

CITY OF VILLA GROVE  
Villa Grove, Illinois  
ANNUAL FINANCIAL REPORT  
For the Year Ended April 30, 2017



**Larsson Woodyard & Henson, LLP**  
Certified Public Accountants

PARIS • CASEY • TUSCOLA, IL • TERRE HAUTE, IN

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## INDEPENDENT AUDITORS' 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, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

### Auditors' 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 auditors' 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.

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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, 2017, 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 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 budgetary comparison 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.

*Larsson Woodyard + Henson, LLP*

Tuscola, Illinois  
December 21, 2017

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**BASIC FINANCIAL STATEMENTS**

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**CITY OF VILLA GROVE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**April 30, 2017**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 714,581	\$ 594,850	\$ 1,309,431
Internal balances	701,244	166,961	868,205
Restricted cash and cash equivalents	26,536	25,284	51,820
Capital assets, non-depreciating	1,312,844	332,928	1,645,772
Capital assets, net of accumulated depreciation	2,741,498	2,568,441	5,309,939
Total Assets	<u>\$ 5,496,703</u>	<u>\$ 3,688,464</u>	<u>\$ 9,185,167</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Payroll withholdings	\$ 208	\$ -	\$ 208
Customer deposits	-	25,284	25,284
Interfund Payable	861,244	6,961	868,205
Noncurrent liabilities:			
Due within one year			
Notes payable	-	55,479	55,479
Bonds payable	82,746	-	82,746
Due in more than one year			
Notes payable	-	138,733	138,733
Bonds payable	182,626	-	182,626
Total liabilities	<u>1,126,824</u>	<u>226,457</u>	<u>1,353,281</u>
Net Position:			
Invested in capital assets, net of related debt	4,054,342	2,707,157	6,761,499
Restricted	137,475	-	137,475
Unrestricted	178,062	754,850	932,912
Total net position	<u>4,369,879</u>	<u>3,462,007</u>	<u>7,831,886</u>
Total liabilities and net position	<u>\$ 5,496,703</u>	<u>\$ 3,688,464</u>	<u>\$ 9,185,167</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, 2017**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary Government</b>			
Governmental activities:			
General government	\$ 399,841	\$ 143,993	\$ -
Public safety	625,682	28,050	-
Public works	280,470	-	-
Culture and recreation	58,335	-	-
Interest on long-term debt	23,145	-	-
Total governmental activities	<u>1,387,473</u>	<u>172,043</u>	<u>-</u>
Business-type activities:			
Water	444,258	487,770	-
Sewer	577,516	505,477	-
Total business-type activities	<u>1,021,774</u>	<u>993,247</u>	<u>-</u>
Total Primary Government	<u>\$ 2,409,247</u>	<u>\$ 1,165,290</u>	<u>\$ -</u>

**General Revenues:**

Property taxes  
Sales taxes  
Income taxes  
Video gaming taxes  
Replacement taxes  
Motor fuel taxes  
Interest income  
Miscellaneous income  
Gain (loss) on disposal of assets  
Total general revenues

**Change in net position**

**Net position, beginning**

**Net position, ending**

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

Capital Grants and Contributions	Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (255,848)	\$ -	\$ (255,848)
-	(597,632)	-	(597,632)
71,261	(209,209)	-	(209,209)
-	(58,335)	-	(58,335)
-	(23,145)	-	(23,145)
<u>71,261</u>	<u>(1,144,169)</u>	<u>-</u>	<u>(1,144,169)</u>
-	-	43,512	43,512
-	-	(72,039)	(72,039)
-	-	(28,527)	(28,527)
<u>\$ 71,261</u>	<u>(1,144,169)</u>	<u>(28,527)</u>	<u>(1,172,696)</u>
	505,174	-	505,174
	313,524	-	313,524
	241,555	-	241,555
	18,018	-	18,018
	17,445	-	17,445
	64,523	-	64,523
	8,481	3,187	11,668
	90,123	-	90,123
	-	(784)	(784)
	<u>1,258,843</u>	<u>2,403</u>	<u>1,261,246</u>
	114,674	(26,124)	88,550
	<u>4,255,205</u>	<u>3,488,131</u>	<u>7,743,336</u>
	<u>\$ 4,369,879</u>	<u>\$ 3,462,007</u>	<u>\$ 7,831,886</u>

**CITY OF VILLA GROVE**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**April 30, 2017**

	<b>General</b>	<b>Tax Increment Financing</b>	<b>Motor Fuel Tax</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 556,436	\$ 48,450	\$ 109,695	\$ 714,581
Notes receivable	-	-	-	-
Interfund receivable	700,000	-	1,244	701,244
Restricted Assets:				
Cash and cash equivalents	26,536	-	-	26,536
<b>Total Assets</b>	<b>\$ 1,282,972</b>	<b>\$ 48,450</b>	<b>\$ 110,939</b>	<b>\$ 1,442,361</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities :				
Payroll liabilities	\$ 208	\$ -	\$ -	\$ 208
Interfund payable	-	861,244	-	861,244
<b>Total Liabilities</b>	<b>208</b>	<b>861,244</b>	<b>-</b>	<b>861,452</b>
Fund balances				
Restricted for public works	26,536	-	-	26,536
Restricted for transportation	-	-	110,939	110,939
Assigned for public safety	13,882	-	-	13,882
Assigned for separation benefits	28,804	-	-	28,804
Unassigned	1,213,542	(812,794)	-	400,748
<b>Total Fund Balance</b>	<b>1,282,764</b>	<b>(812,794)</b>	<b>110,939</b>	<b>580,909</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,282,972</b>	<b>\$ 48,450</b>	<b>\$ 110,939</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 \$5,418,084, net of accumulated depreciation of \$1,363,742 are not financial resources and, therefore, are not reported in the funds.	4,054,342
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(265,372)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 4,369,879</u></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, 2017**

	<b>General</b>	<b>Tax Increment Financing</b>	<b>Motor Fuel Tax</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 256,872	\$ 248,302	\$ -	\$ 505,174
State sales taxes	313,524	-	-	313,524
State income taxes	241,555	-	-	241,555
Video gaming taxes	18,018	-	-	18,018
Replacement taxes	17,445	-	-	17,445
Motor fuel taxes	-	-	64,523	64,523
Grant revenue	71,261	-	-	71,261
Fines and fees	28,050	-	-	28,050
Licenses and permits	6,160	-	-	6,160
Franchise fee	137,833	-	-	137,833
Interest income	5,530	2,575	376	8,481
Miscellaneous	89,105	1,018	-	90,123
Total Revenues	<u>1,185,353</u>	<u>251,895</u>	<u>64,899</u>	<u>1,502,147</u>
<b>EXPENDITURES</b>				
Current				
General government	338,955	57,446	185	396,586
Public safety	583,092	-	-	583,092
Public works	202,733	-	36,616	239,349
Culture and recreation	18,127	-	-	18,127
Debt Service:				
Principal	-	77,514	-	77,514
Interest	-	23,145	-	23,145
Capital outlay	979,465	-	-	979,465
Total Expenditures	<u>2,122,372</u>	<u>158,105</u>	<u>36,801</u>	<u>2,317,278</u>
Excess of revenues over (under) expenditures	(937,019)	93,790	28,098	(815,131)
Fund Balances, beginning	<u>2,219,783</u>	<u>(906,584)</u>	<u>82,841</u>	<u>1,396,040</u>
Fund Balances, ending	<u>\$ 1,282,764</u>	<u>\$ (812,794)</u>	<u>\$ 110,939</u>	<u>\$ 580,909</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, 2017**

Net change in fund balances - total governmental funds \$ (815,131)

**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.

Capital Outlays	979,465	
Gain (Loss) on Capital Asset Disposals	(9,444)	
Depreciation	<u>(117,730)</u>	
		852,291

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.

Repayments	<u>77,514</u>
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Change in net position of governmental activities \$ 114,674

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

**CITY OF VILLA GROVE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended April 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 428,901	\$ 165,949	\$ 594,850
Interfund receivable	80,000	86,961	166,961
Total Current Assets	508,901	252,910	761,811
Noncurrent assets:			
Cash-restricted	25,284	-	25,284
Capital assets:			
Land	5,806	327,122	332,928
Property, plant and equipment	1,431,514	2,455,983	3,887,497
Accumulated depreciation	(542,577)	(776,479)	(1,319,056)
Total Noncurrent Assets	920,027	2,006,626	2,926,653
Total Assets	1,428,928	2,259,536	3,688,464
<b>LIABILITIES</b>			
Current Liabilities :			
Customer deposits	25,284	-	25,284
Notes payable - current	-	55,479	55,479
Interfund Payable	6,924	37	6,961
Total Current Liabilities	32,208	55,516	87,724
Noncurrent Liabilities:			
Notes payable	-	138,733	138,733
Total Noncurrent Liabilities	-	138,733	138,733
Total Liabilities	32,208	194,249	226,457
<b>NET POSITION</b>			
Net investment in capital assets	894,743	1,812,414	2,707,157
Unrestricted	501,977	252,873	754,850
Total Net Position	\$ 1,396,720	\$ 2,065,287	\$ 3,462,007

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, 2017**

	<b>Business-Type Activities -</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 487,054	\$ 503,517	\$ 990,571
Miscellaneous	716	1,960	2,676
Total Operating Revenues	<u>487,770</u>	<u>505,477</u>	<u>993,247</u>
<b>Operating Expenses:</b>			
Personnel services	143,304	143,285	286,589
Supplies and materials	101,548	181,905	283,453
Contractual services	175,310	178,901	354,211
Depreciation	24,096	64,288	88,384
Total Operating Expenses	<u>444,258</u>	<u>568,379</u>	<u>1,012,637</u>
Operating Income (Loss)	<u>43,512</u>	<u>(62,902)</u>	<u>(19,390)</u>
<b>Non Operating Revenues (Expenses):</b>			
Interest income	1,981	1,206	3,187
Interest expense	-	(9,137)	(9,137)
Gain (Loss) on disposal of assets	(392)	(392)	(784)
Total Non Operating Revenues (Expenses)	<u>1,589</u>	<u>(8,323)</u>	<u>(6,734)</u>
Change in net position	45,101	(71,225)	(26,124)
Fund balances - beginning of the year	<u>1,351,619</u>	<u>2,136,512</u>	<u>3,488,131</u>
Fund balances - end of year	<u>\$ 1,396,720</u>	<u>\$ 2,065,287</u>	<u>\$ 3,462,007</u>

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



**CITY OF VILLA GROVE**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended April 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 487,054	\$ 503,517	\$ 990,571
Payments to suppliers	(285,321)	(360,806)	(646,127)
Payments to employees	(143,304)	(143,285)	(286,589)
Other receipts (payments)	716	1,960	2,676
Net cash provided by (used in) operating activities	<u>59,145</u>	<u>1,386</u>	<u>60,531</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase of interfund receivables	-	(6,961)	(6,961)
Increase in interfund payables	6,925	35	6,960
Net cash provided by (used in) noncapital financing activities	<u>6,925</u>	<u>(6,926)</u>	<u>(1)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(153,160)	(122,847)	(276,007)
Interest paid on capital debt	-	(9,137)	(9,137)
Principal paid on capital debt	-	(444,588)	(444,588)
Net cash provided by (used) for capital and related financing activities	<u>(153,160)</u>	<u>(576,572)</u>	<u>(729,732)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	1,981	1,206	3,187
Net cash provided (used) by investing activities	<u>1,981</u>	<u>1,206</u>	<u>3,187</u>
Net increase (decrease) in cash and cash equivalents	(85,109)	(580,906)	(666,015)
Cash and cash equivalents, beginning of the year	539,294	746,855	1,286,149
Cash and cash equivalents, end of the year	<u>\$ 454,185</u>	<u>\$ 165,949</u>	<u>\$ 620,134</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 43,512	\$ (62,902)	\$ (19,390)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	24,096	64,288	88,384
Change in assets and liabilities:			
Increase (decrease) - customer deposits	(8,463)	-	(8,463)
Net cash provided (used) by operating activities	<u>\$ 59,145</u>	<u>\$ 1,386</u>	<u>\$ 60,531</u>

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

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

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 December 21, 2017, the date which the financial statements were available to be issued. The City of Villa Grove is still in the process of building a new Water Treatment Plant and Emergency Services Center. A police vehicle and related accessories were purchased for approximately \$20,600. The City has accepted a \$16,900 bid for demolition of the old fire station. The City has also approved resurfacing seven alleyways for approximately \$32,500.
- (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.

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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (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.

*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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (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.
- (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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(h) Capital Assets – Concluded

*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.

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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (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, 2017, for the governmental and proprietary funds is approximately \$24,402 and \$22,210, respectively. The General fund, Water fund, and Sewer fund portions of the obligation are approximately \$24,402, \$11,105, and \$11,105, respectively. The obligation of each fund has historically been funded by that fund.

(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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Concluded

(1) Fund Balance/Net Position – Concluded

- 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.
- 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.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS - Concluded

- (a) Deposits – Separate bank accounts are maintained for all City funds, which are all held at financial institutions. At April 30, 2017, the carrying amount of the City’s deposits, excluding petty cash, was \$1,361,251. The bank balance of these deposits totaled \$1,734,294. As of April 30, 2017, the City’s bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank’s Trust department but not in the City’s name	\$ 1,174,518
Uninsured and undercollateralized	0
	\$ 1,174,518

- (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, 2017, was \$-0-.
- (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 2015 tax levy is recorded as revenue in the year ended April 30, 2017.

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  
NOTES BASIC TO FINANCIAL STATEMENTS

4. INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at April 30, 2017, were as follows:

Fund	Receivables	Payables
General Fund	\$ 700,000	\$ -
Motor Fuel Tax Fund	1,244	-
Water Fund	80,000	6,924
Sewer Fund	86,961	37
Tax Increment Financing Fund	-	861,244
Total	<u>\$ 868,205</u>	<u>\$ 868,205</u>

Most of 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. There was also a small amount advanced to the Water Fund by the Sewer Fund, which will be repaid in future years.

5. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the year ending April 30, 2017, consists of the following:

	Balances May 1, 2016	Additions	Retirements	Transfers	Balances April 30, 2017
Governmental activities:					
Land	\$ 1,280,315	\$ 32,529	\$ -	\$ -	\$ 1,312,844
Capital assets not being depreciated	1,280,315	32,529	-	-	1,312,844
Depreciable capital assets:					
Buildings	247,646	946,936	(12,147)	-	1,182,435
Land Improvements	89,002	-	-	-	89,002
Equipment	250,871	-	(44,225)	-	206,646
Vehicles	686,987	-	(132,814)	-	554,173
Infrastructure	2,072,983	-	-	-	2,072,983
Total depreciable assets	3,347,489	946,936	(189,186)	-	4,105,239
Accumulated depreciation:					
Buildings	(154,128)	(4,220)	10,788	-	(147,560)
Land Improvements	(48,950)	(4,451)	-	-	(53,401)
Equipment	(153,903)	(18,991)	43,558	-	(129,336)
Vehicles	(485,241)	(35,395)	125,396	-	(395,240)
Infrastructure	(583,532)	(54,672)	-	-	(638,204)
Total accumulated depreciation	(1,425,754)	(117,729)	179,742	-	(1,363,741)
Other capital assets, net of accumulated depreciation	1,921,735	829,207	(9,444)	-	2,741,498
Total governmental activities capital assets, net	<u>\$ 3,202,050</u>	<u>\$ 861,736</u>	<u>\$ (9,444)</u>	<u>\$ -</u>	<u>\$ 4,054,342</u>

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

	<u>Balances</u> <u>May 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balances</u> <u>April 30, 2017</u>
Business-type activities:					
Land	\$ 332,928	\$ -	\$ -	\$ -	\$ 332,928
Capital assets not being depreciated	<u>332,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,928</u>
Depreciable capital assets:					
Buildings	228,233	237,102	-	-	465,335
Plant and equipment	3,075,775	38,907	-	-	3,114,682
Vehicles	154,765	-	(87,283)	-	67,482
Water Tower	240,000	-	-	-	240,000
Total depreciable assets	<u>3,698,773</u>	<u>276,009</u>	<u>(87,283)</u>	<u>-</u>	<u>3,887,499</u>
Accumulated depreciation:					
Buildings	(57,650)	(6,548)	-	-	(64,198)
Plant and equipment	(1,092,775)	(72,632)	-	-	(1,165,407)
Vehicles	(90,621)	(6,204)	86,497	-	(10,328)
Water Tower	(76,125)	(3,000)	-	-	(79,125)
Total accumulated depreciation	<u>(1,317,171)</u>	<u>(88,384)</u>	<u>86,497</u>	<u>-</u>	<u>(1,319,058)</u>
Other capital assets, net of accumulated depreciation	<u>2,381,602</u>	<u>187,625</u>	<u>(786)</u>	<u>-</u>	<u>2,568,441</u>
Total business-type activities capital assets, net	<u>\$ 2,714,530</u>	<u>\$ 187,625</u>	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ 2,901,369</u>

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

Governmental activities:	
General government	\$ 3,255
Public works	40,454
Public safety	37,033
Culture and recreation	36,988
Total	<u>\$ 117,730</u>
Business-type activities:	
Water	\$ 24,096
Sewer	64,288
Total	<u>\$ 88,384</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, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>April 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
G. O. bonds (alternate revenue bonds) TIF revenue bonds (series 2000)	\$ 342,885	\$ -	\$ (77,513)	\$ 265,372	\$ 82,746
Total governmental funds	<u>\$ 342,885</u>	<u>\$ -</u>	<u>\$ (77,513)</u>	<u>\$ 265,372</u>	<u>\$ 82,746</u>

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT – Concluded

	Balances May 1, 2016	Additions	Retirements	Balances April 30, 2017	Due Within One Year
Business-Type Activities:					
Water					
IEPA loan payable	\$ 638,800	\$ -	\$ (444,588)	\$ 194,212	\$ 55,479
Total proprietary funds	<u>\$ 638,800</u>	<u>\$ -</u>	<u>\$ (444,588)</u>	<u>\$ 194,212</u>	<u>\$ 55,479</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:

Fiscal Year Ending April 30,	Bond Principal	Interest Rate
2018	\$ 82,746	6.75%
2019	88,332	6.75%
2020	<u>94,294</u>	6.75%
Total	<u>\$265,372</u>	

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%.

\$ 194,212

The debt service requirements to retire all notes payable outstanding as of April 30, 2017, are as follows:

	Total IEPA Loans Payable		
Years ending April 30	Principal	Interest	Total
2018	\$ 55,479	\$ 4,574	\$ 60,053
2019	56,894	3,159	60,053
2020	58,346	1,707	60,053
2021	<u>23,493</u>	<u>298</u>	<u>23,791</u>
Total	<u>\$ 194,212</u>	<u>\$ 9,738</u>	<u>\$ 203,950</u>

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

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 (RSI) 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).

*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 2016 was 10.56 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, 2016, the City's actual contributions for pension cost for the plan were \$56,485. For the fiscal year ending April 30, 2017, the City's actual contributions for pension costs were \$57,185.

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2016	\$ 56,485	100 %	\$ 0
12/31/2015	53,485	100 %	0
12/31/2014	47,989	100 %	0

The required contribution for 2016 was determined as part of the December 31, 2014, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2014, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 3.50% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2014 is being amortized as a level percentage of projected payroll on an open 27 year basis.

*Funded Status and Funding Progress.* As of December 31, 2016, the most recent actuarial valuation date, the Regular plan was 86.78 percent funded. The actuarial accrued liability for benefits was \$1,562,706 and the actuarial value of assets was \$1,356,065, resulting in an underfunded actuarial accrued liability (UAAL) of \$206,641. The covered payroll for calendar year 2016 (annual payroll of active employees covered by the plan) was \$534,897 and the ratio of the UAAL to the covered payroll was 39 percent.

The schedule of funding progress, presented as supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF VILLA GROVE  
NOTES BASIC TO FINANCIAL STATEMENTS

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, 2017, 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, 2017.

10. FUND DEFICITS

The Tax Increment Financing fund had a fund deficit of \$(812,794) at April 30, 2017. This deficit is expected to be reduced in the future with increased revenues.

SUPPLEMENTARY INFORMATION

**CITY OF VILLA GROVE**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended April 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES</b>			
Property taxes	\$ 272,421	\$ 256,872	\$ (15,549)
Sales taxes	392,513	313,524	(78,989)
State income taxes	258,774	241,555	(17,219)
Video gaming taxes	20,119	18,018	(2,101)
Replacement taxes	15,806	17,445	1,639
Grant revenue	468,088	71,261	(396,827)
Fines and fees	38,327	28,050	(10,277)
Licenses and permits	6,100	6,160	60
Franchise fees	125,408	137,833	12,425
Interest income	1,266	5,530	4,264
Miscellaneous	59,200	89,105	29,905
Total revenues	<u>1,658,022</u>	<u>1,185,353</u>	<u>(472,669)</u>
<b>EXPENDITURES</b>			
General government	840,637	338,955	(501,682)
Public safety	483,851	583,092	99,241
Public works	335,192	202,733	(132,459)
Culture and recreation	51,184	18,127	(33,057)
Capital outlay	1,256,264	979,465	(276,799)
Total expenditures	<u>2,967,128</u>	<u>2,122,372</u>	<u>(844,756)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,309,106)</u>	<u>(937,019)</u>	<u>372,087</u>
<b>OTHER FINANCNG SOURCES AND USES</b>			
Loan proceeds	800,000	-	(800,000)
Transfers in (out)	611,738	-	(611,738)
Total other financing sources (uses)	<u>1,411,738</u>	<u>-</u>	<u>(1,411,738)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ 102,632</u>	<u>(937,019)</u>	<u>\$ (1,039,651)</u>
Fund balances - beginning of the year, originally stated		2,219,783	
Fund balances - end of year		<u>\$ 1,282,764</u>	

**CITY OF VILLA GROVE**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**TAX INCREMENT FINANCING FUND**  
**For the Year Ended April 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES</b>			
Property taxes	\$ 219,657	\$ 248,302	\$ 28,645
Interest income	48	2,575	2,527
Miscellaneous Income	-	1,018	1,018
Total revenues	<u>219,705</u>	<u>251,895</u>	<u>32,190</u>
<b>EXPENDITURES</b>			
General government	45,931	57,446	11,515
Debt service:			
Principal	77,514	77,514	-
Interest	<u>23,145</u>	<u>23,145</u>	<u>-</u>
Total expenditures	<u>146,590</u>	<u>158,105</u>	<u>11,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 73,115</u>	<u>93,790</u>	<u>\$ 20,675</u>
Fund balances - beginning of year		(906,584)	
Fund balances - end of year		<u>\$ (812,794)</u>	



**CITY OF VILLA GROVE  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
MOTOR FUEL FUND**

**For the Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>REVENUES</b>			
State motor fuel taxes	\$ 65,708	\$ 64,523	\$ (1,185)
Interest income	29	376	347
Total revenues	65,737	64,899	(838)
<b>EXPENDITURES</b>			
General government	3,500	185	(3,315)
Public works	69,500	36,616	(32,884)
Total expenditures	73,000	36,801	(36,199)
Excess (deficiency) of revenues over (under) expenditures	\$ (7,263)	28,098	\$ 35,361
Fund balances - beginning of the year		82,841	
Fund balances - end of year		\$ 110,939	

CITY OF VILLA GROVE  
NOTES TO BUDGETARY COMPARISON SCHEDULES

**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 25, 2016.
- 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, 2017, expenditures exceed appropriations in the Tax Increment Financing Fund by \$11,515. These overexpenditures were funded by available property tax revenue in this fund.

ADDITIONAL SCHEDULES

**CITY OF VILLA GROVE**  
**Additional Information**  
**Illinois Municipal Retirement Fund**  
**Schedule of Funding Progress**  
**April 30, 2017**  
**(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)
12/31/2016	\$ 1,356,065	\$ 1,562,706	\$ 206,641	86.78%	\$ 534,897	38.63%
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%

On a market value basis, the actuarial value of assets as of December 31, 2016 is \$1,342,326. On a market basis, the funded ratio would be 85.90%.

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, 2017**

Tax Levy Year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equalized Assessed Valuation (not including TIF Districts)	\$ 20,358,323	\$ 19,115,655	\$ 17,556,954	\$ 18,695,001
<b>TAX RATES</b>				
General corporate	\$ 0.2500	\$ 0.2500	\$ 0.2500	\$ 0.2500
IMRF	0.1701	0.1784	0.1933	0.1923
Fire protection	0.0750	0.0750	0.0750	0.0750
Police protection	0.0750	0.0750	0.0750	0.0750
Garbage	0.0050	0.1021	0.1671	0.0134
Audit	0.0303	0.0314	0.0335	0.0321
Liability insurance	0.2271	0.1355	0.1578	0.1210
Road & bridge	0.0067	0.0055	-	-
Street lighting	0.0500	0.0500	0.0500	0.0500
Playground/recreation	0.0900	0.0900	0.0900	0.0900
Social security	0.1338	0.1381	0.1451	0.1338
Unemployment insurance	0.0082	0.0088	0.0082	0.0046
Workmans compensation	0.1175	0.0798	0.0817	0.0851
Medicare	0.0313	0.0323	0.0340	0.0313
Total Tax Rate	<u>\$ 1.2700</u>	<u>\$ 1.2519</u>	<u>\$ 1.3607</u>	<u>\$ 1.1536</u>
Equalized Assessed Valuation - TIF Districts only	<u>\$ 2,627,329</u>	<u>\$ 2,646,766</u>	<u>\$ 2,712,072</u>	<u>\$ 2,715,127</u>
TIF Districts	<u>\$ 10.9988</u>	<u>\$ 9.4794</u>	<u>\$ 8.2900</u>	<u>\$ 8.1950</u>
<b>TAX EXTENSIONS</b>				
General corporate	\$ 50,896	\$ 47,789	\$ 43,892	\$ 46,738
IMRF	34,630	34,102	33,937	35,950
Fire protection	15,269	14,337	13,168	14,021
Police protection	15,269	14,337	13,168	14,021
Garbage	1,018	19,517	29,338	2,505
Audit	6,169	6,002	5,882	6,001
Liability insurance	46,234	25,902	27,705	22,621
Street & bridge	1,364	1,051	-	-
Street lighting	10,179	9,558	8,778	9,348
Playground/recreation	18,322	17,204	15,801	16,826
Social security	27,239	26,399	25,475	25,014
Unemployment insurance	1,669	1,682	1,440	860
Workmans compensation	23,921	15,254	14,344	15,909
Medicare	6,372	6,174	5,969	5,852
Road & bridge	18,994	18,064	17,557	19,331
TIF Districts	288,975	250,897	224,816	222,516
Total Tax Extensions	<u>\$ 566,520</u>	<u>\$ 508,269</u>	<u>\$ 481,270</u>	<u>\$ 457,513</u>

**CITY OF VILLA GROVE**  
**SCHEDULE OF ASSESSED VALUATION, TAX RATES, EXTENSIONS AND COLLECTIONS**  
**April 30, 2017**

Tax Levy Year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>TAXES COLLECTED</b>				
General corporate	\$ -	\$ 47,704	\$ 43,625	\$ 46,813
IMRF	-	34,041	33,730	36,009
Fire protection	-	14,311	13,087	14,044
Police protection	-	14,311	13,087	14,044
Garbage	-	19,482	29,158	2,509
Audit	-	5,992	5,846	6,011
Liability insurance	-	25,855	27,536	22,658
Street & bridge	-	1,050	-	-
Street lighting	-	9,541	8,725	9,363
Playground/recreation	-	17,173	15,705	16,853
Social security	-	26,352	25,320	25,055
Unemployment insurance	-	1,679	1,431	861
Workmans compensation	-	15,227	14,257	15,935
Medicare	-	6,163	5,933	5,861
Road & bridge	-	17,991	17,481	19,304
TIF Districts	-	248,302	219,631	221,918
Taxes collected	<u>\$ -</u>	<u>\$ 505,174</u>	<u>\$ 474,552</u>	<u>\$ 457,238</u>
Percentage of Extensions Collected	<u>0.00%</u>	<u>99.39%</u>	<u>98.60%</u>	<u>99.94%</u>

**CITY OF VILLA GROVE**  
**SCHEDULE OF LEGAL DEBT MARGIN**  
**April 30, 2017**

Assessed valuation	<u>\$ 20,358,323</u>
Debt limit - 8.625%	\$ 1,755,905
Outstanding general obligation bonds	<u>-</u>
Legal debt margin	<u>\$ 1,755,905</u>

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To the 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 for the year ended April 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City of Villa Grove's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

While not considered to be reportable conditions, the City Council should consider the following:

- 2016-01 The 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 by recorded on the City's books.
- 2016-03 The City has not established separate bank accounts to set aside funds to repay its bonds as required by the TIF bond ordinance.
- 2016-04 Tax levies for Garbage have cumulatively exceeded expenditures by \$26,536 as of April 30, 2017. We recommend that the City reallocate its tax levy so that more is levied for areas where expenditures exceed levy (e.g., IMRF, Fire Protection, Police Protection, Liability Insurance, Street Lighting, etc.) and less is levied for Garbage.

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F: 812-242-2047

This report is intended solely for the information and use of the City Council, management and other appropriate federal agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Larsson Woodyard + Henson, LLP*

Larsson, Woodyard & Henson, LLP  
Tuscola, Illinois  
December 21, 2017



December 21, 2017

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Villa Grove for the year ended April 30, 2017. 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 April 21, 2017. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2017. We noted no transactions entered into by the governmental unit 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 affecting the City's financial statements was management's estimate of the remaining useful lives of depreciable assets.

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.

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#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 December 21, 2017.

#### *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 governmental unit'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 Issues*

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

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the 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.

Restriction of Use

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

Very truly yours,

*Larsson Woodyard + Henson, LLP*

Larsson, Woodyard & Henson, LLP  
Tuscola, Illinois





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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of City of Villa Grove as of and for the year ended April 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Villa Grove's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Villa Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Villa Grove's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

2016-05 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, has access to the signature stamp, and also processes cash receipts and deposits.

2016-06 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, 2017.

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

*Larsson Woodyard + Henson, LLP*

Tuscola, Illinois  
December 21, 2017