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**VILLAGE OF PRAIRIE GROVE  
McHENRY COUNTY, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED APRIL 30, 2016**

**eder, casella & co.**



VILLAGE OF PRAIRIE GROVE  
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APRIL 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Village of Prairie Grove  
Prairie Grove, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the

### VILLAGE OF PRAIRIE GROVE

as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### Management's Responsibility 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 1; this includes 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 misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

eder, casella & co.

## Opinions

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 of Prairie Grove, as of April 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

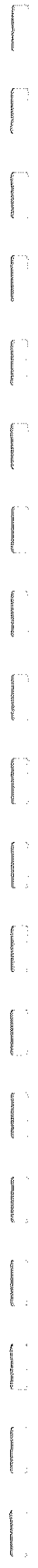
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
July 13, 2016

## BASIC FINANCIAL STATEMENTS





VILLAGE OF PRAIRIE GROVE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
APRIL 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,751,409
Capital Assets	
Land	502,789
Construction in Progress	124,900
Other Capital Assets, Net of Depreciation	<u>7,624,218</u>
Total Assets	<u>\$ 10,003,316</u>
<b>LIABILITIES</b>	
Refundable Road Bonds	\$ 21,750
Refundable Retained Personnel Deposits	112,951
Amounts Due to Other Governments	11,084
Refundable Temporary Occupancy Permits	15,143
Other Refundable Deposits and Permits	584
Health Insurance Payables	215
Non-Current Liabilities	
Due Within One Year	187,715
Due in More Than One Year	<u>1,170,801</u>
Total Liabilities	<u>\$ 1,520,243</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 8,200,853
Restricted for:	
Highways and Streets	120,500
Construction Fund	288,142
Unrestricted / (Deficit)	<u>(126,422)</u>
Total Net Position	<u>\$ 8,483,073</u>

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

VILLAGE OF PRAIRIE GROVE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2016

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					Governmental Activities
General Government	\$ 702,291	\$ 81,288	\$ -	\$ 790	\$ (620,213)
Public Works	349,793	-	-	-	(349,793)
Public Safety	283,414	117,123	525	7,590	(158,176)
Building and Zoning	28,057	13,436	-	-	(14,621)
Road and Bridge	682,939	-	-	90,592	(592,347)
Parks and Recreation	15,191	-	-	-	(15,191)
Interest and Fees on Long-Term Debt	37,560	-	-	-	(37,560)
Unallocated Depreciation	17,296	-	-	-	(17,296)
	<u>\$ 2,116,541</u>	<u>\$ 211,847</u>	<u>\$ 525</u>	<u>\$ 98,972</u>	<u>\$ (1,805,197)</u>
General Revenues					
Taxes					
Property Tax					\$ 404,335
State Sales Tax					676,718
State Income Tax					203,306
State Replacement Tax					9,678
State Motor Fuel Tax					48,797
State Use Tax					43,817
State Telecom Tax					7,635
Utility Tax					41,857
Unrestricted Investment Earnings					1,914
Insurance Proceeds					24,502
Gain on Disposal of Fixed Assets					1,110
Other Income					31,330
Total General Revenues and Transfers					<u>\$ 1,494,999</u>
Change in Net Position					\$ (310,198)
Net Position - Beginning of Year					<u>8,793,271</u>
Net Position - End of Year					<u>\$ 8,483,073</u>

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

VILLAGE OF PRAIRIE GROVE  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF APRIL 30, 2016

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,630,239	\$ 121,170	\$ 1,751,409
Total Assets	<u>\$ 1,630,239</u>	<u>\$ 121,170</u>	<u>\$ 1,751,409</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Refundable Road Bonds	\$ 21,750	\$ -	\$ 21,750
Refundable Retained Personnel Deposits	112,951	-	112,951
Amounts Due to Other Governments	11,084	-	11,084
Refundable Temporary Occupancy Permits	15,143	-	15,143
Other Refundable Deposits and Permits	584	-	584
Health Insurance Payables	215	-	215
Total Liabilities	<u>\$ 161,727</u>	<u>\$ -</u>	<u>\$ 161,727</u>
<b>FUND BALANCES</b>			
Restricted			
Highways and Streets	\$ -	\$ 120,500	\$ 120,500
Construction	288,142	-	288,142
Assigned			
Highways and Streets	-	670	670
Unassigned	1,180,370	-	1,180,370
Total Fund Balances	<u>\$ 1,468,512</u>	<u>\$ 121,170</u>	<u>\$ 1,589,682</u>
Total Liabilities and Fund Balances	<u>\$ 1,630,239</u>	<u>\$ 121,170</u>	<u>\$ 1,751,409</u>

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

VILLAGE OF PRAIRIE GROVE  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS  
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
APRIL 30, 2016

Total Fund Balances - Governmental Funds	\$ 1,589,682
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Amounts reported for governmental activities in the Statement  
of Net Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Capital Assets, net of accumulated depreciation	8,251,907
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Some liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Notes Payable	\$ (1,346,054)	
Compensated Absences	<u>(12,462)</u>	
		<u>(1,358,516)</u>

Net Position of Governmental Activities	<u><u>\$ 8,483,073</u></u>
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF PRAIRIE GROVE  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2016

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES			
Local Taxes			
Property Tax	\$ 404,335	\$ -	\$ 404,335
Intergovernmental			
State Sales Tax	676,718	-	676,718
State Income Tax	203,306	-	203,306
State Replacement Tax	9,678	-	9,678
State Motor Fuel Tax	-	48,797	48,797
State Use Tax	43,817	-	43,817
State Telecom Tax	7,635	-	7,635
Federal and State Grants	98,707	-	98,707
Other Local Sources			
Building Permits	12,162	-	12,162
Road Impact Permits	44,719	-	44,719
Fines and Forfeitures	117,123	-	117,123
Liquor and Tobacco Permits	3,600	-	3,600
Engineering Fees	1,274	-	1,274
Franchise Fees	32,969	-	32,969
Utility Tax	41,857	-	41,857
Interest	1,771	143	1,914
Miscellaneous			
Insurance Proceeds	24,502	-	24,502
Other	31,330	-	31,330
	<u>\$ 1,755,503</u>	<u>\$ 48,940</u>	<u>\$ 1,804,443</u>
EXPENDITURES			
CURRENT			
General Government	\$ 706,229	\$ -	\$ 706,229
Public Works	326,290	-	326,290
Public Safety	247,725	-	247,725
Building and Zoning	28,057	-	28,057
Road and Bridge	281,546	30,291	311,837
Parks and Recreation	1,611	-	1,611
CAPITAL OUTLAY	131,311	-	131,311
DEBT SERVICE			
Principal	194,074	-	194,074
Interest and Fees	37,560	-	37,560
	<u>\$ 1,954,403</u>	<u>\$ 30,291</u>	<u>\$ 1,984,694</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (198,900)	\$ 18,649	\$ (180,251)
OTHER FINANCING SOURCES/(USES)			
Sale of Assets	1,458	-	1,458
NET CHANGE IN FUND BALANCES	\$ (197,442)	\$ 18,649	\$ (178,793)
FUND BALANCES - MAY 1, 2015	1,665,954	102,521	1,768,475
FUND BALANCES - APRIL 30, 2016	<u>\$ 1,468,512</u>	<u>\$ 121,170</u>	<u>\$ 1,589,682</u>

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

VILLAGE OF PRAIRIE GROVE  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (178,793)

Amounts reported for governmental activities in the Statement of Activities - Modified  
Cash Basis are different because:

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

Depreciation Expense	\$ (591,520)	
Capital Outlays	<u>258,561</u>	
		(332,959)

In the Statement of Activities - Modified Cash Basis, only the gain or loss on the  
sale of capital assets is reported, whereas in the governmental funds, the proceeds  
from the sale increase financial resources. Thus, the change in net position differs  
from the change in fund balance by the undepreciated balance of the capital assets  
sold.

Proceeds from Sale of Capital Assets	\$ (1,458)	
Gain on Sale of Capital Assets	<u>1,110</u>	
		(348)

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

Compensated Absences	7,037
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Donated capital assets and asset winnings used in governmental activities are not  
current financial resources and therefore are not reported as revenue in the  
governmental funds.

Donated Assets	790
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Repayment of long-term debt requires the use of current financial resources of  
governmental funds and is therefore shown as an expenditure in the Statement  
of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis,  
but the repayment reduces long-term liabilities in the Statement of Net Position -  
Modified Cash Basis and is therefore not reported in the Statement of Activities -  
Modified Cash Basis.

Repayment of Long-Term Debt	<u>194,075</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (310,198)</u></u>
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF PRAIRIE GROVE  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Prairie Grove's (Village) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the Village are discussed below.

A. *Reporting Entity*

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

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

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize all of the primary activities of the Village as governmental activities. The Village does not have any business-type activities.

In the government-wide Statement of Net Position – Modified Cash Basis, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a modified cash, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, sales taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (general government, public works, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenues (property taxes, sales taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### C. *Basic Financial Statements – Fund Financial Statements*

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

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The Village electively made all governmental funds major funds.

The following fund types are used by the Village:

##### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of 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.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Motor Fuel Tax Fund includes revenues from motor fuel tax and other state road grants along with the related expenditures.

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

#### D. *Basis of Accounting*

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

In the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. *Basis of Accounting* (Continued)

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Village utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

#### E. *Cash and Cash Equivalents and Investments*

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

#### F. *Inventories*

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the Village's inventories is not deemed to be material.

#### G. *Interfund Activity*

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

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

#### H. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Equipment	5 - 20 years
Vehicles	4 - 15 years
Infrastructure	20 years
Land Improvements	20 years
Building Improvements	40 years

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### H. *Capital Assets (Continued)*

GASB Statement No. 34 requires the Village to report and depreciate new infrastructure assets acquired on or after May 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

#### I. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Village at January 1. Vacation is required to be used by December 31 but can be carried over until April 30 of the next year. Sick leave is accumulated from year to year up to 200 hours, but is not paid upon termination. The debt obligation is shown as a current liability in the government-wide Statement of Net Position – Modified Cash Basis and represents a reconciling item between the fund and government-wide presentations.

#### J. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position – Modified Cash Basis. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt services expenditures.

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

#### K. *Government-Wide Net Position*

Government-wide net position is divided into three components:

1. Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted Net Position – consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
3. Unrestricted Net Position – all other net position is reported in this category.

#### L. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### L. *Governmental Fund Balances (Continued)*

The spendable fund balances are arranged in a hierarchy based on spending constraints.

1. **Restricted** – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
2. **Committed** – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action (e.g. legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
3. **Assigned** – Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Trustees has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Village itself. All assigned fund balances are the residual amounts of the fund.

4. **Unassigned** – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash.

The Village permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

#### M. *Property Tax Calendar and Revenues*

The Village's property tax is levied each calendar year on all taxable real property located in the Village's district on or before the last Tuesday in December. The 2015 levy was passed by the Board on December 15, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

### NOTE 2 - DEPOSITS AND INVESTMENTS

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

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

### Investments

As of April 30, 2016, the Village had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	5 - 10	More than 10
State Investment Pool	\$ 1,539,850	\$ 1,539,850	\$ -	\$ -	\$ -

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

*Interest Rate Risk.* The Village's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments based on credit risk. The Village's investment policy states that the Village cannot directly invest in securities maturing more than ten years from the date of purchase. As of April 30, 2016, the Village's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's

*Concentration of Credit Risk.* The Village places no limit on the amount the Village may invest in any one issuer. More than five percent of the Village's investments are in the State Investment Pool (100%).

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

	Balance May 1, 2015	Increases	Decreases	Balance April 30, 2016
<b>Governmental Activities:</b>				
Capital Assets not being depreciated				
Land	\$ 502,789	\$ -	\$ -	\$ 502,789
Construction in Progress	128,236	-	3,336	124,900
Total Capital Assets not being depreciated	\$ 631,025	\$ -	\$ 3,336	\$ 627,689
Other Capital Assets:				
Buildings	\$ 1,530,809	\$ -	\$ -	\$ 1,530,809
Equipment	340,788	26,990	791	366,987
Vehicles	467,022	62,424	35,007	494,439
Infrastructure	9,644,766	-	-	9,644,766
Land Improvements	4,959	1,854	-	6,813
Building Improvements	3,520	171,419	-	174,939
Total Other Capital Assets at Historical Cost	\$ 11,991,864	\$ 262,687	\$ 35,798	\$ 12,218,753
Less Accumulated Depreciation for:				
Buildings	\$ 254,778	\$ 38,270	\$ -	\$ 293,048
Equipment	176,429	22,941	443	198,927
Vehicles	283,289	46,326	35,007	294,608
Infrastructure	3,323,777	482,240	-	3,806,017
Land Improvements	160	310	-	470
Building Improvements	32	1,433	-	1,465
Total Accumulated Depreciation	\$ 4,038,465	\$ 591,520	\$ 35,450	\$ 4,594,535
Other Capital Assets, Net	\$ 7,953,399	\$ (328,833)	\$ 348	\$ 7,624,218
Governmental Activities Capital Assets, net	\$ 8,584,424	\$ (328,833)	\$ 3,684	\$ 8,251,907

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,339
Public Works	48,806
Public Safety	28,881
Road and Bridge	482,239
Parks and Recreation	12,959
Unallocated	17,296
Total Governmental Activities Depreciation Expense	<u>\$ 591,520</u>

## NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2016 was as follows:

	Balance May 1, 2015	Additions	Retirements	Balance April 30, 2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Long-Term Debt					
2014 General Obligation Bond	\$ 1,440,000	\$ -	\$ 145,000	\$ 1,295,000	\$ 150,000
F-450 Dump truck Loan	61,985	-	22,685	39,300	13,499
Sovereign Leasing	34,742	-	22,988	11,754	11,754
First Midwest Bank	3,402	-	3,402	-	-
Total Long-Term Debt	<u>\$ 1,540,129</u>	<u>\$ -</u>	<u>\$ 194,075</u>	<u>\$ 1,346,054</u>	<u>\$ 175,253</u>
Other Long-Term Obligations					
Compensated Absences	\$ 19,499	\$ -	\$ 7,037	\$ 12,462	\$ 12,462
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,559,628</u>	<u>\$ -</u>	<u>\$ 201,112</u>	<u>\$ 1,358,516</u>	<u>\$ 187,715</u>

Long-term debt consisted of the following at April 30, 2016:

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
<b>Governmental Activities:</b>					
2014 General Obligation Bond	5/29/2014	1/1/2024	2.44%	\$ 1,590,000	\$ 1,295,000
F-450 Dump truck Loan	12/5/2014	12/5/2019	2.89%	67,230	39,300
Sovereign Leasing	11/1/2011	11/1/2016	2.99%	110,000	11,754
First Midwest Bank	10/26/2012	10/26/2015	2.75%	20,000	-

At April 30, 2016 the annual debt service requirements to service long-term debt are:

Year Ending April 30	Principal	Interest	Total
2017	\$ 175,253	\$ 32,693	\$ 207,946
2018	163,895	28,501	192,396
2019	171,906	24,439	196,345
2020	160,000	20,374	180,374
2021	165,000	16,470	181,470
2022	165,000	12,444	177,444
2023	170,000	8,418	178,418
2024	175,000	4,270	179,270
	<u>\$ 1,346,054</u>	<u>\$ 147,609</u>	<u>\$ 1,493,663</u>

## NOTE 5 - DEFICIT FUND BALANCES

No Village fund had a deficit fund balance as of April 30, 2016.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 6 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2014 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2015, 2014, and 2013 follows:

TAX YEAR	2015		2014		2013	
ASSESSED VALUATION	\$80,286,524		\$78,206,033		\$80,713,574	
	RATES	EXTENSIONS	RATES	EXTENSIONS	RATES	EXTENSIONS
General	0.2528	\$ 202,971	0.2679	\$ 209,512	0.2688	\$ 216,977
Police Protection	0.1071	86,001	0.1100	86,000	0.1066	86,000
Audit	0.0118	9,475	0.0118	9,225	0.0112	9,000
Liability Insurance	0.0555	44,555	0.0553	43,264	0.0508	41,024
Road and Bridge	0.0212	17,001	0.0217	17,000	0.0211	17,001
	<u>0.4484</u>	<u>\$ 360,003</u>	<u>0.4667</u>	<u>\$ 365,001</u>	<u>0.4585</u>	<u>\$ 370,002</u>
Road and Bridge (from Townships)	-	\$ 32,552	-	\$ 45,708	-	\$ 46,730

## NOTE 7 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2016, no fund had expenditures that exceeded the budget.

## NOTE 8 - OPERATING LEASES, AS LESSEE

The Village has a lease agreement for a copier.

Minimum annual rentals are as follows:

Year Ending April 30	Amount
2017	\$ 1,392
2018	1,392
2019	928
	<u>\$ 3,712</u>

Total rental expense for the operating lease for the year ended April 30, 2016 was \$1,392.

## NOTE 9 - SOCIAL SECURITY

All employees are covered under Social Security. The Village paid the total required contribution for the current fiscal year.

## NOTE 10 - RISK MANAGEMENT

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

The Village is a member of the Illinois Municipal League Risk Management Association (IMLRMA), a joint risk management pool of local governmental units through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the Village and IMLRMA is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Village is contractually obligated to make all annual and supplementary contributions for IMLRMA, to report claims on

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 10 - RISK MANAGEMENT (Continued)

a timely basis, cooperate with IMLRMA, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by IMLRMA. Members have a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which they were a member.

IMLRMA is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. IMLRMA also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended April 30, 2016, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in any of the past three fiscal years. The Village is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2016, there were no significant adjustments in premiums based on actual experience.

### NOTE 11 - CONTINGENCIES

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

### NOTE 12 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Village.

2015 EAV	\$	80,286,524
	X	8.625%
Debt Margin	\$	6,924,713
Current Debt		1,346,054
Remaining Debt Margin	\$	5,578,659

### NOTE 13 - COMMITMENTS

The Village has a contract for \$143,792 for the Justen Road Bridge. As of April 30, 2016, the Village has not paid any amounts toward the contract.

The Village has unspent road bond proceeds of \$288,142. The remaining amount is budgeted to be spent in fiscal year 2017 for Ames and Wirth Trail overlay and Barreville Road patching, as well as Justen Road Bridge engineering.

### NOTE 14 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through July 13, 2016, the date on which the financial statements were available to be issued.