-day municipal service delivery. The net change to the General Fund's fund balance was an increase of \$1.99 million, or 20.5%, from the previous year's balance. From the revenue side, total General Fund revenues exceeded their conservative projections by 10.3%, or \$1.12 million. Correspondingly, total appropriated expenditures fell below budget by \$954,762, or 11.6%. The General Fund was able to continue making a transfer to the Water & Sewer Fund (\$700,000) to support that fund's annual debt service and to pay for capital acquisitions. An additional transfer of funds was made to the E911 Fund (\$60,000) to supplement revenues.

GENERAL FUND BALANCE (in thousands)			
FISCAL YEAR	FUND BALANCE (Unrestricted)	OPERATING EXPENSES (INCL DEBT SVC) (EXCLUDING CAPITAL)	FUND BALANCE AS PERCENTAGE OF OPERATING EXPENSES
2008	\$9,351	\$8,662	108%
2009	\$8,438	\$8,550	99%
2010	\$7,861	\$7,973	99%
2011	\$9,590	\$7,985	120%
2012	\$11,612	\$8,246	141%

In addition to the General Fund being classified as a "major fund," the Governmental Accounting Standards Board ("GASB") guidelines indicate the following funds are also considered "major" funds in fiscal year 2012: The Tax Increment Financing (TIF) fund, the Police Pension Contribution fund, and the Illinois Municipal Retirement fund (IMRF).

The TIF fund balance decreased to \$6.77 million, or 12%. This was chiefly due to downtown infrastructure site improvements.

The IMRF fund balance increased 6.3% to \$95,694 from \$89,992. This was due to less IMRF contributions being remitted to the Illinois Municipal Retirement Fund as a result of fewer employees on staff.

The total combined fund balance of the seven non-major governmental funds increased from \$266 thousand to \$2.33 million. The chief reason for the increase was a reclassification of \$2.03 million Debt Service Special Service Area funds.

### ***Proprietary Funds***

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

Net Position of the Water & Sewer utility fund has decreased \$695,488 (-1.75%) from \$39.6 million for FY11 to \$38.9 million in FY12. However, the unrestricted net position increased \$569,666 (50.2%) for FY12 to \$1.1 million. The Village intends to operate the Water/Sewer Operating Fund at a breakeven rate while maintaining a cash reserve equal to three months of operating expenses.

### ***General Fund Budgetary Highlights***

The following chart reflects the condensed Budgetary Comparison Schedule (in millions):

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Revenues:			
Sales Tax & Home Rule Sales Tax	\$ 3.380	3.688	0.308
Other Taxes	5.011	5.986	0.975
Licenses and Permits	0.479	0.569	0.090
Fines and Forfeitures	0.490	0.492	0.002
Intergovernmental	0.407	0.194	(0.213)
Other	0.074	0.038	(0.036)
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 9.841	10.967	1.126
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expenditures:			
Current:			
General Government	\$ 1.644	1.558	(0.086)
Public Safety	2.795	2.699	(0.096)
Community Development	0.456	0.450	(0.006)
Public Works	1.752	1.562	(0.190)
Parks & Recreation	0.729	0.729	-
Capital Outlay:			
General Government	0.014	-	(0.014)
Public Safety	0.315	0.118	(0.197)
Community Development	-	-	-
Public Works	0.920	0.562	(0.358)
Parks & Recreation	0.095	0.086	(0.009)
Debt Service	0.482	0.482	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 9.202	8.246	(0.956)

The Village Board approved a Supplemental Appropriation ordinance at the December 10, 2012 regular board meeting to amend the original budget. The Village's "Level of Budgetary Control Policy" requires an individual expenditure account that exceeds its budget by a combination of 10 percent or five thousand dollars be brought to the Village Board for review and approval. The Village determined that was in the best interests of the Village to appropriate additional funds from reserves for various purposes. Executive Services and Police salaries were reduced and offset by increases to professional services. Specific professional services included: recruiting firm services for the hiring of a new village manager; services related to creation of an intergovernmental agreement to produce an Electricity Aggregation Program; and

a consultant to administer the assessment process for the selection of the next police sergeant. Excess water & sewer operation revenue was earmarked for overtime necessary for infrastructure repairs and 24 hour-a-day monitoring of water system anomalies related to the drought. Further expenditures were necessary for equipment failures requiring emergency repairs to keep the water/sanitary sewer systems functioning. Excess revenues in the vehicle maintenance fund were designated for front-end dealer repairs necessary for maintaining vehicles longer than the replacement schedule. TIF revenues were needed for constructing a parking lot, access road, and associated utilities in the downtown area. The final billing for improvements to the intersection at Route 22 and Milwaukee Avenue was determined by litigation and Park Development Fund reserves were approved to cover this expenditure. Since many of the Village's expenses can be impacted by factors not controllable by the Village, such as the weather and economy, budget line items are best estimates based on past experience. Overall, General Fund expenditures were 11.6% under budget with many individual line items below budget and some exceeding the estimates included in the budget line items. Actual expenditures exceeding Final Budget, by more than \$10,000 include- Finance: Legal/Contractual \$20,261; Finance: Insurance/Data Systems \$11,247; Police: Personnel/Overtime Salaries \$15,927; Police: Other Charges/ Minor Equipment \$10,340; Parks and Recreation: Personnel/ Regular Salaries \$21,759.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### *Capital Assets*

The Village's investment in capital assets, net of accumulated depreciation, for governmental activities as FY12 was \$71,865,454. The investment in business-type capital assets, net of accumulated depreciation, as of the fiscal year end was \$38,206,725. Detailed information on capital assets can be found in financial statements under footnote Number 4, entitled Capital Assets.

### **Governmental-Type Activities**

Capital asset events during the current fiscal year included the following:

- \$6,000 easement increase relates to a 4,000 square feet sanitary sewer extension on Duffy Lane.
- Construction in Progress occurred in downtown Lincolnshire, north-east corner of Route 22 and Milwaukee Ave. Notable improvements included the parking lot \$533,000; road \$454,000 and water main \$229,000. The Village anticipates recovering these cost improvements through the sale of two properties located within the TIF.
- Per the Village's vehicle replacement schedule
  - Three vehicles were transferred from the Police Dept. to Public Works Dept.
  - Two Police Dept. vehicles were sold at auction
  - Three 2013 Ford Taurus' and one Explorer were purchased for the Police Dept.
  - Public Works disposed of one truck, trailer mounted leaf load machine, front bucket skid steer (partial allocation to Governmental), and various minor equipment
  - Public Works added one Ford F550, one skid steer, a truck broom and other assorted equipment.
- Community Development disposed of outdated software and aerial topographical maps

## Business-Type Activities

The Village's investment in capital assets, net of accumulated depreciation, for business-type capital assets, net of accumulated depreciation, as of the fiscal year end was \$38,206,725.

Capital asset events during the current fiscal year included the following:

- \$15,500 water main extension was dedicated to the Village.
- \$20,600 sanitary sewer extension was installed on Duffy Lane.
- Per the Village's vehicle replacement schedule Public Works disposed of:
  - One front bucket skid steer (partial allocation to Business Type Activities)
  - One stationary power generating plant
  - One submersible pump
  - Phone system and various minor equipment
- Public Works purchased:
  - One hand held device for remote meter reading
  - Lift station generator
  - Drinking water analyzer
  - Locating equipment
- Replaced various SCADA equipment.

## Debt

The Village has two types of debt on its books; (1) Debt in the form of bank loans that it has a direct responsibility of paying, and (2) one municipal bond obligation related to Special Service Area (SSA) project.

In FY2004-05 the Village issued \$15 million in debt for a Special Service Area development project. The funds from this bond were used to construct the infrastructure that became an integral part of the Sedgebrook retirement community. This obligation is not considered a part of the general Village-wide debt. Financing of this debt is property taxes dedicated exclusively to the Special Service Area.

At the end of the fiscal year, the Village's debt, both direct and SSA related, amounted to \$18.33 million compared to \$19.54 million last year - a decline of 6.2% - as shown in the table below.

OUTSTANDING DEBT AT YEAR END DECEMBER 31, 2012						
Type of Debt	Government Activities		Business Activities		Totals	
	2012	2011	2012	2011	2012	2011
Bank Loans Village	\$4,351,380	\$ 5,271,826	\$950,607	\$1,109,595	\$5,301,987	\$6,381,421
Bond Issue-SSA	\$13,690,000	\$13,980,000			\$13,690,000	\$13,980,000
	\$18,041,380	\$19,251,826	\$950,607	\$1,109,595	\$18,991,987	\$20,361,421

In FY2012 all four bank loans (two General Fund, one Water Fund and one TIF) were refinanced at significantly lower interest rates.

The Village is a home rule community and is, therefore, not limited by State Statute pertaining to debt limit. The Village's outstanding debt (excluding the SSA debt) represents 0.94% of its EAV. Detailed information on the Village's long-term debt activity can be found in the Long-Term Debt Section in the footnotes.

## *Bond Ratings*

The Village normally finances its infrastructure with bank-qualified tax-exempt bank loans. The Village's credit status is considered to be comparable to a double A credit rating according to bank officials who have solicited for Village's loans.

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

Lincolnshire is recognized as a desirable community in the Chicago area for residents and businesses. The Village is home to a number of prominent corporate headquarters, first-class hotels, restaurants, retailers and entertainment venues. Businesses choose to locate in Lincolnshire due, in part, to its close proximity to highways/arterials, O'Hare Airport, relatively low taxes, high daytime population, award-winning public schools and business-friendly and supportive local government. The Lincolnshire Marriott Resort with its meeting facilities, championship golf course, and live theater is a major attraction for the Village. The Village is well-positioned to attract new businesses and diversify its economic base while maintaining its small-town atmosphere and quality of life.

- **Systemex America**, a global company based in Japan, specializing in medical diagnostic testing equipment and information service technology services relocated its North American headquarters to an existing 170,000 square foot Class A, LEED-certified office building at 577 Aptakisic Road. Systemex created 265 jobs in Lincolnshire in 2012 and projects their workforce growing to 700 in the future.
- **Kubota Engine America**, a Japanese-based company, built a 100,280-square foot office/warehouse building addition to an existing 78,000-square foot building at 505 Schelter Rd.
- **Acco Brands**, an office supply company, left the Village of Lincolnshire and relocated to Long Grove as part of company-wide real estate consolidation. Acco Brands was headquartered at 300 Tower Parkway Drive in Lincolnshire (Lincolnshire Corporate Center), and employed approximately 450 people.
- **Caremark** moved out of the Tri-State International Office Center to Wheeling with the loss of 500 local jobs.
- The Village's commercial occupancy rate (cumulative) for its largest retail centers, Village Green, Lincolnshire Commons & City Park, was 85% for 2012.
- Office occupancy rates increased from 84% in FY11 to 85% in FY12 compared to the Lake County declining occupancy from 72% in FY11 to 64% in FY12.
- The Village anticipates the opening of The Fresh Market specialty grocery store at the northeast corner of Milwaukee Avenue and Half Day Road in the summer of 2013. This development lies in an existing tax increment financing district (TIF) and the new development is expected to be a major catalyst for future commercial/office development of the remaining Village property on the site.

According to Sperling's website Lincolnshire's income per capita is \$71,823. The website further reports the Village's 8.6% unemployment matches the national average. There were no major layoffs during FY12 within the Village limits.

The Village ended FY2012 in a stronger financial position than when it had begun. All signs indicate the national economy is slowly recovering which bodes well for Lincolnshire's financial well-being. The depressed real estate market has improved. Lincolnshire's real estate transfer tax stamp sales increased 34% for FY12; from 118 in FY11 to 158 FY12. Another favorable sign is the room rental receipts increasing 13%; and admission taxes are up 1.6%.

The Village continues to diligently monitor all its major tax and non-tax revenues. This includes following legislative briefings that may suggest plans the State of Illinois may reduce the taxes shared with local governments in an attempt to solve its fiscal problems. Those plans could potentially have a significant impact on the Village's fiscal status.

## **BUDGET HIGHLIGHTS FOR FISCAL YEAR 2013.**

### ***General Fund***

Five types of revenue sources account for 76% of the total projected revenues for the FY13 General Fund. These sources and their respective budget increases over FY12 are as follows: State Sales Tax (13.2%), Home Rule Sales Tax (10.3%), Utility Tax (5.2%), Telecommunication Tax (-.7%) and Rooms & Admissions Tax (8.9%). Although revenues have been projected to rise, there are no actual rate increases planned for FY13. The General Fund budget does include the use of \$881,200 cash reserves to offset \$903,100 capital project costs. The majority of the sales tax increase relates to the anticipated mid-year opening of The Farmers Market.

The General Fund Expense budget has increased \$1.39 million (13.7%) from \$10.17 million in FY12 to \$11.56 million in FY13. The budget expense increase for Capital Outlay is up \$955,900 (68.7%) from FY11. As noted in prior budgets and CAFRs, the Village took steps to cut costs, including capital outlays, during the down turn in the economy. The other noteworthy change to the General Fund expense budget is the \$140,000 (5.8%) increase in Police Department salaries.

### ***Water/Sewer Fund***

As part of the FY2013 budget the Village increased its water usage fees 1.4%, while sanitary sewer fees have remained unchanged since January 1, 2011. No changes have been made to the rate structure; specifically the minimum charges, senior discounts, and the in & out of town rates. At the start of FY13 the Water/Sewer Operating Fund cash reserves were equal to 39% of the FY13 operating budget expenses. The Village's budget does not include the use of cash reserves for offsetting operating expenses in FY13. Water/Sewer Operating expenses have been held to a 1.6% increase with no changes to the staffing levels. The vast majority of this increase relates to water purchase and sanitary sewer treatment costs associated to higher volumes and a water rate increase.

## ***CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT***

This financial report is designed to provide a general overview of the Village's finances, comply with finance-related laws and regulations and demonstrate the Village's commitment to public accountability. Questions about this report or requests for additional information can be obtained by contacting the Village's Finance Director at [mpeterson@village.lincolnshire.il.us](mailto:mpeterson@village.lincolnshire.il.us) or accessing the Village's website at [www.village.lincolnshire.il.us](http://www.village.lincolnshire.il.us). A copy of this Comprehensive Annual Financial Report (CAFR) can be found on the website.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,717,838	\$ 387,618	\$ 4,105,456
Cash held at paying agents	530,394	93,641	624,035
Investments	11,269,963	1,431,447	12,701,410
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	2,595,200	-	2,595,200
Other taxes	1,987,000	-	1,987,000
Accounts	1,123,339	431,817	1,555,156
Accrued interest	10,478	190	10,668
Prepaid expenses	69,173	15,306	84,479
Due to/from other funds	(26,647)	26,647	-
Land held for resale	5,590,518	-	5,590,518
Net pension asset	4,449,763	-	4,449,763
Capital assets not being depreciated	44,782,942	115,558	44,898,500
Capital assets (net of accumulated depreciation)	27,082,512	38,091,167	65,173,679
Total assets	103,182,473	40,593,391	143,775,864
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	103,182,473	40,593,391	143,775,864
<b>LIABILITIES</b>			
Accounts payable	1,539,415	614,405	2,153,820
Accrued payroll	131,269	10,432	141,701
Deposits payable	1,620,192	-	1,620,192
Accrued interest payable	345,956	12,632	358,588
Noncurrent liabilities			
Due within one year	1,323,963	174,541	1,498,504
Due in more than one year	17,006,013	821,103	17,827,116
Total liabilities	21,966,808	1,633,113	23,599,921
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	2,600,600	-	2,600,600
Total deferred inflows of resources	2,600,600	-	2,600,600
Total liabilities and deferred inflows of resources	24,567,408	1,633,113	26,200,521
<b>NET POSITION</b>			
Net investment in capital assets	70,013,193	37,256,118	107,269,311
Restricted for			
Debt service	2,029,893	-	2,029,893
Maintenance of roadways	74,884	-	74,884
Employee retirement	95,694	-	95,694
Economic development	6,770,324	-	6,770,324
Public safety	197,229	-	197,229
Unrestricted	(566,152)	1,704,160	1,138,008
TOTAL NET POSITION	\$ 78,615,065	\$ 38,960,278	\$ 117,575,343

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General government	\$ 2,055,391	\$ 232,775	\$ -	\$ -
Public safety	3,852,925	1,109,826	21,762	-
Community development	449,878	271,050	-	-
Public works	3,115,710	11,885	219,758	-
Parks and recreation	1,234,268	53,421	-	-
Interest	983,387	-	-	-
Total governmental activities	11,691,559	1,678,957	241,520	-
Business-Type Activities				
Water and sewer	5,534,271	4,111,584	-	36,145
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 17,225,830</b>	<b>\$ 5,790,541</b>	<b>\$ 241,520</b>	<b>\$ 36,145</b>

	Net (Expense) Revenue and Change in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (1,822,616)	\$ -	\$ (1,822,616)
	(2,721,337)	-	(2,721,337)
	(178,828)	-	(178,828)
	(2,884,067)	-	(2,884,067)
	(1,180,847)	-	(1,180,847)
	(983,387)	-	(983,387)
	(9,771,082)	-	(9,771,082)
	-	(1,386,542)	(1,386,542)
	(9,771,082)	(1,386,542)	(11,157,624)
General Revenues			
Taxes			
Property	4,380,298	-	4,380,298
Sales	2,504,251	-	2,504,251
Local use	111,586	-	111,586
Utility	1,203,500	-	1,203,500
Telecommunications	1,336,167	-	1,336,167
Room and admissions	1,709,251	-	1,709,251
Real estate transfer	921,597	-	921,597
Home rule sales tax	1,184,487	-	1,184,487
Income tax	631,615	-	631,615
Investment income	45,339	4,404	49,743
Gain on sale of capital assets	16,313	(13,350)	2,963
Miscellaneous	13,074	-	13,074
Transfers in (out)	(700,000)	700,000	-
Total	13,357,478	691,054	14,048,532
CHANGE IN NET POSITION	3,586,396	(695,488)	2,890,908
NET POSITION, JANUARY 1	75,028,669	39,655,766	114,684,435
NET POSITION, DECEMBER 31	\$ 78,615,065	\$ 38,960,278	\$ 117,575,343

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2012

	General Corporate	Tax Increment Financing	Police Pension Contribution	Illinois Municipal Retirement	Special Service Area Capital Projects	Nonmajor Governmental	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
Cash and cash equivalents	\$ 3,403,439	\$ 42,088	\$ -	\$ 40,871	\$ -	\$ 231,440	\$ 3,717,838
Cash at paying agent	240,791	289,603	-	-	-	-	530,394
Investments	8,419,456	419,312	-	56,011	-	2,375,184	11,269,963
Receivables (net, where applicable, of allowances for uncollectibles)							
Property taxes	-	-	856,800	490,300	-	1,248,100	2,595,200
Other taxes	1,918,000	-	-	-	-	69,000	1,987,000
Accounts	64,914	1,058,425	-	-	-	-	1,123,339
Accrued interest	10,350	-	-	-	-	128	10,478
Due from other funds	225,600	-	-	-	-	-	225,600
Prepaid items	65,294	-	-	-	-	1,903	67,197
Land held for resale	-	5,590,518	-	-	-	-	5,590,518
<b>Total assets</b>	<b>14,347,844</b>	<b>7,399,946</b>	<b>856,800</b>	<b>587,182</b>	<b>-</b>	<b>3,925,755</b>	<b>27,117,527</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
None	-	-	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 14,347,844</b>	<b>\$ 7,399,946</b>	<b>\$ 856,800</b>	<b>\$ 587,182</b>	<b>\$ -</b>	<b>\$ 3,925,755</b>	<b>\$ 27,117,527</b>

	General Corporate	Tax Increment Financing	Police Pension Contribution	Illinois Municipal Retirement	Special Service Area Capital Projects	Nonmajor Governmental	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 786,748	\$ 629,622	\$ -	\$ 1,188	\$ -	\$ 101,360	\$ 1,518,918
Accrued payroll	119,823	-	-	-	-	7,571	127,394
Deposits payable	1,620,192	-	-	-	-	-	1,620,192
Unearned revenue	-	-	-	-	-	5,400	5,400
Due to other funds	143,320	-	-	-	-	225,600	368,920
<b>Total liabilities</b>	<b>2,670,083</b>	<b>629,622</b>	<b>-</b>	<b>1,188</b>	<b>-</b>	<b>339,931</b>	<b>3,640,824</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable tax revenue	-	-	856,800	490,300	-	1,248,100	2,595,200
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>856,800</b>	<b>490,300</b>	<b>-</b>	<b>1,248,100</b>	<b>2,595,200</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>2,670,083</b>	<b>629,622</b>	<b>856,800</b>	<b>491,488</b>	<b>-</b>	<b>1,588,031</b>	<b>6,236,024</b>
<b>FUND BALANCES</b>							
Nonspendable in form - prepaid items	65,294	-	-	-	-	1,903	67,197
Restricted for debt service	-	-	-	-	-	2,029,893	2,029,893
Restricted for maintenance of roadways	-	-	-	-	-	74,884	74,884
Restricted for employee retirement	-	-	-	95,694	-	-	95,694
Restricted for economic development	-	6,770,324	-	-	-	-	6,770,324
Restricted for public safety	-	-	-	-	-	197,229	197,229
Unrestricted							
Assigned for capital projects	-	-	-	-	-	33,815	33,815
Unassigned - General Fund	11,612,467	-	-	-	-	-	11,612,467
<b>Total fund balances</b>	<b>11,677,761</b>	<b>6,770,324</b>	<b>-</b>	<b>95,694</b>	<b>-</b>	<b>2,337,724</b>	<b>20,881,503</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 14,347,844</b>	<b>\$ 7,399,946</b>	<b>\$ 856,800</b>	<b>\$ 587,182</b>	<b>\$ -</b>	<b>\$ 3,925,755</b>	<b>\$ 27,117,527</b>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

December 31, 2012

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 20,881,503
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	\$ 71,865,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Notes payable	(4,351,380)
SSA bonds payable	(13,690,000)
Compensated absences	(288,596)
Less internal service funds	<u>17,666</u> (270,930)
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets	(345,956)
The net pension assets of the police pension fund are included in the governmental activities in the statement of net assets	4,449,763
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	<u>76,611</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 78,615,065</u></u>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	General Corporate	Tax Increment Financing	Police Pension Contribution	Illinois Municipal Retirement	Special Service Area Capital Projects	Nonmajor Governmental	Total
<b>REVENUES</b>							
Property taxes	\$ -	\$ 1,692,249	\$ 961,521	\$ 475,730	\$ -	\$ 1,178,571	\$ 4,308,071
Other taxes	9,674,681	-	-	-	-	-	9,674,681
Licenses, permits and fees	569,132	-	-	-	-	-	569,132
Fines and forfeitures	492,401	-	-	-	-	-	492,401
Charges for services	-	-	-	-	-	111,791	111,791
Intergovernmental	193,707	-	-	-	-	553,446	747,153
Investment income	24,563	2,744	-	296	-	17,736	45,339
Miscellaneous	13,074	-	-	-	-	-	13,074
<b>Total revenues</b>	<b>10,967,558</b>	<b>1,694,993</b>	<b>961,521</b>	<b>476,026</b>	<b>-</b>	<b>1,861,544</b>	<b>15,961,642</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	1,558,451	-	-	470,324	-	5,929	2,034,704
Public safety	2,816,858	-	961,521	-	-	473,312	4,251,691
Community development	450,213	-	-	-	-	-	450,213
Public works	2,124,293	-	-	-	-	-	2,124,293
Parks and recreation	815,041	-	-	-	-	-	815,041
Capital outlay	-	1,925,960	-	-	-	217,000	2,142,960
<b>Debt service</b>							
Principal retirement	408,828	511,618	-	-	-	290,000	1,210,446
Interest and fiscal charges	72,754	67,588	-	-	-	864,688	1,005,030
<b>Total expenditures</b>	<b>8,246,438</b>	<b>2,505,166</b>	<b>961,521</b>	<b>470,324</b>	<b>-</b>	<b>1,850,929</b>	<b>14,034,378</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,721,120</b>	<b>(810,173)</b>	<b>-</b>	<b>5,702</b>	<b>-</b>	<b>10,615</b>	<b>1,927,264</b>

	General Corporate	Tax Increment Financing	Police Pension Contribution	Illinois Municipal Retirement	Special Service Area Capital Projects	Nonmajor Governmental	Total
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 10,600	\$ -	\$ -	\$ -	\$ -	\$ 2,071,882	\$ 2,082,482
Transfers (out)	(760,000)	-	-	-	(2,011,882)	(10,600)	(2,782,482)
Sale of capital assets	16,313	-	-	-	-	-	16,313
Total other financing sources (uses)	(733,087)	-	-	-	(2,011,882)	2,061,282	(683,687)
NET CHANGE IN FUND BALANCES	1,988,033	(810,173)	-	5,702	(2,011,882)	2,071,897	1,243,577
FUND BALANCES, JANUARY 1	9,689,728	7,580,497	-	89,992	2,011,882	265,827	19,637,926
FUND BALANCES, DECEMBER 31	\$ 11,677,761	\$ 6,770,324	\$ -	\$ 95,694	\$ -	\$ 2,337,724	\$ 20,881,503

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,243,577
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	
Capital assets purchased	413,588
Loss on disposal of capital assets	(6,919)
The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	
Notes payable	920,446
SSA bonds	290,000
The decrease in interest payable is reported as an increase in expense on the statement of activities	
	21,643
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
	(1,638,796)
The change in net assets of internal service fund is reported as an increase of expense on the statement of activities	
	86,373
The change in certain long-term assets in liabilities does not require the use of current financial resources but is reported as expenses on the statement of activities	
Increase in accrued compensated absences	12,646
Increase in police pension net pension asset	415,564
Decrease in IMRF net pension obligation	3,993
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,762,115</u>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities	Governmental Activities
	Water and Sanitary Sewer	Internal Service
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 387,618	\$ -
Cash held at paying agent	93,641	
Investments	1,431,447	-
Receivables		
Accounts - billed	318,248	-
Accounts - unbilled	113,569	-
Accrued interest	190	-
Prepaid expenses	15,306	1,976
Due from other funds	26,647	143,288
	<u>2,386,666</u>	<u>145,264</u>
Total current assets		
<b>CAPITAL ASSETS</b>		
Nondepreciable	115,558	-
Depreciable, net of accumulated depreciation	38,091,167	-
	<u>38,206,725</u>	<u>-</u>
Net capital assets		
	<u>40,593,391</u>	<u>145,264</u>
Total assets		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
None	-	-
	<u>-</u>	<u>-</u>
Total deferred outflows of resources		
	<u>40,593,391</u>	<u>145,264</u>
Total assets and deferred outflows of resources		

(This statement is continued on the following page.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF NET POSITION (Continued)  
 PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities	Governmental Activities
	Water and Sanitary Sewer	Internal Service
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 614,405	\$ 20,497
Accrued payroll	10,432	3,875
Accrued interest payable	12,632	-
Due to other funds	-	26,615
Compensated absences payable	11,259	4,417
Current portion of notes payable	163,282	-
Total current liabilities	812,010	55,404
<b>LONG-TERM LIABILITIES</b>		
Compensated absences payable	33,778	13,249
Notes payable	787,325	-
Total long-term liabilities	821,103	13,249
Total liabilities	1,633,113	68,653
<b>DEFERRED INFLOWS OF RESOURCES</b>		
None	-	-
Total deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	1,633,113	68,653
<b>NET POSITION</b>		
Net investment in capital assets	37,256,118	-
Unrestricted	1,704,160	76,611
TOTAL NET POSITION	\$ 38,960,278	\$ 76,611

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	Business-Type Activities	Governmental Activities
	Water and Sanitary Sewer	Internal Service
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,046,169	\$ 522,300
Miscellaneous	6,639	-
Total operating revenues	<u>4,052,808</u>	<u>522,300</u>
<b>OPERATING EXPENSES</b>		
Administration	577,546	-
Operations	3,270,628	-
Repairs and maintenance	52,803	435,927
Total operating expenses	<u>3,900,977</u>	<u>435,927</u>
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	151,831	86,373
Depreciation	<u>1,607,113</u>	-
<b>OPERATING INCOME (LOSS)</b>	<u>(1,455,282)</u>	<u>86,373</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	4,404	-
Interest expense	(26,181)	-
Connection fees	58,776	-
Gain on sale of capital assets	(13,350)	-
Total nonoperating revenues (expenses)	<u>23,649</u>	-
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<u>(1,431,633)</u>	<u>86,373</u>
<b>TRANSFERS</b>		
Transfers in	700,000	-
Transfers (out)	-	-
Total transfers	<u>700,000</u>	-
<b>CONTRIBUTIONS</b>	<u>36,145</u>	-
<b>CHANGE IN NET POSITION</b>	(695,488)	86,373
<b>NET POSITION (DEFICIT), JANUARY 1</b>	<u>39,655,766</u>	<u>(9,762)</u>
<b>NET POSITION (DEFICIT), DECEMBER 31</b>	<u>\$ 38,960,278</u>	<u>\$ 76,611</u>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	Business-Type Activities	Governmental Activities
	Water and Sanitary Sewer	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,035,315	\$ -
Receipts from interfund services	-	439,643
Payments to suppliers	(3,514,196)	(298,962)
Payments to employees	(589,051)	(140,681)
Payments for interfund services	-	-
Net cash from operating activities	<u>(67,932)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers	700,000	-
Increase of interfund balances	(2,868)	-
Payments to advances from other funds	(50,000)	-
Net cash from noncapital financing activities	<u>647,132</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets purchased	(160,176)	-
Connection fees	58,776	-
Note principal payments	(158,988)	-
Note interest payments	(28,294)	-
Net cash from capital and related financing activities	<u>(288,682)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(484,165)	-
Interest received	4,980	-
Net cash from investing activities	<u>(479,185)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(188,667)	-
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>669,926</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 481,259</u>	<u>\$ -</u>

(This statement is continued on the following page.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)  
 PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	Business-Type Activities	Governmental Activities
	Water and Sanitary Sewer	Internal Service
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (1,455,282)	\$ 86,373
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	1,607,113	-
(Increase) decrease in		
Receivables	(17,493)	-
Interfund receivables	-	(85,493)
Prepaid expense	(14,635)	(1,775)
Increase (decrease) in		
Accounts payable	(194,378)	(20,552)
Accrued payroll	2,392	1,185
Compensated absences payable	4,351	17,426
Interfund payables	-	2,836
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (67,932)</b>	<b>\$ -</b>
<b>NONCASH TRANSACTIONS</b>		
Contributions of capital assets by other funds	\$ 36,145	\$ -
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ 36,145</b>	<b>\$ -</b>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION  
POLICE PENSION TRUST FUND

December 31, 2012

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 138,865
Investments	
U.S. Treasury obligations	2,998,256
U.S. agencies securities	1,400,327
Equity mutual funds	6,918,699
Money market mutual funds	284,777
Corporate bonds	2,460,670
Municipal bonds	113,575
Equities	1,583,017
Negotiable certificates of deposit	508,238
Receivables	
Accrued interest	56,517
Prepaid expense	8,870
	<hr/>
Total assets	16,471,811
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	102
	<hr/>
Total liabilities	102
	<hr/>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 16,471,709</u></u>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
POLICE PENSION TRUST FUND

For the Year Ended December 31, 2012

<b>ADDITIONS</b>	
Contributions - employer	\$ 961,521
Contributions - employee	190,630
Other contributions	<u>66</u>
Total contributions	<u>1,152,217</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	941,717
Interest earned on investments	<u>378,878</u>
Total investment income	1,320,595
Less investment expense	<u>(65,637)</u>
Net investment income	<u>1,254,958</u>
Total additions	<u>2,407,175</u>
<b>DEDUCTIONS</b>	
Benefits	778,852
Administrative	<u>24,815</u>
Total deductions	<u>803,667</u>
<b>NET INCREASE</b>	1,603,508
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	
January 1	<u>14,868,201</u>
December 31	<u><u>\$ 16,471,709</u></u>

See accompanying notes to financial statements.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Village was incorporated on August 5, 1957. The Village operates under a Council-Manager form of government. As required by GAAP, these financial statements present the Village (the primary government) and its component units, entities for which the government is considered to be financially accountable.

The Village's financial statements include:

Pension Trust Fund

Police Pension Employees Retirement System

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

The Village uses funds to report on its financial position, changes in its financial position and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. A minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of the Village's general activities, including the accounting for revenue sources that are legally restricted or committed for specific purposes (special revenue funds), accounting for funds that are restricted, committed or assigned to the acquisition of capital assets or construction of major capital projects not financed by another fund (capital projects funds) and accounting for the servicing of bonded general long-term debt using funds restricted, committed or assigned for debt service (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

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

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

c. Government-Wide and Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

The Tax Increment Financing Fund is a capital project fund that accounts for financial resources to be used for the acquisition or construction of major capital assets from tax increment financing.

The Police Pension Contribution Fund is a special revenue fund used to account for the property taxes receivable and revenue for the Village's police pension expense.

The Illinois Municipal Retirement Fund is a special revenue fund used to disburse the Village's employer contributions to the Illinois Municipal Retirement Fund, which provides pension and disability benefits for civilian village employees working over 1,000 hours per year. The Village has elected to report this fund as major.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary fund, which is the Village's only enterprise fund:

The Water and Sanitary Sewer Fund, comprised of the Waterworks and Sewerage Revenue Account and Water and Sewer Improvement Account, accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Additionally, the Village reports the following proprietary fund:

Internal Service Funds

The Vehicle Maintenance Fund accounts for purchases and maintenance of vehicles and equipment and is funded by various departments according to services rendered.

These funds are reported as governmental activities on the government-wide financial statements.

The Village reports a pension trust fund as a Fiduciary Fund to account for the Police Pension Fund.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing the day-to-day enterprise fund services. Incidental revenues/expenses, such as property taxes and investment income, are reported as nonoperating.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

e. Cash and Investments

Cash and Cash Equivalents

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Investments

Investments with a maturity of less than one year when purchased and nonnegotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is based on prices listed on national exchanges as of December 31, 2012 for debt and equity securities.

g. Short-Term Interfund Receivables/Payables

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

h. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances between funds in the fund financial statements. The advances are offset equally by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

i. Prepaid Items/Expenses

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

j. Capital Assets

Capital assets, which include property, plant, equipment, water and sewer system, intangible assets and infrastructure assets (e.g., roads, bridges and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of \$200,000 for infrastructure assets, \$100,000 for land and improvements and building and improvements and more than \$5,000 for all other capital asset classifications.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets (Continued)

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

Governmental activities capital assets are depreciated using the straight-line method over the following useful lives

	<u>Years</u>
Land improvements	10-20
Buildings and improvements	15-50
Infrastructure*	20-50
Machinery and equipment	5-20

\*Infrastructure includes right-of-way land, roads, curbs, gutters, storm sewers, recreational paths, street lights, field lights, bridges and traffic control signals.

Business-type activities capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	45
Underground water and sewerage system	10-75
Furniture, machinery and equipment	5-15

k. Compensated Absences

In the event of termination, an employee is paid for accumulated vacation days. Employees are not reimbursed for unused sick leave and all vacation time must be used in the current year or shortly thereafter. Accrued vacation is reported in the governmental funds for the amount of vacation for employees that retired or were terminated before fiscal year end that was not paid out as of fiscal year end.

Vested or accumulated vacation and sick leave of proprietary funds and governmental activities, at the government wide level, is recorded as an expense and liability as the benefits accrue to employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, as well as gains/losses on refundings, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. The gain/loss on refunding is reported as a deferred inflow/outflow of resources.

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

m. Fund Equity/Net Position

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

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

The Village has established fund balance reserve policies for its general fund. The General Fund targets 75% of one year's operating expenditures. The Special Revenue, Capital Projects and Debt Service Funds do not have established fund balance limits due to the nature of the transactions accounted for in these funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Fund Equity/Net Position (Continued)

In the government-wide financial statements, restricted Net Position are legally restricted by outside parties for a specific purpose. Net position have not been restricted by enabling legislation adopted by the Village. Net investment in capital assets, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

n. Interfund Transactions

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

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

o. Accounting Estimates

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

p. Deferred Outflows/Inflows of Resources

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Deferred Outflows/Inflows of Resources (Continued)

This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

2. DEPOSITS AND INVESTMENTS

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

Permitted Deposits and Investments - The Village's investment policy authorizes the Village to make deposits/invest in accordance with Illinois Compiled Statutes (ILCS); including 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 agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

The Police Pension Fund also requires investments to be made in accordance with ILCS, which allows the fund to invest in the same securities as the Village, plus the following: certain non-U.S. obligations (corporate debt securities), Illinois municipal corporations tax anticipation warrants, veterans' loans, obligations of the State of Illinois and its political divisions, Illinois insurance company general and separate accounts, mutual funds and equity securities (not to exceed 55% of the total assets of the Police Pension Fund).

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Village's agent in the Village's name.

b. Village Investments

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a three-year period. The investment policy matches the maturities of short-term investments with the following minimum guidelines: 10% under 30 days, 25% under 90 days, 50% under 270 days, 90% under one year and 100% under 18 months. The long-term portfolio should be timed to meet the required future cash flow needs and should not extend beyond the term of any long-term obligations.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by requiring annual approval of allowable investments. Additionally, the funds are primarily invested in government securities and other secure investments. The Illinois Metropolitan Investment Fund (IMET) is rated AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. The Village's investment policy does not address custodial credit risk related to investments. To limit its exposure, the Village processes all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Village's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Village's name.

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Village Investments (Continued)

Concentration of credit risk - The Village's investment policy requires diversification of the portfolio. Diversification by security instrument is as follows: U.S. Treasury Obligations - 100% maximum; U.S. Government Agency Securities and Instruments of Government Sponsored Corporations - 100% maximum; Certificates of Deposit (CDs) Commercial Banks - 33% maximum; except when the CDs are invested using the Certificate of Deposit Account Registry Service (CDARS) or similar system; Illinois Governmental Cash Investment Fund - 35% maximum; and Illinois Metropolitan Investment Fund - 35%. Diversification by institution is as follows: CDs - no more than 15% of the total portfolio with any one institution.

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

c. Police Pension Fund's Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Police Pension Fund's deposits may not be returned to them. The Police Pension Fund's investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Police Pension Fund's deposits with financial institutions.

d. Police Pension Fund Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2012:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-3	4-6	Greater than 6
U.S. Treasury notes	\$ 2,998,256	\$ 1,334,627	\$ 945,928	\$ 149,800	\$ 567,901
FHLMC notes	333,065	-	155,960	-	177,105
FFCB notes	162,455	-	-	162,455	-
FNMA notes	879,808	-	260,523	-	619,285
SBA	24,999	-	-	-	24,999
Corporate bonds	2,460,670	147,146	478,339	635,987	1,199,198
Municipal bonds	113,575	-	-	55,670	57,905
Negotiable certificates of deposit	508,238	299,547	100,643	108,048	-
<b>TOTAL</b>	<b>\$ 7,481,066</b>	<b>\$ 1,781,320</b>	<b>\$ 1,941,393</b>	<b>\$ 1,111,960</b>	<b>\$ 2,646,393</b>

2. DEPOSITS AND INVESTMENTS (Continued)

d. Police Pension Fund Investments (Continued)

In accordance with its investment policy, the Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio into an equity portion and fixed income portion to allow the fund to maximize current returns while allowing stability of the fund and providing for long-term return on investment.

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by requiring quarterly review of the returns of the equity portion of investments to address any standard deviations and by requiring 55% investment in secure fixed income investments, primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The FHMLC, FFCB, FNMA, SBA, money market mutual funds, municipal bonds, and corporate bonds are rated AA+ to AAA as of December 31, 2012.

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

Concentration of credit risk - The Police Pension Fund's investment policy provides diversification guidelines on the amount of the portfolio that can be invested in any one investment vehicle. Diversification by security is as follows:

Asset Class	Minimum	Preferred	Maximum
Large cap growth	9.0%	11.5%	14.0%
Large cap value	9.0%	11.5%	14.0%
Small mid cap growth	3.0%	5.0%	7.0%
Small mid cap value	3.0%	5.0%	7.0%
Multi class	0.0%	7.0%	11.0%
International growth	3.0%	5.0%	7.0%
International value	3.0%	5.0%	7.0%
Fixed income and cash	50.0%	50.0%	60.0%

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

d. Police Pension Fund Investments (Continued)

Small and temporary variations from the above are allowed for by the policy.

At December 31, 2012, the Police Pension Fund had greater than 5% of its fixed income portfolio invested in obligations of the U.S. Treasury Notes (18.27%) the Federal National Mortgage Association (5.36%) and Corporate Bonds (15.00%). The investment policy does not include any limitations on how much U.S. Treasury or agency securities can be held in the portfolio.

The Police Pension Fund's investment policy prohibits short selling, securities lending, financial futures, margins, options, nonmarketable securities, commodities, speculative real estate or other specialized derivative investments.

3. RECEIVABLES - TAXES

Property taxes for 2012 attach as an enforceable lien on January 1, 2012 on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1, 2013 and August 1, 2013 and are payable in two installments, on or about June 1, 2013 and September 1, 2013. The County collects such taxes and remits them periodically. As the 2012 tax levy is intended to fund expenditures for the 2013 fiscal year, these taxes are deferred as of December 31, 2012.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 27,421,013	\$ -	\$ -	\$ 27,421,013
Right of way	14,845,412	-	-	14,845,412
Easements	692,235	6,000	-	698,235
Construction in progress	-	1,818,282	-	1,818,282
Total capital assets not being depreciated	42,958,660	1,824,282	-	44,782,942
Capital assets being depreciated				
Land improvements	5,806,164	-	-	5,806,164
Buildings and improvements	8,138,937	-	-	8,138,937
Infrastructure	42,558,406	-	-	42,558,406
Machinery and equipment	3,290,967	413,587	414,925	3,289,629
Total capital assets being depreciated	59,794,474	413,587	414,925	59,793,136

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Less accumulated depreciation for				
Land improvements	\$ 2,870,112	\$ 282,137	\$ -	\$ 3,152,249
Buildings and improvements	3,414,563	215,159	-	3,629,722
Infrastructure	22,698,861	822,264	-	23,521,125
Machinery and equipment	2,496,298	319,236	408,006	2,407,528
Total accumulated depreciation	31,479,834	1,638,796	408,006	32,710,624
Total capital assets being depreciated, net	28,314,640	(1,225,209)	6,919	27,082,512
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 71,273,300	\$ 599,073	\$ 6,919	\$ 71,865,454
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 36,325	\$ -	\$ -	\$ 36,325
Construction in progress	79,233	-	-	79,233
Total capital assets not being depreciated	115,558	-	-	115,558
Capital assets being depreciated				
Buildings	1,580,063	-	-	1,580,063
Underground water and sewerage system	81,760,084	36,145	-	81,796,229
Furniture, machinery and equipment	1,050,160	160,176	96,617	1,113,719
Total capital assets being depreciated	84,390,307	196,321	96,617	84,490,011
Less accumulated depreciation for				
Buildings	882,215	34,526	-	916,741
Underground water and sewerage system	43,160,686	1,529,827	-	44,690,513
Furniture, machinery and equipment	832,097	42,760	83,267	791,590
Total accumulated depreciation	44,874,998	1,607,113	83,267	46,398,844
Total capital assets being depreciated, net	39,515,309	(1,410,792)	13,350	38,091,167
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 39,630,867	\$ (1,410,792)	\$ 13,350	\$ 38,206,725

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 156,597
Public safety	84,302
Community development	18,451
Public works	870,206
Parks and recreation	509,240
DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 1,638,796

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illnesses of employees and natural disasters.

High-Level Excess Liability Pool (HELP)

The Village participates in the High-Level Excess Liability Pool (HELP). HELP is a public entity risk pool established by certain municipalities (the Members) in Illinois to provide excess liability coverage (\$11,000,000 of coverage after the \$2,000,000 self-insurance retention). The Village's payments to HELP are displayed on the financial statements as expenditures/expenses in appropriate funds.

HELP was organized on April 1, 1987. The purpose of HELP is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the members and other parties included within the scope of coverage of HELP.

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

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

6. LONG-TERM DEBT

a. Changes in Long-Term Liabilities

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

	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes payable	\$ 5,271,826	\$ -	\$ 920,446	\$ 4,351,380	\$ 946,813
Special Service Area bonds	13,980,000	-	290,000	13,690,000	305,000
Compensated absences*	283,576	-	12,646	270,930	-
Compensated absences - Internal Service*	240	17,426	-	17,666	-
Net pension obligation**	3,993	-	3,993	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 19,539,635</b>	<b>\$ 17,426</b>	<b>\$ 1,227,085</b>	<b>\$ 18,329,976</b>	<b>\$ 1,251,813</b>

\*Accrued compensated absences are historically retired by the General Fund.

\*\*The net pension obligation is retired by the IMRF fund.

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

a. Changes in Long-Term Liabilities (Continued)

	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
Promissory notes payable	\$ 1,109,595	\$ -	\$ 158,988	\$ 950,607	\$ 163,282
Compensated absences	40,686	4,351	-	45,037	11,259
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,150,281	\$ 4,351	\$ 158,988	\$ 995,644	\$ 174,541

b. Notes Payable

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
GOVERNMENTAL ACTIVITIES (Continued)						
2011A Note payable - Refunding - (\$3,060,000 dated January 28, 2011; maturing January 1, 2018, payable in semiannual installments of \$240,791; interest rate 2.60%)	General Fund	\$ 2,853,243	\$ -	\$ 408,828	\$ 2,444,415	\$ 419,867
2011B Note payable - refunding - (\$2,675,000 dated January 28, 2011; maturing January 1, 2018, payable in semiannual installments of \$289,603; interest rate 2.90%)	TIF Fund	2,418,583	-	511,618	1,906,965	526,946
TOTAL		\$ 5,271,826	\$ -	\$ 920,446	\$ 4,351,380	\$ 946,813

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES						
2011A Note payable - Refunding - (\$1,190,000 dated January 28, 2011; maturing January 1, 2018, payable in semiannual installments of \$90,926; interest rate 2.60%)	Water and Sewer Fund	\$ 1,109,595	\$ -	\$ 158,988	\$ 950,607	\$ 163,282
TOTAL		\$ 1,109,595	\$ -	\$ 158,988	\$ 950,607	\$ 163,282

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

b. Notes Payable (Continued)

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year Ending December 31,	Notes payable					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 946,813	\$ 113,974	\$ 1,060,787	\$ 163,282	\$ 24,000	\$ 187,282
2014	973,562	87,225	1,060,787	167,614	19,667	187,281
2015	1,001,068	59,719	1,060,787	172,062	15,220	187,282
2016	732,961	31,596	764,557	176,602	10,680	187,282
2017	466,235	15,346	481,581	181,314	5,968	187,282
2018	230,741	3,066	233,807	89,733	1,193	90,926
<b>TOTAL</b>	<b>\$ 4,351,380</b>	<b>\$ 310,926</b>	<b>\$ 4,662,306</b>	<b>\$ 950,607</b>	<b>\$ 76,728</b>	<b>\$ 1,027,335</b>

c. Special Service Area Bonds

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
Special Service Area Number 1 Special Tax Bonds, Series 2004 (\$15,000,000 dated November 16, 2004; maturing March 1, 2034; payable in annual installments ranging from \$235,000 to \$1,095,000)	SSA Capital Projects Fund	\$ 13,980,000	\$ -	\$ 290,000	\$ 13,690,000	\$ 305,000
<b>TOTAL</b>		<b>\$ 13,980,000</b>	<b>\$ -</b>	<b>\$ 290,000</b>	<b>\$ 13,690,000</b>	<b>\$ 305,000</b>

Annual debt service requirements to maturity for the Special Service Area Bonds are as follows:

Fiscal Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 305,000	\$ 855,625	\$ 1,160,625
2014	325,000	836,563	1,161,563
2015	345,000	816,250	1,161,250
2016	365,000	794,687	1,159,687
2017	390,000	771,875	1,161,875
2018	415,000	747,500	1,162,500
2019	440,000	721,563	1,161,563
2020	470,000	694,062	1,164,062

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

c. Special Service Area Bonds (Continued)

Fiscal Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 495,000	\$ 664,688	\$ 1,159,688
2022	530,000	633,750	1,163,750
2023	560,000	600,625	1,160,625
2024	595,000	565,625	1,160,625
2025	635,000	528,438	1,163,438
2026	675,000	488,750	1,163,750
2027	715,000	446,562	1,161,562
2028	760,000	401,875	1,161,875
2029	805,000	354,375	1,159,375
2030	860,000	304,063	1,164,063
2031	910,000	250,312	1,160,312
2032	970,000	193,438	1,163,438
2033	1,030,000	132,812	1,162,812
2034	1,095,000	68,438	1,163,438
TOTAL	\$ 13,690,000	\$ 11,871,876	\$ 25,561,876

d. Legal Debt Margin

The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: ...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum... shall not be included in the foregoing percentage amounts.” The Village’s voters approved a referendum to become a home rule community in 1975.

To date, the General Assembly has set no limits for home rule municipalities.

The Village qualifies as a Home Rule Unit under Section 6(a) of Article VII of the 1970 Constitution of Illinois and, under the powers granted by this section, can exercise any power and perform any function pertaining to its government and affairs that is not prohibited by the ILCS.

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. INTERFUND ASSETS/LIABILITIES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2012 consisted of the following:

Fund	Due From	Due To
General Corporate Fund		
Internal Service Fund	\$ -	\$ 143,288
Water and Sanitary Sewer	-	32
Nonmajor governmental funds	225,600	-
	<u>225,600</u>	<u>143,320</u>
Water and Sanitary Sewer		
General Corporate Fund	32	-
Internal Service Fund	26,615	-
	<u>26,647</u>	<u>-</u>
Internal Service Fund		
General Corporate Fund	143,288	-
Water and Sanitary Sewer	-	26,615
	<u>143,288</u>	<u>26,615</u>
Nonmajor Governmental Funds		
General Corporate Fund	-	225,600
	<u>-</u>	<u>225,600</u>
<b>TOTAL</b>	<u><u>\$ 395,535</u></u>	<u><u>\$ 395,535</u></u>

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

- \$143,288 due from the General Corporate Fund to the Internal Service Fund is for Vehicle Maintenance funding amounts still due to the Internal Service Fund at year end. This amount will be repaid within one year.
- \$225,600 due from the nonmajor governmental funds (Park Development Fund and 2012 Capital Projects Fund) to the General Corporate Fund is for amount due for debt service payment and temporary loans. This amount will be paid within one year.
- \$26,615 due from the Internal Service Fund to the Water and Sanitary Sewer Fund is for amount due for payroll expenses. This amount will be paid within one year.

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. INTERFUND BALANCES AND TRANSFERS (Continued)

b. Transfers

Interfund transfers during the year ended December 31, 2012 consisted of the following:

Fund	Transfers In	Transfers Out
Major Governmental Funds		
General Corporate Fund	\$ -	\$ 760,000
Park Development Fund	10,600	-
Special Service Area Debt Service	-	2,011,882
Total Major Governmental Funds	10,600	2,771,882
Nonmajor Governmental Funds		
Enhanced 911	60,000	-
Park Development	-	10,600
Special Service Area Capital Projects	2,011,882	-
Total Special Revenue	2,071,882	10,600
Enterprise Funds		
Water and Sanitary Sewer	700,000	-
TOTAL	\$ 2,782,482	\$ 2,782,482

The purpose of significant transfers is as follows:

- \$2,011,882 Transferred from the Special Service Area Debt Service Fund to the Special Service Area Capital Projects Fund to close the Special Service Area Debt Service Fund. This amount will not be repaid.
- \$700,000 Transferred from the General Corporate Fund to the Water and Sanitary Sewer Fund to assist in operational costs of the Water and Sanitary Sewer Fund. This amount will not be repaid.

8. CONTINGENT LIABILITIES

a. Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village. As of the date of this report, the Village attorney has reported no pending or threatened litigation.

8. CONTINGENT LIABILITIES (Continued)

b. Grants

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

c. High-Level Excess Liability Pool (HELP)

The Village's agreement with HELP provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

d. Economic Incentive Agreement

In May 2010, the Village entered into a ten-year sales tax rebate program with a company. The Village is required to rebate 50% of the first \$500,000 of sales tax revenue generated annually by this company and 66.67% of any sales tax revenue generated annually above this amount. During 2012, the Village rebated approximately \$321,652 to this company.

In November 2010, the Village entered into a ten-year sales tax rebate program with a company. The Village is required to rebate 50% of any sales tax revenue generated annually above this amount. During 2012, the Village rebated approximately \$290,241 to this company.

9. OTHER POSTEMPLOYMENT BENEFITS

The Village allows employees, who retire through one of the Village's two pension plans disclosed in Note 10, the option to continue in the Village's health insurance plan as required by ILCS, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as the Village's health insurance plan is considered a community rated plan. The Village entered into this plan effective January 1, 2011. In addition, the Village has no explicit subsidy as defined in GASB Statement No. 45.

10. EMPLOYEE RETIREMENT SYSTEMS

a. Plan Descriptions and Provisions

Illinois Municipal Retirement Fund

The Village contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois (other than those covered by the Police Pension Plan).

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2012, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. The individual pensions are calculated based upon the final rate of earnings defined as the average of the highest 48 months in the last ten years of service.

Employees hired on or after January 1, 2012, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. The individual pensions are calculated based upon the final rate of earnings defined as the average of the highest 96 months in the last ten years of service.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 2012 was 12.51% of covered payroll, respectively.

IMRF issues a separate financial report which may be obtained on-line at [www.imrf.org](http://www.imrf.org). This report contains information for IMRF as a whole, but not by individual employer.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions and Provisions (Continued)

Police Pension Plan

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 contributions levels are governed by Illinois Compiled Statutes (Chapter 40 - Article 5/3) and can be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund. At December 31, 2012, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	14
Terminated employees entitled to benefits but not yet receiving them	0
Current employees	
Vested	14
Nonvested	9
	<hr/>
TOTAL	<u>37</u>

The following is a summary of the Police Pension Plan as provided for in ILCS.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions and Provisions (Continued)

Police Pension Plan (Continued)

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$110,004, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2012, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. The employer contribution for the fiscal year ended December 31, 2012 was 49.99% of covered payroll.

The Police Pension Plan issues a separate financial report which may be obtained by writing them at the Village of Lincolnshire Village Hall.

b. Summary of Significant Accounting Policies and Plan Asset Matters

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

**Method Used to Value Investments:** Investments are reported at fair value. Investment income is recognized as earned.

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date.

Significant Investments: There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets for the Police Pension Plan. Information for IMRF is not available.

Related Party Transactions: There were no securities of the employer or any other related parties included in plan assets, including any loans.

Administrative costs for the Police Pension Plan are financed primarily through investment earnings.

c. Annual Pension Cost

	Illinois Municipal Retirement	Police Pension
Actuarial valuation date	December 31, 2010	January 1, 2012
Actuarial cost method	Entry-age Normal	Entry-age Normal Level Dollar
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	30 Years, Open	22 Years, Closed

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Cost (Continued)

	Illinois Municipal Retirement	Police Pension
Significant actuarial assumptions		
a) Rate of return on present and future assets	7.50% Compounded Annually	6.50% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	4.50% Compounded Annually
c) Additional projected salary increases - seniority/merit	0.40% to 10.00%	1.12% to 4.88% plus 2.5%
d) Post retirement benefit increases	3.00%	3.00%

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

	For Fiscal Year	Illinois Municipal Retirement	Police Pension
Annual pension cost (APC)	2010	\$ 425,136	\$ 533,319
	2011	412,405	507,425
	2012	397,037	545,957
Actual contribution	2010	\$ 421,226	\$ 1,012,592
	2011	412,322	1,032,840
	2012	397,037	961,521
Percentage of APC contributed	2010	99.08%	189.87%
	2011	99.98%	203.55%
	2012	100.00%	176.12%
NPO (asset)	2010	\$ 3,910	\$ (3,508,784)
	2011	3,993	(4,034,199)
	2012	-	(4,449,763)

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Cost (Continued)

The Village's annual pension cost and net pension obligation (asset) for the Police Pension Plan and IMRF for December 31, 2012 are as follows:

	Illinois Municipal Retirement	Police Pension
Annual required contribution	\$ 401,115	\$ 547,715
Interest on net pension obligation (asset)	(299)	(228,074)
Adjustment to annual required contribution	214	226,316
Annual pension cost	401,030	545,957
Contributions made	(397,037)	(961,521)
Increase in net pension obligation	3,993	(415,567)
Net pension obligation (asset), beginning of year	(3,993)	(4,034,199)
<b>NET PENSION OBLIGATION (ASSET), END OF YEAR</b>	<b>\$ -</b>	<b>\$ (4,449,763)</b>

Funded Status and Funding Progress: The funded status of the plans as of December 31, 2012 were as follows. The actuarial assumptions used to determine the funded status of the Police Pension Plan are the same actuarial assumptions used to determine the employer APC of the plan as disclosed above.

	Illinois Municipal Retirement	Police Pension
Actuarial accrued liability (AAL)	\$ 10,126,176	\$ 18,975,763
Actuarial value of plan assets	6,420,360	15,569,270
Unfunded actuarial accrued liability (UAAL)	3,705,816	3,406,493
Funded ratio (actuarial value of plan assets/AAL)	63.40%	82.05%
Covered payroll (active plan members)	\$ 3,173,754	\$ 1,923,608
UAAL as a percentage of covered payroll	116.76%	177.09%

See the schedules of funding progress in the required supplementary information immediately following the notes to financial statements for additional information related to the funded status of the plans.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Other taxes	\$ 8,391,300	\$ 8,391,300	\$ 9,674,681
Licenses, permits and fees	479,000	479,000	569,132
Fines and forfeitures	490,000	490,000	492,401
Intergovernmental	406,700	406,700	193,707
Investment income	40,000	40,000	24,563
Miscellaneous	34,600	34,600	13,074
<b>Total revenues</b>	<b>9,841,600</b>	<b>9,841,600</b>	<b>10,967,558</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,658,000	1,658,000	1,558,451
Public safety	3,109,700	3,109,700	2,816,858
Community development	455,700	455,700	450,213
Public works	2,671,800	2,671,800	2,124,293
Parks and recreation	824,000	824,000	815,041
<b>Debt service</b>			
Principal retirement	409,000	409,000	408,828
Interest and fiscal charges	73,000	73,000	72,754
<b>Total expenditures</b>	<b>9,201,200</b>	<b>9,201,200</b>	<b>8,246,438</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>640,400</b>	<b>640,400</b>	<b>2,721,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	35,000	35,000	10,600
Transfers (out)	(975,000)	(975,000)	(760,000)
Sale of capital assets	9,000	9,000	16,313
<b>Total other financing sources (uses)</b>	<b>(931,000)</b>	<b>(931,000)</b>	<b>(733,087)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (290,600)</b>	<b>\$ (290,600)</b>	<b>1,988,033</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>9,689,728</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 11,677,761</b>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Taxes			
Property	\$ 475,400	\$ 475,400	\$ 475,730
Investment income	300	300	296
Total revenues	<u>475,700</u>	<u>475,700</u>	<u>476,026</u>
<b>EXPENDITURES</b>			
General government			
Administrative	681,500	681,500	678,283
Contributions from other funds	<u>(205,800)</u>	<u>(205,800)</u>	<u>(207,959)</u>
Total expenditures	<u>475,700</u>	<u>475,700</u>	<u>470,324</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	5,702
FUND BALANCE, JANUARY 1			<u>89,992</u>
FUND BALANCE, DECEMBER 31			<u>\$ 95,694</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
2007	\$ 8,338,527	\$ 9,790,245	85.17%	\$ 1,451,718	\$ 3,495,030	41.54%
2008	7,688,165	10,179,592	75.53%	2,491,427	3,722,294	66.93%
2009	8,369,831	11,524,211	72.63%	3,154,380	3,918,015	80.51%
2010	9,265,070	11,982,550	77.32%	2,717,480	3,554,650	76.45%
2011	8,234,931	11,179,561	73.66%	2,944,630	3,280,203	89.77%
2012	6,420,360	10,126,176	63.40%	3,705,816	3,173,754	116.76%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$ 379,211	\$ 379,211	100.00%
2008	396,796	396,796	100.00%
2009	421,970	421,970	100.00%
2010	421,226	425,136	99.08%
2011	412,322	412,322	100.00%
2012	397,037	401,115	98.98%

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POLICE PENSION FUND

December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded (Overfunded) Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
December 31, 2007	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2008	\$ 11,494,881	\$ 14,235,399	80.75%	\$ 2,740,518	\$ 1,945,491	140.87%
December 31, 2009	12,608,420	14,971,380	84.22%	2,362,960	2,029,959	116.40%
December 31, 2010	14,027,490	16,369,535	85.69%	2,342,045	2,010,449	116.49%
December 31, 2011	14,444,202	17,465,335	82.70%	3,021,133	1,902,849	158.77%
December 31, 2012	15,569,270	18,975,763	82.05%	3,406,493	1,923,608	177.09%

N/A - Not applicable

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$ 1,111,733	\$ 483,226	230.06%
2008	1,063,146	497,262	213.80%
2009	1,101,333	454,383	242.38%
2010	1,012,592	563,551	179.68%
2011	1,032,840	514,585	200.71%
2012	961,521	547,715	175.55%

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

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BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental and proprietary funds, with the exception of the Police Pension Contribution Fund, Fraud, Alcohol and Drug Fund, Park Development Capital Projects Fund and the Special Service Area Capital Projects. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

In establishing the budget, the Village Manager submits to the Board of Trustees the proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The Village Board conducts several public budget review meetings to discuss the proposed budget. A public hearing is conducted to obtain taxpayer comments on the proposed fiscal year appropriation ordinance. The fiscal year appropriation, which is equal to the budgetary limits established by the Board of Trustees, is legally enacted for all applicable funds.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations within a fund may only be made with the approval of the Board of Trustees. Transfers of appropriations between funds require the approval of the Board of Trustees. The legal level of budgetary control is the fund level.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>OTHER TAXES</b>			
State income	\$ 575,000	\$ 575,000	\$ 631,615
Sales	2,300,000	2,300,000	2,504,251
Home rule sales	1,080,000	1,080,000	1,184,487
Utility	1,274,000	1,274,000	1,203,500
Telecommunication	1,209,000	1,209,000	1,336,167
Room and admissions	1,595,000	1,595,000	1,709,251
Real estate transfer	181,300	181,300	921,597
Road and bridge	75,000	75,000	72,227
State use	102,000	102,000	111,586
<b>Total other taxes</b>	<b>8,391,300</b>	<b>8,391,300</b>	<b>9,674,681</b>
<b>LICENSES AND PERMITS</b>			
Liquor licenses	60,000	60,000	60,625
Beach tags	9,000	9,000	7,457
Park user fees	55,000	55,000	45,964
Amusement devices	4,300	4,300	4,150
Application fees	5,000	5,000	7,271
Engineering fees	14,000	14,000	11,885
Planner fees	5,000	5,000	3,130
Plan review fees	28,000	28,000	41,933
Building permit fees	147,000	147,000	217,317
Forester fees	2,000	2,000	1,400
Miscellaneous licenses and fees	8,000	8,000	15,407
Cable TV franchise fees	140,000	140,000	150,593
Waste hauler fees	1,700	1,700	2,000
<b>Total licenses and permits</b>	<b>479,000</b>	<b>479,000</b>	<b>569,132</b>
<b>FINES AND FORFEITURES</b>			
Court fines	375,000	375,000	394,241
False alarm fines and fees	5,000	5,000	3,675
Administrative tow fees	110,000	110,000	94,485
<b>Total fines and forfeitures</b>	<b>490,000</b>	<b>490,000</b>	<b>492,401</b>

(This schedule is continued on the following page.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>INTERGOVERNMENTAL</b>			
Police grants	\$ 15,400	\$ 15,400	\$ 8,662
Police training reimbursements	9,300	9,300	-
Miscellaneous grants	382,000	382,000	185,045
Total intergovernmental	406,700	406,700	193,707
<b>INVESTMENT INCOME</b>	40,000	40,000	24,563
<b>MISCELLANEOUS</b>			
Miscellaneous income	34,600	34,600	13,074
Total miscellaneous	34,600	34,600	13,074
<b>TOTAL REVENUES</b>	<b>\$ 9,841,600</b>	<b>\$ 9,841,600</b>	<b>\$ 10,967,558</b>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>GENERAL GOVERNMENT</b>			
Executive services			
Personnel services			
Regular salaries	\$ 264,000	\$ 239,000	\$ 214,897
Overtime salaries	2,000	2,000	1,725
Total personnel services	<u>266,000</u>	<u>241,000</u>	<u>216,622</u>
Contractual services			
Professional services	<u>6,100</u>	<u>31,100</u>	<u>29,380</u>
Total contractual services	<u>6,100</u>	<u>31,100</u>	<u>29,380</u>
Other charges			
Memberships	9,300	9,300	7,368
Vehicle expenditures	5,400	5,400	4,300
Professional development	3,000	3,000	1,475
Publications	600	600	567
Classified advertisements	2,000	2,000	4,497
Boards and commissions	2,000	2,000	892
Business expenditures	<u>4,600</u>	<u>4,600</u>	<u>9,276</u>
Total other charges	<u>26,900</u>	<u>26,900</u>	<u>28,375</u>
Total executive services	<u>299,000</u>	<u>299,000</u>	<u>274,377</u>
Finance			
Personnel services			
Regular salaries	201,000	201,000	201,488
Overtime salaries	<u>2,000</u>	<u>2,000</u>	<u>4,556</u>
Total personnel services	<u>203,000</u>	<u>203,000</u>	<u>206,044</u>
Contractual services			
Printing	1,100	1,100	366
Equipment maintenance	2,100	2,100	1,391
Professional services	20,900	20,900	20,186
Legal notices	800	800	844
Outside services	<u>100</u>	<u>100</u>	<u>-</u>
Total contractual services	<u>25,000</u>	<u>25,000</u>	<u>22,787</u>

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
 GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Finance (Continued)			
Commodities			
Licensing supplies	\$ 600	\$ 600	\$ 358
Total commodities	600	600	358
Other charges			
Memberships	1,100	1,100	1,296
Professional development	700	700	140
Publications	400	400	413
Business expenditures	500	500	391
Total other charges	2,700	2,700	2,240
Total finance	231,300	231,300	231,429
Legal			
Contractual services			
Legal services	132,000	132,000	152,261
Total legal	132,000	132,000	152,261
Insurance			
Contractual services			
Telephone	31,500	31,500	34,711
Printing	19,500	19,500	16,226
Data systems	67,500	67,500	78,747
Postage	17,100	17,100	8,426
Duplicating	16,200	16,200	11,606
Medical insurance	578,000	578,000	560,168
General insurance	219,200	219,200	163,234
Property deductibles	2,000	2,000	-
Outside services	14,000	14,000	13,190
Total contractual services	965,000	965,000	886,308
Commodities			
Office supplies	16,200	16,200	13,712
Total commodities	16,200	16,200	13,712

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Insurance			
Capital outlay			
Office equipment	\$ 14,500	\$ 14,500	\$ 364
Total capital outlay	14,500	14,500	364
Total insurance	995,700	995,700	900,384
Total general government	1,658,000	1,658,000	1,558,451
PUBLIC SAFETY			
Police			
Personnel services			
Regular salaries	2,306,000	2,296,000	2,208,604
Overtime salaries	105,000	105,000	120,927
Total personnel services	2,411,000	2,401,000	2,329,531
Contractual services			
Printing	4,000	4,000	1,593
Equipment maintenance	61,700	61,700	56,060
Professional services	37,500	47,500	43,693
Data systems	2,000	2,000	1,669
Total contractual services	105,200	115,200	103,015
Commodities			
Maintenance materials	17,200	17,200	9,749
Total commodities	17,200	17,200	9,749
Other charges			
Memberships	2,100	2,100	1,750
Vehicle expenditures	182,800	182,800	182,805
Professional development	30,500	30,500	22,082
Publications	1,000	1,000	348
Uniforms	29,800	29,800	26,174
Minor equipment	6,000	6,000	16,340
Business expenditures	9,500	9,500	7,126
Total other charges	261,700	261,700	256,625

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>PUBLIC SAFETY (Continued)</b>			
Police (Continued)			
Capital outlay			
Motor equipment	\$ 134,800	\$ 134,800	\$ 104,083
Capital projects	14,700	14,700	13,855
Other equipment	165,100	165,100	-
Total capital outlay	<u>314,600</u>	<u>314,600</u>	<u>117,938</u>
Total public safety	<u>3,109,700</u>	<u>3,109,700</u>	<u>2,816,858</u>
<b>COMMUNITY DEVELOPMENT</b>			
Administration			
Personnel services			
Regular salaries	422,000	422,000	422,901
Overtime salaries	8,000	8,000	5,627
Total personnel services	<u>430,000</u>	<u>430,000</u>	<u>428,528</u>
Contractual services			
Legal notices	300	300	74
Outside services	6,200	6,200	4,679
Total contractual services	<u>6,500</u>	<u>6,500</u>	<u>4,753</u>
Other charges			
Memberships	9,300	9,300	9,070
Vehicle expenditures	5,200	5,200	5,223
Professional development	1,400	1,400	355
Publications	1,600	1,600	1,442
Board and commissions	200	200	130
Business expenditures	1,500	1,500	712
Total other charges	<u>19,200</u>	<u>19,200</u>	<u>16,932</u>
Total community development	<u>455,700</u>	<u>455,700</u>	<u>450,213</u>
<b>PUBLIC WORKS</b>			
Administration			
Personnel services			
Regular salaries	138,000	138,000	138,114
Overtime salaries	5,000	5,000	6,075
Total personnel services	<u>143,000</u>	<u>143,000</u>	<u>144,189</u>

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>PUBLIC WORKS (Continued)</b>			
Administration (Continued)			
Contractual services			
Equipment maintenance	\$ 600	\$ 600	\$ 393
Professional services	50,400	50,400	46,554
Legal notices	1,000	1,000	798
Outside services	5,000	5,000	4,693
Total contractual services	<u>57,000</u>	<u>57,000</u>	<u>52,438</u>
Other charges			
Memberships	900	900	463
Vehicle expenditures	6,000	6,000	6,000
Professional development	4,000	4,000	3,690
Publications	200	200	-
Business expenditures	2,000	2,000	651
Total other charges	<u>13,100</u>	<u>13,100</u>	<u>10,804</u>
Capital outlay			
Other equipment	2,000	2,000	1,671
Total capital outlay	<u>2,000</u>	<u>2,000</u>	<u>1,671</u>
Total administration	<u>215,100</u>	<u>215,100</u>	<u>209,102</u>
Streets and storm drainage			
Personnel services			
Regular salaries	350,000	350,000	347,006
Overtime salaries	45,000	45,000	32,185
Total personnel services	<u>395,000</u>	<u>395,000</u>	<u>379,191</u>
Contractual services			
Equipment maintenance	1,800	1,800	345
Electric utilities	18,500	18,500	13,676
Outside services	224,100	224,100	191,227
Total contractual services	<u>244,400</u>	<u>244,400</u>	<u>205,248</u>

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
PUBLIC WORKS (Continued)			
Streets and storm drainage (Continued)			
Commodities			
Maintenance materials	\$ 10,400	\$ 10,400	\$ 11,919
Repair and restoration	10,800	10,800	11,829
Construction materials	3,600	3,600	3,214
Snow and ice control	61,600	61,600	57,191
Total commodities	86,400	86,400	84,153
Other charges			
Memberships	200	200	200
Vehicle expenditures	156,700	156,700	156,690
Professional development	800	800	170
Uniforms	3,400	3,400	2,506
Minor equipment	1,800	1,800	607
Business expenditures	600	600	420
Total other charges	163,500	163,500	160,593
Capital outlay			
Motor equipment	129,700	129,700	112,957
Capital projects	315,000	315,000	273,621
Other equipment	98,500	98,500	79,791
Total capital outlay	543,200	543,200	466,369
Total streets and storm drainage	1,432,500	1,432,500	1,295,554
Environmental services			
Personnel services			
Regular salaries	190,000	190,000	158,850
Overtime salaries	5,000	5,000	3,898
Total personnel services	195,000	195,000	162,748
Contractual services			
Equipment maintenance	500	500	197
Professional services	2,100	2,100	2,100
Outside services	254,000	254,000	166,637
Total contractual services	256,600	256,600	168,934

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>PUBLIC WORKS (Continued)</b>			
Environmental services (Continued)			
Commodities			
Maintenance materials	\$ 6,700	\$ 6,700	\$ 1,383
Repair and restoration	700	700	(133)
Total commodities	<u>7,400</u>	<u>7,400</u>	<u>1,250</u>
Other charges			
Memberships	1,400	1,400	765
Vehicle expenditures	7,800	7,800	7,835
Professional development	1,400	1,400	359
Publications	100	100	67
Uniforms	700	700	553
Minor equipment	2,900	2,900	1,632
Business expenditures	100	100	133
Total other charges	<u>14,400</u>	<u>14,400</u>	<u>11,344</u>
Capital outlay			
Capital projects	<u>315,000</u>	<u>315,000</u>	<u>50,278</u>
Total capital outlay	<u>315,000</u>	<u>315,000</u>	<u>50,278</u>
Total environmental services	<u>788,400</u>	<u>788,400</u>	<u>394,554</u>
Buildings			
Personnel services			
Regular salaries	34,000	34,000	32,374
Overtime salaries	1,000	1,000	4,834
Total personnel services	<u>35,000</u>	<u>35,000</u>	<u>37,208</u>
Contractual services			
Equipment maintenance	2,000	2,000	741
Outside services	109,100	109,100	119,068
Total contractual services	<u>111,100</u>	<u>111,100</u>	<u>119,809</u>

(This schedule is continued on the following pages.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>PUBLIC WORKS (Continued)</b>			
Buildings (Continued)			
Commodities			
Maintenance materials	\$ 16,500	\$ 16,500	\$ 11,942
Repair and restoration	1,800	1,800	1,574
Construction materials	500	500	-
Total commodities	<u>18,800</u>	<u>18,800</u>	<u>13,516</u>
Other charges			
Vehicle expenditures	5,200	5,200	5,223
Professional development	200	200	-
Uniforms	300	300	80
Minor equipment	3,100	3,100	3,016
Business expenditures	2,100	2,100	1,753
Total other charges	<u>10,900</u>	<u>10,900</u>	<u>10,072</u>
Capital outlay			
Capital projects	60,000	60,000	44,478
Total capital outlay	<u>60,000</u>	<u>60,000</u>	<u>44,478</u>
Total buildings	<u>235,800</u>	<u>235,800</u>	<u>225,083</u>
Total public works	<u>2,671,800</u>	<u>2,671,800</u>	<u>2,124,293</u>
<b>PARKS AND RECREATION</b>			
Parks and grounds			
Personnel services			
Regular salaries	345,000	345,000	366,759
Overtime salaries	24,000	24,000	27,339
Total personnel services	<u>369,000</u>	<u>369,000</u>	<u>394,098</u>
Contractual services			
Equipment maintenance	2,000	2,000	1,553
Professional services	72,000	72,000	66,860
Gas utilities	3,000	3,000	1,546
Electric utilities	28,000	28,000	31,903
Outside services	90,200	90,200	80,069
Total contractual services	<u>195,200</u>	<u>195,200</u>	<u>181,931</u>

(This schedule is continued on the following page.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
 GENERAL CORPORATE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
PARKS AND RECREATION (Continued)			
Parks and grounds (Continued)			
Commodities			
Maintenance materials	\$ 35,500	\$ 35,500	\$ 29,313
Repair and restoration	2,300	2,300	1,616
Construction materials	4,500	4,500	2,806
Total commodities	42,300	42,300	33,735
Other charges			
Memberships	600	600	489
Vehicle expenditures	112,300	112,300	112,294
Professional development	2,500	2,500	1,610
Publications	100	100	-
Uniforms	3,900	3,900	3,114
Minor equipment	2,000	2,000	1,265
Business expenditures	600	600	388
Total other charges	122,000	122,000	119,160
Capital outlay			
Capital projects	44,500	44,500	41,452
Other equipment	51,000	51,000	44,665
Total capital outlay	95,500	95,500	86,117
Total parks and recreation	824,000	824,000	815,041
Debt service			
Principal retirement	409,000	409,000	408,828
Interest and fiscal charges	73,000	73,000	72,754
Total debt service	482,000	482,000	481,582
TOTAL EXPENDITURES	\$ 9,201,200	\$ 9,201,200	\$ 8,246,438

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TAX INCREMENT FINANCING (TIF) FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Taxes			
Property	\$ 1,681,000	\$ 1,681,000	\$ 1,692,249
Investment income	300	300	2,744
	<hr/>		
Total revenues	1,681,300	1,681,300	1,694,993
<hr/>			
<b>EXPENDITURES</b>			
Capital outlay			
Contractual services	24,000	24,000	107,678
Construction	400,000	2,574,000	1,818,282
Debt service			
Principal retirement	511,600	511,600	511,618
Interest and fiscal charges	67,600	67,600	67,588
	<hr/>		
Total expenditures	1,003,200	3,177,200	2,505,166
<hr/>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	678,100	(1,495,900)	(810,173)
<hr/>			
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 678,100</u>	<u>\$ (1,495,900)</u>	(810,173)
<b>FUND BALANCE, JANUARY 1</b>			<u>7,580,497</u>
<b>FUND BALANCE, DECEMBER 31</b>			<u>\$ 6,770,324</u>

(See independent auditor's report.)

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Motor Fuel Tax Fund - to account for the receipt and use of the Village's share of state gasoline taxes. State law restricts these gasoline taxes to be used to maintain streets, traffic signals, etc.

Fraud Alcohol and Drug Fund - to account for the receipt and tracking of seized assets related to the police operations of the Village.

Enhanced 911 Fund - to account for revenues approved by voters from a surcharge on all local telephone lines. These revenues pay for the design, implementation, upgrade, maintenance and personnel costs of an enhanced 911 emergency dispatch system.

### DEBT SERVICE FUNDS

Special Service Area Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term special service area debt.

### CAPITAL PROJECTS FUNDS

Park Development Capital Projects Fund - to account for the receipt of park donations from developers. The Village Code requires that all developers make a donation of park land to accommodate the residents of a new development. The Village Code allows the Village to accept cash in lieu of land when the amount of land required from the developer is too small for a meaningful park, there are adequate park facilities in the area, or for other reasons the Village Board may find appropriate.

2012 Capital Projects Fund - to account for the financial resources used for the acquisition or construction of major capital assets in the special service area

VILLAGE OF LINCOLNSHIRE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Revenue Funds			
	Motor Fuel Tax	Fraud, Alcohol and Drug	Enhanced 911	Total Special Revenue
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,236	\$ 71,612	\$ 57,658	\$ 185,506
Investments	4,648	-	37,807	42,455
Receivables				
Property taxes	-	-	-	-
Other taxes	14,000	-	55,000	69,000
Accrued interest	-	-	-	-
Prepaid item	-	265	1,638	1,903
<b>Total assets</b>	<b>74,884</b>	<b>71,877</b>	<b>152,103</b>	<b>298,864</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	-	-	-	-
<b>Total Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 74,884</b>	<b>\$ 71,877</b>	<b>\$ 152,103</b>	<b>\$ 298,864</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 2,065	\$ 9,812	\$ 11,877
Accrued payroll	-	-	7,571	7,571
Unearned revenue	-	-	5,400	5,400
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,065</b>	<b>22,783</b>	<b>24,848</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
None	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>-</b>	<b>2,065</b>	<b>22,783</b>	<b>24,848</b>

(See independent auditor's report.)

Debt Service	Capital Projects			Total
	Park Development Capital Projects	2012 1A Westminster Signal	Total Capital Projects	
\$ 9,818	\$ 8,156	\$ 27,960	\$ 36,116	\$ 231,440
2,021,558	105,638	205,533	311,171	2,375,184
1,248,100	-	-	-	1,248,100
-	-	-	-	69,000
-	128	-	128	128
-	-	-	-	1,903
3,279,476	113,922	233,493	347,415	3,925,755
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,279,476</u>	<u>\$ 113,922</u>	<u>\$ 233,493</u>	<u>\$ 347,415</u>	<u>\$ 3,925,755</u>

\$ 1,483	\$ 88,000	\$ -	\$ 88,000	\$ 101,360
-	-	-	-	7,571
-	-	-	-	5,400
-	10,600	215,000	225,600	225,600
1,483	98,600	215,000	313,600	339,931
1,248,100	-	-	-	1,248,100
1,248,100	-	-	-	1,248,100
1,249,583	98,600	215,000	313,600	1,588,031

VILLAGE OF LINCOLNSHIRE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Revenue Funds			
	Motor Fuel Tax	Fraud, Alcohol and Drug	Enhanced 911	Total Special Revenue
<b>FUND BALANCES</b>				
Nonspendable in form - prepaid items	\$ -	\$ 265	\$ 1,638	\$ 1,903
Restricted for debt service	-	-	-	-
Restricted for maintenance of roadways	74,884	-	-	74,884
Restricted for public safety	-	69,547	127,682	197,229
Unrestricted				
Assigned for capital projects	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>74,884</b>	<b>69,812</b>	<b>129,320</b>	<b>274,016</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 74,884</b>	<b>\$ 71,877</b>	<b>\$ 152,103</b>	<b>\$ 298,864</b>

Debt Service	Capital Projects			Total
	Park Development Capital Projects	2012 1A Westminster Signal	Total Capital Projects	
\$ -	\$ -	\$ -	\$ -	\$ 1,903
2,029,893	-	-	-	2,029,893
-	-	-	-	74,884
-	-	-	-	197,229
-	15,322	18,493	33,815	33,815
2,029,893	15,322	18,493	33,815	2,337,724
<u>\$ 3,279,476</u>	<u>\$ 113,922</u>	<u>\$ 233,493</u>	<u>\$ 347,415</u>	<u>\$ 3,925,755</u>

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	Special Revenue Funds			Total Special Revenue
	Motor Fuel Tax	Fraud, Alcohol and Drug	Enhanced 911	
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	219,756	-	333,690	553,446
Charges for services	-	31,448	80,343	111,791
Investment income	180	-	247	427
<b>Total revenues</b>	<b>219,936</b>	<b>31,448</b>	<b>414,280</b>	<b>665,664</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	28,622	444,690	473,312
Capital outlay	217,000	-	-	217,000
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>217,000</b>	<b>28,622</b>	<b>444,690</b>	<b>690,312</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,936</b>	<b>2,826</b>	<b>(30,410)</b>	<b>(24,648)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	60,000	60,000
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>60,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,936</b>	<b>2,826</b>	<b>29,590</b>	<b>35,352</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>71,948</b>	<b>66,986</b>	<b>99,730</b>	<b>238,664</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 74,884</b>	<b>\$ 69,812</b>	<b>\$ 129,320</b>	<b>\$ 274,016</b>

(See independent auditor's report.)

Debt Service	Capital Projects			Total Capital Projects	Total
	Special Service Area Debt Service	Park Development Capital Projects	2012 1A Westminster Signal		
\$ 1,160,625	\$ -	\$ 17,946	\$ 17,946	\$ 1,178,571	
-	-	-	-	553,446	
-	-	-	-	111,791	
16,650	112	547	659	17,736	
				-	
1,177,275	112	18,493	18,605	1,861,544	
5,929	-	-	-	5,929	
-	-	-	-	473,312	
-	-	-	-	217,000	
				-	
290,000	-	-	-	290,000	
864,688	-	-	-	864,688	
1,160,617	-	-	-	1,850,929	
16,658	112	18,493	18,605	10,615	
2,011,882	-	-	-	2,071,882	
-	(10,600)	-	(10,600)	(10,600)	
2,011,882	(10,600)	-	(10,600)	2,061,282	
2,028,540	(10,488)	18,493	8,005	2,071,897	
1,353	25,810	\$ -	25,810	265,827	
\$ 2,029,893	\$ 15,322	\$ 18,493	\$ 33,815	\$ 2,337,724	

VILLAGE OF LINCOLNSHIRE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Intergovernmental			
Allotments earned	\$ 187,000	\$ 187,000	\$ 219,756
Investment income	200	200	180
Total revenues	<u>187,200</u>	<u>187,200</u>	<u>219,936</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>217,000</u>	<u>217,000</u>	<u>217,000</u>
Total expenditures	<u>217,000</u>	<u>217,000</u>	<u>217,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (29,800)</u>	<u>\$ (29,800)</u>	2,936
<b>FUND BALANCES, JANUARY 1</b>			<u>71,948</u>
<b>FUND BALANCES, DECEMBER 31</b>			<u>\$ 74,884</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ENHANCED 911 FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Other taxes			
E911 surcharges	\$ 320,000	\$ 320,000	\$ 333,690
Telecommunications fees	78,000	78,000	80,343
Investment income	200	200	247
Total revenues	<u>398,200</u>	<u>398,200</u>	<u>414,280</u>
<b>EXPENDITURES</b>			
Public safety			
Personnel services	290,000	290,000	299,878
Contractual services	98,300	98,300	80,201
Commodities	500	500	39
Miscellaneous	61,100	61,100	64,572
Total expenditures	<u>449,900</u>	<u>449,900</u>	<u>444,690</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(51,700)</u>	<u>(51,700)</u>	<u>(30,410)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 8,300</u>	<u>\$ 8,300</u>	29,590
<b>FUND BALANCES, JANUARY 1</b>			<u>99,730</u>
<b>FUND BALANCES, DECEMBER 31</b>			<u>\$ 129,320</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PARK DEVELOPMENT CAPITAL PROJECTS FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Investment income	\$ -	\$ -	\$ 112
Total revenues	-	-	112
<b>EXPENDITURES</b>			
Capital outlay	-	15,500	-
Total expenditures	-	15,500	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(15,500)	112
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(35,000)	(10,600)	(10,600)
Total other financing sources (uses)	(35,000)	(10,600)	(10,600)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (35,000)</u>	<u>\$ (26,100)</u>	(10,488)
FUND BALANCES, JANUARY 1			<u>25,810</u>
FUND BALANCES, DECEMBER 31			<u>\$ 15,322</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
2012 CAPITAL PROJECTS FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Property taxes	\$ 17,400	\$ 17,400	\$ 17,946
Intergovernmental	150,000	150,000	-
Investment income	-	-	547
<b>Total revenues</b>	<b>167,400</b>	<b>167,400</b>	<b>18,493</b>
<b>EXPENDITURES</b>			
Capital outlay	381,800	381,800	-
<b>Total expenditures</b>	<b>381,800</b>	<b>381,800</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(214,400)</b>	<b>(214,400)</b>	<b>18,493</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	215,000	215,000	-
<b>Total other financing sources (uses)</b>	<b>215,000</b>	<b>215,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 600</b>	<b>\$ 600</b>	<b>18,493</b>
<b>FUND BALANCES, JANUARY 1</b>			<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>			<b>\$ 18,493</b>

(See independent auditor's report.)

## ENTERPRISE FUNDS

Water and Sanitary Sewer Fund - to account for the provision of water and sewer 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, maintenance, capital improvements, financing and related debt service and billing and collection. These activities are accounted for in the revenue and improvement subfunds.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

COMBINING SCHEDULE OF NET POSITION  
WATER AND SANITARY SEWER FUND

December 31, 2012

	Revenue Account	Improvement Account	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 381,591	\$ 6,027	\$ 387,618
Cash at paying agent	-	93,641	93,641
Investments	1,048,302	383,145	1,431,447
Receivables			
Accounts - billed	318,248	-	318,248
Accounts - unbilled	113,569	-	113,569
Accrued interest	113	77	190
Prepaid expenses	15,106	200	15,306
Due from other funds	26,647	-	26,647
<b>Total current assets</b>	<b>1,903,576</b>	<b>483,090</b>	<b>2,386,666</b>
<b>CAPITAL ASSETS</b>			
Nondepreciable	115,558	-	115,558
Depreciable, net of accumulated depreciation	38,091,167	-	38,091,167
<b>Net capital assets</b>	<b>38,206,725</b>	<b>-</b>	<b>38,206,725</b>
<b>Total assets</b>	<b>40,110,301</b>	<b>483,090</b>	<b>40,593,391</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>40,110,301</b>	<b>483,090</b>	<b>40,593,391</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	523,770	90,635	614,405
Accrued payroll	10,432	-	10,432
Accrued interest payable	12,632	-	12,632
Compensated absences payable	11,259	-	11,259
Current portion of notes payable	163,282	-	163,282
<b>Total current liabilities</b>	<b>721,375</b>	<b>90,635</b>	<b>812,010</b>
<b>LONG-TERM LIABILITIES</b>			
Compensated absences payable	33,778	-	33,778
Notes payable	787,325	-	787,325
<b>Total long-term liabilities</b>	<b>821,103</b>	<b>-</b>	<b>821,103</b>
<b>Total liabilities</b>	<b>1,542,478</b>	<b>90,635</b>	<b>1,633,113</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
None	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,542,478</b>	<b>90,635</b>	<b>1,633,113</b>
<b>NET POSITION</b>			
Net investment in capital assets	37,256,118	-	37,256,118
Unrestricted	1,311,705	392,455	1,704,160
<b>TOTAL NET POSITION</b>	<b>\$ 38,567,823</b>	<b>\$ 392,455</b>	<b>\$ 38,960,278</b>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
WATER AND SANITARY SEWER FUND

For the Year Ended December 31, 2012

	Revenue Account	Improvement Account	Eliminations	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,046,169	\$ -	\$ -	\$ 4,046,169
Miscellaneous	6,639	-	-	6,639
Total operating revenues	4,052,808	-	-	4,052,808
<b>OPERATING EXPENSES</b>				
Administration	577,546	-	-	577,546
Operations	3,270,628	-	-	3,270,628
Capital outlay	-	52,803	-	52,803
Total operating expenses	3,848,174	52,803	-	3,900,977
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>				
	204,634	(52,803)	-	151,831
Depreciation	1,607,113	-	-	1,607,113
<b>OPERATING INCOME (LOSS)</b>				
	(1,402,479)	(52,803)	-	(1,455,282)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	2,840	1,564	-	4,404
Connection fees	-	58,776	-	58,776
Interest expense	-	(26,181)	-	(26,181)
Gain on sale of capital assets	(13,350)	-	-	(13,350)
Total nonoperating revenues (expenses)	(10,510)	34,159	-	23,649
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>				
	(1,412,989)	(18,644)	-	(1,431,633)
<b>TRANSFERS</b>				
Transfers in	321,277	700,000	(321,277)	700,000
Transfers (out)	-	(321,277)	321,277	-
Total transfers	321,277	378,723	-	700,000
<b>CONTRIBUTIONS</b>				
	36,145	-	-	36,145
<b>CHANGE IN NET POSITION</b>				
	(1,055,567)	360,079	-	(695,488)
<b>NET POSITION, JANUARY 1</b>				
	39,623,390	32,376	-	39,655,766
<b>NET POSITION, DECEMBER 31</b>				
	\$ 38,567,823	\$ 392,455	\$ -	\$ 38,960,278

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
WATER AND SANITARY SEWER FUND - REVENUE ACCOUNT

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>OPERATING REVENUES</b>			
Charges for services			
Water sales	\$ 3,840,000	\$ 3,840,000	\$ 4,046,169
Miscellaneous			
Other	5,000	5,000	6,639
Total operating revenues	<u>3,845,000</u>	<u>3,845,000</u>	<u>4,052,808</u>
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>			
Administration	625,000	625,000	577,546
Operations	3,187,200	3,220,800	3,270,628
Total operating expenses excluding depreciation	<u>3,812,200</u>	<u>3,845,800</u>	<u>3,848,174</u>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>			
	32,800	(800)	204,634
Depreciation	-	-	1,607,113
<b>OPERATING INCOME (LOSS)</b>	<u>32,800</u>	<u>(800)</u>	<u>(1,402,479)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	1,500	1,500	2,840
Gain on sale of capital assets	200	200	(13,350)
Total nonoperating revenues (expenses)	<u>1,700</u>	<u>1,700</u>	<u>(10,510)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>			
	34,500	900	(1,412,989)
<b>TRANSFERS</b>			
Transfers in	-	-	321,277
Total transfers	<u>-</u>	<u>-</u>	<u>321,277</u>
<b>CONTRIBUTIONS</b>			
	<u>-</u>	<u>-</u>	<u>36,145</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 34,500</u>	<u>\$ 900</u>	<u>(1,055,567)</u>
<b>NET POSITION, JANUARY 1</b>			<u>39,623,390</u>
<b>NET POSITION, DECEMBER 31</b>			<u>\$ 38,567,823</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATER AND SANITARY SEWER FUND - REVENUE ACCOUNT

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>ADMINISTRATION</b>			
Personnel services			
Corporate salaries	\$ 205,000	\$ 205,000	\$ 192,934
Overtime salaries	500	500	(14)
Total personnel services	<u>205,500</u>	<u>205,500</u>	<u>192,920</u>
Contractual services			
Telephone	31,500	31,500	35,141
Printing	3,000	3,000	2,645
Professional services	61,200	61,200	61,299
Data processing	7,500	7,500	7,620
Postage	4,000	4,000	4,496
Duplicating	1,800	1,800	1,283
Medical insurance	83,000	83,000	72,718
General insurance	99,000	99,000	73,718
Outside services	2,600	2,600	1,510
Total contractual services	<u>293,600</u>	<u>293,600</u>	<u>260,430</u>
Commodities			
Office supplies	1,800	1,800	1,524
Total commodities	<u>1,800</u>	<u>1,800</u>	<u>1,524</u>
Other charges			
Memberships	500	500	315
Vehicle expense	3,000	3,000	3,000
Professional development	300	300	-
Publications	100	100	-
Business expense	120,200	120,200	119,357
Total other charges	<u>124,100</u>	<u>124,100</u>	<u>122,672</u>
Total administration	<u>625,000</u>	<u>625,000</u>	<u>577,546</u>
<b>OPERATIONS</b>			
Personnel services			
Regular salaries	370,000	370,000	360,862
Overtime salaries	28,500	48,500	42,012
Total personnel services	<u>398,500</u>	<u>418,500</u>	<u>402,874</u>

(This schedule is continued on the following page.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (Continued)  
 WATER AND SANITARY SEWER FUND - REVENUE ACCOUNT

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATIONS (Continued)			
Contractual services			
Equipment maintenance	\$ 20,700	\$ 20,700	\$ 32,510
Gas utilities	3,200	3,200	2,829
Electric utilities	83,600	83,600	77,614
Outside services	47,700	47,700	39,727
Water purchases	1,060,000	1,060,000	1,153,920
Sanitary sewer charges	1,480,000	1,480,000	1,475,762
Sanitary sewer transmission fees	8,000	8,000	7,784
Total contractual services	<u>2,703,200</u>	<u>2,703,200</u>	<u>2,790,146</u>
Commodities			
Maintenance materials	18,700	32,300	17,783
Water meters	9,000	9,000	1,855
Total commodities	<u>27,700</u>	<u>41,300</u>	<u>19,638</u>
Other charges			
Memberships	400	400	563
Vehicle expense	52,200	52,200	52,230
Professional development	800	800	35
Uniforms	2,100	2,100	2,220
Minor equipment	1,300	1,300	891
Business expense	1,000	1,000	2,031
Total other charges	<u>57,800</u>	<u>57,800</u>	<u>57,970</u>
Total operations	<u>3,187,200</u>	<u>3,220,800</u>	<u>3,270,628</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,812,200</u>	<u>\$ 3,845,800</u>	<u>\$ 3,848,174</u>

(See independent auditor's report.)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATER AND SANITARY SEWER FUND - IMPROVEMENT ACCOUNT

For the Year Ended December 31, 2012

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	Original Budget	Final Budget	Actual
<b>OPERATING EXPENSES</b>			
Capital outlay			
Motor equipment	\$ 15,300	\$ 15,300	\$ 8,448
Office equipment	8,200	8,200	1,003
Capital projects	397,500	397,500	39,892
Other equipment	44,000	44,000	3,460
	<hr/>		
Total capital outlay	465,000	465,000	52,803
	<hr/>		
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 465,000</b>	<b>\$ 465,000</b>	<b>\$ 52,803</b>

(See independent auditor's report.)

## INTERNAL SERVICE FUND

Vehicle Maintenance and Operations Fund - to account for the costs of operating and maintaining vehicles used by various village departments, with the costs for these functions allocated to the appropriate department.

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL  
VEHICLE MAINTENANCE AND OPERATIONS FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>OPERATING REVENUES</b>			
Interfund services			
General Corporate Fund	\$ 470,000	\$ 470,000	\$ 470,070
Water and Sanitary Sewer Fund	52,300	52,300	52,230
Total operating revenues	<u>522,300</u>	<u>522,300</u>	<u>522,300</u>
<b>OPERATING EXPENSES</b>			
Personnel services			
Regular salaries	155,000	155,000	154,780
Overtime salaries	5,000	5,000	4,513
Total personnel services	<u>160,000</u>	<u>160,000</u>	<u>159,293</u>
Professional services			
Equipment maintenance	1,800	1,800	875
Medical insurance	21,900	21,900	20,215
General insurance	21,200	21,200	15,797
Outside services	49,900	62,000	41,339
Total professional services	<u>94,800</u>	<u>106,900</u>	<u>78,226</u>
Commodities			
Maintenance materials	7,900	7,900	4,568
Total commodities	<u>7,900</u>	<u>7,900</u>	<u>4,568</u>
Other charges			
Memberships	500	500	30
Professional development	500	500	813
Publications	5,600	5,600	3,245
Uniforms	1,500	1,500	1,019
Gasoline, oil, antifreeze	167,200	167,200	107,904
Vehicle maintenance parts	36,000	36,000	39,580
Vehicle tires	17,000	17,000	12,843
Business expense	31,300	31,300	28,406
Total other charges	<u>259,600</u>	<u>259,600</u>	<u>193,840</u>
Depreciation	-	-	-
Total operating expenses	<u>522,300</u>	<u>534,400</u>	<u>435,927</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (12,100)</u>	86,373
NET POSITION (DEFICIT), JANUARY 1			<u>(9,762)</u>
NET POSITION (DEFICIT), DECEMBER 31			<u>\$ 76,611</u>

(See independent auditor's report.)

FIDUCIARY FUND

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SCHEDULE OF CHANGES IN PLAN NET POSITION - BUDGET AND ACTUAL  
POLICE PENSION FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>ADDITIONS</b>			
Contributions - employer	\$ 959,200	\$ 959,200	\$ 961,521
Contributions - employee	200,700	200,700	190,630
Other contributions	-	-	66
<b>Total contributions</b>	<b>1,159,900</b>	<b>1,159,900</b>	<b>1,152,217</b>
<b>Investment income</b>			
Net appreciation (depreciation) in fair value of investments	-	-	941,717
Interest earned on investments	820,000	820,000	378,878
<b>Total investment income</b>	<b>820,000</b>	<b>820,000</b>	<b>1,320,595</b>
<b>Less investment expense</b>	<b>-</b>	<b>-</b>	<b>(65,637)</b>
<b>Net investment income</b>	<b>820,000</b>	<b>820,000</b>	<b>1,254,958</b>
<b>Total additions</b>	<b>1,979,900</b>	<b>1,979,900</b>	<b>2,407,175</b>
<b>DEDUCTIONS</b>			
Benefits	754,000	754,000	778,852
Administrative	1,225,900	1,225,900	24,815
<b>Total deductions</b>	<b>1,979,900</b>	<b>1,979,900</b>	<b>803,667</b>
<b>NET INCREASE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,603,508</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
January 1			<u>14,868,201</u>
December 31			<u>\$ 16,471,709</u>

(See independent auditor's report.)

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	83-90
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village's most significant local revenue source, the sales tax.	91-93
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	94-97
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	98-99
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	100-102

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

VILLAGE OF LINCOLNSHIRE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2006 (1)	2007	2008	2009	2010	2011	2012
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 51,402,139	\$ 47,869,966	\$ 47,313,273	\$ 68,424,957	\$ 66,725,834	\$ 66,259,268	\$ 68,808,108	\$ 68,687,377	\$ 68,420,057	\$ 70,013,193
Restricted	5,317	2,955,072	2,126,303	1,731,077	2,344,362	2,244,875	2,044,365	8,637,570	9,917,234	9,168,024
Unrestricted	7,248,335	(1,914,930)	2,925,079	(2,526,351)	(2,215,238)	(1,159,963)	(7,094,159)	(6,201,507)	(3,308,622)	(566,152)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 58,655,791</b>	<b>\$ 48,910,108</b>	<b>\$ 52,364,655</b>	<b>\$ 67,629,683</b>	<b>\$ 66,854,958</b>	<b>\$ 67,344,180</b>	<b>\$ 63,758,314</b>	<b>\$ 71,123,440</b>	<b>\$ 75,028,669</b>	<b>\$ 78,615,065</b>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 38,533,510	\$ 37,573,504	\$ 36,828,116	\$ 38,752,353	\$ 42,314,239	\$ 41,517,419	\$ 40,888,121	\$ 39,673,213	\$ 38,521,272	\$ 37,256,118
Unrestricted	2,100,807	1,837,509	2,288,281	3,766,210	1,629,463	1,143,932	1,077,519	1,049,886	1,134,494	1,704,160
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 40,634,317</b>	<b>\$ 39,411,013</b>	<b>\$ 39,116,397</b>	<b>\$ 42,518,563</b>	<b>\$ 43,943,702</b>	<b>\$ 42,661,351</b>	<b>\$ 41,965,640</b>	<b>\$ 40,723,099</b>	<b>\$ 39,655,766</b>	<b>\$ 38,960,278</b>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 89,935,649	\$ 85,443,470	\$ 84,141,389	\$ 107,177,310	\$ 109,040,073	\$ 107,776,687	\$ 109,696,229	\$ 108,360,590	\$ 106,941,329	\$ 107,269,311
Restricted	5,317	2,955,072	2,126,303	1,731,077	1,927,055	1,888,107	2,044,365	8,637,570	9,917,234	9,168,024
Restricted for enabling legislation	-	-	-	491,640	417,307	356,768	-	-	-	-
Unrestricted	9,349,142	(77,421)	5,213,360	748,219	(585,775)	(16,031)	(6,016,640)	(5,151,621)	(2,174,128)	1,138,008
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 99,290,108</b>	<b>\$ 88,321,121</b>	<b>\$ 91,481,052</b>	<b>\$ 110,148,246</b>	<b>\$ 110,798,660</b>	<b>\$ 110,005,531</b>	<b>\$ 105,723,954</b>	<b>\$ 111,846,539</b>	<b>\$ 114,684,435</b>	<b>\$ 117,575,343</b>

Notes

(1) The Village changed its fiscal year end from April 30 to December 31 in 2006. The column labeled 2006(1) is as of December 31, 2006.

Data Source

Audited Financial Statements

VILLAGE OF LINCOLNSHIRE, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2006 (1)
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 4,153,400	\$ 2,639,981	\$ 3,902,410	\$ 3,096,531
Public safety	2,311,602	2,331,087	2,685,220	2,293,286
Community development	509,310	515,858	548,118	429,049
Public works	3,201,240	14,430,729	2,923,034	1,998,279
Parks and recreation	1,296,193	1,488,224	1,970,013	1,417,736
Interest	451,971	841,800	1,282,499	841,042
Total governmental activities expenses	<u>11,923,716</u>	<u>22,247,679</u>	<u>13,311,294</u>	<u>10,075,923</u>
Business-type activities				
Water and sewer	<u>4,931,644</u>	<u>4,621,204</u>	<u>4,816,263</u>	<u>3,158,763</u>
Total business-type activities expenses	<u>4,931,644</u>	<u>4,621,204</u>	<u>4,816,263</u>	<u>3,158,763</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<u>\$ 16,855,360</u>	<u>\$ 26,868,883</u>	<u>\$ 18,127,557</u>	<u>\$ 13,234,686</u>
<b>PROGRAM REVENUES</b>				
Governmental activities				
Charges for services				
General government	\$ 744,533	\$ 606,978	\$ 227,240	\$ 169,318
Public safety	137,926	286,678	599,781	559,274
Community development	374,825	619,500	833,928	374,803
Public works	12,898	57,259	36,334	12,816
Parks and recreation	146,512	193,036	285,456	131,600
Operating grants and contributions	329,177	353,618	402,817	499,051
Capital grants and contributions	79,827	14,648	480,979	17,365,707
Total governmental activities program revenues	<u>1,825,698</u>	<u>2,131,717</u>	<u>2,866,535</u>	<u>19,112,569</u>
Business-type activities				
Charges for services				
Water and sewer	2,778,034	3,136,697	4,221,203	2,425,316
Capital grants and contributions	-	-	-	1,224,733
Total business-type activities program revenues	<u>2,778,034</u>	<u>3,136,697</u>	<u>4,221,203</u>	<u>3,650,049</u>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<u>\$ 4,603,732</u>	<u>\$ 5,268,414</u>	<u>\$ 7,087,738</u>	<u>\$ 22,762,618</u>
<b>NET (EXPENSE) REVENUE</b>				
Governmental activities	\$ (10,098,018)	\$ (20,115,962)	\$ (10,444,759)	\$ 9,036,646
Business-type activities	<u>(2,153,610)</u>	<u>(1,484,507)</u>	<u>(595,060)</u>	<u>491,286</u>
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<u>\$ (12,251,628)</u>	<u>\$ (21,600,469)</u>	<u>\$ (11,039,819)</u>	<u>\$ 9,527,932</u>

	2007	2008	2009	2010	2011	2012
\$	4,303,055	\$ 2,829,284	\$ 2,639,170	\$ 2,378,638	\$ 2,196,916	\$ 2,055,391
	3,383,714	2,775,446	3,984,062	3,848,717	3,668,986	3,852,925
	717,748	2,276,158	1,084,935	647,593	495,050	449,878
	2,920,066	2,904,543	2,633,796	2,969,518	2,962,313	3,115,710
	2,344,980	2,119,915	2,015,026	1,395,391	1,260,614	1,234,268
	309,746	1,193,095	1,195,047	1,204,731	1,048,532	983,387
	13,979,309	14,098,441	13,552,036	12,444,588	11,632,411	11,691,559
	5,096,183	5,289,730	5,345,812	5,451,207	5,409,266	5,534,271
	5,096,183	5,289,730	5,345,812	5,451,207	5,409,266	5,534,271
\$	19,075,492	\$ 19,388,171	\$ 18,897,848	\$ 17,895,795	\$ 17,041,677	\$ 17,225,830
\$	184,410	\$ 252,265	\$ 193,159	\$ 201,502	\$ 230,252	\$ 232,775
	713,250	645,929	979,293	1,012,535	1,076,488	1,109,826
	529,232	631,173	318,812	224,543	149,539	271,050
	65,713	64,735	7,955	9,596	13,553	11,885
	131,562	181,221	130,847	114,357	46,981	53,421
	604,711	573,931	319,096	259,611	263,528	241,520
	208,504	14,988	2,870,480	941,209	806,418	-
	2,437,382	2,364,242	4,819,642	2,763,353	2,586,759	1,920,477
	3,649,917	3,397,643	3,825,386	3,850,997	3,877,146	4,111,584
	201,000	209,000	605,000	197,679	213,015	36,145
	3,850,917	3,606,643	4,430,386	4,048,676	4,090,161	4,147,729
\$	6,288,299	\$ 5,970,885	\$ 9,250,028	\$ 6,812,029	\$ 6,676,920	\$ 6,068,206
\$	(11,541,927)	\$ (11,734,199)	\$ (8,732,394)	\$ (9,681,235)	\$ (9,045,652)	\$ (9,771,082)
	(1,245,266)	(1,683,087)	(915,426)	(1,402,531)	(1,319,105)	(1,386,542)
\$	(12,787,193)	\$ (13,417,286)	\$ (9,647,820)	\$ (11,083,766)	\$ (10,364,757)	\$ (11,157,624)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2006 (1)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities				
Taxes				
Property	\$ 1,448,205	\$ 1,775,838	\$ 2,333,283	\$ 2,525,276
Intergovernmental	3,444,697	3,784,953	3,787,845	2,568,006
Home rule sales tax	-	-	-	-
Utility	1,133,855	1,116,426	1,224,971	823,909
Telecommunications	1,145,925	1,066,449	816,150	611,741
Room and admissions	1,366,279	1,594,677	1,690,670	1,343,633
Real estate transfer	342,511	628,323	1,491,390	542,911
Other	-	-	340,638	67,396
Investment income	61,765	144,296	452,253	536,929
Miscellaneous	176,426	456,517	1,959,106	51,768
Gain (loss) on sale of capital assets	-	-	-	(6,187)
Transfers (out)	(159,358)	(197,000)	(197,000)	(2,837,000)
Total governmental activities	8,960,305	10,370,479	13,899,306	6,228,382
Business-type activities				
Investment income	67,825	60,044	87,485	73,880
Miscellaneous	2,758	4,159	15,959	-
Gain (loss) on sale of capital assets	-	-	-	-
Transfers in	159,358	197,000	197,000.00	2,837,000
Total business-type activities	229,941	261,203	300,444	2,910,880
TOTAL PRIMARY GOVERNMENT	\$ 9,190,246	\$ 10,631,682	\$ 14,199,750	\$ 9,139,262
CHANGE IN NET POSITION				
Governmental activities	\$ (1,137,713)	\$ (9,745,483)	\$ 3,454,547	\$ 15,265,028
Business-type activities	(1,923,669)	(1,223,304)	(294,616)	3,402,166
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ (3,061,382)	\$ (10,968,787)	\$ 3,159,931	\$ 18,667,194

Notes

(1) The Village changed its fiscal year end from April 30 to December 31 in 2006. The column labeled 2006(1) is for the eight month period ending December 31, 2006.

Data Source

Audited Financial Statements

2007	2008	2009	2010	2011	2012
\$ 3,664,251	\$ 3,845,433	\$ 4,393,892	\$ 4,395,930	\$ 4,430,090	\$ 4,380,298
3,999,735	3,655,286	2,866,996	2,680,252	3,211,415	3,247,452
-	-	-	-	1,126,189	1,184,487
1,257,584	1,205,004	1,195,317	1,189,008	1,275,799	1,203,500
982,319	1,030,772	958,357	979,003	1,210,032	1,336,167
1,946,854	1,845,849	1,476,402	1,538,248	1,604,652	1,709,251
503,004	189,438	174,273	224,958	240,916	921,597
70,516	74,713	-	-	-	-
566,567	388,314	179,703	87,199	39,767	45,339
273,372	335,612	71,155	40,133	44,964	13,074
-	-	86,070	-	12,057	16,313
(2,497,000)	(347,000)	(197,000)	(147,000)	(245,000)	(700,000)
10,767,202	12,223,421	11,205,165	10,987,731	12,950,881	13,357,478
149,892	53,736	13,880	11,438	3,218	4,404
-	-	-	-	-	-
23,513	-	8,835	1,552	3,554	(13,350)
2,497,000	347,000	197,000	147,000	245,000	700,000
2,670,405	400,736	219,715	159,990	251,772	691,054
\$ 13,437,607	\$ 12,624,157	\$ 11,424,880	\$ 11,147,721	\$ 13,202,653	\$ 14,048,532
\$ (774,725)	\$ 489,222	\$ 2,472,771	\$ 1,306,496	\$ 3,905,229	\$ 3,586,396
1,425,139	(1,282,351)	(695,711)	(1,242,541)	(1,067,333)	(695,488)
\$ 650,414	\$ (793,129)	\$ 1,777,060	\$ 63,955	\$ 2,837,896	\$ 2,890,908

VILLAGE OF LINCOLNSHIRE, ILLINOIS  
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2006 (1)	2007	2008	2009	2010	2011 (2)	2012
<b>GENERAL FUND</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,653	\$ 65,294
Reserved/restricted	1,126,946	2,416,636	180,409	95,453	345,453	460,517	1,105,569	288,853	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unreserved/unassigned	6,211,939	6,419,844	11,505,785	10,576,229	9,066,518	8,890,704	7,332,889	7,861,442	9,590,075	11,612,467
<b>TOTAL GENERAL FUND</b>	<b>\$ 7,338,885</b>	<b>\$ 8,836,480</b>	<b>\$ 11,686,194</b>	<b>\$ 10,671,682</b>	<b>\$ 9,411,971</b>	<b>\$ 9,351,221</b>	<b>\$ 8,438,458</b>	<b>\$ 8,150,295</b>	<b>\$ 9,689,728</b>	<b>\$ 11,677,761</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,801	\$ 1,903
Reserved/restricted	2,026,108	8,043,230	6,422,115	4,301,221	4,301,221	4,301,221	8,346,918	8,638,063	9,917,234	7,138,131
Unreserved/assigned, reported in										
Special Revenue Funds	(2,128,339)	(2,148,968)	54,824	491,640	417,307	1,281,040	-	-	-	-
Capital Project Funds	100,634	1,064,854	87,783	1,825,729	2,327,949	911,810	86,830	54,792	27,163	33,815
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ (1,597)</b>	<b>\$ 6,959,116</b>	<b>\$ 6,564,722</b>	<b>\$ 6,618,590</b>	<b>\$ 7,046,477</b>	<b>\$ 6,494,071</b>	<b>\$ 8,433,748</b>	<b>\$ 8,692,855</b>	<b>\$ 9,948,198</b>	<b>\$ 7,173,849</b>

Notes

(1) The Village changed its fiscal year end from April 30 to December 31 in 2006. The column labeled 2006(1) is as of December 31, 2006.

(2) The Village implemented GASB Statement 54 for the year ended December 31, 2011.

Data Source

Audited Financial Statements

VILLAGE OF LINCOLNSHIRE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006
<b>REVENUES</b>			
Property taxes	\$ 1,448,205	\$ 1,775,838	\$ 2,271,319
Other taxes	7,433,267	8,190,828	9,413,628
Licenses and permits	744,533	1,051,526	1,382,958
Fines and penalties	400,041	425,047	395,938
Charges for services	397,833	353,110	856,578
Intergovernmental	61,765	144,296	430,386
Investment income	147,241	163,437	167,106
Miscellaneous	312,689	3,684,512	530,032
Total revenues	10,945,574	15,788,594	15,447,945
<b>EXPENDITURES</b>			
General government	4,380,884	3,825,366	4,254,994
Public safety	2,130,504	2,109,484	2,484,277
Community development	435,746	434,391	461,100
Public works	1,668,192	2,069,880	1,930,749
Parks and recreation	985,936	1,041,158	1,431,206
Capital outlay	680,917	11,515,012	515,440
Debt service			
Principal	457,554	696,662	1,282,499
Interest	549,538	438,333	3,765,834
Total expenditures	11,289,271	22,130,286	16,126,099
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(343,697)</b>	<b>(6,341,692)</b>	<b>(678,154)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	737,642	3,771,163	762,550
Transfers (out)	(897,000)	(3,968,163)	(959,550)
Issuance of notes	-	-	3,300,000
Issuance of SSA bonds	-	15,000,000	-
Gain on sale of land	-	-	1,559,531
Refunding of bonds	-	-	(38,333)
Refunding of notes	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	(159,358)	14,803,000	4,624,198
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (503,055)</b>	<b>\$ 8,461,308</b>	<b>\$ 3,946,044</b>
Debt Service as a Percentage of Noncapital Expenditures	9.2%	5.3%	32.3%

Notes

(1) The Village changed its fiscal year end from April 30 to December 31 in 2006. The column labeled 2006(1) is for the eight month period ending December 31, 2006.

Data Source

Audited Financial Statements

	2006 (1)	2007	2008	2009	2010	2011	2012
\$	2,525,276	\$ 3,664,251	\$ 3,845,433	\$ 4,317,091	\$ 4,317,252	\$ 4,356,785	\$ 4,308,071
	5,957,596	8,760,012	8,001,062	6,748,146	6,690,147	8,742,307	9,674,681
	717,470	868,217	1,085,034	650,774	549,996	440,325	569,132
	310,687	530,857	506,275	549,992	506,933	489,422	492,401
	1,240,875	995,608	728,573	75,923	72,820	98,183	111,791
	536,929	618,968	401,688	672,473	692,394	752,412	747,153
	117,963	187,685	202,308	179,703	87,199	39,767	45,339
	62,984	273,372	335,612	71,155	40,133	44,964	13,074
	11,469,780	15,898,970	15,105,985	13,265,257	12,956,874	14,964,165	15,961,642
	2,550,339	3,748,842	3,425,042	2,457,974	2,271,606	2,142,444	2,034,704
	2,310,605	3,754,819	3,863,789	4,499,028	4,216,071	4,182,842	4,251,691
	384,292	619,540	801,403	733,343	530,073	448,122	450,213
	1,195,976	2,030,522	2,067,826	3,621,871	1,854,289	1,789,093	2,124,293
	1,107,299	1,737,321	1,664,338	1,366,078	879,041	861,796	815,041
	1,035,948	1,451,198	1,724,118	864,303	413,807	255,233	2,142,960
	635,540	378,634	653,958	825,881	1,129,239	1,486,860	1,210,446
	138,525	316,940	1,210,679	1,181,525	1,230,151	1,104,802	1,005,030
	9,358,524	14,037,816	15,411,153	15,550,003	12,524,277	12,271,192	14,034,378
	2,111,256	1,861,154	(305,168)	(2,284,746)	432,597	2,692,973	1,927,264
	200,000	1,284,925	1,713,875	1,476,750	965,250	1,364,479	2,082,482
	(3,037,000)	(3,781,925)	(2,060,875)	(1,673,750)	(1,112,250)	(1,609,479)	(2,782,482)
	-	-	-	1,540,000	-	5,735,000	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(5,716,464)	-
	-	-	-	86,070	1,557	12,057	16,313
	(2,837,000)	(2,497,000)	(347,000)	1,429,070	(145,443)	(214,407)	(683,687)
\$	(725,744)	\$ (635,846)	\$ (652,168)	\$ (855,676)	\$ 287,154	\$ 2,478,566	\$ 1,243,577
	8.4%	5.2%	12.7%	15.3%	18.91%	21.32%	16.27%

VILLAGE OF LINCOLNSHIRE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
ARC ACLSH IL001 LLC	\$ 15,958,643	1	2.84%			
Van Vlissingen & Company	\$ 15,624,606	2	2.78%	\$ 58,974,104	1	10.85%
Lincolnshire Senior Care LLC	14,916,589	3	2.65%	-		
CRP-2 Holdings Tri-State LLC	14,465,062	4	2.57%	-		
Property Tax Unit- N16WC	12,480,152	5	2.22%	-		
Strategic Hotel Capital Inc.	8,355,760	6	1.49%	-		
Inland Western Half Day Rd LLC	6,934,457	7	1.23%	-		
Milbrook, Inc.	6,005,349	8		12,158,939	4	2.24%
ECD Company	5,830,979	9	1.04%	-		
GGP-Lincolnshire LLC	5,615,033	10	1.00%	-		
Hewitt Properties II	-			38,267,146	2	7.04%
Beacon Properties, L.P.	-			19,591,754	3	3.60%
Indian Creek Investments (Strategic Hotel Cap, Inc.)	-			10,529,389	5	1.94%
Staybridge Hotel	-			8,698,859	6	1.60%
Millbrook, LLC	-			7,313,598	7	1.35%
Courtyards Assoc.	-			3,111,438	8	0.57%
LaSalle Bank/Hawthorn Suites	-			2,921,237	9	0.54%
Trinent Essential Facilities	-			2,821,921	10	0.52%
	<u>\$ 106,186,630</u>		<u>17.82%</u>	<u>\$ 164,388,385</u>		<u>30.25%</u>

Note:

Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

Data Source

Vernon Township Assessor

VILLAGE OF LINCOLNSHIRE, ILLINOIS

SALES TAX BY CATEGORY  
(in thousands of dollars)

Last Ten Calendar Years

Calendar Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General merchandise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food	8	17	18	24	26	34	33	16	7	18
Drinking and eating places	476	483	508	590	659	657	574	539	685	956
Apparel	54	64	68	69	80	126	113	111	116	177
Furniture	512	498	530	493	523	439	435	334	406	745
Lumber, building hardware	295	429	475	534	519	135	-	4	23	66
Automobile and filling stations	52	55	58	62	56	60	49	37	70	86
Drugs and miscellaneous retail	888	788	977	893	935	888	491	273	330	431
Agriculture and all others	584	636	454	748	619	735	626	939	1,188	1,818
Manufacturers	23	26	18	19	29	44	57	64	45	47
<b>TOTAL</b>	<b>\$ 2,892</b>	<b>\$ 2,996</b>	<b>\$ 3,106</b>	<b>\$ 3,432</b>	<b>\$ 3,446</b>	<b>\$ 3,118</b>	<b>\$ 2,378</b>	<b>\$ 2,317</b>	<b>\$ 2,870</b>	<b>\$ 4,344</b>
Village direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Village home rule rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.50%

Data Source

Illinois Department of Revenue

VILLAGE OF LINCOLNSHIRE, ILLINOIS

DIRECT AND OVERLAPPING SALES TAX RATES

Last Ten Fiscal Years

Fiscal Year	Lake County Rate	RTA Lake County Rate	Village Direct Rate	State Rate	Village Home Rule Sales Tax <sup>1</sup>
2004	0.25%	0.25%	1.00%	5.00%	0.00%
2005	0.25%	0.25%	1.00%	5.00%	0.00%
2006	0.25%	0.25%	1.00%	5.00%	0.00%
2006*	0.25%	0.25%	1.00%	5.00%	0.00%
2007	0.25%	0.25%	1.00%	5.00%	0.00%
2008	0.25%	0.25%	1.00%	5.00%	0.00%
2009	0.50%	0.50%	1.00%	5.00%	0.00%
2010	0.50%	0.50%	1.00%	5.00%	0.00%
2011	0.50%	0.50%	1.00%	5.00%	0.50%
2012	0.50%	0.50%	1.00%	5.00%	0.50%

Notes

\* The Village changed its fiscal year end from April 30 to December 31 in 2006.

<sup>1</sup> Effective January 1, 2011.

Data Source

Village and County Records

VILLAGE OF LINCOLNSHIRE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE  
(in thousands of dollars)

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>2</sup>
	Special Service Area Bonds	North Park Loan	Schelter Road Loan	Consolidated North Park/ Schelter Road Loan	Tax Increment Financing	Utility Line Loan				
2004	\$ -	\$ 4,754	\$ -	\$ -	\$ 4,000	\$ 3,790	\$ 12,544	3.19%	\$ 1,919	
2005	-	4,204	-	-	4,000	3,361	11,565	2.94%	1,769	
2006	15,000	3,766	-	-	4,000	2,928	25,694	6.54%	3,931	
2006 <sup>1</sup>	15,000	3,300	-	-	4,000	2,338	24,638	6.27%	3,769	
2007	15,000	2,882	-	-	3,900	2,029	23,811	6.06%	3,383	
2008	14,765	2,589	-	-	3,775	1,720	22,849	5.40%	3,247	
2009	14,515	2,286	1,452	-	3,590	1,405	23,248	5.49%	3,303	
2010	14,255	1,970	1,319	-	3,170	1,263	21,977	4.35%	3,123	
2011 <sup>3</sup>	13,980	-	-	2,853	2,419	1,110	20,362	4.52%	2,799	
2012	13,690	-	-	2,444	1,907	951	18,992	4.22%	2,611	

Note:

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

<sup>1</sup> The Village changed its fiscal year end from April 30 to December 31 in 2006. The column labeled 2006(1) is for the eight month period ending December 31, 2006.

<sup>2</sup> See the schedule of Demographic and Economic Statistics on page 98 for personal income and population data.

<sup>3</sup> North Park, Schelter Road, Utility Lines and TIF Loan were all refinanced in 2011.

Data Source

Audited Financial Statements

VILLAGE OF LINCOLNSHIRE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
(in thousands of dollars)

Last Ten Fiscal Years

Fiscal Year	(1) General Obligation Bonds	(1) Special Service Area Bonds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ -	\$ -	\$ -	0.00%	\$ -
2005	-	-	-	0.00%	-
2006	-	15,000	15,000	0.78%	2,295
2006*	-	15,000	15,000	0.78%	2,295
2007	-	15,000	15,000	0.73%	2,295
2008	-	14,765	14,765	0.70%	2,259
2009	-	14,515	14,515	0.70%	2,062
2010	-	14,255	14,255	0.74%	2,025
2011	-	13,980	13,980	0.76%	1,922
2012	-	13,690	13,690	0.81%	1,922

Note:

\* The Village changed its fiscal year end from April 30 to December 31 in 2006.

The column labeled 2006(\*) is for the eighth month period ending December 31, 2006.

Data Source

(1) Audited Financial Statements

VILLAGE OF LINCOLNSHIRE, ILLINOIS

DIRECT AND OVERLAPPING BONDED DEBT -  
GOVERNMENTAL ACTIVITIES  
(in thousands of dollars)

December 31, 2012

Governmental Unit	Gross General Obligation Debt	Percentage of Debt Applicable to Government	Village's Share of Debt
Overlapping debt			
Debt repaid with property taxes			
School District No. 102	\$ 5,625	8.5%	\$ 478
School District No. 103	2,840	54.6%	1,551
School District No. 106	-	40.0%	-
School District No. 113	13,760	0.1%	14
School District No. 125	24,265	17.7%	4,295
Community College No. 532	14,685	2.4%	352
Lincolnshire-Riverwoods Fire Protection District	-	47.3%	-
Vernon Area Public Library	-	24.2%	-
Buffalo Grove Park District	15,960	0.4%	64
Township of Vernon	-	16.0%	-
Township of West Deerfield	-	0.1%	-
Lake County	82,955	2.3%	1,908
Lake County Forest Preserve	305,415	2.3%	7,025
Total overlapping debt	465,505		15,687
Direct debt			
Village of Lincolnshire	5,860	100.00%	5,860.00
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$ 471,365</b>		<b>\$ 21,547</b>

Data Source

Lake County Extension Office

VILLAGE OF LINCOLNSHIRE, ILLINOIS

LEGAL DEBT MARGIN INFORMATION

December 31, 2012

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The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin:

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one per cent: ...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage."

The Village's voters approved a referendum to become a home rule community in 1975.

To date, the General Assembly has set no limits for home rule municipalities.

Illustrative Computation of Debt Margin If Government Were Not a Home Rule Municipality

The Village is a home rule municipality and, as such, has no debt limitations. If, however, the Village were a nonhome rule municipality, its available debt limit would be as follows:

EQUALIZED ASSESSED VALUATION - 2012*	\$ 562,195,221
Legal Debt Limit - 8.625%	\$ 48,489,338
Amount of debt applicable to limit:	-
LEGAL DEBT MARGIN	\$ 48,489,338

\* Most Recent EAV Available

VILLAGE OF LINCOLNSHIRE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2004	6,537	\$ 392,972	\$ 60,115	5.3%
2005	6,537	392,972	60,115	4.7%
2006	6,537	392,972	60,115	4.2%
2006*	6,537	392,972	60,115	4.2%
2007	6,537	392,972	60,115	5.0%
2008	6,537	392,972	60,115	6.8%
2009	7,038	423,089	60,115	9.9%
2010	7,038	505,631	71,843	10.6%
2011	7,275	450,403	61,911	9.7%
2012	7,275	450,403	61,911	8.6%

Note:

\* The Village changed its fiscal year end from April 30 to December 31 in 2006.

Data Source

U.S. Census Bureau and U.S. Bureau of Labor Statistics  
 Illinois Department of Employment (IDES)

VILLAGE OF LINCOLNSHIRE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Aon-Hewitt	5,244	1	21%	6,500	1	33%
Walgreens Co.	660	2	3%			
Hydraforce, Inc.	600	3	2%	285	6	1%
Adlai Stevenson High School	600	4	2%	450	3	2%
W. W. Grainger	498	6	2%			
Securitas	480	7	2%			
Quill Corporation	478	8	2%	1,000	2	5%
Sedgebrook	450	9	2%			
Marriott's Lincolnshire Resort	380	10	2%	450	4	2%
Klein Tools, Inc.						
Peerless of America				350	5	2%
Zellweger Analytics				275	7	1%
Fluid Power Systems				250	8	1%
Wealshire				150	9	1%
Vance Publishing				150	10	1%
	<u>9,390</u>		<u>38%</u>	<u>9,860</u>		<u>49%</u>
Village day time population (est)			25,000			20,000

Data Source

Village of Lincolnshire Police day time population survey  
 Estimates from Lake County Partners (2003) Director of Marketing and Research  
 Village of Lincolnshire Community Development Department

VILLAGE OF LINCOLNSHIRE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2004	2005	2006	Eight Months	2007	2008	2009	2010	2011	2012
				Ended December 31, 2006						
<b>GENERAL GOVERNMENT</b>										
Executive Services	4.10	3.90	3.90	3.90	3.90	3.90	3.90	4.30	3.50	3.50
Finance	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
<b>PUBLIC SAFETY</b>										
Police	29.10	31.70	31.00	31.00	31.00	31.10	31.10	30.00	28.80	28.80
E911	5.60	5.00	5.00	5.00	5.00	5.40	5.40	5.00	4.20	4.20
<b>COMMUNITY DEVELOPMENT</b>										
Development	5.25	6.25	6.25	6.25	6.75	7.00	7.00	7.25	6.75	5.75
Forestry <sup>1</sup>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-
<b>PUBLIC WORKS</b>										
Administration	1.80	2.25	2.50	2.50	2.50	2.50	2.50	1.75	1.75	1.75
Streets	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.25	4.25	4.25
Buildings	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.25	0.50	0.50
Water	8.60	8.15	8.15	8.15	8.15	8.15	8.15	8.15	8.15	7.75
Vehicle Maintenance	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Forestry <sup>1</sup>	1.95	-	-	-	-	-	-	2.87	2.87	2.87
<b>PARKS AND RECREATION</b>										
Parks	7.90	9.80	9.80	9.80	10.00	10.00	10.00	7.87	8.13	8.13
Recreation <sup>2</sup>	3.30	3.35	3.35	3.35	3.35	3.35	3.35	2.35	-	-
<b>TOTAL</b>	<b>79.50</b>	<b>82.30</b>	<b>81.85</b>	<b>81.85</b>	<b>82.55</b>	<b>83.30</b>	<b>83.30</b>	<b>78.69</b>	<b>73.55</b>	<b>72.15</b>

<sup>1</sup> Forestry function shared by Public Works and Community Development until fiscal year 06-07.

In FY2010 position was reorganized into Environmental Services

<sup>2</sup> In 2011 the Recreation division was discontinued.

Data Source

Village finance department

VILLAGE OF LINCOLNSHIRE, ILLINOIS

OPERATING INDICATORS

Last Ten Calendar Years

Function/Program	2004	2005	2006	Eight Months Ended December 31,		2008	2009	2010	2011	2012
				2006	2007					
<b>GENERAL GOVERNMENT</b>										
Residential mailings	13	13	13	9	13	13	14	6	5	5
Taxable property transfers	207	194	176	105	118	98	91	110	117	157
Fine revenues collected (in thousands)	381	403	377	230	295	388	442	369	360	407
<b>POLICE</b>										
Calls for service	40,067	43,089	46,216	N/A	48,315	46,445	43,003	41,269	33,501	26,797
Total Reports	2,519	2,776	2,609	N/A	2,501	2,279	2,002	1,983	1,981	1,766
Arrests (includes traffic)	426	429	690	N/A	577	572	575	534	134	472
DUI arrests	150	118	100	N/A	88	73	49	54	99	93
<b>COMMUNITY DEVELOPMENT</b>										
Building permits issued	458	441	469	340	435	300	444	301	312	325
<b>PUBLIC WORKS-GENERAL</b>										
Street resurfacing (miles)	2.22	1.77	3.01	0.98	1.46	1.61	1.42	1.31	1.11	1.03
Project inspections	400	450	472	267	500	245	200	200	318	225
Street cleaned-miles	425	464	597	575	500	327	350	314	303	300
Cubic yards of leaves collected	5,480	4,580	6,420	5,490	5,930	6,110	6,000	8,340	7,052	6,500
<b>PUBLIC WORKS-WATER AND SEWER</b>										
Average daily pumpage metered (millions of gallons)	1.300	1.419	1.524	1.387	1.488	1.380	1.310	1.310	1.255	1.402
JULIE utility locates	1,880	2,154	3,217	3,305	2,755	2,674	2,905	1,760	2,133	2,013
<b>PARKS AND RECREATION</b>										
Trees planted	36	50	68	77	87	110	117	110	118	200
Playground inspection hours	176	173	269	194	210	190	235	177	142	26
Special event hours	784	711	484	569	541	595	637	741	727	800
Number of programs	342	438	351	345	194	240	286	389	-	-
Number of participants	1,871	1,475	995	860	560	588	541	388	-	-

Data Source

Various village departments

VILLAGE OF LINCOLNSHIRE, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	2004	2005	2006	Eight Months Ended December 31, 2006	2007	2008	2009	2010	2011	2012
<b>POLICE</b>										
Patrol units	13	14	14	14	14	14	15	14	14	14
Stations	1	1	1	1	1	1	1	1	1	1
<b>PUBLIC WORKS</b>										
Streets (miles)	33	33	33	33	34	34		35	40	40
Building facilities maintained	6	6	6	6	6	6	6	6	6	6
<b>PARKS AND RECREATION</b>										
Acreage	307.0	307.0	307.0	307.0	311.0	311.0	311.0	311.0	311.0	311.0
Parks	9	9	9	9	9	9	9	9	9	9
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
<b>WATER-SANITARY SEWER</b>										
Fire hydrants	831	831	831	833	835	835	835	846	848	856
Storage capacity (thousands of gallons)	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600
Water mains (miles)	59.4	59.4	59.4	59.5	61.0	61.0	67.0	59.8	67.0	67.0
Sanitary sewers (miles)	42.0	42.0	42.0	43.0	43.0	43.0	45.0	47.3	50.0	50.0
Storm sewers (miles)	38.0	38.0	41.4	43.3	43.3	43.3	43.3	44.6	105.0	105.0

Data Source

Various village departments