

VILLAGE OF THIRD LAKE, ILLINOIS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

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D A M , S N E L L & T A V E I R N E , L T D .

C E R T I F I E D • P U B L I C • A C C O U N T A N T S

MATTHEW DABROWSKI, CPA
JENNY FEHRENBACHER, CPA
BARBARA HARPOLD, CPA
SCOTT LANNERS, CPA
SHERI PEKAR, CPA

INDEPENDENT AUDITORS' REPORT

Village President and Board of Trustees
Village of Third Lake
Third Lake, Illinois

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Village of Third Lake, Illinois (the Village) as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Village as of April 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

Other Matters

Other Information

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

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

Dam, Snell & Taveirne, Ltd.

Dam, Snell & Taveirne, Ltd.
Certified Public Accountants
Fox Lake, Illinois
December 5, 2023

VILLAGE OF THIRD LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Our discussion and analysis of the Village's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2023. Please read this information in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The Village's net position, which equals total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources, is \$4,614,629 at the end of the 2023 fiscal year. Unrestricted assets, a portion of net position, are assets that may be used to meet the Village's ongoing obligations to residents and creditors, is \$3,011,846 at the end of the 2023 fiscal year.
- Total Village revenues were \$1,046,987 and total expenses were \$836,513.
- The fiscal year end fund balance for the General Fund was \$3,011,846, an increase of \$31,651 from the beginning balance of \$2,980,195.
- The fiscal year end fund balance for the Motor Fuel Tax Fund was \$190,310, an increase of \$66,948 from the beginning balance of \$123,362.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the Village as a whole and present a comprehensive and longer-term view of the Village's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The notes to financial statements and supplemental information provide additional information that is essential to a full understanding of the data provided in the financial statements.

Reporting on the Village as a Whole

One of the most important questions asked about the Village's finances is, "Is the Village, as whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. All of the current year's revenues and expenses are taken into account when cash is received or paid. The cash basis method is modified to capitalize fixed assets and to record depreciation on fixed assets.

These two statements report the Village's net position and the change in net position. You can think of the Village's net position—the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into two categories: governmental and proprietary funds. The Village does not maintain any proprietary funds.

VILLAGE OF THIRD LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Governmental Funds

All of the Village's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified cash basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following tables present the financial position and results of operations of the Village.

Table 1
Net Position (Modified Cash Basis)

	2023	2022
Current assets	\$ 3,202,805	\$ 3,105,408
Capital assets	1,412,473	1,300,598
Total assets	4,615,278	4,406,006
Other liabilities	649	1,851
Total liabilities	649	1,851
 Net position		
Net investment in capital assets	1,412,473	1,300,598
Restricted	190,310	166,496
Unrestricted	3,011,846	2,937,061
Total net position	\$ 4,614,629	\$ 4,404,155

The Village's net position is composed of capital assets, restricted assets and unrestricted assets. Capital assets comprise \$1,412,473 or 30.61% of net position and reflect the Village's investment in fixed assets and infrastructure (for example, land, streets, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

\$190,310 or 4.12% of the Village's net position represent resources that are subject to external restrictions on how they may be used. The remaining \$3,011,846 or 65.27% of net position may be used to meet the government's ongoing obligations to citizens and creditors.

- Unrestricted amounts are sufficient to meet the immediate needs of the Village.

VILLAGE OF THIRD LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Table 2
Changes in Net Position (Modified Cash Basis)

	2023	2022
Expenses of government	\$ (836,513)	\$ (456,222)
Charges for services	75,842	27,379
Operating grants	77,977	77,977
Net expense	(682,694)	(350,866)
Taxes and other revenue	893,168	804,234
Increase (decrease) in net position	210,474	453,368
Net position, beginning of year	4,404,155	3,950,787
Net position, end of year	\$ 4,614,629	\$ 4,404,155

Net position for all Village activities increased during the year by \$210,474 from \$4,404,155 to \$4,614,629. This increase represents total revenues from all Village programs and services of \$1,046,987 in excess of total Village costs of \$836,513.

Governmental Activities

Revenues from governmental activities were \$1,046,987 while the total cost of all programs and services was \$836,513. The following table depicts the major revenue sources for the Village.

Table 3
Governmental Revenues (Modified Cash Basis)

	2023	2022
Intergovernmental	\$ 238,826	\$ 238,800
Real estate taxes	70,822	70,890
Sales and other taxes	471,182	466,999
Franchise fees	18,775	24,245
Charges for services	75,842	27,379
Operating grants	77,977	77,977
Interest and other income	93,563	3,300
	\$ 1,046,987	\$ 909,590

- Increase in charges for services due to increased revenue from liquor licenses and building permits.
- Interest income increased due to increased interest rates.
- The Village received an operating grant of \$77,977 through the American Rescue Plan Act.

VILLAGE OF THIRD LAKE, ILLINOIS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 APRIL 30, 2023

The table below identifies the various governmental functions and the expenses associated with each.

Table 4
 Governmental Activities Expenses (Modified Cash Basis)

	2023	2022
General government	\$ 163,932	\$ 155,942
Building and zoning	-	-
Police	23,547	34,612
Streets	546,492	117,007
Buildings and grounds	37,628	41,231
Lakes management	64,914	107,430
	\$ 836,513	\$ 456,222

- Streets expenses increased compared to the prior year due to a dredging project performed in the current year to improve the stormwater sewer system.
- Lakes management expenses decreased compared to the prior year due to an infrastructure project and aerator inspection performed in the prior year.

Business-Type Activities

At this time the Village does not have any business-type activities.

ANALYSIS OF BALANCES AND TRANSACTIONS IN INDIVIDUAL FUNDS

Governmental Funds

- The Village had increased expenses in the general fund mainly due to expenses related to dredging that was performed in the current year.
- The Village did not have any MFT road project expenditures in the current year.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

- The Village operated within budgeted amounts for all funds during the year.

VILLAGE OF THIRD LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets

The Village's total investment in capital assets for its governmental activities was \$2,650,493 less accumulated depreciation of \$1,238,020. This investment in capital assets includes land, buildings and improvements, land improvements, machinery and equipment, park and lake facilities, streets and related infrastructure, sidewalks and bridges. The Village's investment in net capital assets increased by the construction of a public works garage of \$138,952, purchase of a lawn mower of \$5,940, purchase of a backup generator of \$42,500, purchase of a fence of \$9,820, street design costs of \$4,217 and decreased by depreciation of \$89,554.

Table 5
Capital Assets (net of depreciation) - Governmental Activities

	2023	2022
Land and improvements	\$ 28,810	\$ 28,810
Buildings and improvements	386,455	237,683
Machinery and equipment	212,820	164,380
Office furniture and fixtures	32,052	32,052
Infrastructure	1,986,139	1,986,139
Construction in progress	4,217	-
Total capital assets	2,650,493	2,449,064
Accumulated depreciation	(1,238,020)	(1,148,466)
Net capital assets	\$ 1,412,473	\$ 1,300,598

- For further capital asset detail refer to Note C.

Debt

The Village had no outstanding debt during the fiscal year.

SIGNIFICANT CHANGES IN CONDITION AND ESTIMATED MAINTENANCE EXPENSES FOR INFRASTRUCTURE ASSETS

The Board has assigned a portion of the Village's fund balances for the following: \$335,900 for aerator replacement, \$105,800 for dam replacement and \$483,838 for future capital asset replacements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2023-2024 budget and the associated property tax rates and charges for services.

- Factors included planned disbursements, inflation and expected cash receipts.
- 5 year road plan.
- Current economic conditions.

VILLAGE OF THIRD LAKE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Office at 847-223-8422.

VILLAGE OF THIRD LAKE, ILLINOIS
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
 APRIL 30, 2023

ASSETS	<u>Governmental Activities</u>
Cash and investments	\$ 3,202,805
Land	28,810
Construction in progress	4,217
Buildings and equipment, net of depreciation	<u>1,379,446</u>
Total assets	<u>4,615,278</u>
LIABILITIES	
Building permits liability	590
Escrows and building deposits	<u>59</u>
Total liabilities	<u>649</u>
NET POSITION	
Net investment in capital assets	1,412,473
Restricted for road projects and maintenance	
Road projects and maintenance	190,310
Lakes maintenance	-
Unrestricted	<u>3,011,846</u>
Total net position	<u>\$ 4,614,629</u>

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

VILLAGE OF THIRD LAKE
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
 YEAR ENDED APRIL 30, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
GOVERNMENTAL ACTIVITIES				
General government	\$ 163,932	\$ 73,616	\$ -	\$ (90,316)
Building and zoning	-	-	-	-
Police	23,547	2,226	-	(21,321)
Streets	546,492	-	77,977	(468,515)
Buildings and grounds	37,628	-	-	(37,628)
Lakes management	64,914	-	-	(64,914)
Total governmental activities	<u>\$ 836,513</u>	<u>\$ 75,842</u>	<u>\$ 77,977</u>	<u>(682,694)</u>
General revenues				
Intergovernmental				238,826
Real estate tax				70,822
Sales and other taxes				471,182
Franchise fees				18,775
Interest income				93,011
Other revenue				552
Total general revenues				<u>893,168</u>
Change in net position				210,474
Net position - Beginning of year				4,404,155
Net position - End of year				<u>\$ 4,614,629</u>

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

VILLAGE OF THIRD LAKE, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE (CASH BASIS)
GOVERNMENTAL FUNDS
APRIL 30, 2023

ASSETS	General	Motor Fuel Tax	Total Governmental Funds
Cash and investments	\$ 3,012,495	\$ 190,310	\$ 3,202,805
Total assets	\$ 3,012,495	\$ 190,310	\$ 3,202,805
LIABILITIES AND FUND BALANCE			
Liabilities			
Building permits liability	\$ 590	\$ -	\$ 590
Escrows and building deposits	59	-	59
Total liabilities	649	-	649
Fund balance			
Nonspendable	-	-	-
Restricted	-	190,310	190,310
Assigned	925,538	-	925,538
Unassigned	2,086,308	-	2,086,308
Total fund balance	3,011,846	190,310	3,202,156
Total liabilities and fund balance	\$ 3,012,495	\$ 190,310	\$ 3,202,805

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

VILLAGE OF THIRD LAKE, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF ASSETS, LIABILITIES AND FUND BALANCE (CASH BASIS)
 TO THE STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
 APRIL 30, 2023

Total fund balances - all governmental funds	\$ 3,202,156
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives.

Capital assets, net of accumulated depreciation	1,412,473
Net position of governmental funds	<u>\$ 4,614,629</u>

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

VILLAGE OF THIRD LAKE, ILLINOIS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2023

	General	Motor Fuel Tax	Total Governmental Funds
CASH RECEIPTS			
Intergovernmental	\$ 179,513	\$ 59,313	\$ 238,826
Real estate taxes	70,822	-	70,822
Sales and other taxes	471,182	-	471,182
Licenses and permits	73,616	-	73,616
Fines	2,226	-	2,226
Franchise fees	18,775	-	18,775
Interest income	87,879	5,132	93,011
Grant revenue	77,977	-	77,977
Other revenue	552	-	552
Total cash receipts	<u>982,542</u>	<u>64,445</u>	<u>1,046,987</u>
DISBURSEMENTS			
Current			
General government	150,723	-	150,723
Building and zoning	-	-	-
Police	23,547	-	23,547
Streets	499,071	-	499,071
Buildings and grounds	37,628	-	37,628
Lakes management	35,990	-	35,990
Capital outlay	201,429	-	201,429
Total disbursements	<u>948,388</u>	<u>-</u>	<u>948,388</u>
Excess (deficiency) of cash receipts over (under) disbursements	34,154	64,445	98,599
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,503	2,503
Transfers out	(2,503)	-	(2,503)
Total other financing sources (uses)	<u>(2,503)</u>	<u>2,503</u>	<u>-</u>
Excess (deficiency) of receipts and other sources over (under) disbursements and other uses	31,651	66,948	98,599
Fund Balance - Beginning	2,980,195	123,362	3,103,557
Fund Balance - Ending	<u>\$ 3,011,846</u>	<u>\$ 190,310</u>	<u>\$ 3,202,156</u>

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

VILLAGE OF THIRD LAKE, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS)
 TO THE STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
 YEAR ENDED APRIL 30, 2023

Total government funds - Excess (deficiency) of cash receipts and other sources over (under) disbursements and other uses	\$	98,599
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay:		
Public works garage	\$ 138,952	
Backup generator	42,500	
Lawn mower	5,940	
Fence	9,820	
Construction in progress	4,217	201,429
Depreciation expense:		
General government	(13,209)	
Streets	(47,421)	
Lakes management	(28,924)	(89,554)
Change in net position of governmental activities	\$	210,474

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

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The Village of Third Lake, Illinois is a primary government as defined by Governmental Accounting Standards Board (GASB) Statement 61. The Village is a municipal corporation governed by an elected president and board of trustees. The Village's major operations include police, highway and street maintenance, lake management and maintenance, and general administrative services.

1. Reporting Entity

The Village's financial reporting entity comprises the following:

Primary Government: Village of Third Lake

In determining the financial reporting entity, the Village complies with the provisions of GASB 61, which requires inclusion of all component units that have a significant operational or financial relationship with the Village. The Village has determined that there are no component units which would be required to be included in the Village's reporting entity.

2. Basis of Presentation

Government-Wide Statements -The government-wide financial statements (The Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. All of the operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The Village has no operating activities that would be considered "business activities".

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements – The accounts of the Village in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues collected and expenditures paid. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements. The emphasis in fund financial statements is on the major funds. The Village has no non-major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenue or expenditure/expenses) for the determination of major funds. The following fund types are used by the Village:

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

Special Revenue Fund – A special revenue fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. The Motor Fuel Tax Fund, a major fund, accounts for revenues and expenditures related to road projects funded by motor fuel taxes received from the State of Illinois.

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are presented using the modified cash basis of accounting. The Village maintains its accounting records for all funds on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. The cash basis of accounting is modified by reflecting accumulated depreciation and depreciation expense related to capital assets on the government-wide financial statements.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

4. Assets, Liabilities, and Net Position

Cash and Cash Equivalents – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at cost, which approximates fair value. Gains or losses on the sale of investments are recognized upon realization.

Inventories – It is the Village's policy to expense all supplies when purchased.

Capital Assets – Capital assets, which include land, land improvements, buildings, infrastructure, machinery and equipment, and construction in progress are reported in the government – wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 (\$10,000 for infrastructure assets) and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Under GASB 34, The Village elected to begin capitalizing infrastructure assets on April 1, 2004.

The cost of normal maintenance and repair that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives: land improvements – 10 to 30 years, buildings – 25 to 45 years, infrastructure – 13 to 50 years, machinery and equipment – 3 to 10 years.

Eliminations and Reclassifications – In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

5. Equity Classifications – Equity is classified as net assets and displayed in three components:

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

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

b. Restricted – Consists of net assets reduced by liabilities and deferred inflows of resources related to those assets with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted – All other amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, beginning with fiscal year 2012, the Village implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e. Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the Village takes the same highest level of action to remove or change the constraint.
- Assigned fund balance – amounts the Village intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. The Board of Trustees has retained the authority to assign fund balances.

6. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. An ordinance appropriating funds for Village purposes for the year commencing May 1 is submitted to the Village Board.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. A supplemental appropriation may be made by a 2/3 vote of the President and Board of Trustees. However, no revision may increase the total amount of the appropriation ordinance unless additional funds have been made available during the fiscal year. By statute, expenditures may not exceed appropriations at the fund level.
- d. The original appropriation was passed on June 20, 2022, and was not amended.

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

7. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

8. Accumulated Employee Benefits

Accumulated unpaid vacation and sick pay are recorded when paid.

9. Accounting for Leases

GASB Statement No. 87, *Leases*, was implemented May 1, 2022 using a modified retrospective approach, with certain practical expedients available.

The standard did not have a material impact on the financial statements as the accounting for leases remained substantially unchanged.

NOTE B - DEPOSITS AND INVESTMENTS

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes. Statutes authorize the Village to make deposits/investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Funds. The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold. The Illinois Funds issues a publicly available financial report that can be obtained on-line at www.illinoistreasurer.gov.

Deposits. At April 30, 2023, the carrying amount of the Village's deposits was \$42,858, not including petty cash of \$174. The bank balance was \$39,413.

Investments. In addition to deposit accounts, the Village had \$3,159,773 invested in the Illinois Funds Money Market Fund. The carrying amount of the investment was \$3,159,773.

Interest rate risk. At April 30, 2023, all Village investments had a maturity of twelve months or less.

Credit risk. The Village's investments in the Illinois Funds Money Market Funds was rated AA^m by Standard and Poor's. These funds invest only in those investments that are permitted by the Illinois Compiled Statutes.

Custodial credit risk. For an investment, custodial credit is risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are registered in the Village's name. Village policy requires that bank deposits in excess of FDIC limits are collateralized with securities held by the financial institution's agents in the Village's name. At April 30, 2023, no funds were in excess of FDIC limits.

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

Fair Value Measurements. GASB Statement No.72, *Fair Value Measurement and Application* establishes a fair value hierarchy for investments that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities in active markets; Level 2 inputs consist of other than quoted market prices included in Level 1 that are either directly or indirectly observable for the asset, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The Village's investments in certificates of deposit do not require separate reporting under GASB Statement No. 72.

The following table summarizes investments measured at fair value based on NAV per share:

April 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Illinois Funds	\$3,159,773	n/a	Daily	n/a

Reconciliation to Government-Wide Statement of Net Position

Deposits and investments at carrying amount:	
Cash on hand	\$ 174
Cash	42,858
Investments	3,159,773
	<u>\$ 3,202,805</u>
Statement of Net Position:	
Cash and investments	<u>\$ 3,202,805</u>

NOTE C – CAPITAL ASSETS

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Land	\$ 28,810	\$ -	\$ -	\$ 28,810
Construction in progress	-	4,217	-	4,217
Building and improvements	237,683	148,772	-	386,455
Machinery and equipment	164,380	48,440	-	212,820
Office furniture	32,052	-	-	32,052
Infrastructure assets	1,986,139	-	-	1,986,139
Total capital assets	<u>2,449,064</u>	<u>201,429</u>	-	<u>2,650,493</u>
Accumulated depreciation	<u>1,148,466</u>	<u>89,554</u>	-	<u>1,238,020</u>
Net capital assets	<u>\$ 1,300,598</u>	<u>\$ 111,875</u>	<u>\$ -</u>	<u>\$ 1,412,473</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,209
Streets	47,421
Lakes management	28,924
	<u>\$ 89,554</u>

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE D - LONG-TERM DEBT

The Village had no long-term debt during the year ended April 30, 2023.

NOTE E - PROPERTY TAXES

The Village's property tax is levied each year on all taxable real property located in the Village and is extended by the county clerk on or before the last Tuesday in December of the year of levy. The lien date is January 1 of the year of the levy. Taxes are due to the County in two equal installments in June and September of the year following the levy year. Distributions are made to the Village by the County shortly after collection by the County. The 2022 levy was approved by the Village on June 20, 2022. The 2021 levy is included in the current year's cash receipts.

NOTE F – SOCIAL SECURITY

Employees are covered by Social Security. The Village paid \$4,752, the total required contribution for the current fiscal year.

NOTE G - RISK MANAGEMENT

The Village is a member of the Illinois Municipal League Risk Management Association, a public entity risk pool. The pool is an unincorporated, not-for-profit association of participating Illinois municipalities formed to operate as a cooperative program of risk management, loss coverage and claims administration for municipal operations. The pool has approximately 1,263 participating members and provides the Village with coverage for comprehensive general liability, auto liability, property damage and workers compensation claims.

In the event of depletion of all reserves and reduction of members' equity below zero, pro rata assessments of participating members may be made to cover deficits that may occur. In the event of termination of the pool by its members, after payment of all claims and expenses, the remaining assets are to be distributed pro rata among members.

During the year ended April 30, 2023, there were no reductions in insurance coverage. The Village has not incurred any settlements in the past three years in which the claim has exceeded insurance coverage.

NOTE H – JOINT AGREEMENT

The Village has been a member of the Solid Waste Agency of Lake County since 1991. The Agency is a municipal corporation with approximately 43 members whose purpose is to provide a solution to solid waste disposal problems. Upon approval by a majority of its members, the Agency may issue bonds for which the individual members would be financially liable.

The following represents a summary of the Agency's balance sheet at November 30, 2021 and the statement of revenues and expenses for the year then ended:

Current assets	\$2,193,824
Capital assets	823,392
Designated assets	254,602
Restricted assets	<u>955,596</u>
Total assets	4,227,414
Deferred outflows of resources	49,310

VILLAGE OF THIRD LAKE, ILLINOIS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 APRIL 30, 2023

Current liabilities	104,217
Deferred inflows of resources	321,594
Investment in fixed assets	823,392
Restricted	955,596
Unrestricted	<u>2,071,925</u>
Total net position	<u>\$3,850,913</u>
Revenue	\$1,100,106
Expenditures	\$1,030,952

The November 30, 2021 report is the latest date information is available. Audited financial statements of the Agency may be obtained from the Village or the Agency's administrative office located in Gurnee, Illinois. During the current fiscal year, the Village was not obligated to pay any amount to the Agency.

NOTE I – FUND BALANCES

As of April 30, 2023, fund balances are composed of the following:

Activity	Amount
Road projects and maintenance	\$ 190,310
Total restricted fund balance	<u>\$ 190,310</u>
Lake aerator replacement	\$ 335,900
Dam replacement	105,800
Future Village asset replacement	483,838
Total assigned fund balance	<u>\$ 925,538</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned, and finally unassigned funds, as needed, unless the Board of Trustees or the Mayor has provided otherwise in its commitment or assignment actions.

NOTE J – SPECIAL FUNDING

The Village participates in state and federally assisted programs, including State Motor Fuel Tax allotments. These programs are subject to financial compliance audits. The audits of these programs including the year ended April 30, 2023 are in process. Accordingly, compliance with applicable special requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined at this time. The Village expects such amounts, if any, to be immaterial.

NOTE K – OTHER INDIVIDUAL FUND DISCLOSURES

Accounting principles require disclosures of certain information concerning individual funds including:

1. Excess of expenditures over budgeted amounts in individual funds. There were none.
2. Deficit fund balances or retained earnings deficits of individual funds. There were none.

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE L – INTERFUND TRANSFERS

The following details transfers made during the fiscal year ended April 30, 2023:

- The General Fund transferred \$2,503 to the Motor Fuel Tax Fund for funding road improvements.

NOTE M – COMMITMENTS & CONTINGENCIES

1. The Village is under contract for police services through April 30, 2024. The maximum contract amount is \$3,240 per month.
2. The Village is under contract through December 31, 2023 for road maintenance services. The contract amount is based upon an hourly rate by service type.
3. The Village is under contract through December 31, 2023 for aquatic management services. The contract amount is based on service type.
4. The Village is under contract through April 30, 2024 for engineering services. The contract amount is based upon an hourly rate by service type.
5. The Village is under contract for 2023 for mosquito management. The contract amount is \$10,090.

NOTE N – SUBSEQUENT EVENTS

The Village's management has performed an analysis of the activities and transactions subsequent to April 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended April 30, 2023. The Village has evaluated subsequent events through December 5, 2023, the date on which the financial statements were available to be issued.

VILLAGE OF THIRD LAKE, ILLINOIS
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCE (CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Intergovernmental			
State income tax	\$ 150,000	\$ 179,513	\$ 29,513
Real estate taxes			
General levy	63,972	65,009	1,037
Road and bridge levy	6,000	5,813	(187)
Sales and other taxes			
Municipal sales tax	400,000	359,035	(40,965)
Local use tax	45,000	45,240	240
Video gaming tax	40,000	61,319	21,319
Cannabis tax	1,000	1,749	749
Replacement tax	4,000	3,839	(161)
Licenses and permits			
Liquor license	7,000	28,400	21,400
Gaming license	4,250	8,750	4,500
Business license	2,000	6,545	4,545
Building permits	9,356	14,496	5,140
Plan review permits	500	7,350	6,850
Water craft permits	4,957	7,650	2,693
Key permits	489	390	(99)
Other permits	-	35	35
Court fines	500	41	(459)
Parking tickets	500	2,185	1,685
Franchise fees			
Cable and phone franchise	23,555	18,775	(4,780)
Other revenue			
Recycling rebate	500	-	(500)
Interest income	2,000	87,879	85,879
Credit card convenience fee	180	390	210
American Rescue Plan Act	77,896	77,977	81
Miscellaneous	100	162	62
Total cash receipts	<u>843,755</u>	<u>982,542</u>	<u>138,787</u>
CASH DISBURSEMENTS			
General government			
Salaries-employees	175,000	71,122	(103,878)
Salaries-elected	7,200	5,530	(1,670)
Maintenance service equipment	200	494	294
Accounting	10,600	7,900	(2,700)
Annexations	6,300	-	(6,300)
Legal services	37,500	17,370	(20,130)
Other professional services	18,800	1,395	(17,405)
Engineering fees	31,300	4,250	(27,050)
Postage	800	402	(398)
Telephone	2,500	1,389	(1,111)
On-line services	5,000	6,664	1,664
Publishing	400	281	(119)
Printing	8,800	5,983	(2,817)
Dues	6,800	4,310	(2,490)
Travel expenses	600	-	(600)
Training	3,100	540	(2,560)

VILLAGE OF THIRD LAKE, ILLINOIS
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCE (CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
Publications	600	-	(600)
Risk management	10,600	8,232	(2,368)
Office supplies	3,800	3,833	33
Equipment	13,800	1,367	(12,433)
Community relations	9,000	2,244	(6,756)
Bank convenience fees	1,300	965	(335)
Miscellaneous	600	182	(418)
Employer social security	6,100	4,752	(1,348)
Employer medicare	1,400	1,112	(288)
Unemployment	2,900	406	(2,494)
Total general government	<u>365,000</u>	<u>150,723</u>	<u>(214,277)</u>
Building and Zoning			
Salaries-commissioners	2,100	-	(2,100)
Inspecting services	400	-	(400)
Other professional services	600	-	(600)
Publishing	-	-	-
Printing	-	-	-
Zoning officer	-	-	-
Total building and zoning	<u>3,100</u>	<u>-</u>	<u>(3,100)</u>
Buildings and Grounds			
Maintenance service-building	125,000	145,718	20,718
Maintenance service-equipment	62,500	55,299	(7,201)
Maintenance service-grounds	31,300	29,682	(1,618)
Maintenance service-other	1,300	-	(1,300)
Utilities	1,300	800	(500)
Security services	3,800	2,622	(1,178)
Operating supplies	1,300	719	(581)
Total buildings and grounds	<u>226,500</u>	<u>234,840</u>	<u>8,340</u>
Police			
Other services - animal control	13,800	9,897	(3,903)
Police service contracted	45,600	13,650	(31,950)
Police service lakes	15,000	-	(15,000)
Legal services	1,900	-	(1,900)
EMA	-	-	-
Commodities	600	-	(600)
Total police	<u>76,900</u>	<u>23,547</u>	<u>(53,353)</u>
Streets			
Maintenance service-street	12,500	4,940	(7,560)
Maintenance service-snow	37,500	8,954	(28,546)
Maintenance service-storm	93,800	2,670	(91,130)
Engineering fees	8,400	18,256	9,856
Street lighting	16,900	12,065	(4,835)
Traffic signals	5,000	2,861	(2,139)
Maintenance supplies	-	-	-
Streets	-	-	-
Mariner's Cove	525,000	453,222	(71,778)
Storm sewer project	-	-	-
Other street projects	2,500	320	(2,180)
Total streets	<u>701,600</u>	<u>503,288</u>	<u>(198,312)</u>

VILLAGE OF THIRD LAKE, ILLINOIS
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCE (CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
Lakes Management			
Salaries	-	-	-
Salaries-lakes commissioners	2,600	-	(2,600)
Maintenance services - pump house	8,800	3,881	(4,919)
Aerator inspection	12,500	-	(12,500)
Maintenance services - dam	6,300	-	(6,300)
Lake clean up project	13,800	10,138	(3,662)
Maintenance services - boat ramp	600	-	(600)
Maintenance services - shoreline	6,300	-	(6,300)
Maintenance services - lake	500	-	(500)
Consulting services	6,300	-	(6,300)
Electricity	16,300	10,328	(5,972)
Operating supplies	300	315	15
Buoy placement/removal	-	-	-
Fish stocking	12,500	7,503	(4,997)
Equipment	1,000	3,825	2,825
ARPA Eligible Public Infrastructure Projects	-	-	-
Other improvements	-	-	-
Total lakes management	<u>87,800</u>	<u>35,990</u>	<u>(51,810)</u>
Contingency	<u>65,000</u>	-	<u>(65,000)</u>
Total cash disbursements	<u>1,525,900</u>	<u>948,388</u>	<u>(577,512)</u>
Excess (deficiency) of cash receipts over cash disbursements	<u>(682,145)</u>	<u>34,154</u>	<u>716,299</u>
OTHER SOURCES (USES)			
Interfund transfers	<u>-</u>	<u>(2,503)</u>	<u>(2,503)</u>
Excess (deficiency) of cash receipts and other sources over (under) disbursements and other uses	<u>\$ (682,145)</u>	<u>31,651</u>	<u>\$ 713,796</u>
Fund Balance - Beginning		<u>2,980,195</u>	
Fund Balance - Ending		<u>\$ 3,011,846</u>	

VILLAGE OF THIRD LAKE, ILLINOIS
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN FUND BALANCE (CASH BASIS)
 BUDGET AND ACTUAL - MOTOR FUEL TAX FUND
 YEAR ENDED APRIL 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Motor fuel tax allotments	\$ 40,000	\$ 46,330	\$ 6,330
Motor fuel other	-	12,983	12,983
Interest income	51	5,132	5,081
Total cash receipts	40,051	64,445	24,394
CASH DISBURSEMENTS			
Maintenance service streets	-	-	-
Engineering fees	-	-	-
Total cash disbursements	-	-	-
Excess (deficiency) of cash receipts over cash disbursements	40,051	64,445	24,394
OTHER FINANCING SOURCES (USES)			
Interfund transfers	-	2,503	2,503
Excess (deficiency) of cash receipts and other sources over (under) disbursements and other uses	\$ 40,051	66,948	\$ 26,897
Fund Balance - Beginning		123,362	
Fund Balance - Ending		\$ 190,310	

VILLAGE OF THIRD LAKE, ILLINOIS
NOTES TO SUPPLEMENTARY INFORMATION
APRIL 30, 2023

Note 1 - Budgetary Basis of Accounting

Budgets are adopted on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Note 2 - Over Expenditure of Budget

None of the funds had total expenditures which exceeded the total budget.