

**VILLAGE OF LAKE BLUFF
FINANCE COMMITTEE MEETING**

**Saturday, March 17, 2018
8:30 AM**

**VILLAGE HALL CONFERENCE ROOM
40 E. CENTER AVE, LAKE BLUFF, IL**

AGENDA

I. Call to Order – Roll Call

Trustee Mark Dewart, Chairman
Trustee Barbara Ankenman, Member
Trustee Paul Lemieux, Member

II. Approval of Minutes – February 22, 2018

III. Non-Agenda Items and Visitors

The Finance Committee allocates fifteen (15) minutes at this time for those individuals who would like the opportunity to address the Committee on any matter not listed on the agenda.

IV. Business Items

1. Review of the FY19 Proposed Pay Plan
2. Finalize Financial Policies with regard to the Proprietary Funds
3. Discussion Regarding the Water Rates
4. Discussion Regarding Capital Initiatives - Simpson Ave Storm Water Improvement Project
5. EXECUTIVE SESSION

V. Informational Items

1. GFOA CAFR Comments

VI. Adjournment

The Village of Lake Bluff is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the facilities, are requested to contact R. Drew Irvin at 847-234-0774 or TDD number 847-234-2153 promptly to allow the Village of Lake Bluff to make reasonable accommodations.

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – February 22, 2018

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Thursday, February 22, 2018 at 6:00 PM in the Village Hall Conference Room, 40 E. Center Ave., Lake Bluff, Illinois.

Members Present: Trustee Mark Dewart, Chair
Trustee Barbara Ankenman, Member
Trustee Paul Lemieux, Member

Others Present: Kathleen O'Hara, Village Board President
Joy Markee, Village Clerk
R. Drew Irvin, Village Administrator
Betinna O'Connell, Finance Director
Marlene Scheibl, Assistant Finance Director
Jeff Hansen, Village Engineer

II. Approval of Minutes

Member Ankenman made a motion to approve the minutes of the January 22, 2018 meeting as presented; seconded by Member Lemieux and approved unanimously on a voice vote.

III. Business Items

1. FY19-FY20 Preliminary Biennial Budget Review

VA Irvin reviewed the budget process and the benefits of the biennial budget process. He explained since some budgeted items were routine, they required very little review or discussion. By preparing a biennial budget, it saved staff time and resources and provided more time to review the non-routine items, such as the Capital Projects. The Finance Committee and other Village Board members have appreciated the more in depth review of the Capital Projects and long term planning. Member Lemieux asked if the biennial budget was a rolling two year budget or an incremental two year budget. VA Irvin responded it was an incremental two year budget. Chair Dewart added that the first biennial budget was for the FY16-17 and FY17-18 fiscal years. The Committee discussed looking into a rolling two year budget in the future. Chair Dewart stated the Village is now preparing the second biennial budget. He said the Board now receives more information from Village staff for longer term planning, particularly when it comes to Capital planning.

VA Irvin said the suggested goals for this meeting should be to discuss risk tolerance for reducing the General, Capital and Water Fund balances. The draft budget is aggressive in regards to Capital, including storm water improvements, road improvements, and equipment vehicle replacements. If the Committee approves the final CIP project list, those amounts will be the amounts included in the budget. There is more work being done researching the "Deep Tunnel" project, a large storm water pipe solution for the viaduct and other identified east side storm water issues. VA Irvin shared updates on operational items including Fire/EMS. He stated that the Fire Proposal to the Rockland Fire Protection District has been released. VA Irvin said a total of \$1.2 million has been budgeted to be transferred from the General Fund to the Water Fund for water meter replacements over the next 3 years. The Capital Project list was updated to show aggressive Capital Works projects. Two sets of fund balance projections were developed, one showing the projections assuming a Property Tax freeze and the other without the freeze. The Project list includes Street Rehab non-MFT of \$675K which is higher than

recent years. The last few years the budget has been \$500K but Village staff has determined the amount should be closer to \$700K annually if the Village wants to keep up and not fall behind in the Village road maintenance program, which also includes \$25,000 for crack sealing. The Village is applying for a grant from CMAP (“Chicago Metropolitan Agency for Planning”) to do an assessment of the Village pavement conditions. A discussion was had regarding this assessment “tool.” Chair Dewart said the crack sealing has functioned well throughout the Village. Village Engineer Hansen stated the crack sealing should be done within 5 years of paving for best results. VA Irvin said the crack sealing has extended the life of the streets. Member Lemieux asked where the additional funds will come from for the Street Rehab. Director O’Connell said the funds come from the General Fund. The asphalt prices seem to be staying stable. Member Ankenman asked how many total miles the Village has. Village Engineer Hansen responded that there are 30 miles. He said the Village is trying to do more storm basin reconstruction. The goal is not to stretch the dollars per mile but to try to do it more thoroughly. The Village could spend \$40-50K to do their own study even if the Village does not receive the grant. The consensus of the Committee was to proceed with budgeting \$675,000 for the Street Rehab non-MFT. Chair Dewart said the projected FY18 shows the \$2 million transferred to the Capital Fund which brings the target operating reserve down to 46.8% so it is important to look at how the Capital projects expenditures affect the target operating reserve. The FY18 projected target operating reserve is 46.8% but if necessary, the Village could transfer funds back to the General fund from the Capital Project Fund. It is important the Committee agrees what the balance of the target operating reserve should be in order to determine if it is necessary to delay some capital projects in order to maintain the balance required. Member Lemieux opined the projects are discreet enough that it would be possible to determine which projects not to move forward with. Village Engineer Hansen said it is also possible to proceed with the engineering on the project but choose not to bid the proposal. Member Lemieux asked if the \$1 million in FY19 budget would also be moved to the Capital Project fund. Director O’Connell responded it would. All Committee members agreed with the plan to move forward with the Project List as presented if the projects are discreet enough that they could be delayed if needed.

2. Review of the Water Fund

Director O’Connell presented two Net Position projections and explained their differences. She reviewed Attachment A and noted that it includes depreciation and Attachment B does not include depreciation and is based on Cash Flows. The current Village Water Financial Policy states the fund balance reserve should be 25% of operating expenses plus 3 years of depreciation expense. This fund balance amount may not be necessary especially in FY21-23 when CLCJAWA is scheduled to lower their rates. The lower rates are based on new community members which would generate revenue in connection fees and the decrease in debt service. Director O’Connell recommended the policy be changed to 25% of operating expenses plus 2 years of depreciation. Member Lemieux asked how much of the rate decrease is attributed to each of these two factors and what would happen if one of the two factors didn’t occur. Village Engineer Hansen said there are certain system improvements which could be funded by other members. VA Irvin said the budget does include the replacement of the water meters. Member Lemieux inquired about the need for the water meter replacements. VA Irvin said the life of the water meters is about 20 years and many of the Village’s water meters are much older than that. The meters are losing accuracy on low flows. The goal is try to have the project done in 3-4 years. Director O’Connell said in addition to the meters needing to be replaced due to their age, there would be operational/administrative efficiencies (more accurate and more timely billing) realized from their replacement. There are 1,000 or more customer-read meters which involve mailing cards to those residents to read their own meters. This results in readings which are sometimes not accurate. Of the customers who return their cards with the reading, approximately 80% of the meter reading cards are returned after the billing has already come out. This involves adjustments to all those accounts. Also, there are some customers who do not return their cards resulting in estimates to their accounts. One

customer had estimates for 5 years. Chair Dewart said predicated on these assumptions it would be more appropriate to amend the policy to 25% of operating expenses plus 2 years of depreciation

3. Review of FY19 Capital Projects

The Capital Project list was reviewed along the updated unresolved funding source project list. Chair Dewart said the Project List is the amount which should be included in the budget. VA Irvin said the resurfacing of the train station lot is moving up on the list from medium to high priority although it might not all be done. Village Engineer Hansen said the lot is just not going to last. Member Lemieux asked if its' condition is due to usage.

Village Engineer Hansen responded it was more due to age. Village Engineer said the Forest Cove outfalls project must also be prioritized, though this project was previously not on the list. Member Ankenman asked if the high priority list is getting done. VA Irvin said everything on the high priority list is included in the proposed budget except the Oak Terrace storm sewer improvement project. Village Engineer Hansen said the Village wide storm sewer model needs to be done right and will identify other parts of the project. Member Ankenman inquired about the possibility of using Blodgett train track crossing as an alternate route when the underpass floods. Village Engineer Hansen said it can be used for emergency vehicles only. It can't be used for traffic. Member Ankenman asked why it can't be used for traffic just while the flooding is occurring, for example, 36 hours. VA Irvin said the railroad would never approve its usage for any purpose other than emergency usage. Village Engineer Hansen said if a big pipe is done for the underpass then it will also help the homes which flood in that area. Usually when the underpass is closed it is just for a few hours and it has only happened a handful of times. VA Irvin said the Moffett Road culvert is the most costly project and will go to bid June 15. Trustee Markee asked if the East Prospect brick sewer lining project is ongoing. Village Engineer Hansen said there were problems with the pipe for the project but it will be completed in March. Chair Dewart confirmed with the Committee members that the consensus is for staff to proceed with the Project List as shown. VA Irvin said the Equipment Replacement Fund was underfunded during the recession years and should be increased by \$100K. Director O'Connell reviewed the schedule with staff and asked for the life of each vehicle. The police squads are the vehicles most often replaced. VA Irvin also noted the budget does not include water rate increases.

IV. Next Meeting

VA Irvin said the only remaining topics left to discuss for the budget are the Proposed Pay Plan, which may include salary range changes based on market adjustments and a final look at the water rates. The next meeting is to be determined.

V. Adjournment

Member Ankenman made a motion to adjourn the meeting at 7:46 PM; seconded by Member Lemieux and all members voted aye.

Respectfully submitted,

Marlene Scheibl
Assistant Finance Director

VILLAGE OF LAKE BLUFF

MEMORANDUM

TO: Finance Committee Members
Kathy O'Hara, Village President

FROM: R. Drew Irvin, Village Administrator
Bettina K. O'Connell, Director of Finance

DATE: March 13, 2018

SUBJECT: Proprietary Financial Funds



**NORTH SHORE LIFE
LAKE BLUFF STYLE**

At the February 22, 2018 Finance Committee Meeting information was presented regarding the Water Fund net position and the accounting methodologies of financial reporting with regards to the depreciation expenses. The review included discussion concerning the fund balance policy which requires maintaining a reserve of 25% of operating expenses plus fully funding three years of booked depreciation expense. After evaluation and discussion the Finance Committee unanimously supported modifying the fund balance policy. The policy directive will be to maintain a reserve of 25% of operating expenses plus fully funding two years of booked depreciation expense, while supporting a budgetary infrastructure allocation of two hundred and fifty thousand.

Attached is a draft copy of the change to the Fund Balance Classification Policies and Procedures as presented on page 4 of the policy document for your review.



VILLAGE OF LAKE BLUFF

BUDGETARY AND FINANCIAL POLICIES

Approved by the Village Board of Trustees March 23, 2015

VILLAGE OF LAKE BLUFF
BUDGETARY AND FINANCIAL POLICIES

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Statement of Purpose

The Village of Lake Bluff and its governing body is responsible to the citizens to safeguard and properly account for all public funds, to manage Village finances in a sound manner and to plan for the funding of services desired by the public including the provision and maintenance of facilities. These Village policies are designed as guidance for fulfilling these responsibilities as well as maintaining fiscal stability of the Village.

These policies will be adopted by the Village Board and reviewed annually by the Finance Committee.

Policy Goals

This fiscal policy is a statement of the guidelines and goals that will influence and direct the financial management practices of the Village. Budgetary and financial policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Effective policy:

- Contributes significantly to the Village's ability to insulate itself from fiscal crisis,
- Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the Village rather than single issue areas,
- Promotes the view of linking long-term financial planning with day-to-day operations, and
- Provides the Board and the citizens with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

Budget Policies

The guiding principle of budgetary policy is to achieve structural balance between revenues and expenditures to ensure that desired service levels are provided on a sustainable basis.

The Village adheres to a comprehensive budget format, utilizing a line item budget with the inclusion of performance measurement and productivity indicators wherever possible. A cash basis budget is adopted each year for all funds of the Village with the exception of inactive Special Revenue or Capital Projects Funds. All budgetary expenditures are incorporated into a budget ordinance and appropriations lapse at year end. The Village does not use encumbrance accounting; therefore, expenditures that are not substantially incurred by the end of the fiscal year must be re-appropriated in the next fiscal year budget except for multi-year capital improvement projects. The budget ordinance shall be adopted at the legal level of budgetary control, which is the Fund/Department level.

The Village defines a balanced budget when the requested expenditures, including inter-fund transfers, does not exceed the projected revenue sources including the use of excess reserves, except for Cash Flow Commitment.

Standard Budget Policies

1. Seek and encourage resident input in budget planning issues and service level decisions.
2. Review all services provided and strive to maintain the services at existing levels, unless specific variances are granted by the Village Board. Each service should be examined thoroughly to determine if it is still necessary or can be provided in a more cost-effective way.
3. Pay for all recurring expenses with recurring revenues, and use non-recurring revenues for non-recurring expenses.
4. Proceeds from land sales shall be used to repay the fund that initially purchased the land or the debt incurred to acquire the land unless intended for other legislative initiatives directed by the Village Board or such proceeds.
5. Modify spending during the fiscal year when expenses appear to exceed revenues within a fiscal year unless use of excess fund balance reserves was planned.
6. Protect the Village's assets by maintaining adequate insurance coverage through either commercial insurance or risk pooling arrangements with other governmental entities.
7. Consistent with Resolution #2005-6, abide by the 1991 Property Tax Extension Limitation Act ("PTELL"), which limits the annual increase in property tax extensions to the lesser of 5 percent or the increase in the consumer price index, plus allowances for new construction, annexations, or voter approved increases.
8. Prepare a monthly financial report comparing actual revenues and expenditures to budgeted amounts to be presented to the Village Board.
9. The Village will annually seek the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award.

Operating Budget Policies

1. Maintain a contingency budget for unanticipated expenses.
2. Review all contract services and other charges for cost effectiveness and to determine if there are alternative methods to perform these services at less cost.
3. Review the potential for outsourcing/contracting services for each Village operating department.
4. Follow funding priorities that emphasize efficiencies and economy with established criteria including the number of residents benefiting from specific services or programs.
5. Limit staff increases to areas where approved program growth and support require additional staff. The Board will also seek to maintain authorized personnel at the lowest levels possible consistent with the service plan authorized.
6. Annually review the Official Pay Plan including salary ranges using rates of comparable communities for positions with similar responsibilities.
7. Fully fund at least the minimum obligation of the Police Pension Fund as determined based on the State actuarial methodology.

Capital Budget Policies

1. Conduct a detailed analysis of the capital improvement proposals for the current year, review projects identified for future years, and establish a ten year capital improvement plan. Review the funding sources for all projects proposed to reflect financial implications.

2. Conduct a detailed review of all capital equipment requests to determine current needs, cost effectiveness, and ramifications if deferred or eliminated.
3. Coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.
4. Adhere to the thresholds, depreciation methods, and useful lives established in the Fixed Asset Policy Manual, as amended from time to time.
5. Maintain level and complete budgeting for building and capital equipment to avoid erratic changes from year to year for on-going maintenance and replacement of Village facilities and equipment.
6. Adequately fund the Vehicle/Equipment Replacement Fund.
7. Abide by the following financing parameters for the establishment of a special service area:
 - a. Amortization period not to exceed 10 years;
 - b. Interest rate at market rate on date of bond sale or
 - c. Village financed projects will be not less than the Municipal Market Data rate for uninsured AAA bonds + 2%. Rate will be set on the construction start date;
 - d. All financing, legal and other related costs shall be included in the cost of the project,
 - e. If the Village is required to provide related capital project funding earlier than planned due to the establishment of the SSA, the funding shall be from General Fund balance. At no time shall the establishment of the SSA cause the General Fund fund balance to decline to less than the minimum fund balance target as defined in this policy document.

New Programs/Expansions

New program initiatives and program expansions must be submitted as budgetary enhancements requiring detailed justification that will be evaluated on the basis of its impact on health and safety, the environment, public expectations, minimum industry standards for infrastructure conditions, and adherence to the Village's organizational goals. New programs and program expansions will be measured in terms of their overall fiscal impact and include analysis of long-term costs.

Revenue Guidelines

1. Maintain a diversified and stable revenue structure to provide flexibility to adapt to short-term fluctuations in any one revenue source.
2. The Village Board will determine tax levy allocation amounts to the General Fund, Police Pension Fund, Illinois Municipal Retirement Fund (IMRF), and Social Security Funds.
3. Conservatively review and estimate projected revenues.
4. Institute user fees and charges for specialized programs and services the Village provides as well as conduct an annual analysis of all user fees, charges, and fines to assure proper charges for services and recommend appropriate changes.
5. Conduct an annual detailed review of the Water Fund charges and recommend cost effective changes in line with operating expenses and capital needs.
6. Routinely identify intergovernmental aid funding possibilities. Before applying for or accepting intergovernmental aid or grants, the Village will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars

will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits.

Grants

The Village will evaluate the long term implications of grant opportunities. Nonetheless, the Village will pursue grants that are aligned with the Village's mission and goals. Grant funds will be accounted for in accordance with the grant agreement.

1. All grant applications, prior to submission, must be approved by the Village Administrator.
2. No grant will be accepted that will incur management and reporting costs greater than the grant amount.
3. All original grant documents will be retained in the Village Hall records for the period required by the grant agreement.
4. Finance will maintain a grant database to track the status of grant terms and conditions.

Fund Balance Classification Policies and Procedures

An appropriate level of budgetary fund balance is established for each fund based on historical and projected stability and predictability of the underlying revenues and expenditures. In non-governmental funds, the Village may assign funds for a specific purpose as an internal budgeting procedure. Reserves are established to:

- a. Provide for settlement of pending labor contract negotiations;
- b. Provide for temporary funding of unforeseen needs of an emergency or non-recurring nature;
- c. Permit orderly budgetary adjustments in the event of unanticipated revenue shortfalls;
- d. Provide for temporary funding of unforeseen capital expenditure opportunities.

Governmental Funds

1. The Village will spend the most restricted dollars before less restricted, in the following order: (1) restricted, (2) committed, (3) assigned, and (4) unassigned.
2. Committed Fund Balance shall be established, modified or rescinded through a Village Board resolution.
3. Assigned Fund Balance will generally follow the approved budget and may be assigned to a specific purpose by the Director of Finance.
4. It is the policy of the Village of Lake Bluff to maintain unassigned fund balance in the General Fund to fund operations referred to as "cash flow commitment". The goal is to have a cash flow commitment in the General Fund that is adjusted annually with the adoption of the annual budget and is calculated as 50% of General Fund budgeted operating expenditures – defined as personnel, contracts and commodities, and debt service payments or debt service interfund transfers.

Proprietary Funds

1. Proprietary Funds shall maintain a fund balance reserve of 25% of operating expenses plus ~~three~~ **two** years of depreciation expense.
2. Beginning budgetary fund balance for proprietary funds shall be determined as current assets less current liabilities (exclusive of debt principal due in the next

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fiscal year), as reported in the most recently issued Comprehensive Annual Financial Report (CAFR).

Debt Policies

The Village will:

1. not fund current operations from the proceeds of borrowed funds;
2. restrict general obligation debt to no more than 5% of the most current equalized assessed property valuation available;
3. limit annual general obligation debt payments to 10% of the general fund revenues from the most recent CAFR;
4. confine long-term borrowing to capital improvements, projects, or equipment that cannot be financed from current financial resources;
5. analyze market conditions, and long-term capital needs prior to issuance to determine the most advantageous average life. The debt structure may be lengthened during low interest rates and shortened during high rates.
6. look for both current and advance refunding opportunities in order to save interest expense;
7. maintain financial practices consistent with available Moody's Guidelines to preserve its Aaa rating;
8. retain open communications with bond and credit rating institutions about its financial condition; and
9. follow a policy of full disclosure in the CAFR and official statement/offering document.

Accounting, Auditing, and Financial Reporting Policies

1. The Village will establish and maintain a high standard of accounting practices in conformance with uniform financial reporting in Illinois, and Generally Accepted Accounting Principles (GAAP), for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
2. The Village's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting, (according to GASB).
3. The Village will strive to collect its receivables pursuant to the Accounts Receivable Policy, as may be amended from time to time.
4. The Village will retain the right to perform financial, compliance, and performance audits on any entity receiving funds or grants from the Village.
5. The Village will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS) and will have these accountants publicly issue an opinion which will be incorporated in the Comprehensive Annual Financial Report (CAFR).
6. The Audit Committee will be comprised of the three member Finance Committee of the Village Board, the Village Administrator, and the Director of Finance.
7. The Audit Committee is responsible for approving the selection of the independent firm of certified public accountants, to perform an annual financial and compliance audit, defining the audit scope and receiving the report of the auditor.
8. The Village will rotate independent auditors every six years unless extenuating circumstances allow for an extended engagement.

9. The Village will annually seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Investment and Cash Management Policies

The Village will follow the investment and cash management policy approved by the Village Board, as amended from time to time.

Original Adoption Date: April 23, 2012

First Revision Date: March 23, 2015

DRAFT

GLOSSARY

The following abbreviations may be used in this document. Please refer to the full name in the glossary for the definition.

ABBREVIATIONS:

CAFR	Comprehensive Annual Financial Report
COPS	Certificates of Participation Debt
EAV	Equalized Assessed Valuation
FOIA	Freedom of Information Act
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
G.O.	General Obligation
(I)GFOA	Government Finance Officers Association (national) and Illinois Chapter
ICMA RC	International City Management Association – Retirement Corporation – Deferred Retirement Plan
IMRF	Illinois Municipal Retirement Fund – Defined Benefit Plan
IRMA	Intergovernmental Risk Management Agency – Risk Pooling Agency
OPEB SSA	Other Postemployment Benefits – See GASB Statement 45 Special Service Area

GLOSSARY:

Abatement	A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.
Accrual Basis	The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.
Activity	A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., police is an activity within the public safety function).
Actuarial Accrued Liability	Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.
Actuarial Assumptions	Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and

	asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items.
Actuarial Value of Assets	Term used in connection with defined benefit pension plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of net assets).
Ad Valorem Tax	A tax based on value (e.g., a property tax).
Advance to Other Funds	An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity.
Agency Fund	A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. The agency fund type also is used to report the assets and liabilities of Internal Revenue Code, Section 457, deferred compensation plans.
Appropriation	A bill or ordinance providing the expenditure authority and related estimated revenues.
Assessed Valuation	A valuation set upon real estate or other property by a government as a basis for levying taxes. Equalized assessed valuation means assessed valuation after the state multiplier has been applied.
Asset	A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.
Assigned Fund Balance	The portion of a Governmental Fund's fund balance to denote management's intended use of resources.
Balanced Budget	The Village defines a balanced budget when the requested expenditures, including inter-fund transfers, does not exceed the projected revenue sources including the use of reserves, except for Cash Flow Commitment.
Basis of Accounting	A term used to refer to <i>when</i> revenues, expenditures, expenses, and transfers-and the related assets and liabilities-are recognized in the accounts and reported in the financial statements. Specifically, it relates to the <i>timing</i> of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.
Basis Differences	Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.
Budget	A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. A budget document is the instrument used by the budget-making authority to present a comprehensive financial program to the corporate authorities.
Budgetary Accounts	Special accounts used to integrate the annual operating budget into the general ledger, but not reported in the general-purpose external financial statements. By convention, ALL CAPS commonly are used to designate

	budgetary accounts. The most common budgetary accounts are ESTIMATED REVENUES, APPROPRIATIONS, BUDGETARY FUND BALANCE, and ENCUMBRANCES.
Business-Type Activities	One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.
Capital Improvement	Any major project requiring the expenditure of public funds (over and above operating expenditures) for the construction, reconstruction, or replacement of physical assets in the community.
Capital Outlay	The purchase of land, buildings, machinery, and those equipment items which have an estimated useful life of one year or more and belong to the classes of property commonly considered as fixed assets.
Certificate of Achievement for Excellence in Financial Reporting Program	Program sponsored by the Government Finance Officers Association to encourage and assist state and local governments to prepare high-quality comprehensive annual financial reports. The program has been in continuous operation since 1946. The program originally was known as the Certificate of Conformance Program
Certificates of Participation Debt	Debt obligations secured by an installment agreement and issued pursuant to the Installment Purchase Provisions of the Debt Reform Act, as amended by Public Act 91-868 of the State of Illinois.
Character Classification	Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are (a) <i>current</i> operating expenditures, presumed to benefit the current fiscal period; (b) <i>debt service</i> , presumed to benefit prior fiscal periods as well as current and future periods; (c) <i>capital outlays</i> , presumed to benefit the current and future fiscal periods, and (d) <i>intergovernmental</i> , when one government transfers resources to another.
Committed Fund Balance	The portion of a Governmental Fund's fund balance that is limited with self-imposed constraints or limitations that have been placed at the highest level of decision making authority.
Commodities	All expenditures for materials, parts, and supplies, except those incidentally used by outside firms performing contractual services for the Village.
Component Unit	A legally separate organization for which the elected officials of the primary government are financially accountable. The Lake Bluff Public Library is a component unit of the Village.
Contractual Services	Expenditures for services which are obtained by an express or implied contract.
Debt Service	Debt service funds are used to account for the payment of interest and principal on long term, general obligation debt.
Deficit	Occurs when the expenditures are greater than the revenues.
Defined Contribution Pension Plan	A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement

income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions and forfeitures of contributions made for other members that may be allocated to the member's account.

Deferred Compensation Plans	Plans that offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code authorize certain state and local governments to provide deferred compensation plans for their employees.
Direct Expenses	Expenses specifically traceable to specific goods, services, units, programs, activities or functions. Indirect expenses cannot be specifically traced and must be allocated on a systematic basis.
Encumbrances	Commitments related to unperformed (executory) contracts for goods or services.
Enterprise Fund	A fund which accounts for an operation which is financed from user charges and whose operation is similar to a private business enterprise.
Equalized Assessed Valuation (EAV)	Equalized assessed valuation means assessed valuation after the state multiplier has been applied. (see assessed valuation) In Lake County, Illinois this is typically 1/3 rd the market value of the property.
Expenditures	Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues. Decreases in net financial resources in Governmental Funds are expenditures.
Expenses	Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations. Outflows in Enterprise funds are expenses rather than expenditures.
Function	A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety)
Functional Classification	Expenditure classification according to the principal purposes for which expenditures are made (e.g., administration, public safety or public works).
Fund	A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.
Fund Accounting	A method of municipal accounting where resources are allocated to and accounted for in separate funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.
Fund Balance	The difference between assets and liabilities in a governmental fund. See <i>Non-spendable Fund Balance</i> , <i>Restricted Fund Balance</i> , <i>Committed Fund Balance</i> , <i>Assigned Fund Balance</i> , and <i>Unassigned Fund Balance</i> definitions.

Governmental Accounting Standards Board (GASB)	The GASB is the authoritative accounting and financial reporting standard-setting body for government entities.
General Fund	The general fund is used to account for all revenues and expenditures of the Village which are not accounted for in any other fund. It is an operating fund from which most of the current operations of the Village are financed.
General Obligation Bond (G.O.)	A long term security where the general taxing power of the Village is pledged to pay both the principal and the interest.
General Revenues	All revenues that are <i>not</i> required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax-for example, sales tax, property tax, franchise tax, income tax. All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.
Generally Accepted Accounting Principles (GAAP)	The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, <i>The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report</i>
Government Finance Officers Association (GFOA)	An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.
Governmental Funds	Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.
Illinois Municipal Retirement Fund (IMRF)	This retirement fund, established under statutes adopted by the Illinois General Assembly, provides employees of local governments (including Lake Bluff) and school districts in Illinois with a system for the payment of retirement annuities, disability, and death benefits. Police sworn officers are covered under a separate Police Pension Plan. IMRF is a defined benefit pension plan.
Impact Fees	Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).
Improvement	An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.
Infrastructure	Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the Village.
Interfund Activity	Activity between funds of the primary government, including blended

component units. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

Interfund Transfers	A planned movement of money between funds of the same government reporting entity to offset expenses incurred in the receiving fund due to the operation of the sending fund. They include: (1) quasi-external transactions, (2) reimbursements, (3) residual equity transfers, (4) operating transfers and (5) interfund loans.
Lapse	As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.
Legal Debt Margin	The excess of the amount of debt legally authorized over the amount of debt outstanding. In Illinois, for non-home rule municipalities this is 8.625% of EAV.
Legal Level of Budgetary Control	The level at which a government's management may not reallocate resources without special approval from the legislative body.
Levy	The imposing and collecting of a tax.
Line-item Budget	A form of budget which allocates money for expenditures to specific items or objects of cost. The Village of Lake Bluff budget is a line-item budget.
Major Fund	A governmental fund or enterprise fund reported separately in the basic fund financial statements. The General Fund is always a major fund. Major funds have revenues, expenditures/expenses, assets, or liabilities that are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. Funds may also be reported as a major fund if the government believes that fund is particularly important to financial statement users.
Measurement Focus	The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).
Mill	One one-thousandth of a dollar of assessed value.
Millage	Rate used in calculating taxes based upon the value of property, expressed in mills per dollar of property value.
Modified Accrual Basis of Accounting	Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Net Assets	Assets less liabilities. For budget purposes, the Water Fund net assets exclude fixed assets because they do not reflect spendable resources.
Net Pension Obligation	Term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition to SGAS 27, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.
Nonspendable Fund Balance	The portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form (e.g. a prepaid asset) or through legal restrictions (i.e., principal of an endowment).
Nonoperating Revenues and Expenses	A term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services.
Object	A term used in connection with the classification of expenditures. The article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained (e.g., <i>personal services, contractual services, materials and supplies</i>).
Operating Budget	Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.
Original Budget	The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior year encumbrances.
Ordinance	A formal legislative enactment by the government body of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status.
Other Expenditures	Includes operating charges primarily of a fixed charge nature that cannot properly be classified as personnel services, contractual services, commodities, capital outlay, or capital improvements.
Other Financing Source	An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the <i>other financing sources</i> category is limited to items so classified by GAAP.
Other Financing Use	A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the <i>other financing uses</i> category is limited to items so classified by GAAP.
Outcome Measures	Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments of results that occur (at least

	partially) because of services provided. Results also include measures of public perceptions of outcomes.
Output Measures	Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the <i>quantity of service provided</i> and measures of the <i>quantity of a service provided that meets a certain quality requirement</i> .
Overlapping Government	All local governments located wholly or in part within the geographic boundaries of the reporting government.
Payment in Lieu of Taxes (PILOTS)	A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes
Pension (and other Employee Benefit) Trust Funds	A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The Village has a Police Pension Fund.
Pension Plan	An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan.
Performance Measurement	Commonly used term for service efforts and accomplishments reporting.
Permanent Fund	A fiduciary fund type used to report resources that are legally restricted for to the extent that only earnings, but not principal, may be used for the purposes that support the government's programs for the benefit of the citizenry.
Perspective Differences	Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes
Per Capita	Refers to an amount per resident. The Village receives revenues on a per capita basis meaning that the amount received is based on the population of the Village.
Personnel Services	Expenditures directly attributed to Village employees including salaries, overtime pay, health, dental and life insurance, and other employee benefits. The Village also includes worker's compensation and unemployment insurance a personnel services.
Police Pension Plan	The plan established by Statute for the purpose of providing disability, retirement, and survivor benefits for sworn police officers. This is a defined benefit pension plan.
Postemployment Healthcare Benefits	The Village does not pay retiree health care except for sworn police officers receiving a duty disability pension as required by law. The Village does allow retirees to remain on the medical plan at their cost.
Primary Government	Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate,

	and is fiscally independent of other state of local governments.
Private-Purpose Trust Funds	A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.
Program	Group activities, operations or organizational units directed to attaining specific purposes or objectives.
Proprietary Funds	Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.
Realized Gains and Losses	The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.
Reappropriation	The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriation is common for commitments outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.
Reporting Entity	The oversight unit and all of its component units. The Village's reporting entity consists of the Village funds and the Lake Bluff Public Library.
Restricted Fund Balance	The portion of a Governmental Fund's fund balance that is subject to external enforceable legal purpose restrictions as to what the fund balance can be spent on.
Reserved Fund Balance	The portion of a governmental fund's net assets that is not available for appropriation.
Special Revenue Fund	A governmental fund type used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditure for specified purposes.
Tap Fees	Fees charged to join or to extend an existing utility system. Also referred to as <i>system development fees</i> or <i>connection fees</i> .
Tax Rate	The amount of tax shown in terms of a unit of the tax base. The Village's property tax rate is shown as a percentage of every \$100 of equalized assessed valuation.
Unassigned Fund Balance	Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., assigned). Positive unassigned fund balance can only be reported in the General Fund.
Unrealized Gains and Losses	Term used in connection with the valuation of investments. Cumulative change in the market value of investments prior to their disposition.

VILLAGE OF LAKE BLUFF

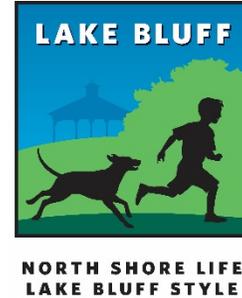
MEMORANDUM

TO: Finance Committee Members
Kathy O'Hara, Village President

FROM: R. Drew Irvin, Village Administrator
Bettina K. O'Connell, Director of Finance

DATE: March 13, 2018

SUBJECT: Water Revenues & Expense Projections



AS discussed at the February 22, 2017 Finance Committee meeting, staff reviewed the Water Fund projection and prepared two different scenarios for the Committee's consideration.

Flat Rate - attachment A

With rates remaining constant and sales projected without a decline the Water Fund spendable net assets are expected to remain lower than the target reserve balance on line 20, through Fy26. This analysis includes the change to the fund balance policy of 25% of operating expenses plus two years of depreciation expense. Currently, consistent with historical activity, the water sales represent 93% of the total revenues making the fund reliant on sustaining a level of water usage to cover fixed overhead costs such as meter reading, billing, customer service, and quality testing costs that are unaffected by consumption.

Incremental Increase – attachment B

As you will see on line 13, the projections include a general fund transfer of \$400k for each fiscal year from FY19-21 in anticipation of the meter replacement project expenses, and the corresponding capital expense on line 22. The highlighted capital improvement amounts on line 21 in FY 22-26 represent the committed capital loan repayment to the General Fund including interest.

The incremental rate projection analysis (*attachment B*) incorporates a 2.6 percent increase to the water rate beginning FY20 through FY26 after which the bond matures, the Village Board could then consider a rate reduction. This model would bring the spendable net assets closer to or at the target reserve balances. In order to provide adequate funds to cover the operating and capital costs associated with an aging system the Water Fund protections need to be closely monitored and updated with current sales amounts (revenues) and water purchases (expenses) to accurately determine the health of the fund. It is recommended that the Finance Committee consider a 2.6% increase in Fy20 to capture an additional \$32k in revenue for capital initiatives.

VILLAGE OF LAKE BLUFF

14-Mar-18

**WATER REVENUES & EXPENSE PROJECTIONS
RATE PROJECTIONS/ANALYSIS - FY 2017-FY2018**

Line #		Actual FY14/15	Actual FY 15/16	Actual FY 16/17	Projections FY 17/18	Projected FY 18/19	Projected FY 19/20	Projected FY 20/21	Projected FY 21/22	Projected FY 22/23	Projected FY 23/24	Projected FY 24/25	Projected FY 25/26	Projected FY 26/27	Projected FY 27/28	
Operating Expenses																
1	Personnel Services	11367	\$233,236	\$292,732	\$257,790	\$271,400	\$276,828	\$285,133	\$293,687	\$302,497	\$311,572	\$320,920	\$330,547	\$340,464	\$350,677	\$361,198
2	Pension	5683.5	\$39,907	\$36,169	\$37,300	\$38,500	\$39,655	\$40,845	\$42,070	\$43,332	\$44,632	\$45,971	\$47,350	\$48,771	\$50,234	\$51,741
3	Contract Services/Commodities		\$118,644	\$152,942	\$158,200	\$181,000	\$147,460	\$148,935	\$153,403	\$158,005	\$162,745	\$167,627	\$172,656	\$177,836	\$183,171	\$188,666
4	Equipment Purchases		\$0	\$0	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000
5	Subtotal Operating Expenses		\$391,787	\$481,843	\$453,290	\$500,900	\$463,943	\$484,912	\$489,159	\$513,834	\$518,949	\$544,518	\$550,553	\$577,070	\$584,082	\$611,604
6	Water Purchases		\$605,817	\$614,751	\$636,100	\$643,100	\$581,400	\$567,120	\$440,640	\$340,680	\$352,920	\$352,920	\$359,040	\$365,160	\$367,200	\$373,320
	JAWA rates		\$2.60	\$2.68	\$2.73	\$2.76	\$2.85	\$2.78	\$2.16	\$1.67	\$1.73	\$1.73	\$1.76	\$1.79	\$1.80	\$1.83
7	Depreciation Expense		257,278	258,557	260,000	265,000	267,700	270,400	273,100	275,800	278,600	281,400	284,200	287,000	289,900	292,800
8	Total Operating Expenses		\$1,254,882	1,355,151	1,349,390	1,409,000	1,313,043	1,322,432	1,202,899	1,130,314	1,208,227	1,208,227	1,208,227	1,208,227	1,208,227	1,208,227
Other Revenue Sources																
9	Customer Charge & Late Fees		\$63,433	\$65,104	\$65,000	\$64,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000
10	Connection Fees		\$29,162	\$28,800	\$28,000	\$25,000	\$16,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
11	Interest Income		\$2,455	\$2,849	\$3,000	\$2,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
12	Other Fees		\$16,452	\$7,181	\$3,550	\$6,250	\$6,000	\$5,750	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
13	Capital Contribution from Grant/or transfer in		\$0	\$52,700	\$0	\$0	\$400,000	\$400,000	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Total Other Revenue Sources		\$111,502	\$156,634	\$99,550	\$97,750	\$518,500	\$520,250	\$520,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
15	Amount required from Water Sales (Line 8 - Line 14)		1,143,380	1,198,517	1,249,840	1,311,250	794,543	802,182	682,899	1,010,314	1,088,227	1,088,227	1,088,227	1,088,227	1,088,227	1,088,227
16	Water Sales (Water sales in million gallons *rate)		1,181,893	1,181,435	1,247,032	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700	1,242,700
17	Actual (Proposed) Water Rate		6.80	6.95	7.10	7.31	7.31									
18	Water sales in million gallons		173807.794	169990.647	175638.309	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000
19	Operating Income/Loss (Plus Interest Incom)		\$38,513	(\$17,082)	(\$2,808)	(\$68,550)	\$448,157	\$440,518	\$559,801	\$232,386	\$154,473	\$154,473	\$154,473	\$154,473	\$154,473	\$154,473
20	Target Operating Reserve 25% of operating expenses w/ depreciation(3yrs then 2yrs)		\$1,021,235	\$1,049,820	\$1,052,348	\$816,000	\$796,736	\$803,808	\$778,650	\$765,229	\$789,607	\$794,507	\$799,407	\$804,307	\$809,382	\$814,457
21	Capital Improvements		\$40,690	\$69,262	\$400,000	\$125,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
22	Equipment/Automated meter reading system		\$0	\$0	\$0	\$0	\$400,000	\$400,000	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Bond Interest Expense		61,468	58,308	50,244	46,844	42,594	37,644	32,469	26,688	20,513	14,013	7,350	-	-	-
24	Change in Net Assets (Line 19 less Line 23)		(\$22,955)	(\$75,390)	(\$53,052)	(\$115,394)	\$405,563	\$402,874	\$527,332	\$205,698	\$133,960	\$140,460	\$147,123	\$154,473	\$154,473	\$154,473
25	Beginning Unrestricted Assets Balance		1,498,045	1,532,550	1,463,096	1,100,044	954,650	797,913	641,187	606,618	648,116	610,676	577,535	548,858	740,331	934,703
26	Prior Period Adjust - Def bnd issue cost															
27	Adjustments for changes in Non-current exp		57,460	5,936	(310,000)	(30,000)	(562,300)	(559,600)	(561,900)	(164,200)	(171,400)	(173,600)	(175,800)	37,000	39,900	42,800
28	Ending Unrestricted Net Assets		\$1,532,550	\$1,463,096	\$1,100,044	\$954,650	\$797,913	\$641,187	\$606,618	\$648,116	\$610,676	\$577,535	\$548,858	\$740,331	\$934,703	\$1,131,976
29	Bond Principal & Interest payments (matures Dec 2024)		\$221,844	\$218,544	\$220,224	\$216,844	\$222,594	\$217,644	\$217,469	\$216,688	\$220,513	\$219,013	\$217,350	\$0	\$0	\$0
30	Bond Principal Payment Annual		\$165,000	\$165,000	\$170,000	\$170,000	\$180,000	\$180,000	\$185,000	\$190,000	\$200,000	\$205,000	\$210,000	\$0	\$0	\$0

VILLAGE OF LAKE BLUFF

14-Mar-18

**WATER REVENUES & EXPENSE PROJECTIONS
RATE PROJECTIONS/ANALYSIS - FY 2017-FY2018**

Line #		Actual FY14/15	Actual FY 15/16	Actual FY 16/17	Projections FY 17/18	Projected FY 18/19	Projected FY 19/20	Projected FY 20/21	Projected FY 21/22	Projected FY 22/23	Projected FY 23/24	Projected FY 24/25	Projected FY 25/26	Projected FY 26/27	Projected FY 27/28	
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4	Equipment Purchases		\$0	\$0	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000
5	Subtotal Operating Expenses		\$391,787	\$481,843	\$453,290	\$500,900	\$463,943	\$484,912	\$489,159	\$513,834	\$518,949	\$544,518	\$550,553	\$577,070	\$584,082	\$611,604
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	Other Revenue Sources															
9	Customer Charge & Late Fees		\$63,433	\$65,104	\$65,000	\$64,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000
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11	Interest Income		\$2,455	\$2,849	\$3,000	\$2,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
12	Other Fees		\$16,452	\$7,181	\$3,550	\$6,250	\$6,000	\$5,750	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
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14	Total Other Revenue Sources		\$111,502	\$156,634	\$99,550	\$97,750	\$518,500	\$520,250	\$520,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
15	Amount required from Water Sales (Line 8 - Line 14)		1,143,380	1,198,517	1,249,840	1,311,250	794,543	802,182	682,899	1,010,314	1,088,227	1,088,227	1,088,227	1,088,227	1,088,227	1,088,227
16	Water Sales (Water sales in million gallons *rate)		1,181,893	1,181,435	1,247,032	1,242,700	1,242,700	1,275,000	1,275,000	1,275,000	1,275,000	1,275,000	1,275,000	1,275,000	1,242,700	1,242,700
17	Actual (Proposed) Water Rate		6.80	6.95	7.10	7.31	7.31	7.50	7.31	7.31						
18	Water sales in million gallons		173807.794	169990.647	175638.309	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000	170000.000
19	Operating Income/Loss (Plus Interest Incom)		\$38,513	(\$17,082)	(\$2,808)	(\$68,550)	\$448,157	\$472,818	\$592,101	\$264,686	\$186,773	\$186,773	\$186,773	\$186,773	\$154,473	\$154,473
20	Target Operating Reserve 25% of operating expenses w/ depreciation(3yrs then 2yrs)		\$1,021,235	\$1,049,820	\$1,052,348	\$816,000	\$796,736	\$803,808	\$778,650	\$765,229	\$789,607	\$794,507	\$799,407	\$804,307	\$809,382	\$814,457
21	Capital Improvements		\$40,690	\$69,262	\$400,000	\$125,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
22	Equipment/Automated meter reading system		\$0	\$0	\$0	\$0	\$400,000	\$400,000	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Bond Interest Expense		61,468	58,308	50,244	46,844	42,594	37,644	32,469	26,688	20,513	14,013	7,350	-	-	-
24	Change in Net Assets (Line 19 less Line 23)		(\$22,955)	(\$75,390)	(\$53,052)	(\$115,394)	\$405,563	\$435,174	\$559,632	\$237,998	\$166,260	\$172,760	\$179,423	\$186,773	\$154,473	\$154,473
25	Beginning Unrestricted Assets Balance		1,498,045	1,532,550	1,463,096	1,100,044	954,650	797,913	673,487	671,218	745,016	739,876	739,035	742,658	966,431	1,160,803
26	Prior Period Adjust - Def bnd issue cost															
27	Adjustments for changes in Non-current exp		57,460	5,936	(310,000)	(30,000)	(562,300)	(559,600)	(561,900)	(164,200)	(171,400)	(173,600)	(175,800)	37,000	39,900	42,800
28	Ending Unrestricted Net Assets		\$1,532,550	\$1,463,096	\$1,100,044	\$954,650	\$797,913	\$673,487	\$671,218	\$745,016	\$739,876	\$739,035	\$742,658	\$966,431	\$1,160,803	\$1,358,076
29	Bond Principal & Interest payments (matures Dec 2024)		\$221,844	\$218,544	\$220,224	\$216,844	\$222,594	\$217,644	\$217,469	\$216,688	\$220,513	\$219,013	\$217,350	\$0	\$0	\$0
30	Bond Principal Payment Annual		\$165,000	\$165,000	\$170,000	\$170,000	\$180,000	\$180,000	\$185,000	\$190,000	\$200,000	\$205,000	\$210,000	\$0	\$0	\$0

VILLAGE OF LAKE BLUFF

MEMORANDUM

TO: Finance Committee Members
Kathy O'Hara, Village President

FROM: R. Drew Irvin, Village Administrator
Bettina K. O'Connell, Director of Finance

DATE: March 13, 2018

SUBJECT: Review of FY17 GFOA CAFR Comments



On February 22, 2018 the Government Finance Officers Association (GFOA) notified the Village that the Comprehensive Annual Financial Report (CAFR) received a certificate of achievement for excellence in financial reporting. The GFOA CAFR review includes a grading summary and listing of comments with suggestions for improvement. Attached (A) is a copy of the grading summary along with the related comments/suggestions for improvement and the corresponding pages from the CAFR that are associated with the remarks.

Noteworthy points include:

- ❖ All CAFR grading categories received a proficient grade.
- ❖ Three suggestions were made, all related to pension note disclosures. Attached (B) are the pages from the audit related to the comments.

The comments in summary include:

- Pg. 43 – a request to separate the Village and Library IMRF changes in net pension liability, and related ratios. A Village, Library and a total column should be included for the related costs, interest, contributions and investment income.
 - Pg. 43. - in addition to the request to separate the Village and the Library's' changes in net position the deferred outflows/inflows should also be presented independently.
 - Pg. 59 & 61 – the amounts are the same for covered employee payroll and employers covered employee payroll while the measurement dates are different. Either the amounts should be different or the measurement dates should be the same.
- ❖ The certificate of achievement program policy requires that written responses to the comments and suggestions for improvement accompany the next fiscal year's submission. The written responses should provide details about how each item is addressed within the report. The suggested areas for improvement are related to the schedules of information that the auditor prepares. The auditors will respond to the comments, indicating that the IMRF schedules have been separately presented, and that the measurement date has been corrected.

Certificate of Achievement For Excellence in Financial Reporting Summary of Grading

Name of Unit: Village of Lake Bluff
Fiscal Year of Report FY2017

Report # 154.00

GFOA Member ID Number 122141001

The Certificate of Achievement Program Special Review Committee (SRC) has completed its review of your comprehensive annual financial report (CAFR). Listed below are the grading categories used and a summary of the SRC's evaluation of your CAFR. The detailed comments and suggestions for reporting improvements on the attached listing are grouped under similar grading categories. Any category which received a grade of "Needs Significant Improvement" indicates an area of particular concern to the SRC and the related comments and suggestions for improvement in this category should be given special attention. An indication is provided on the list by the specific comments(s) or category(ies) that were the cause of receiving this grade. For each item, the notation also states whether it is 1) the basis or part of the basis for the CAFR not receiving the Certificate of Achievement, 2) a serious deficiency which will almost certainly preclude the awarding of the Certificate of Achievement if it is not corrected in your next CAFR, or 3) a deficiency, that if not corrected in future CAFRs, could result in the Certificate of Achievement not being awarded.

Grading Category

Grade

Cover, table of contents, and formatting	Proficient
Introductory section	Proficient
Report of the independent auditor	Proficient
Management's discussion and analysis (MD&A)	Proficient
Basic financial statements (preliminary considerations)	Proficient
Government-wide financial statements	Proficient
Fund financial statements (general considerations)	Proficient
Governmental fund financial statements	Proficient
Proprietary fund financial statements	Proficient
Fiduciary fund financial statements	Proficient
Summary of significant accounting policies (SSAP)	Proficient
Note disclosure (other than the SSAP and pension-related disclosures)	Proficient
Pension-related note disclosures	Proficient
Required supplementary information (RSI)	Proficient
Combining and individual fund information and other supplementary information	Proficient
Statistical section	Proficient
Other considerations	Proficient

Certificate of Achievement For Excellence in Financial Reporting
Detailed Listing of Comments and Suggestions for Improvement

Please call GFOA's Technical Services Center at 312-977-9700 regarding comment questions

Name of Unit: Village of Lake Bluff
Fiscal Year of Report FY2017

Report # 154.00

GFOA Member ID Number 122141001

113 - Pension-related note disclosures

Checklist Question: 13.2i

Page 43 - Separately present information for the Village and the Library.

The notes should provide the following information about the employer balances of deferred outflows of resources and deferred inflows of resources for the plan: (1) the differences between expected and actual experience in the measurement of the total pension liability; (2) the changes of assumptions or other inputs; (3) the net difference between projected and actual earnings on pension plan investments; (4) the changes in the employer's proportion of the balances and differences between the employer's contributions and the employer's proportionate share of contributions, if the plan is a single-employer or agent plan with a special funding situation or a cost sharing plan; and (5) the employer's contributions to the pension plan subsequent to the measurement date of the net pension liability. [GASB-S68: 45 and 80; eGAAFR, page 913; eSUP, page 9]

113 - Pension-related note disclosures

Checklist Question: 13.1

For the deferred outflows and inflows of resources related to pensions, the net pension liability, and the pension expenses.

The notes should provide the aggregate amount for all plans for each of the following items if the total amounts are not otherwise identifiable from information presented in the financial statements: (1) pension liabilities, (2) pension assets, (3) deferred outflows of resources related to pensions, (4) deferred inflows of resources related to pensions, and (5) pension expenses/expenditures for the period associated with the net pension liabilities. [GASB-S68: 37 and 74; eGAAFR, page 913; eSUP, page 9]

114 - Required supplementary information (RSI)

Additional Comment:

Pages 59 and 61.

It is unclear why the covered payroll in the schedule of funding progress equals the amount in the schedule of employer contributions, since the measurement date is different than the government's fiscal year end. The covered payroll in the schedule of funding progress should be the annual covered payroll during the period that ends on the measurement date of the pension liability. The covered payroll in the schedule of employee contributions should be the covered payroll during the employer's fiscal year. [GASB-S68: 46 and 81; Q&A 5.154.2 and 5.192.3]

VILLAGE OF LAKE BLUFF, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in the Net Pension Liability (Continued)

The table presented above includes amounts for both the Village and the Library. The Village's proportionate share of the net pension liability at January 1, 2016, the employer contributions and the net pension liability at December 31, 2016 was \$925,222, \$167,935 and \$629,025, respectively. The Library's proportionate share of the net pension liability at January 1, 2016, the employer contributions and the net pension liability at December 31, 2016 was \$231,305, \$42,026 and \$157,256, respectively.

There was a change in assumption related to the discount rate made since the prior measurement date. The discount rate used in the current actuarial valuation, dated December 31, 2016, is 7.50%. The discount rate used in the prior actuarial valuation, dated December 31, 2015, was 7.49%.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2017, the Village recognized pension expense of \$718,839.

At April 30, 2017, the Village and Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow of Resources
Differences between expected and actual experience	\$ 78,276	\$ (294,475)	\$ (216,199)
Changes in assumptions	6,339	(10,978)	(4,639)
Net difference between projected and actual earnings on pension plan investments	546,195	-	546,195
Employer contributions after the measurement date	70,340	-	70,340
TOTAL	\$ 701,150	\$ (305,453)	\$ 395,697

VILLAGE OF LAKE BLUFF, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Two Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2016	2017
Actuarially determined contribution	\$ 180,218	\$ 167,935
Contributions in relation to the actuarially determined contribution	<u>180,218</u>	<u>167,935</u>
CONTRIBUTION DEFICIENCY (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,704,998	\$ 1,659,631
Contributions as a percentage of covered-employee payroll	10.57%	10.12%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuation as of January 1 of the prior calendar year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was aggregate entry-age normal; the amortization method was level percentage of payroll, closed and the amortization period was 27-year closed period until the remaining period reaches 15 years (then a 15-year rolling period); the asset valuation method was five-year smoothed market with a 20% corridor; and the significant actuarial assumptions were wage growth at 3.50% annually; price inflation of 3.00% annually; projected salary increases of 3.75% to 14.50%, annually, including inflation; and an investment rate of return of 7.50% annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

VILLAGE OF LAKE BLUFF, ILLINOIS

**SCHEDULE OF THE VILLAGE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Two Calendar Years

MEASUREMENT DATE DECEMBER 31,	2015	2016
Employer's proportion of net pension liability	80.00%	80.00%
Employer's proportionate share of net pension liability	\$ 925,222	\$ 629,025
Employer's covered-employee payroll	1,704,998	1,659,631
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.27%	37.90%
Plan fiduciary net position as a percentage of the total pension liability	91.16%	94.06%

Notes to Required Supplementary Information

There was a change in the actuarial assumptions used between the prior year and current year. The investment rate of return used in the current year is 7.50% while that used in the prior year was 7.49%.

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VILLAGE OF LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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a. Plan Descriptions (Continued)

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VILLAGE OF LAKE BLUFF, ILLINOIS

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ILLINOIS MUNICIPAL RETIREMENT FUND**

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VILLAGE OF LAKE BLUFF, ILLINOIS

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SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIREMENT FUND**

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