

**CITY OF VILLA GROVE**  
**Villa Grove, Illinois**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended April 30, 2016**

CITY OF VILLA GROVE  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and City Council  
City of Villa Grove, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Villa Grove, Illinois, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Villa Grove, Illinois, 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 that matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villa Grove's basic financial statements. The management's discussion and analysis, supplementary information, and additional schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis and additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Kemper CPA Group LLP*

Kemper CPA Group, LLP  
Certified Public Accountants and Consultants  
November 04, 2016

## **CITY OF VILLA GROVE**

### Management's Discussion and Analysis (MD&A)

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the City's financial position, the financial statements and footnotes should be viewed in their entirety.

#### **FINANCIAL HIGHLIGHTS**

- As of April 30, 2016, the City's total net position (excess of assets over liabilities) was \$7,743,336.
- The City's total net position increased \$448,568.
- As of April 30, 2016, the City's governmental funds reported combined ending fund balances of \$1,396,040, an increase of \$170,542 from the prior year.
- The City's total long-term liabilities were \$981,685 as of April 30, 2016, a decrease of \$180,355 from the prior year. No additional long-term debt was issued during the fiscal year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for various funds.

##### Government-Wide Statements (Reporting the City as a Whole)

Governments have traditionally focused their reporting on groupings of funds rather than on the government taken as a whole. The current financial reporting model, upon which this report is based, retains this traditional focus on funds and adds an additional focus on the overall government's financial position and operations.

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City as a whole and its activities. These statements help to demonstrate how the City's financial position as a whole changed due to the year's operating activities. These statements include all assets and liabilities using the modified cash basis of accounting, including noncurrent assets and liabilities arising from cash transactions.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure

whether the City's financial position is improving or not. You will need to consider other non-financial factors, however, such as changes in the City's property tax or sales tax base and the condition of various infrastructures, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are now reported on a modified cash basis, meaning that revenues and expenses are reported at the time that the money has been transacted.

Both statements report two kinds of activity:

- *Governmental Activities* – Most of the City's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services, such as public safety, public works, economic development and recreation.
- *Business-type Activities* – These activities are primarily funded by charges to external parties for the cost of goods and services provided. These activities are generally reported in Enterprise Funds in the fund level statements. The operations of water and wastewater utilities are examples of business-type activities.

Financial reporting for governmental activities traditionally has focused on changes in current spendable resources rather than on changes in total resources. The traditional focus has been retained for purposes of fund reporting. However, as governmental activities are included with other activities in the government-wide financial statement format, the focus for these activities shifts to changes in total resources. Simply put, all activities put in government-wide financial statements are reported in a manner similar to private-sector accounting. To increase the reader's understanding, a summary reconciliation of the difference between the governmental fund financial statements and the government-wide financial statements is provided as part of the basic financial statements.

### Fund Level Statements

Fund financial statements focus on individual parts of the City's operations in more detail than the government-wide statements. Funds are accounting devices that governments use to keep track of specific sources of funding and spending. Some funds are required to be established by State law or by bond covenants. However, the City has established other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants or other money. The City's two kinds of funds – governmental and proprietary – use slightly different accounting approaches.

As a practical matter, governments have traditionally combined similar individual funds into groupings or "fund types" (i.e., general fund, special revenue funds, debt service funds, capital project funds, etcetera). In the past, it was these fund types, rather than individual funds, that have been the focus of the combined financial statements presented in financial reports. Under the current financial reporting model, as presented here, however, governments focus on major individual funds rather than on fund types (with aggregate information presented for the total of all non-major funds).

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At April 30, 2016, net position for the City of Villa Grove was \$7,743,336.

A summary of the government-wide statement of net assets at April 30, 2016, follows:

*Table 1*  
*Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,397,096	\$ 2,107,824	\$ 1,446,148	\$ 1,454,833	\$ 2,843,244	\$ 3,562,657
Capital assets	<u>3,202,050</u>	<u>3,389,878</u>	<u>2,714,530</u>	<u>2,761,624</u>	<u>5,916,580</u>	<u>6,151,502</u>
Total Assets	4,599,146	5,497,702	4,160,678	4,216,457	8,759,824	9,714,159
Long-term debt outstanding	342,885	415,498	638,800	746,542	981,685	1,162,040
Other liabilities	<u>1,056</u>	<u>290,540</u>	<u>33,747</u>	<u>87,328</u>	<u>34,803</u>	<u>377,868</u>
Total Liabilities	343,941	706,038	672,547	833,870	1,016,488	1,539,908
Deferred inflow of resources						
Unavailable property taxes	-	481,270	-	-	-	481,270
Net Position:						
Invested in capital assets, net of debt	3,202,050	2,974,380	2,075,730	2,015,082	5,277,780	4,989,462
Restricted	118,319	181,414	37,870	28,432	156,189	209,846
Unrestricted	<u>934,836</u>	<u>1,154,600</u>	<u>1,374,531</u>	<u>1,339,073</u>	<u>2,309,367</u>	<u>2,493,673</u>
Total net position	<u>\$ 4,255,205</u>	<u>\$ 4,310,394</u>	<u>\$ 3,488,131</u>	<u>\$ 3,382,587</u>	<u>\$ 7,743,336</u>	<u>\$ 7,692,981</u>

\$5,277,780 (68.2%) of the net position reflects the City's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Since these assets are used to provide services to the citizens they are not available for future spending. An additional \$156,189 (2.0%) of net position represents resources that are subject to restrictions on how they may be used. The remaining \$2,309,367 (29.8%) of net position is unrestricted and may be used to meet the City's ongoing service and credit obligations.



A summary of the government-wide statement of activities for the year ended April 30, 2016, follows:

*Table 2*  
*Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 168,929	\$ 155,194	\$ 927,417	\$ 837,915	\$ 1,096,346	\$ 993,109
Grants and contributions	215,556	299,874	-	-	215,556	299,874
General revenues:						
Property taxes	476,359	459,454	-	-	476,359	459,454
Sales taxes	391,651	381,123	-	-	391,651	381,123
Other taxes	372,586	352,314	-	-	372,586	352,314
Other revenues	(85,788)	75,083	693	162	(85,095)	75,245
Total revenues	1,539,293	1,723,042	928,110	838,077	2,467,403	2,561,119
Expenses						
General government	330,712	291,718			333,560	291,718
Public safety	527,300	508,924			524,452	508,924
Public works	333,110	289,230	746,001	746,745	1,079,111	1,035,975
Community development	53,666	44,828			53,666	44,828
Interest expense	28,046	30,751	-	-	28,046	30,751
Total expenses	1,272,834	1,165,451	746,001	746,745	2,018,835	1,912,196
Increase (decrease) in net position	266,459	557,591	182,109	91,332	448,568	648,923
Beginning net position, as originally stated	4,310,394	3,752,803	3,382,586	3,291,255	7,692,980	7,044,058
Restatement	(321,648)	-	(76,564)	-	(398,212)	-
Beginning net position, as restated	3,988,746	3,752,803	3,306,022	3,291,255	7,294,768	7,044,058
Ending net position	\$ 4,255,205	\$ 4,310,394	\$ 3,488,131	\$ 3,382,587	\$ 7,743,336	\$ 7,692,981

The increase or decrease in net position can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Total net position for the City increased by \$448,568 (6.15%) during the fiscal year. Governmental activities net position increased by \$266,459 (6.68%), while business-type activities net position increased by \$182,109 (5.51%). The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below for the governmental and business-type activities of the City.

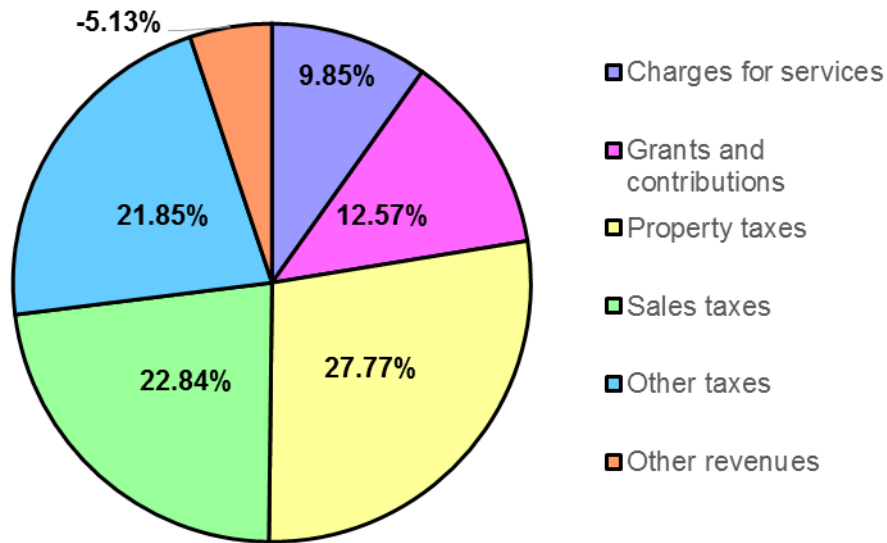
### Governmental Activities

Some of the significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

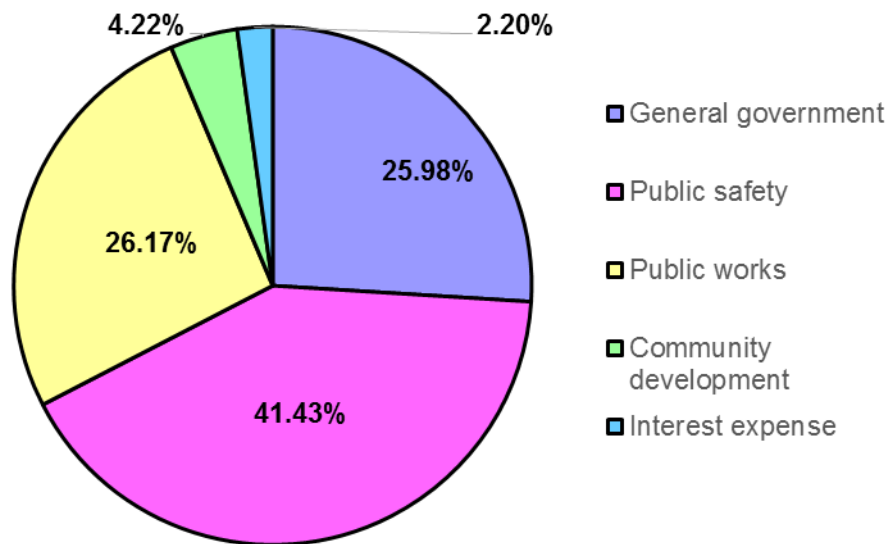
- Property tax revenues, the City's largest revenue, grew by 3.68% but were under the original budget estimate. The City's previous slow growth in the residential real estate market and the Tax Increment Financing area's revenue have stalled, along with a significant decrease in the total estimated assessed valuation of property.
- Sales tax revenues grew by 2.76%.

- Other state revenues increased by 5.75%; the State of Illinois’s timely payment of tax revenues due has remained steady as opposed to the past several years’ delinquencies.
- Public safety and public works costs, which make up 67.6% of all governmental activities expenses, increased by 7.8%.
- The City was awarded an IEMA Hazard Mitigation Grant to cover 75% of the cost of demolition of the City’s Community Building, which was seated in the City’s floodway and subject to repeated damage over the life of the building.

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



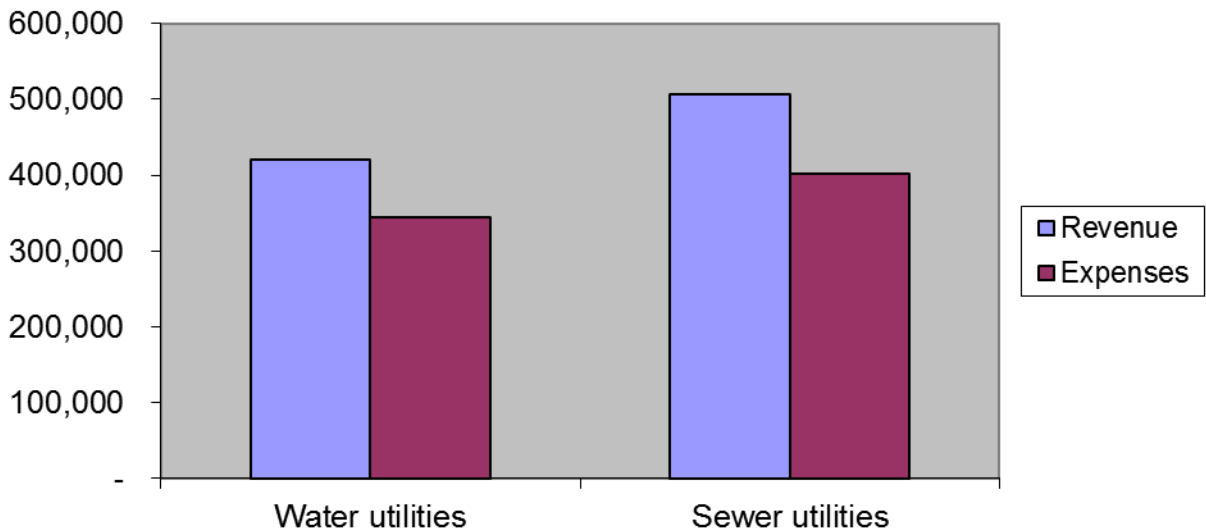
## Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$90,033 (10.74%), from \$838,077 in 2015 to \$928,110 in 2016. Expenses stayed nearly identical to the prior year, down by \$744 (-0.1%) from \$746,745 in 2015 to \$746,001 in 2016.

The reasons for significant changes in the revenues and expenditures of the City's business-type activities from the prior year are as follows:

- No significant changes were noted for FY16 other than being in the first of a 3-year water rate increase. These funds are being accrued in anticipation of higher repair costs and eventually payments towards the new capitalization project (water treatment plant).
- The City continued to incur significant engineering fees associated with the planning of the water treatment plant and anticipates applications for both grant and loan funds for this project in the coming year.

### Expenses and Program Revenues – Business-type Activities



## **MAJOR FUNDS**

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

The **General Fund** is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,162,101, while total fund balance was \$2,219,783. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 164.5% of total general fund expenditures, while total fund balance represents 168.9% of that same amount.

The **Special Revenue Funds** are other funds of the City used to track primarily Motor Fuel Tax and Tax Increment Financing monies. The fund balance at the end of the fiscal year was negative \$(823,743). This negative balance is due to the amount owed by the Tax Increment Financing Fund to the General, Sewer and Water Funds for prior TIF-eligible projects done while there were limited or no funds available. TIF Revenue bonds for the development of the Pheasant Pointe subdivision (issued in 2000) are also included.

The two proprietary funds of the City are the **Sewer Fund** and **Water Fund**. The Sewer Fund is used to track expenses for the transportation and treatment of wastewater sewer (as opposed to storm sewer). As of April 30, 2016, the Sewer Fund had a net position of \$2,136,512, an increase of \$59,977 from the prior year. The Sewer Fund has some long-term debt due to IEPA-required updates to the distribution system in the late 1990's. The Water Fund tracks revenues and expenses attributed to the acquisition, treatment and disbursement of water. The fund is also for maintenance of service deposit funds. The Water Fund had a net position of \$1,351,619 at year end, which was an increase of \$45,567.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The legal spending limits of most municipal governments are set by the appropriation budget method. However, the City of Villa Grove established the budget officer method for the legal spending method in 1998, beginning with fiscal year 1999. The budget officer develops a budget prior to the beginning of each fiscal year, working with the various department heads and City Council to determine the goals of what programs to fund, capital projects and purchases desired, reviewing levels of taxation, types and amounts of user fees, estimates of State revenues, historical expense histories and desired cash reserves and fund balances. The budget ordinance is presented to the City Council after a public hearing for comments by constituents and is adopted by a majority vote as required by State Statute. The budget ordinance is filed with both the county clerk and collector's offices within 30 days, and distributed immediately to department heads for use as the working budget document throughout the fiscal year. The Budget Officer is authorized to transfer budgeted line item amounts within individual departments with written notice to the City Council; the Council itself may vote to increase, decrease or transfer amounts between departments' line items as needed during the year that are not authorized by the Budget Officer. Those changes are accomplished with a simple majority vote, and are much simpler than the complex method necessary to change an appropriation budget amount.

During the fiscal year 2016 there were no changes in overall amounts between the original budget passed and final budget amounts in place.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2016, amounts to \$5,916,580 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$213,819.

*Table 3  
Capital Assets (Net of Depreciation)*

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,280,315	\$ 1,280,315	\$ 332,928	\$ 332,928	\$ 1,613,243	\$ 1,613,243
Buildings	93,518	167,145	170,583	146,047	264,101	313,192
Land Improvements	40,052	678,620	-	-	40,052	678,620
Plant and Equipment	96,968	101,638	1,983,000	2,042,151	2,079,968	2,143,789
Vehicles	201,746	220,559	64,144	73,625	265,890	294,184
Infrastructure	1,489,451	941,601	-	-	1,489,451	941,601
Water Tower	-	-	163,875	166,875	163,875	166,875
Total	<u>\$ 3,202,050</u>	<u>\$ 3,389,878</u>	<u>\$ 2,714,530</u>	<u>\$ 2,761,626</u>	<u>\$ 5,916,580</u>	<u>\$ 6,151,504</u>

Additional information about the City’s capital assets can be found in Note 5 on pages 29-30 of this report.

The City, pursuant to various laws and regulations, has in the past authorized a variety of types of debt which fall into the following categories: revenue bonds, which are payable from specified funds; notes payable, which are payable from specified revenues and other funds; and general obligation (limited tax) debt, which are payable from general fund revenues. At the end of the fiscal year, the City had debt outstanding of \$981,685. Of that amount, \$793,475 represented outstanding bonds or significant long-term debt.

*Table 4  
Outstanding Debt Balances*

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	342,885	415,498	-	-	342,885	415,498
Notes Payable	-	-	638,800	746,542	638,800	746,542
Total	<u>342,885</u>	<u>415,498</u>	<u>638,800</u>	<u>746,542</u>	<u>981,685</u>	<u>1,162,040</u>

Additional information about the City’s long-term debt can be found in Note 6 on pages 30-31 of this report.

## **CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

The future financial forecast for the State of Illinois will continue to have a major impact on the City’s budget issues, all relative to the cash flow issues that can result from delays at the State’s officials’ level. Routine spending and services that have been curtailed for several years will remain at a reduced level until an upturn of the economy. Customer utility user rates are in a three-year cycle of increases to fund water system capital projects and will be re-evaluated again in approximately 2 years to determine the need for any additional increased funding. In addition to a new water treatment plant which should be bid out in approximately one year’s time, future needed utility-system capital projects include a new water main structure for the McCoy subdivision and relocation of several water and sewer mains tied to the Illinois Department of Transportation’s plan to replace the bridge on Illinois Route 130 within City limits.

The ongoing Hazard Mitigation Grant project will continue with the purchase of several flood-prone residential properties followed by demolition of each one, with the balance of the project being completed in the next 12 months.

#### **CONTACTING THE CITY'S OFFICES OF FINANCIAL MANAGEMENT**

This financial report was designed to provide our citizens, taxpayers, customer, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, please contact the City Treasurer's office, at 612 East Front Street, Villa Grove, Illinois 61956, or via telephone at 217-832-4721.

**CITY OF VILLA GROVE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**APRIL 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,520,875	\$ 1,186,084	\$ 2,706,959
Notes receivable	24,331	-	24,331
Internal balances	(160,000)	160,000	-
Restricted cash and cash equivalents	11,890	100,064	111,954
Capital assets, non-depreciating	1,304,815	332,928	1,637,743
Capital assets, net of accumulated depreciation	1,897,235	2,381,602	4,278,837
	<u>\$ 4,599,146</u>	<u>\$ 4,160,678</u>	<u>\$ 8,759,824</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Payroll withholdings	\$ 1,056	\$ -	\$ 1,056
Customer deposits	-	33,747	33,747
Noncurrent liabilities:			
Due within one year			
Notes payable	-	110,696	110,696
Bonds payable	77,514	-	77,514
Due in more than one year			
Notes payable	-	528,104	528,104
Bonds payable	265,371	-	265,371
Total liabilities	<u>343,941</u>	<u>672,547</u>	<u>1,016,488</u>
Net Position:			
Invested in capital assets, net of related debt	3,202,050	2,075,730	5,277,780
Restricted	118,319	37,870	156,189
Unrestricted	934,836	1,374,531	2,309,367
Total net position	<u>4,255,205</u>	<u>3,488,131</u>	<u>7,743,336</u>
Total liabilities and net position	<u>\$ 4,599,146</u>	<u>\$ 4,160,678</u>	<u>\$ 8,759,824</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF VILLA GROVE**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED APRIL 30, 2016**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Changes in Net Assets</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 330,712	\$ 141,129	\$ -	\$ -	\$ (189,583)	\$ -	\$ (189,583)
Public safety	527,300	27,800	-	-	(499,500)	-	(499,500)
Public works	333,110	-	-	215,556	(117,554)	-	(117,554)
Culture and recreation	53,666	-	-	-	(53,666)	-	(53,666)
Interest on long-term debt	28,046	-	-	-	(28,046)	-	(28,046)
Total governmental activities	<u>1,272,834</u>	<u>168,929</u>	<u>-</u>	<u>215,556</u>	<u>(888,349)</u>	<u>-</u>	<u>(888,349)</u>
Business-type activities:							
Water	343,705	420,533	-	-	-	76,828	76,828
Sewer	402,296	506,884	-	-	-	104,588	104,588
Total business-type activities	<u>746,001</u>	<u>927,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,416</u>	<u>181,416</u>
Total Primary Government	<u>\$ 2,018,835</u>	<u>\$ 1,096,346</u>	<u>\$ -</u>	<u>\$ 215,556</u>	<u>(888,349)</u>	<u>181,416</u>	<u>(706,933)</u>
<b>General Revenues:</b>							
Property taxes					476,359	-	476,359
Sales taxes					391,651	-	391,651
Income taxes					270,896	-	270,896
Video gaming taxes					20,063	-	20,063
Replacement taxes					16,607	-	16,607
Motor fuel taxes					65,020	-	65,020
Interest income					2,132	693	2,825
Miscellaneous income					67,474	-	67,474
Gain (loss) on disposal of assets					(155,394)	-	(155,394)
Total general revenues					<u>1,154,808</u>	<u>693</u>	<u>1,155,501</u>
<b>Change in net position</b>					<u>266,459</u>	<u>182,109</u>	<u>448,568</u>
<b>Net position, beginning, as originally reported</b>					4,310,394	3,382,586	7,692,980
<b>Cumulative effect of change in accounting principle</b>					<u>(321,648)</u>	<u>(76,564)</u>	<u>(398,212)</u>
<b>Net position, beginning, as restated</b>					<u>3,988,746</u>	<u>3,306,022</u>	<u>7,294,768</u>
<b>Net position, ending</b>					<u>\$ 4,255,205</u>	<u>\$ 3,488,131</u>	<u>\$ 7,743,336</u>

The notes to basic financial statements are an integral part of this statement.



**CITY OF VILLA GROVE**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**APRIL 30, 2016**

	<b>General</b>	<b>Tax Increment Financing</b>	<b>Motor Fuel Tax</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,408,952	\$ 31,069	\$ 80,854	\$ 1,520,875
Notes receivable	-	24,331	-	24,331
Interfund receivable	800,000	-	1,984	801,984
Restricted Assets:				
Cash and cash equivalents	11,887	-	3	11,890
<b>Total Assets</b>	<b>\$ 2,220,839</b>	<b>\$ 55,400</b>	<b>\$ 82,841</b>	<b>\$ 2,359,080</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities :				
Payroll liabilities	\$ 1,056	\$ -	\$ -	\$ 1,056
Interfund payable	-	961,984	-	961,984
<b>Total Liabilities</b>	<b>1,056</b>	<b>961,984</b>	<b>-</b>	<b>963,040</b>
Fund balances				
Restricted for public safety	11,887	-	-	11,887
Restricted for public works	23,591	-	-	23,591
Restricted for transportation	-	-	82,841	82,841
Assigned for separation benefits	22,204	-	-	22,204
Unassigned	2,162,101	(906,584)	-	1,255,517
<b>Total Fund Balance</b>	<b>2,219,783</b>	<b>(906,584)</b>	<b>82,841</b>	<b>1,396,040</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,220,839</b>	<b>\$ 55,400</b>	<b>\$ 82,841</b>	

Reconciliation to Statement of Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities \$4,627,805, net of accumulated depreciation of \$1,425,755 are not financial resources and, therefore, are not reported in the funds.	3,202,050
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds	(342,885)
<b>Net position of governmental activities</b>	<b>\$ 4,255,205</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF VILLA GROVE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2016**

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Motor Fuel Tax</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 256,727	\$ 219,631	\$ -	\$ 476,358
State sales taxes	391,651	-	-	391,651
State income taxes	270,896	-	-	270,896
Video gaming taxes	20,063	-	-	20,063
Replacement taxes	16,607	-	-	16,607
Motor fuel taxes	-	-	65,020	65,020
Grant revenue	215,556	-	-	215,556
Fines and fees	27,800	-	-	27,800
Licenses and permits	7,885	-	-	7,885
Franchise fee	133,244	-	-	133,244
Interest income	1,711	375	46	2,132
Miscellaneous	67,474	-	-	67,474
Total Revenues	<u>1,409,615</u>	<u>220,006</u>	<u>65,066</u>	<u>1,694,686</u>
<b>EXPENDITURES</b>				
Current				
General government	280,365	46,775	304	327,444
Public safety	487,382	-	-	487,382
Public works	226,134	-	62,292	288,426
Culture and recreation	16,023	-	-	16,023
Debt Service:				
Principal	-	72,613	-	72,613
Interest	-	28,046	-	28,046
Capital outlay	304,211	-	-	304,211
Total Expenditures	<u>1,314,115</u>	<u>147,434</u>	<u>62,596</u>	<u>1,524,145</u>
Excess of revenues over (under) expenditures	<u>95,500</u>	<u>72,572</u>	<u>2,470</u>	<u>170,542</u>
Fund Balances, beginning of year, as originally reported				
	2,179,155	(989,156)	80,755	1,270,754
Cumulative effect of change in accounting principle	<u>(54,872)</u>	<u>10,000</u>	<u>(384)</u>	<u>(45,256)</u>
Fund Balances, beginning of year, as restated	<u>2,124,283</u>	<u>(979,156)</u>	<u>80,371</u>	<u>1,225,498</u>
Fund Balances, ending	<u>\$ 2,219,783</u>	<u>\$ (906,584)</u>	<u>\$ 82,841</u>	<u>\$ 1,396,040</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF VILLA GROVE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED APRIL 30, 2016**

Net change in fund balances - total governmental funds \$ 170,542

**Amounts reported for *governmental activities* in the statement  
of activities are different because:**

Governmental funds report capital outlays as expenditures.

However in the statement of activities, the cost of those assets is  
allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation  
and capital asset disposals in the current period.

	304,211	
Capital Outlays	304,211	
Gain (Loss) on Capital Asset Disposals	(155,394)	
Depreciation	<u>(125,512)</u>	
		23,305

Bond and note proceeds provide current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the statement of net  
position. Repayment of bond and note principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities in the  
statement of net position. This is the amount by which repayments  
exceeded proceeds.

	72,612	
Repayments	72,612	
Proceeds	<u>-</u>	
		<u>72,612</u>

Change in net position of governmental activities \$ 266,459

**CITY OF VILLA GROVE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**APRIL 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 467,677	\$ 718,407	\$ 1,186,084
Interfund receivable	80,000	80,000	160,000
Total Current Assets	<u>547,677</u>	<u>798,407</u>	<u>1,346,084</u>
Noncurrent assets:			
Cash-restricted	71,617	28,447	100,064
Capital assets:			
Land	5,806	327,122	332,928
Property, plant and equipment	1,328,246	2,370,527	3,698,773
Accumulated depreciation	(567,980)	(749,191)	(1,317,171)
Total Noncurrent Assets	<u>837,689</u>	<u>1,976,905</u>	<u>2,814,594</u>
Total Assets	<u>1,385,366</u>	<u>2,775,312</u>	<u>4,160,678</u>
<b>LIABILITIES</b>			
Current Liabilities :			
Customer deposits	33,747	-	33,747
Notes payable - current	-	110,696	110,696
Total Current Liabilities	<u>33,747</u>	<u>110,696</u>	<u>144,443</u>
Noncurrent Liabilities:			
Notes payable	-	528,104	528,104
Total Noncurrent Liabilities	<u>-</u>	<u>528,104</u>	<u>528,104</u>
Total Liabilities	<u>33,747</u>	<u>638,800</u>	<u>672,547</u>
<b>NET POSITION</b>			
Net investment in capital assets	766,072	1,309,658	2,075,730
Restricted:			
Restricted for capital projects	37,870	-	37,870
Unrestricted	547,677	826,854	1,374,531
Total Net Position	<u>\$ 1,351,619</u>	<u>\$ 2,136,512</u>	<u>\$ 3,488,131</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF VILLA GROVE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 420,424	\$ 506,884	\$ 927,308
Miscellaneous	109	-	109
Total Operating Revenues	<u>420,533</u>	<u>506,884</u>	<u>927,417</u>
<b>Operating Expenses:</b>			
Personnel services	131,801	131,801	263,602
Supplies and materials	78,156	62,661	140,817
Contractual services	107,590	125,841	233,431
Depreciation	26,158	62,149	88,307
Total Operating Expenses	<u>343,705</u>	<u>382,452</u>	<u>726,157</u>
Operating Income (Loss)	<u>76,828</u>	<u>124,432</u>	<u>201,260</u>
<b>Non Operating Revenues (Expenses):</b>			
Interest income	277	416	693
Interest expense	-	(19,844)	(19,844)
Total Non Operating Revenues (Expenses)	<u>277</u>	<u>(19,428)</u>	<u>(19,151)</u>
Change in net position	<u>77,105</u>	<u>105,004</u>	<u>182,109</u>
Fund balances - beginning of the year, originally stated	1,306,051	2,076,535	3,382,586
Cumulative effect of change in accounting principle	<u>(31,537)</u>	<u>(45,027)</u>	<u>(76,564)</u>
Fund balances - beginning of the year, as restated	<u>1,274,514</u>	<u>2,031,508</u>	<u>3,306,022</u>
Fund balances - end of year	<u>\$ 1,351,619</u>	<u>\$ 2,136,512</u>	<u>\$ 3,488,131</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF VILLA GROVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED APRIL 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 420,424	\$ 506,884	\$ 927,308
Payments to suppliers	(186,209)	(188,502)	(374,711)
Payments to employees	(131,801)	(131,801)	(263,602)
Other receipts (payments)	109	-	109
Net cash provided by (used in) operating activities	<u>102,523</u>	<u>186,581</u>	<u>289,104</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Repayment of interfund receivables	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(16,047)	(25,165)	(41,212)
Interest paid on capital debt	-	(19,844)	(19,844)
Principal paid on capital debt	-	(107,741)	(107,741)
Net cash provided by (used) for capital and related financing activities	<u>(16,047)</u>	<u>(152,750)</u>	<u>(168,797)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>277</u>	<u>416</u>	<u>693</u>
Net cash provided (used) by investing activities	<u>277</u>	<u>416</u>	<u>693</u>
Net increase (decrease) in cash and cash equivalents	96,753	44,247	141,000
Cash and cash equivalents, beginning of the year	<u>442,541</u>	<u>702,607</u>	<u>1,145,148</u>
Cash and cash equivalents, end of the year	<u><u>\$ 539,294</u></u>	<u><u>\$ 746,854</u></u>	<u><u>\$ 1,286,148</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 76,828	\$ 124,432	\$ 201,260
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	26,158	62,149	88,307
Change in assets and liabilities:			
Increase (decrease) - customer deposits	(463)	-	(463)
Net cash provided (used) by operating activities	<u><u>\$ 102,523</u></u>	<u><u>\$ 186,581</u></u>	<u><u>\$ 289,104</u></u>

The notes to basic financial statements are an integral part of this statement.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Villa Grove, Illinois (City) have been prepared in conformity with the modified cash basis of accounting. This modified cash basis of accounting differs from generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

- (a) Subsequent Events – Management has evaluated subsequent events through November 04, 2016, the date which the financial statements were available to be issued.
- (b) Reporting Entity – The financial statements of the City include all organizations, activities, functions, and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either (1) the City’s ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the City. Regardless of whether the component unit has a board or how its board is appointed, the City is financially accountable if the component unit is fiscally dependent on the City and can possibly provide a financial benefit or impose a financial burden on the City. Pursuant to these criteria, no component units were identified for inclusion in the accompanying financial statements.
- (c) Government-wide Financial Statements – The basic financial statements include both government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

The Statement of Net Position and Statement of Activities display information about the City as a whole. These statements include the financial activities of the City. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the City that are governmental in nature (which normally are supported by taxes and intergovernmental revenues) and those that are considered business-type activities (which rely to a significant extent on fees and charges for support). The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year end.

The Statement of Activities demonstrates the degree to which the direct expenses of a functional category (highways and streets, culture and recreation, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity.

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(c) Government-wide Financial Statements – Continued

Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

(d) Fund Financial Statements – During the year, the City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City maintains governmental and proprietary funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund.

Motor Fuel Tax Fund – The Motor Fuel Tax Fund is used to account for motor fuel taxes received that are legally restricted to expenditures for street maintenance.

Tax Increment Financing Fund – The Tax Increment Financing (TIF) Fund is used to account for incremental property taxes received within the TIF District that are legally restricted to expenditures for capital improvements and redevelopment within the District.



CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Fund Financial Statements – Continued

*Proprietary Funds*

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The following are the City's major proprietary funds:

Water Fund – The Water Fund provides water services and transmission services to City citizens and account for operations that are financed in a manner similar to private business enterprises.

Sewer Fund – The Sewer Fund provides sanitary sewer waste collection and transmission services to City citizens and account for operations that are financed in a manner similar to private business enterprises.

- (e) Measurement Focus – In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in Note 1(f). In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:
- a. All governmental funds use a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
  - b. The proprietary funds use an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

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

As a result of the use of this 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, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

- (g) Cash and Cash Equivalents – For purposes of the Statement of Cash Flows for proprietary funds, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, excluding amounts invested with the Illinois Treasurer’s Illinois Funds.
- (h) Capital Assets – The City’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004, are recorded at cost. Contributed capital assets are recorded at estimated fair market value at the time received. The City’s capitalization policy is to capitalize all asset expenditures greater than \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(h) Capital Assets – Continued

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 to 50 years
Improvements other than buildings	5 to 50 years
Machinery, furniture, and equipment	5 to 15 years
Vehicles	5 to 25 years
Streets	20 to 25 years
Storm/sanitary sewer	15 to 75 years
Water system	15 to 80 years

*Fund Financial Statements*

In the fund financial statements, capital assets arising from cash transactions acquired for use in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in the proprietary fund operations are accounted for the same as in the governmental-wide statements.

- (i) Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements, or transfers. On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Due to/Due from Other Funds.” 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 which are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”
- (j) Compensated Absences – The City does not report accrued vacation leave or sick pay under the modified cash basis of accounting. Such amounts are reported as expenditures when paid. City employees are entitled to certain compensated absences based on their length of employment. The liability for compensated absences as of April 30, 2016, for the governmental and proprietary funds is approximately \$22,204 and \$23,668, respectively. The General fund, Water fund, and Sewer fund portions of the obligation are approximately \$22,204, \$11,834, and \$11,834, respectively. The obligation of each fund has historically been funded by that fund.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(k) Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting in the proprietary fund financial statements is the same as the treatment in the government-wide statements.

(l) Fund Balance/Net Position

*Government-wide Statements*

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on its use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$94,728 of net position that is restricted by state statute or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Fund Financial Statements*

Fund balance is the difference between assets and liabilities in a governmental fund. The City reports a governmental fund’s fund balance in the following classifications.

- a. Nonspendable – Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted – Resources that are subject to constraints imposed by external parties or enabling legislation.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(l) Fund Balance/Net Position – Continued

- c. Unrestricted – Include the follow subclassifications:
1. Committed – Amounts constrained for specific purposes by the City Council through formal action (ordinance or resolution).
  2. Assigned – Amounts that are constrained by the City Treasurer to be used for specific purposes, but are neither restricted nor committed.
  3. Unassigned – The residual classification for the general fund. This fund balance that has not been reported in any other fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balance as unassigned.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

2. DEPOSITS AND INVESTMENTS

The City’s Board of Trustees has adopted a policy to invest in investments allowed by the Illinois Compiled Statutes (ILCS) which authorize the City to make deposits in interest-bearing depository accounts in federally insured and/or state chartered banks and savings and loan associations, or other financial institutions as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, money market mutual funds whose portfolios consist of governmental securities, The Illinois Funds, and annuities.

- (a) Deposits – Separate bank accounts are maintained for all City funds, which are all held at financial institutions. At April 30, 2016, the carrying amount of the City’s deposits, excluding petty cash, was \$2,818,913. The bank balances of these deposits totaled \$2,870,180. As of April 30, 2016, \$108,443 of the City’s total bank balance deposits at financial institutions was uninsured and uncollateralized.
- (b) Investments – The City invests in the Illinois Funds Money Market Fund which consists of monies invested by individual participants that are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. The individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore, no collateral is identified with each individual participants account. The City’s balance in the Illinois Funds at April 30, 2016, was \$-0-.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

2. DEPOSITS AND INVESTMENTS – Continued

- (c) Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City’s investment policy requires the financial institutions utilized by the City to provide appropriate collateral for deposits in excess of FDIC insurance limits. Credit risk on investments is mitigated by limiting investments to those specified in state and local statute The Illinois Funds Money Market Fund is rated AAAM by Standard & Poors.
  
- (d) Concentration of Credit Risk – The City’s investment policy states investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the City Treasurer.
  
- (e) Interest Rate Risk – Interest rate risk is the risk that the market value of portfolio securities will fall due to a decrease in general interest rates. Interest rate risk is mitigated by structuring the City’s portfolio so that securities mature to meet the City’s cash requirements for ongoing operations.

3. PROPERTY TAXES

The City’s property tax is levied and attached as an enforceable lien on January 1 of each year on property values assessed as of the same date. The 2014 tax levy is recorded as revenue in the year ended April 30, 2016.

Taxes levied in one year become due and payable in two installments during the following year. The first installment is due around June 1 and the second installment is due around September 1. Property taxes are collected by the Douglas County Collector, who remits to each taxing unit its respective share of the collections.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

4. INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at April 30, 2016, were as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Tax Increment Financing Fund	\$ 800,000	\$ -
Motor Fuel Tax Fund:		
Tax Increment Financing Fund	1,984	-
Water Fund:		
Tax Increment Financing Fund	80,000	-
Sewer Fund:		
Tax Increment Financing Fund	80,000	-
Tax Increment Financing Fund:		
General Fund	-	800,000
Motor Fuel Tax Fund	-	1,984
Water Fund	-	80,000
Sewer Fund	-	80,000
Total Tax Increment Financing Fund	-	961,984
Total	<u>\$ 961,984</u>	<u>\$ 961,984</u>

The interfund receivables and payables between funds of the City were to advance the cost of TIF eligible projects to cover expenditures before TIF funds became available. These interfund amounts will be repaid as TIF funds become available in future years.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

5. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the year ending April 30, 2016, consists of the following:

	Balances May 1, 2015	Additions	Retirements	Transfers	Balances April 30, 2016
Governmental activities:					
Land	\$ 1,280,315	\$ -	\$ -	\$ -	\$ 1,280,315
Capital assets not being depreciated	1,280,315	-	-	-	1,280,315
Depreciable capital assets:					
Buildings	315,996	24,500	(92,850)	-	247,646
Land Improvements	723,576	-	(63,000)	(571,574)	89,002
Equipment	235,461	15,410	-	-	250,871
Vehicles	688,972	22,380	(24,365)	-	686,987
Infrastructure	1,470,621	30,788	-	571,574	2,072,983
Total depreciable assets	3,434,626	93,078	(180,215)	-	3,347,489
Accumulated depreciation:					
Buildings	(148,851)	(5,277)	-	-	(154,128)
Land Improvements	(44,956)	(4,450)	456	-	(48,950)
Equipment	(133,823)	(20,080)	-	-	(153,903)
Vehicles	(468,413)	(41,193)	24,365	-	(485,241)
Infrastructure	(529,020)	(54,512)	-	-	(583,532)
Total accumulated depreciation	(1,325,063)	(125,512)	24,821	-	(1,425,754)
Other capital assets, net of accumulated depreciation	2,109,563	(32,434)	(205,036)	-	1,921,735
Total governmental activities capital assets, net	<u>\$ 3,389,878</u>	<u>\$ (32,434)</u>	<u>\$ (205,036)</u>	<u>\$ -</u>	<u>\$ 3,202,050</u>
Business-type activities:					
Land	\$ 332,928	\$ -	\$ -	\$ -	\$ 332,928
Capital assets not being depreciated	332,928	-	-	-	332,928
Depreciable capital assets:					
Buildings	199,747	28,486	-	-	228,233
Plant and equipment	3,063,048	12,727	-	-	3,075,775
Vehicles	154,765	-	-	-	154,765
Water Tower	240,000	-	-	-	240,000
Total depreciable assets	3,657,560	41,213	-	-	3,698,773
Accumulated depreciation:					
Buildings	(53,700)	(3,950)	-	-	(57,650)
Plant and equipment	(1,020,897)	(71,878)	-	-	(1,092,775)
Vehicles	(81,140)	(9,481)	-	-	(90,621)
Water Tower	(73,125)	(3,000)	-	-	(76,125)
Total accumulated depreciation	(1,228,862)	(88,309)	-	-	(1,317,171)
Other capital assets, net of accumulated depreciation	2,428,698	(47,096)	-	-	2,381,602
Total business-type activities capital assets, net	<u>\$ 2,761,626</u>	<u>\$ (47,096)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,714,530</u>



CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

5. CAPITAL ASSETS – Continued

Depreciation expense was charged to the City’s functions as follows:

Governmental activities:	
General government	\$ 3,266
Public works	44,685
Public safety	39,918
Culture and recreation	<u>37,643</u>
Total	<u>\$ 125,512</u>
Business-type activities:	
Water	\$ 26,158
Sewer	<u>62,149</u>
Total	<u>\$ 88,307</u>

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the current year:

	<u>Balances</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>April 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
G. O. bonds (alternate revenue bonds) TIF revenue bonds (series 2000)	\$ 415,498	\$ -	\$ (72,613)	\$ 342,885	\$ 77,514
Total governmental funds	<u>\$ 415,498</u>	<u>\$ -</u>	<u>\$ (72,613)</u>	<u>\$ 342,885</u>	<u>\$ 77,514</u>
Business-Type Activities:					
Water					
IEPA loan payable	\$ 746,542	\$ -	\$ (107,742)	\$ 638,800	\$ 110,696
Total proprietary funds	<u>\$ 746,542</u>	<u>\$ -</u>	<u>\$ (107,742)</u>	<u>\$ 638,800</u>	<u>\$ 110,696</u>

Tax Increment Financing (TIF) Revenue Bonds

A revenue bond dated August 30, 2000, was issued to finance development costs for the Pheasant Pointe Subdivision. TIF revenue bonds of \$1,000,000 are of \$5,000 denomination, mature annually on December 1 of each year, and bear interest as follows:

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2017	\$ 77,514	6.75%
2018	82,746	6.75%
2019	88,331	6.75%
2020	<u>94,294</u>	6.75%
Total	<u>\$342,885</u>	

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

6. LONG-TERM DEBT – Continued

IEPA loans payable

During 2001, the City entered into an agreement with the Illinois Environmental Protection Agency for a loan to help fund the construction of a new water treatment plant. Pertinent points of the loan agreement are as follows:

\$919,435 loan agreement with the Illinois Environmental Protection Agency, due in semi-annual installments of \$30,026 through October 22, 2020, interest at 2.535%. \$ 390,489

During 2003, the City entered into an agreement with the Illinois Environmental Protection Agency for a loan to help fund the construction of a new water treatment plant. Pertinent points of the loan agreement are as follows:

\$1,000,000 loan agreement with the Illinois Environmental Protection Agency, due in semi-annual installments of \$33,766 through August 1, 2022, interest at 2.905%. 248,311

Total IEPA loans payable \$ 638,800

The debt service requirements to retire all notes payable outstanding as of April 30, 2016, are as follows:

<u>Years ending April 30</u>	<u>Total IEPA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,696	\$ 16,890	\$ 127,586
2018	113,732	13,854	127,586
2019	116,852	10,734	127,586
2020	120,058	7,528	127,586
2021	87,012	4,312	91,324
2022-2023	<u>90,450</u>	<u>2,521</u>	<u>92,971</u>
Total	<u>\$ 638,800</u>	<u>\$ 55,839</u>	<u>\$ 694,639</u>

7. ILLINOIS MUNICIPAL RETIREMENT FUND

*Plan Description.* The City’s defined-benefit pension plan for Regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City’s employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

7. ILLINOIS MUNICIPAL RETIREMENT FUND – Continued

*Funding Policy.* As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2015 was 10.39 percent. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For the calendar year ending December 31, 2015, the City's actual contributions for pension cost for the plan were \$53,485. For the fiscal year ending April 30, 2016, the City's actual contributions for pension costs were \$52,429. The covered payroll for calendar 2015(annual payroll of active employees covered by the plan) was \$514,770.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments to form the Illinois Municipal League Risk Management Association (IMLRMA), a public entity risk pool currently operating as a common risk management and insurance program for Illinois municipalities. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the IMLRMA provides that the pool will be self-sustaining through member premiums. There have been no significant changes from the prior year and settlements have not exceeded coverage in the current year or the prior two years.

9. OTHER POSTEMPLOYMENT BENEFITS

The City evaluated its potential liability for postemployment benefits other than pensions. Former employees who choose to retain their rights to health, dental, and vision insurance through the City are required to pay 100% of the current premium. As of April 30, 2016, the City had one former employee who chose to utilize this postemployment benefit for dental coverage only. As a result, the City experienced minimal utilization, and therefore there is virtually no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the City had no former employees for whom the City was providing an explicit subsidy, nor did the City have any current employees with agreements for future explicit subsidies upon retirement. As the City reports on the modified cash basis of accounting, no postemployment benefit liability has been recorded as of April 30, 2016.

10. FUND DEFICITS

The Tax Increment Financing fund had a fund deficit of \$(906,584) at April 30, 2016. This deficit is expected to be reduced in the future with increased revenues.

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

11. RESTATEMENT

In the current fiscal year, the City changed its basis of accounting from modified accrual to the modified cash basis of accounting described in Note 1(f) and consequently restated its net position and fund balances as follows:

<u>Governmental Activities Net Position</u>	
Net Position - May 1, 2015	\$ 4,310,394
Effect of change in accounting principle	<u>(321,648)</u>
Net Position, Restated - May 1, 2015	<u>\$ 3,988,746</u>
<u>Business-Type Activities Net Position</u>	
Net Position - May 1, 2015	\$ 3,382,586
Effect of change in accounting principle	<u>(76,564)</u>
Net Position, Restated - May 1, 2015	<u>\$ 3,306,022</u>
<u>General Fund Balance</u>	
Fund Balance - May 1, 2015	\$ 2,179,155
Effect of change in accounting principle	<u>(54,872)</u>
Fund Balance, Restated - May 1, 2015	<u>\$ 2,124,283</u>

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

11. RESTATEMENT – Continued

<u>Tax Increment Financing Fund Balance</u>	
Fund Balance - May 1, 2015	\$ (989,156)
Effect of change in accounting principle	10,000
Fund Balance, Restated - May 1, 2015	<u><u>\$ (979,156)</u></u>
 <u>Motor Fuel Tax Fund Balance</u>	
Net Position - May 1, 2015	\$ 80,755
Effect of change in accounting principle	(384)
Net Position, Restated - May 1, 2015	<u><u>\$ 80,371</u></u>
 <u>Water Fund Net Position</u>	
Net Position - May 1, 2015	\$ 1,306,051
Effect of change in accounting principle	(31,537)
Net Position, Restated - May 1, 2015	<u><u>\$ 1,274,514</u></u>
 <u>Sewer Fund Net Position</u>	
Net Position - May 1, 2015	\$ 2,076,535
Effect of change in accounting principle	(45,027)
Net Position, Restated - May 1, 2015	<u><u>\$ 2,031,508</u></u>

SUPPLEMENTARY INFORMATION

**CITY OF VILLA GROVE**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 272,293	\$ 272,293	\$ 256,727	\$ (15,566)
Sales taxes	374,609	374,609	391,651	17,042
State income taxes	251,163	251,163	270,896	19,733
Video gaming taxes	15,415	15,415	20,063	4,648
Replacement taxes	16,061	16,061	16,607	546
Grant revenue	2,803,292	2,803,292	215,556	(2,587,736)
Fines and fees	18,642	18,642	27,800	9,158
Licenses and permits	6,100	6,100	7,885	1,785
Franchise fees	119,871	119,871	133,244	13,373
Interest income	1,112	1,112	1,711	599
Miscellaneous	45,112	45,112	67,474	22,362
Total revenues	<u>3,923,670</u>	<u>3,923,670</u>	<u>1,409,615</u>	<u>(2,514,055)</u>
<b>EXPENDITURES</b>				
General government	951,299	951,299	280,365	(670,934)
Public safety	551,521	551,521	487,382	(64,139)
Public works	449,523	449,523	226,134	(223,389)
Culture and recreation	18,181	18,181	16,023	(2,158)
Capital outlay	3,951,783	3,951,783	304,211	(3,647,572)
Total expenditures	<u>5,922,307</u>	<u>5,922,307</u>	<u>1,314,115</u>	<u>(4,608,192)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,998,637)</u>	<u>(1,998,637)</u>	<u>95,500</u>	<u>2,094,137</u>
<b>OTHER FINANCNG SOURCES AND USES</b>				
Loan proceeds	1,250,000	1,250,000	-	(1,250,000)
Total other financing sources (uses)	<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>	<u>(1,250,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (1,169,721)</u>	<u>\$ (1,169,721)</u>	<u>95,500</u>	<u>\$ 1,226,873</u>
Fund balances - beginning of the year, originally stated			2,179,155	
Cumulative effect of change in accounting principle			<u>(54,872)</u>	
Fund balances - beginning of the year, as restated			<u>2,124,283</u>	
Fund balances - end of year			<u>\$ 2,219,783</u>	

**CITY OF VILLA GROVE  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 TAX INCREMENT FINANCING FUND  
 FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 224,816	\$ 224,816	\$ 219,631	\$ (5,185)
Interest income	60	60	375	315
Total revenues	<u>224,876</u>	<u>224,876</u>	<u>220,006</u>	<u>(4,870)</u>
<b>EXPENDITURES</b>				
General government	44,830	44,830	46,775	1,945
Debt service:				
Principal	72,613	72,613	72,613	-
Interest	28,046	28,046	28,046	-
Total expenditures	<u>145,489</u>	<u>145,489</u>	<u>147,434</u>	<u>1,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 79,387</u>	<u>\$ 79,387</u>	<u>72,572</u>	<u>\$ (6,815)</u>
Fund balances - beginning of the year, originally stated			(989,156)	
Cumulative effect of change in accounting principle			<u>10,000</u>	
Fund balances - beginning of the year, as restated			<u>(979,156)</u>	
Fund balances - end of year			<u>\$ (906,584)</u>	



**CITY OF VILLA GROVE**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**MOTOR FUEL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State motor fuel taxes	\$ 60,381	\$ 60,381	\$ 65,020	\$ 4,639
Interest income	11	11	46	35
Miscellaneous	11,000	11,000	-	(11,000)
Total revenues	<u>71,392</u>	<u>71,392</u>	<u>65,066</u>	<u>(6,326)</u>
<b>EXPENDITURES</b>				
General government	200	200	304	104
Public works	105,800	105,800	62,292	(43,508)
Total expenditures	<u>106,000</u>	<u>106,000</u>	<u>62,596</u>	<u>(43,404)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,608)</u>	<u>\$ (34,608)</u>	<u>2,470</u>	<u>\$ 37,078</u>
Fund balances - beginning of the year, originally stated			80,755	
Cumulative effect of change in accounting principle			<u>(384)</u>	
Fund balances - beginning of the year, as restated			<u>80,371</u>	
Fund balances - end of year			<u>\$ 82,841</u>	

CITY OF VILLA GROVE, ILLINOIS  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
APRIL 30, 2016

**BUDGETARY INFORMATION**

The City Council prepares its annual operating budget under the provisions of the Illinois Finance Code. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to the end of the end of each fiscal year, the budget officer submits to the City Council a proposed operating budget for the year commencing on May 1. The operating budget includes proposed expenditures and the means of financing them. The operating budget is approved by the City Council prior to the end of the fiscal year.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
- c. The budget ordinance was adopted on April 27, 2015.
- d. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The budget was not amended during the fiscal year.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. Budgets for General and Special Revenue Funds, are adopted on the modified cash basis and lapse at year end.

The legal level of control at which expenditures may not legally exceed appropriations is the fund.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended April 30, 2016, expenditures exceed appropriations in the Tax Increment Financing Fund by \$1,945. These overexpenditures were funded by available property tax revenue in this fund.

ADDITIONAL SCHEDULES

**CITY OF VILLA GROVE, ILLINOIS**  
**Additional Information**  
**Schedule of Funding Progress**  
**Illinois Municipal Retirement Fund**  
**April 30, 2016**  
**(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	\$ 1,364,078	\$ 1,550,790	\$ 186,712	87.96%	\$ 514,770	36.27%
12/31/2014	1,240,108	1,452,672	212,564	85.37%	486,213	43.72%
12/31/2013	1,094,066	1,237,179	143,113	88.43%	465,498	30.74%

On a market value basis, the actuarial value of assets as of December 31, 2015 is \$1,348,679. On a market basis, the funded ratio would be 86.97%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Villa Grove. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

**CITY OF VILLA GROVE**  
**SCHEDULE OF ASSESSED VALUATION, TAX RATES, EXTENSIONS AND COLLECTIONS**  
**APRIL 30, 2016**

Tax Levy Year	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Equalized Assessed Valuation (not including TIF Districts)	<u>\$ 19,115,655</u>	<u>\$ 17,556,954</u>	<u>\$ 18,695,001</u>	<u>\$ 19,914,636</u>
<b>TAX RATES</b>				
General corporate	\$ 0.2500	\$ 0.2500	\$ 0.2500	\$ 0.2500
IMRF	0.1784	0.1933	0.1923	0.1471
Fire protection	0.0750	0.0750	0.0750	0.0750
Police protection	0.0750	0.0750	0.0750	0.0750
Garbage	0.1021	0.1671	0.0134	0.0126
Audit	0.0314	0.0335	0.0321	0.0287
Liability insurance	0.1355	0.1578	0.1210	0.1065
Road & bridge	0.0550	-	-	0.0004
Street lighting	0.0500	0.0500	0.0500	0.0500
Playground/recreation	0.0900	0.0900	0.0900	0.0900
Social security	0.1381	0.1451	0.1338	0.1094
Unemployment insurance	0.0088	0.0082	0.0046	0.0086
Workmans compensation	0.0798	0.0817	0.0851	0.0936
Medicare	0.0323	0.0340	0.0313	0.0256
Total Tax Rate	<u>\$ 1.1458</u>	<u>\$ 1.3607</u>	<u>\$ 1.1536</u>	<u>\$ 1.0725</u>
Equalized Assessed Valuation - TIF Districts only	<u>\$ 2,995,696</u>	<u>\$ 2,712,072</u>	<u>\$ 2,715,127</u>	<u>\$ 2,932,574</u>
TIF Districts	<u>\$ 8.3752</u>	<u>\$ 8.2900</u>	<u>\$ 8.1950</u>	<u>\$ 8.1505</u>
<b>TAX EXTENSIONS</b>				
General corporate	\$ 47,789	\$ 43,892	\$ 46,738	\$ 49,787
IMRF	34,102	33,937	35,950	29,294
Fire protection	14,337	13,168	14,021	14,936
Police protection	14,337	13,168	14,021	14,936
Garbage	19,517	29,338	2,505	2,509
Audit	6,002	5,882	6,001	5,715
Liability insurance	25,902	27,705	22,621	21,209
Street & bridge	1,051	-	-	80
Street lighting	9,558	8,778	9,348	9,957
Playground/recreation	17,204	15,801	16,826	17,923
Social security	26,399	25,475	25,014	21,787
Unemployment insurance	1,682	1,440	860	1,713
Workmans compensation	15,254	14,344	15,909	18,640
Medicare	6,174	5,969	5,852	5,098
Road & bridge	18,064	17,557	19,331	19,835
TIF Districts	250,897	224,816	222,516	239,020
Total Tax Extensions	<u>\$ 474,124</u>	<u>\$ 481,270</u>	<u>\$ 457,513</u>	<u>\$ 472,439</u>

**CITY OF VILLA GROVE**  
**SCHEDULE OF ASSESSED VALUATION, TAX RATES, EXTENSIONS AND COLLECTIONS**  
**APRIL 30, 2016**

Tax Levy Year	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>TAXES COLLECTED</b>				
General corporate	\$ -	\$ 43,625	\$ 46,813	\$ 49,629
IMRF	-	33,730	36,009	29,202
Fire protection	-	13,087	14,044	14,889
Police protection	-	13,087	14,044	14,889
Garbage	-	29,158	2,509	2,501
Audit	-	5,846	6,011	5,697
Liability insurance	-	27,536	22,658	21,142
Street & bridge	-	-	-	79
Street lighting	-	8,725	9,363	9,926
Playground/recreation	-	15,705	16,853	17,867
Social security	-	25,320	25,055	21,718
Unemployment insurance	-	1,431	861	1,707
Workmans compensation	-	14,257	15,935	18,581
Medicare	-	5,933	5,861	5,082
Road & bridge	-	17,481	19,304	19,819
TIF Districts	-	219,631	221,918	238,339
Taxes collected	<u>\$ -</u>	<u>\$ 474,552</u>	<u>\$ 457,238</u>	<u>\$ 471,067</u>
Percentage of Extensions Collected	<u>0.00%</u>	<u>98.60%</u>	<u>99.94%</u>	<u>99.71%</u>

**CITY OF VILLA GROVE  
SCHEDULE OF LEGAL DEBT MARGIN  
APRIL 30, 2016**

Assessed valuation	<u>\$ 19,115,655</u>
Debt limit - 8.625%	\$ 1,648,725
Outstanding general obligation bonds	<u>-</u>
Legal debt margin	<u>\$ 1,648,725</u>

November 04, 2016

To the Honorable Mayor and City Council  
City of Villa Grove, Illinois

In planning and performing our audit of the financial statements of the City of Villa Grove for the year ended April 30, 2016, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 04, 2016, on the financial statements of the City of Villa Grove.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants



**Restricted Funds Cash and Activity**

The restricted funds' (Fire and Police funds') bank reconciliations are performed by the respective departments, and the activity in those accounts is not recorded by the client or itemized by the departments and is not provided to the auditors. We recommend that all financial activity be recorded on the City's books.

**Insufficient Deposit Collateral**

Collateral for deposits at Villa Grove State Bank was insufficient at year end and exposed \$108,442.69 to risk in the event of bank failure. We recommend that the City monitor collateral periodically throughout the year to ensure adequate collateralization.

**TIF Bond Compliance**

The City has not established separate bank accounts to set aside funds to repay its bonds as required by the TIF bond ordinance.

**Excess Tax Levies**

Tax levies for Garbage and Audit exceeded expenditures by \$23,591 and \$271, respectively. We recommend that the City reallocate its tax levy so that more is levied for areas where expenditures exceed the levy (e.g., IMRF, Fire Protection, Police Protection, Liability Insurance, Street Lighting, etc.) and less is levied for Garbage and Audit.

Honorable Mayor and City Council  
City of Villa Grove  
Villa Grove, Illinois

We have audited the financial statements of the government activities, business-type activities and each major fund of the City of Villa Grove for the year ended April 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 23, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Villa Grove are described in Note 1 to the financial statements. With the exception of the change to the modified cash basis of accounting as described in Note 12, no new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based upon past experience. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no material misstatements as a result of our audit procedures.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 04, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issue*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as your auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

We were engaged to report the Schedules of Revenues Collected, Expenditures Paid, and Changes to Fund Balance – Modified Cash Basis – Budget and Actual – Major Funds which accompany the financial statements. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of trustees and management of the City of Villa Grove and is not intended to be and should not be used by anyone other than these specified parties.

*Kemper CPA Group LLP*

Kemper CPA Group, LLP  
Champaign, Illinois  
November 04, 2016



Honorable Mayor and City Council  
City of Villa Grove  
Villa Grove, Illinois

In planning and performing our audit of the financial statements of the City of Villa Grove (the City) as of and for the year ended April 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses:

**Segregation of Duties (repeated from prior year)**

Internal controls are an important deterrent to fraud, and a proper segregation of duties is an important aspect of internal control. We noted situations within your organization in which the City Treasurer is responsible for multiple cash-related functions, for instance the City Treasurer has access to the accounting system, has the ability to write checks and also processes cash receipts and deposits.

## **Financial Statement Preparation (repeated from prior year)**

Management and those charged with governance of the City are responsible for the preparation of the City's financial statements and the related notes to the financial statements. As a service performed in conjunction with our audit, we drafted the required financial statements and notes of the City for the year ended April 30, 2016.

This communication is intended solely for the information and use of the City Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Kemper CPA Group LLP*

Kemper CPA Group, LLP  
Champaign, Illinois  
November 04, 2016