

CITY OF VILLA GROVE
Villa Grove, Illinois

ANNUAL FINANCIAL REPORT

For the Year Ended April 30, 2018



Larsson Woodyard & Henson, LLP
Certified Public Accountants

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CITY OF VILLA GROVE
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2018, 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 accounting principles generally accepted in the United States of America; this includes 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 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2018 the City changed its basis of accounting from the modified cash basis of accounting to the modified accrual basis of accounting. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of employer contributions, and budgetary comparison information on pages 3-11 and 45-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 information labeled as Statistical Information in the table of contents on pages 50-53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical section has 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 it.

Larsson Woodyard + Henson, LLP

Tuscola, Illinois
December 19, 2018

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. In addition, the 2017 amounts presented for comparison are done so on the modified cash basis of accounting. The City changed its method of accounting in 2018 to the modified accrual basis.

FINANCIAL HIGHLIGHTS

- As of April 30, 2018, the City's total net position (excess of assets over liabilities) was \$8,005,537.
- The City's total net position increased \$218,646.
- As of April 30, 2018, the City's governmental funds reported combined ending fund balances was \$819,463, an increase of \$115,424 from the prior year.
- The City's total long-term liabilities were \$769,035 as of April 30, 2018, an increase of \$447,676 from the prior year. New debt for the completion of the emergency services center and a sludge truck 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 statistical section.

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

Governments have traditionally focused their reporting on groupings of funds rather than on the government as taken as a whole. The new 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 Position 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 accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

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 the accrual basis, meaning that revenues are recognized when earned and expenses are recorded when the liability is incurred.

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 spend able 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 new 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 readers 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 been combining similar individual funds into groupings or "fund types" (i.e., general fund, special revenue funds, debt service funds, capital project funds, et cetera). 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 new 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, 2018, net position for the City of Villa Grove was \$8,005,537.

A summary of the government-wide statement of net assets at April 30, 2018 follows:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	1,552,620	741,117	708,181	620,134	2,260,801	1,361,251
Noncurrent assets	4,256,367	3,978,343	3,392,245	2,745,042	7,648,612	6,723,385
Total Assets	5,808,987	4,719,460	4,100,426	3,365,176	9,909,413	8,084,636
Deferred outflow of resources						
Related to pensions	124,715	-	-	-	124,715	-
Current and other liabilities	305,633	861,452	174,944	32,245	480,577	893,697
Noncurrent liabilities	619,120	265,372	149,915	194,212	769,035	459,584
Total Liabilities	924,753	1,126,824	324,859	226,457	1,249,612	1,353,281
Deferred inflow of resources						
Related to pensions	194,537	-	-	-	194,537	-
Unavailable property tax revenue	584,442	-	-	-	584,442	-
Total Deferred inflows	778,979	-	-	-	778,979	-
Net Position:						
Invested in capital assets, net of debt	3,856,367	3,978,343	3,178,512	2,550,830	7,034,879	6,529,173
Restricted	166,968	151,356	-	53,020	166,968	204,376
Unrestricted	206,635	164,181	597,055	701,830	803,690	866,011
Total net position	4,229,970	4,293,880	3,775,567	3,305,680	8,005,537	7,599,560

\$7,034,879 (87.9%) 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 \$166,968 (2.1%) of net position represents resources that are subject to restrictions on how they may be used. The remaining \$803,690 (10.0%) 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, 2018 follows:

*Table 2
Changes in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	165,490	172,043	1,087,697	993,247	1,253,187	1,165,290
Grants and contributions	-	71,261	-	-	-	71,261
General revenues:						
Property taxes	566,076	505,174			566,076	505,174
Sales taxes	329,289	313,524	-	-	329,289	313,524
Other taxes	329,343	341,541	-	-	329,343	341,541
Other revenues	90,073	168,109	5,423	3,187	95,496	171,296
Total revenues	1,480,271	1,571,652	1,093,120	996,434	2,573,391	2,568,086
Expenses						
General government	443,867	475,840			443,867	475,840
Public safety	617,934	695,187			617,934	695,187
Public works	307,232	280,470	857,969	1,178,101	1,165,201	1,458,571
Community development	95,903	58,335			95,903	58,335
Interest expense	31,840	23,145	-	-	31,840	23,145
Total expenses	1,496,776	1,532,977	857,969	1,178,101	2,354,745	2,711,078
Increase (decrease) in net position	(16,505)	38,675	235,151	(181,667)	218,646	(142,992)
Beginning net position, as originally stated	-	4,255,205	-	3,488,131	-	7,743,336
Beginning net position, as re-stated	4,246,475	-	3,540,416	-	7,786,891	-
Net position, as restated	4,246,475	4,255,205	3,540,416	3,488,131	7,786,891	7,743,336
Ending net position	4,229,970	4,293,880	3,775,567	3,306,464	8,005,537	7,600,344

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 \$218,646 (2.81%) during the fiscal year. Governmental activities net position decreased by \$16,505 (-0.39%) while business-type activities net position increased by \$235,151 (6.64%). 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.

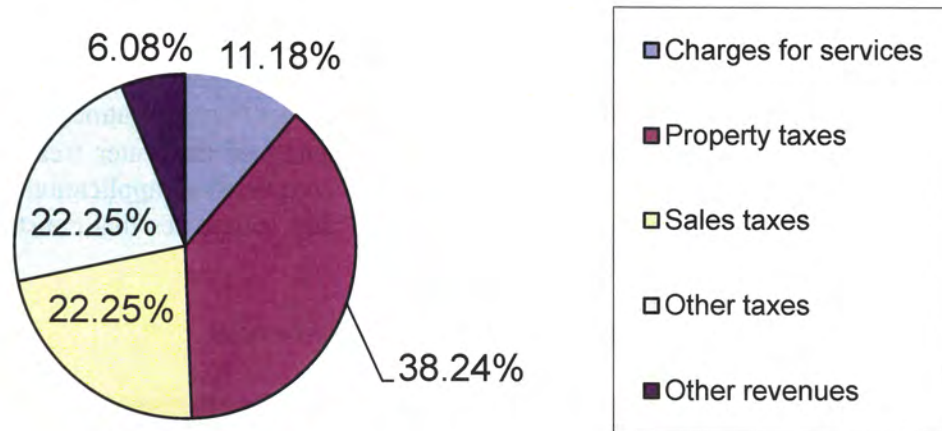
Governmental Activities

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

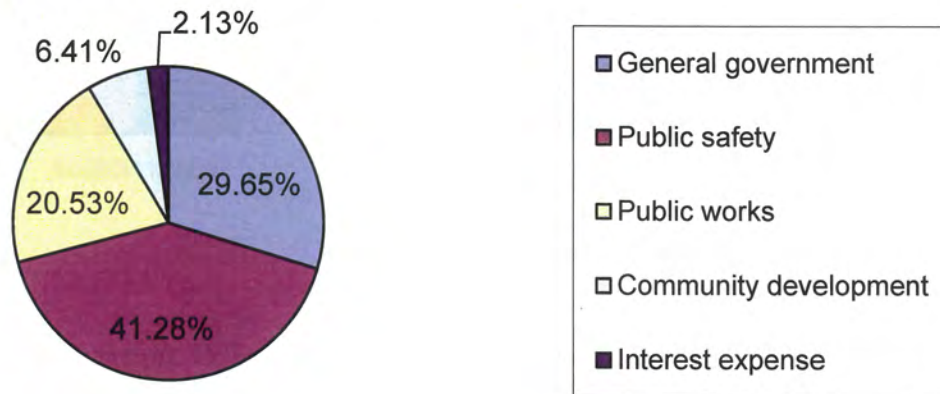
- Property tax revenues, the City's largest revenue, grew by 12.06% but was under the original budget estimate. The City's previous slow growth in the residential real estate market and the Tax Increment Financing area's revenue have remained stale, as reported in previous years.
- Sales tax revenues grew by 5.03%.
- Other state tax revenues decreased by 3.57%.

- Public safety and public works costs, which make up 61.8% of all governmental activities expenses, decreased by 5.18%.
- The previously-awarded IEMA Hazard Mitigation Grant (to cover 75% of the cost of demolition of the City's Community Building and other residential floodprone structures) is nearing completion.

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 \$96,686 (9.70%), from \$996,434 in 2017 to \$1,093,120 in 2018. Meanwhile expenses decreased significantly, down by \$320,132 (-27.17%) from \$1,178,101 in 2017 to \$857,969 in 2018.

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 revenue changes were noted for FY18 other than being in the final of a 3-year water rate increase. These funds are being accrued in anticipation of debt payments towards the new capitalization project (water treatment plant).
- Engineering fees associated with the planning of the water treatment plant decreased with the design phase finished. The City completed an application for an IEPA loan for this project, received approval of funds, and anticipates that construction will begin in the next few months.

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 \$1,232,738, while total fund balance was \$1,341,269. 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 77.7% of total general fund expenditures, while total fund balance represents 84.5% of that same amount.

The **Special Revenue Fund** is another fund 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 \$(521,806). 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, 2018, the Sewer Fund had a net position of \$2,124,651, an increase of \$25,971 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 \$1,650,916 at year end, which was an increase of \$209,180.

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, hence 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 2018 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, 2018 amounts to \$7,648,612 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$230,083.

*Table 3
Capital Assets (Net of Depreciation)*

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	1,315,111	1,312,844	349,927	332,928	1,665,038	1,645,772
Buildings	1,262,245	958,876	822,871	244,810	2,085,116	1,203,686
Land Improvements	31,151	35,601	-	-	31,151	35,601
Plant and Equipment	52,461	77,310	1,897,421	1,949,275	1,949,882	2,026,585
Vehicles	152,814	158,933	85,494	57,154	238,308	216,087
Infrastructure	1,442,585	1,434,779	-	-	1,442,585	1,434,779
Water Tower	-	-	236,532	160,875	236,532	160,875
Total	4,256,367	3,978,343	3,392,245	2,745,042	7,648,612	6,723,385

Additional information about the City's capital assets can be found in Note 5 on pages 35 and 36 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 \$796,358. Of that amount, \$596,133 represented outstanding bonds or significant long-term debt.

*Table 4
Outstanding Debt Balances*

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	182,625	265,372	-	-	182,625	265,372
Capital Leases	-	-	-	-	-	-
Loans Payable (over 10 yrs)	-	-	138,733	194,212	138,733	194,212
Notes Payable (under 10 yrs)	400,000	-	75,000	-	475,000	-
Total	582,625	265,372	213,733	194,212	796,358	459,584

Additional information about the City's long-term debt can be found in Note 6 on pages 37 and 38 of this report.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

The future financial forecast for the State of Illinois continues 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.

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 1.5 years to determine the need for any additional increased funding. 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 (to be completed in about 2 to 2.5 years' time).

The ongoing Hazard Mitigation Grant project will continue with the purchase of one additional flood-prone residential property followed by demolition of all homes purchased, 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.

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BASIC FINANCIAL STATEMENTS

CITY OF VILLA GROVE
STATEMENT OF NET POSITION
April 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 794,729	\$ 428,428	\$ 1,223,157
Due from other governments	673,065	0	673,065
Accounts receivable, net	27,661	128,947	156,608
Prepaid items	33,021	26,925	59,946
Interfund receivable	0	100,000	100,000
Restricted cash and cash equivalents	24,144	23,881	48,025
Total current assets	<u>1,552,620</u>	<u>708,181</u>	<u>2,260,801</u>
Noncurrent Assets			
Capital assets, non-depreciating	1,315,111	349,927	1,665,038
Capital assets, net of accumulated depreciation	<u>2,941,256</u>	<u>3,042,318</u>	<u>5,983,574</u>
Total noncurrent assets	<u>4,256,367</u>	<u>3,392,245</u>	<u>7,648,612</u>
Total Assets	<u>5,808,987</u>	<u>4,100,426</u>	<u>9,909,413</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	124,715	0	124,715
LIABILITIES			
Current Liabilities			
Accounts payable	21,814	57,741	79,555
Accrued payroll	24,185	10,854	35,039
Accrued interest	21,288	3,119	24,407
Payroll withholdings	961	0	961
Customer deposits	0	23,964	23,964
Interfund payable	100,000	0	100,000
Accrued compensated absences - current	9,054	7,372	16,426
Current portion of long-term debt	<u>128,331</u>	<u>71,894</u>	<u>200,225</u>
Total current liabilities	<u>305,633</u>	<u>174,944</u>	<u>480,577</u>

CITY OF VILLA GROVE
STATEMENT OF NET POSITION (CONCLUDED)
April 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Accrued compensated absences	\$ 21,641	\$ 8,076	\$ 29,717
Net pension liability	143,185	0	143,185
Long-term debt	454,294	141,839	596,133
Total noncurrent liabilities	<u>619,120</u>	<u>149,915</u>	<u>769,035</u>
Total Liabilities	924,753	324,859	1,249,612
Deferred Inflows of Resources			
Deferred inflows related to pensions	194,537	0	194,537
Unavailable revenue - property taxes	584,442	0	584,442
Total Deferred Inflows of Resources	<u>778,979</u>	<u>0</u>	<u>778,979</u>
NET POSITION			
Invested in capital assets, net of related debt	3,856,367	3,178,512	7,034,879
Restricted	169,397	0	169,397
Unrestricted	204,206	597,055	801,261
Total net position	<u>\$ 4,229,970</u>	<u>\$ 3,775,567</u>	<u>\$ 8,005,537</u>

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

CITY OF VILLA GROVE
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2018

Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 452,421	\$ 150,174	\$ 0
Public safety	617,934	15,316	0
Public works	307,232	0	0
Culture and recreation	52,736	0	0
Development	34,613	0	0
Interest on long-term debt	31,840	0	0
Total governmental activities	<u>1,496,776</u>	<u>165,490</u>	<u>0</u>
Business-type activities:			
Water	376,401	582,669	0
Sewer	481,568	505,028	0
Total business-type activities	<u>857,969</u>	<u>1,087,697</u>	<u>0</u>
Total Primary Government	<u>\$ 2,354,745</u>	<u>\$ 1,253,187</u>	<u>\$ 0</u>

General Revenues:

Property taxes
Sales taxes
Income taxes
Video gaming taxes
Replacement taxes
Motor fuel taxes
Interest income
Miscellaneous income
Total general revenues

Change in net position

Net position, beginning, restated

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
\$ 0	\$ (302,247)	\$ 0	\$ (302,247)
0	(602,618)	0	(602,618)
0	(307,232)	0	(307,232)
0	(52,736)	0	(52,736)
0	(34,613)	0	(34,613)
0	(31,840)	0	(31,840)
<u>0</u>	<u>(1,331,286)</u>	<u>0</u>	<u>(1,331,286)</u>
0	0	206,268	206,268
0	0	23,460	23,460
0	0	229,728	229,728
<u>\$ 0</u>	<u>(1,331,286)</u>	<u>229,728</u>	<u>(1,101,558)</u>
	566,076	0	566,076
	329,289	0	329,289
	230,852	0	230,852
	19,050	0	19,050
	14,664	0	14,664
	64,777	0	64,777
	9,116	5,423	14,539
	80,957	0	80,957
	<u>1,314,781</u>	<u>5,423</u>	<u>1,320,204</u>
	(16,505)	235,151	218,646
	<u>4,246,475</u>	<u>3,540,416</u>	<u>7,786,891</u>
	<u>\$ 4,229,970</u>	<u>\$ 3,775,567</u>	<u>\$ 8,005,537</u>

**CITY OF VILLA GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2018**

	General	Tax Increment Financing	Motor Fuel Tax	Total
ASSETS				
Cash and cash equivalents	\$ 519,922	\$ 135,902	\$ 138,905	\$ 794,729
Due from other governments	369,980	301,330	0	671,310
Accounts receivable	21,853	0	5,808	27,661
Notes receivable	0	0	0	0
Prepaid items	33,021	0	0	33,021
Interfund receivable	700,000	0	1,983	701,983
Restricted Assets:				
Cash and cash equivalents	24,144	0	0	24,144
Total Assets	\$ 1,668,920	\$ 437,232	\$ 146,696	\$ 2,252,848
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19,393	\$ 978	\$ 1,443	\$ 21,814
Accrued payroll	24,185	0	0	24,185
Payroll liabilities	961	0	0	961
Interfund payable	0	801,983	0	801,983
Total Liabilities	44,539	802,961	1,443	848,943
Deferred inflows of resources				
Unavailable revenue - property taxes	283,112	301,330	0	584,442
Fund balance				
Restricted for public works	21,715	0	0	21,715
Restricted for liability insurance	2,391	0	0	2,391
Restricted for unemployment tax	38	0	0	38
Restricted for transportation	0	0	145,253	145,253
Assigned for public safety	35,462	0	0	35,462
Assigned for separation benefits	30,695	0	0	30,695
Assigned for recreation programs	18,230	0	0	18,230
Unassigned	1,232,738	(667,059)	0	565,679
Total Fund Balance	1,341,269	(667,059)	145,253	819,463
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,668,920	\$ 437,232	\$ 146,696	\$ 2,252,848

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

CITY OF VILLA GROVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended April 30, 2018

Total Fund Balance - Governmental Funds \$ 819,463

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds. 4,256,367

Revenues in the Statement of Activities that do not provide current financial resources; therefore, are not reported as revenue in the funds 1,755

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	124,715
Deferred inflows of resources	(194,537)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:

Net Pension Liability	(143,185)
Accrued compensated absences	(30,695)
Accrued interest	(21,288)
Bonds payable	<u>(582,625)</u>

Net Position of Governmental Activities \$ 4,229,970

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
GOVERNMENTAL FUNDS**

For the Year Ended April 30, 2018

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Motor Fuel Tax</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 277,636	\$ 288,440	\$ 0	\$ 566,076
State sales taxes	329,289	0	0	329,289
State income taxes	230,852	0	0	230,852
Video gaming taxes	18,796	0	0	18,796
Replacement taxes	14,664	0	0	14,664
Motor fuel taxes	0	0	64,777	64,777
Fines and fees	15,316	0	0	15,316
Licenses and permits	7,167	0	0	7,167
Franchise fee	143,007	0	0	143,007
Interest income	6,057	1,860	1,199	9,116
Miscellaneous	80,957	0	0	80,957
Total Revenues	<u>1,123,741</u>	<u>290,300</u>	<u>65,976</u>	<u>1,480,017</u>
EXPENDITURES				
Current				
General government	443,771	8,554	194	452,519
Public safety	554,836	0	0	554,836
Public works	229,405	0	37,517	266,922
Culture and recreation	13,760	0	0	13,760
Development	0	34,613	0	34,613
Debt Service:				
Principal	0	82,746	0	82,746
Interest	0	17,913	0	17,913
Capital outlay	344,784	0	0	344,784
Total Expenditures	<u>1,586,556</u>	<u>143,826</u>	<u>37,711</u>	<u>1,768,093</u>
Excess of revenues over (under) expenditures	(462,815)	146,474	28,265	(288,076)
Other Financing Sources (Uses)				
Loan proceeds	<u>403,500</u>	<u>0</u>	<u>0</u>	<u>403,500</u>
Net change in fund balance	(59,315)	146,474	28,265	115,424
Fund Balances, beginning, restated	<u>1,400,584</u>	<u>(813,533)</u>	<u>116,988</u>	<u>704,039</u>
Fund Balances, ending	<u>\$ 1,341,269</u>	<u>\$ (667,059)</u>	<u>\$ 145,253</u>	<u>\$ 819,463</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
For the Year Ended April 30, 2018

Net change in fund balances - total governmental funds \$ 115,424

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	344,784	
Gain (Loss) on Capital Asset Disposals	(8,921)	
Depreciation	<u>(136,105)</u>	
		199,758

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 254

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Reduction of benefit liability, net	4,631
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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	82,746	
Proceeds	<u>(403,500)</u>	
		<u>(320,754)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds as follows:

Accrued compensated absences	(1,891)
Accrued Interest	<u>(13,927)</u>

Change in net position of governmental activities \$ (16,505)

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

CITY OF VILLA GROVE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year Ended April 30, 2018

	Business-Type Activities - Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 167,166	\$ 261,262	\$ 428,428
Accounts receivable, net	66,193	62,754	128,947
Prepaid items	13,502	13,423	26,925
Interfund receivable	50,000	50,000	100,000
Total Current Assets	<u>296,861</u>	<u>387,439</u>	<u>684,300</u>
Noncurrent assets:			
Cash-restricted	23,881	0	23,881
Capital assets:			
Land	22,805	327,122	349,927
Property, plant and equipment	1,949,375	2,505,975	4,455,350
Accumulated depreciation	(568,732)	(844,300)	(1,413,032)
Total Noncurrent Assets	<u>1,427,329</u>	<u>1,988,797</u>	<u>3,416,126</u>
Total Assets	<u>1,724,190</u>	<u>2,376,236</u>	<u>4,100,426</u>
LIABILITIES			
Current Liabilities :			
Accounts payable	36,159	21,582	57,741
Accrued payroll	5,427	5,427	10,854
Accrued interest	0	3,119	3,119
Customer deposits	23,964	0	23,964
Accrued compensated absences - current	3,686	3,686	7,372
Notes payable - current	0	71,894	71,894
Total Current Liabilities	<u>69,236</u>	<u>105,708</u>	<u>174,944</u>
Noncurrent Liabilities:			
Accrued compensated absences	4,038	4,038	8,076
Notes payable	0	141,839	141,839
Total Noncurrent Liabilities	<u>4,038</u>	<u>145,877</u>	<u>149,915</u>
Total Liabilities	<u>73,274</u>	<u>251,585</u>	<u>324,859</u>
NET POSITION			
Net investment in capital assets	1,403,448	1,775,064	3,178,512
Unrestricted	247,468	349,587	597,055
Total Net Position	<u>\$ 1,650,916</u>	<u>\$ 2,124,651</u>	<u>\$ 3,775,567</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
PROPRIETARY FUNDS
For the Year Ended April 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 582,538	\$ 504,939	\$ 1,087,477
Miscellaneous	131	89	220
Total Operating Revenues	<u>582,669</u>	<u>505,028</u>	<u>1,087,697</u>
Operating Expenses:			
Personnel services	165,294	165,261	330,555
Supplies and materials	80,089	96,706	176,795
Contractual services	104,862	144,194	249,056
Depreciation	26,156	67,822	93,978
Total Operating Expenses	<u>376,401</u>	<u>473,983</u>	<u>850,384</u>
Operating Income (Loss)	<u>206,268</u>	<u>31,045</u>	<u>237,313</u>
Non Operating Revenues (Expenses):			
Interest income	2,912	2,511	5,423
Interest expense	0	(7,585)	(7,585)
Total Non Operating Revenues (Expenses)	<u>2,912</u>	<u>(5,074)</u>	<u>(2,162)</u>
Change in net position	209,180	25,971	235,151
Fund balances - beginning of the year, restated	<u>1,441,736</u>	<u>2,098,680</u>	<u>3,540,416</u>
Fund balances - end of year	<u>\$ 1,650,916</u>	<u>\$ 2,124,651</u>	<u>\$ 3,775,567</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, 2018

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 578,843	\$ 501,652	\$ 1,080,495
Payments to suppliers	(195,985)	(239,709)	(435,694)
Payments to employees	(171,139)	(171,106)	(342,245)
Other receipts (payments)	131	89	220
Net cash provided by (used in) operating activities	<u>211,850</u>	<u>90,926</u>	<u>302,776</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) decrease of interfund receivables	30,000	36,961	66,961
Increase (decrease) in interfund payables	(6,924)	(37)	(6,961)
Net cash provided by (used in) noncapital financing activities	<u>23,076</u>	<u>36,924</u>	<u>60,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(500,976)	(49,992)	(550,968)
Interest paid on capital debt	0	(4,577)	(4,577)
Principal paid on capital debt	0	(55,479)	(55,479)
Proceeds from long-term debt	0	75,000	75,000
Net cash provided by (used) for capital and related financing activities	<u>(500,976)</u>	<u>(35,048)</u>	<u>(536,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	2,912	2,511	5,423
Net cash provided (used) by investing activities	<u>2,912</u>	<u>2,511</u>	<u>5,423</u>
Net increase (decrease) in cash and cash equivalents	(263,138)	95,313	(167,825)
Cash and cash equivalents, beginning of the year	454,185	165,949	620,134
Cash and cash equivalents, end of the year	<u>\$ 191,047</u>	<u>\$ 261,262</u>	<u>\$ 452,309</u>

CITY OF VILLA GROVE
STATEMENT OF CASH FLOWS (CONCLUDED)
PROPRIETARY FUNDS
For the Year Ended April 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 206,268	\$ 31,045	\$ 237,313
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	26,156	67,822	93,978
Change in assets and liabilities:			
(Increase) decrease - accounts receivable	(2,375)	(3,287)	(5,662)
(Increase) decrease - prepaid items	(2,776)	(2,306)	(5,082)
Increase (decrease) - accounts payable	(8,258)	3,497	(4,761)
Increase (decrease) - accrued payroll	(461)	(461)	(922)
Increase (decrease) - accrued compensated absences	(5,384)	(5,384)	(10,768)
Increase (decrease) - customer deposits	(1,320)	0	(1,320)
Net cash provided (used) by operating activities	\$ 211,850	\$ 90,926	\$ 302,776

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 generally accepted accounting principles (GAAP) as applied to governmental units. This requires the use of the accrual basis of accounting for government-wide financial statements and proprietary funds financial statements and a modified accrual basis of accounting for the governmental funds financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial reporting entity, basis of accounting, and other significant policies employed by the City are summarized as follows:

(a) Reporting Entity – The financial statements of the City include the primary government and 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.

(b) Basis of Presentation

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

(b) Basis of Presentation - continued

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 that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure or expenses. The City maintains governmental and proprietary funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- i. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- ii. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The City has decided all funds will be presented as major funds.

The funds of the financial reporting entity are described below:

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.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

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
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(b) Basis of Presentation - concluded

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.

- (c) Measurement Focus – Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) 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 utilize 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) associated with their activities are reported. Proprietary fund equity is classified as net position.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (d) Basis of Accounting – In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include employee license taxes, property taxes, grants, entitlements, and donations. The City considers property taxes as available in the year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The revenues susceptible to accrual are taxes, intergovernmental, interest revenue, and charges for services. Permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Basis of Accounting - concluded

Unearned revenue

The City reports unearned revenue on its government-wide statement of net position and the fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

(e) Budgets and Budgetary Accounting – 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:

- 1) 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.
- 2) 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.
- 3) The budget ordinance was adopted on April 24, 2017.
- 4) 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.
- 5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- 6) Budgets for General and Special Revenue Funds, are adopted on the modified accrual basis and lapse at year end.

(f) Cash and Cash Equivalents – For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand and savings accounts of the City. 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. Cash deposits and certificates of deposit are reported at carrying amount which reasonably estimates fair value. Additional cash disclosures are presented in Note 2.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (g) Receivables – Major receivable balances for the governmental activities include property taxes, intergovernmental receivables, hotel/motel taxes, and tax increment financing note receivables. Business-type activities report amounts owed for utility services as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as hotel/motel taxes and other similar intergovernmental revenues, as well as, tax increment financing note receivables since they are usually both measurable and available.

Nonexchange transactions collectible but not available are deferred. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available. Proprietary fund receivables include revenues earned at year end and not yet received. Utility accounts receivable compose all of the proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

- (h) 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.” See Note 4 for details of interfund transactions, including receivables and payables, at year end.
- (i) Capital Assets – The City’s modified accrual basis of accounting reports capital assets and 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 are accounted for as capital assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. 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.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(i) Capital Assets – Concluded

Government-wide Statements - concluded

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 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 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 government-wide statements.

(j) Prepaid Items – In the government-wide and fund financial statements, prepaid expenditures/expenses are deferred and expensed over the term when the services are received.

(k) Deferred Outflows/Inflows of Resources

Government-wide Statements

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualifies for reporting in the category. These are the deferred charges on refunding and deferred outflows related to pensions (deferred pension contributions and deferred difference between projected and actuarial earnings on pension plans investments reported in the Statement of Net Position).

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(k) Deferred Outflows/Inflows of Resources - Concluded

Government-wide Statements - concluded

A deferred pension contribution results from pension contributions subsequent to the measurement date of the pension plan. This amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. A difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings. This item, difference between projected and actuarial earnings on pension plan investments, is deferred and amortized over 5 years in future periods as a component of the pension expense.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Government has only one type of item related to the City's pension plans that qualifies for reporting in this category. A difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings. This item, difference between projected and actuarial earnings on pension plan investments, is deferred and amortized over 5 years in future periods as a component of the pension expense.

Fund Financial Statements

The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting as deferred inflows of resources. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for two sources: property taxes and intergovernmental taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

- (l) Restricted Assets – Certain resources in the governmental funds are set aside and classified as restricted because their use has been limited by legal or contractual provisions. Certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited to applicable bond covenants.
- (m) Compensated Absences – City employees are entitled to certain compensated absences based on their length of employment. Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. In the government-wide financial statements, compensated absences are accounted for in the Statement of Net Position. In the fund financial statements, governmental funds report compensated absences as part current expenditures of the governmental fund, and proprietary funds report compensated absences the same as in the government-wide. The obligation of each fund has historically been funded by that fund.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (n) Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

- (o) Equity Classifications

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.
- 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.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(o) Equity Classifications – Concluded

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed in five components:

- a) Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely.
- b) Restricted fund balance includes amounts that can be spent only for the specific purpose stipulated by creditors, grantors, contributors, or laws or regulations of other governments.
- c) Committed fund balance includes amounts that can be used only for the specific purposes determined by the City Council through the approval of City ordinances. Commitments may be changed or lifted only by the City Council making the same formal action that imposed the constraint originally.
- d) Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the City Council. No formal action is required.
- e) Unassigned fund balance is the residual balance not contained in nonspendable fund balance or restricted fund balance or committed fund balance or assigned fund balance.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Proprietary fund equity is classified the same as in the government-wide statements.

- (o) Program Revenues – Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.
- (p) Operating and Non-Operating Revenues and Expenses – Proprietary Funds – Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – Concluded

- (q) Expenditures/Expenses – In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by function:	Current (further classified by character)
	Debt Service
	Capital Outlay

Proprietary Fund – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

- (r) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Accordingly, actual results could differ from those estimates.

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, 2018, the carrying amount of the City’s deposits, including petty cash, was \$1,271,182. The bank balance of these deposits totaled \$1,308,334. As of April 30, 2018, 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	\$ 670,002
Uninsured and undercollateralized	0
	\$ 670,002

- (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, 2018, was \$0.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS - Concluded

- (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 & Pools.

- (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 2016 tax levy is recorded as revenue in the year ended April 30, 2018.

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.

4. INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at April 30, 2018, were as follows:

Fund	Receivables	Payables
General Fund	\$ 700,000	\$ 0
Motor Fuel Tax Fund	1,983	0
Water Fund	50,000	0
Sewer Fund	50,000	0
Tax Increment Financing Fund	0	801,983
Total	801,983	801,983

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.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the year ending April 30, 2018, consists of the following:

	<u>Balances</u> <u>May 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>April 30, 2018</u>
Governmental activities:				
Land	\$ 1,312,844	\$ 2,267	\$ 0	\$ 1,315,111
Capital Assets not being depreciated	<u>1,312,844</u>	<u>2,267</u>	<u>0</u>	<u>1,315,111</u>
Depreciable capital assets:				
Buildings	1,182,435	251,424	40,000	1,393,859
Land Improvements	89,002	0	0	89,002
Equipment	206,646	0	15,556	191,090
Vehicles	554,173	27,678	22,357	559,494
Infrastructure	2,072,983	65,683	0	2,138,666
Total depreciable assets	<u>4,105,239</u>	<u>344,785</u>	<u>77,913</u>	<u>4,372,111</u>
Accumulated Depreciation:				
Buildings	147,560	21,787	37,733	131,614
Land Improvements	53,401	4,450	0	57,851
Equipment	129,336	18,194	8,901	138,629
Vehicles	395,240	33,797	22,357	406,680
Infrastructure	638,204	57,877	0	696,081
Total accumulated depreciation	<u>1,363,741</u>	<u>136,105</u>	<u>68,991</u>	<u>1,430,855</u>
Other Capital Assets, net of accumulated depreciation	<u>2,741,498</u>	<u>208,680</u>	<u>8,922</u>	<u>2,941,256</u>
Total governmental activities capital assets, net	<u>\$ 4,054,342</u>	<u>\$ 210,947</u>	<u>\$ 8,922</u>	<u>\$ 4,256,367</u>

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS – Concluded

	<u>Balances</u> <u>May 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>April 30, 2018</u>
Business-type activities:				
Land	\$ 332,928	\$ 16,999	\$ 0	\$ 349,927
Capital Assets not being depreciated	<u>332,928</u>	<u>16,999</u>	<u>0</u>	<u>349,927</u>
Depreciable capital assets:				
Buildings	465,335	429,085	0	894,420
Plant and equipment	3,114,682	22,990	0	3,137,672
Vehicles	67,482	33,940	0	101,422
Water Tower	240,000	81,840	0	321,840
Total depreciable assets	<u>3,887,499</u>	<u>567,855</u>	<u>0</u>	<u>4,455,354</u>
Accumulated Depreciation:				
Buildings	64,198	7,351	0	71,549
Plant and equipment	1,165,407	74,844	0	1,240,251
Vehicles	10,328	5,600	0	15,928
Water Tower	79,125	6,183	0	85,308
Total accumulated depreciation	<u>1,319,058</u>	<u>93,978</u>	<u>0</u>	<u>1,413,036</u>
Other Capital Assets, net of accumulated depreciation	<u>2,568,441</u>	<u>473,877</u>	<u>0</u>	<u>3,042,318</u>
Total business-type activities capital assets, net	<u>\$ 2,901,369</u>	<u>\$ 490,876</u>	<u>\$ 0</u>	<u>\$ 3,392,245</u>

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

Governmental activities:	
General government	\$ 2,642
Public works	40,310
Public safety	54,177
Culture and recreation	38,976
Total	<u>\$ 136,105</u>
Business-type activities:	
Water	\$ 26,156
Sewer	67,822
Total	<u>\$ 93,978</u>

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

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, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>April 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
G. O. bonds (alternate revenue bonds) TIF revenue bonds (series 2000) Emergency Service	\$ 265,372	\$ 0	\$ (82,747)	\$ 182,625	\$ 88,331
Center Construction	0	400,000	0	400,000	40,000
Fire Dept. Utility Truck	0	3,500	(3,500)	0	0
Total governmental funds	<u>\$ 265,372</u>	<u>\$ 403,500</u>	<u>\$ (86,247)</u>	<u>\$ 582,625</u>	<u>\$ 128,331</u>
Business-Type Activities:					
Water					
IEPA loan payable	\$ 194,212	\$ 0	\$ (55,479)	\$ 138,733	\$ 56,894
Sludge Truck Loan	0	75,000	0	75,000	15,000
Total proprietary funds	<u>\$ 194,212</u>	<u>\$ 75,000</u>	<u>\$ (55,479)</u>	<u>\$ 213,733</u>	<u>\$ 71,894</u>

Governmental Activities

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 at a rate of 6.75%. The final bond payment is due on December 1, 2019.

On May 15, 2017, the City entered into a loan agreement in the amount of \$400,000 with Villa Grove State Bank to finance the construction of the Emergency Service Center. Interest will be charged at a rate of 2.75% plus the 3 year Treasury Index, currently 4.0%. The loan will be repaid in annual installments maturing on May 15, 2027.

Business-Type Activities

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%.

On May 15, 2017, the City entered into a loan agreement in the amount of \$75,000 with Villa Grove State Bank to finance a sludge truck. Interest will be charged at a rate of 2.75% plus the 3 year Treasury Index rate, currently 4.0%. The loan will be repaid in annual installments maturing May 15, 2022.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT – Concluded

The debt service requirements to retire all notes payable outstanding as of April 30, 2018, are as follows:

Years ending April 30	Governmental		Business-Type		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 128,331	\$ 28,549	\$ 71,894	\$ 6,200	\$ 200,225	\$ 34,749
2020	134,294	20,965	73,346	4,141	207,640	25,106
2021	40,000	12,978	38,493	2,123	78,493	15,101
2022	40,000	11,356	15,000	1,217	55,000	12,573
2023	40,000	9,733	15,000	608	55,000	10,341
2024-2028	200,000	24,333	0	0	200,000	24,333
Total	<u>\$ 582,625</u>	<u>\$ 107,914</u>	<u>\$ 213,733</u>	<u>\$ 14,289</u>	<u>\$ 796,358</u>	<u>\$ 122,203</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 (RSI) for the plan as a whole, but not for individual employers. That report may be obtained online at www.imrf.org.

Benefits Provided

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

7. ILLINOIS MUNICIPAL RETIREMENT FUND – Continued

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>13</u>
Total	<u>21</u>

Contributions

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 2017 was 9.88 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.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table with adjustments to match the current IMRF experience.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

7. ILLINOIS MUNICIPAL RETIREMENT FUND - Continued

Actuarial Assumptions - concluded

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37 %	6.85 %
International Equity	18	6.75
Fixed Income	28	3.00
Real Estate	9	5.75
Alternative Investments	7	2.65-7.35
Cash Equivalents	1	2.25
	100 %	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

7. ILLINOIS MUNICIPAL RETIREMENT FUND – Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) – (B)
Balances at December 31, 2016	\$ 1,778,297	\$ 1,520,954	\$ 257,343
Changes for the year:			
Service Cost	61,430	0	61,430
Interest on the Total Pension Liability	135,217	0	135,217
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual Experience of the Total Pension Liability	68,022	0	68,022
Changes of Assumptions	(62,753)	0	(62,753)
Contributions – Employer	0	60,919	(60,919)
Contributions – Employees	0	27,746	(27,746)
Net Investment Income	0	238,914	(238,914)
Benefit Payments, Including Refunds of Employee Contributions	(12,241)	(12,241)	0
Other (Net Transfer)	0	(11,505)	11,505
Net Changes	189,675	303,833	(114,158)
Balances at December 31, 2017	\$ 1,967,972	\$ 1,824,787	\$ 143,185

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability	\$ 471,398	\$ 143,185	(\$ 123,076)

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

7. ILLINOIS MUNICIPAL RETIREMENT FUND – Concluded

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2018, the City recognized a reduction in pension liability of \$4,631. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences Between Expected and Actual Experience	\$ 78,376	\$ 40,433	\$ 37,943
Assumption Changes	1,617	56,178	(54,561)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>44,722</u>	<u>97,926</u>	<u>(53,204)</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	<u>\$ 124,715</u>	<u>\$ 194,537</u>	<u>(\$ 69,822)</u>

Amounts Reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Deferred Outflows of Resources</u>
2018	(\$ 7,612)
2019	(7,610)
2020	(26,420)
2021	(28,786)
2022	(1,352)
Thereafter	<u>1,958</u>
Total	(\$ 69,822)

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.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

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, 2018, 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, 2018.

10. FUND DEFICITS

The Tax Increment Financing fund had a fund deficit of \$(667,059) at April 30, 2018. This deficit is expected to be reduced in the future with increased revenues.

11. COMMITMENTS AND CONTINGENCIES

Tax Increment Financing Commitments

The City initiated the development of the subdivision Pheasant Pointe in August of 2000 with a private developer. The property taxes that the TIF Fund receives from the subdivision must first be used to pay for the annual TIF Revenue Bond costs, with the remainder to be paid to the developer for costs incurred, including interest expenses. The current year payment made to the developer was \$34,613. The agreement expires on April 14, 2022.

Ambulance Agreement

The City is in its final year of a contract with Arrow Ambulance to provide ambulance services to the Villa Grove area. The agreement calls for the City to pay \$72,500 for services to be provided for the year ending April 30, 2019.

12. HAZARD MITIGATION GRANT PROGRAM

The City is participating in Illinois Emergency Management Agency's (IEMA) State-Local Hazard Mitigation Grant Program for the purpose of acquiring and demolishing structures. The federal grant will cover 75 percent of the cost, and the City is responsible for the remaining 25 percent. Under the agreement, IEMA will cover up to \$468,088. As of April 30, 2018, the City has not yet submitted any expenditure reports to collect the 75 percent from IEMA. If grant reports has been prepared and submitted, the estimated grant revenue would be approximately \$158,000 as of April 30, 2018.

CITY OF VILLA GROVE
NOTES BASIC TO FINANCIAL STATEMENTS

13. RESTATEMENT

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

Description	Cash Method	Adjustment	Accrual Method
Governmental Funds:			
General Fund	\$ 1,282,764	\$ 117,820	\$ 1,400,584
Tax Increment Financing Fund	(812,794)	0	(812,794)
Motor Fuel Tax Fund	110,939	5,310	116,249
Total Governmental Funds	\$ 580,909	\$ 123,130	\$ 704,039
Proprietary Funds:			
Water Fund	\$ 1,396,720	\$ 45,016	\$ 1,441,736
Sewer Fund	2,065,287	33,393	2,098,680
Total Proprietary Funds	\$ 3,462,007	\$ 78,409	\$ 3,540,416
Net Position, Governmental Activities	\$ 4,369,879	(\$ 123,404)	\$ 4,246,475

There was an additional change to the Tax Increment Financing Fund and Motor Fuel Tax Fund beginning fund balances to correct mispostings from the prior year.

Description	Accrual Method per Above	Additional Adjustment	Final Restatement
Tax Increment Financing Fund	(\$ 812,794)	(\$ 739)	(\$ 813,533)
Motor Fuel Tax Fund	116,249	739	116,988

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2018, the date which the financial statements were available to be issued.

The City of Villa Grove is in the process of building a new Water Treatment Plant. The City received loan proceeds from Illinois Environmental Protection Agency on April 30, 2018 of \$4,647,590, which is to be used to defray the costs of the Water Treatment Plant construction.

The City amended their TIF District Redevelopment Plan on August 13, 2018. The original TIF District was formed on April 15, 1999 and was set to expire in 2022. The amendment will allow the TIF District to stay in place up through the year 2034. As part of this amendment, the City is planning further development that if initiated, would cost an estimated \$11,000,000 to complete.

On August 17, 2018, the City entered into a three year loan agreement with Villa Grove State Bank to finance a new leaf vacuum for \$55,351. Interest will be charges at a rate of 4.50%.

The City is in the process of applying for a grant with the Illinois Department of Natural Resources to construct a new community building. The grant will be approximately \$2,140,399.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VILLA GROVE

Villa Grove, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Net Pension Liability and Related Ratios

Calendar Year Ended December 31,	<u>2017</u>
Total Pension Liability	
Service Cost	\$ 61,430
Interest on the Total Pension Liability	135,217
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience of the Total Pension Liability	68,022
Changes of Assumptions	(62,753)
Benefit Payments, including Refunds of Employee Contributions	<u>(12,241)</u>
Net Change in Total Pension Liability	189,675
Total Pension Liability – Beginning	<u>1,778,297</u>
Total Pension Liability - Ending (A)	<u>\$ 1,967,972</u>
Plan Fiduciary Net Position	
Contributions – Employer	\$ 60,919
Contributions – Employees	27,746
Net Investment Income	238,914
Benefit Payments, including Refunds of Employee Contributions	(12,241)
Other (Net Transfer)	<u>(11,505)</u>
Net Change in Plan Fiduciary Net Position	\$ 303,833
Plan Fiduciary Net Position – Beginning	<u>1,520,954</u>
Plan Fiduciary Net Position – Ending (B)	<u>\$ 1,824,787</u>
Net Pension Liability – Ending (A) – (B)	<u>\$ 143,185</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.72%
Covered Valuation Payroll	\$616,584
Net Pension Liability as a Percentage of Covered Valuation Payroll	23.22%

CITY OF VILLA GROVE

Villa Grove, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 53,485	\$ 53,484	\$ 1	\$ 514,770	10.39%
2016	56,485	56,485	0	534,897	10.56%
2017	60,918 *	60,919	(1)	616,584	9.88%

*** Notes to Schedule:**

Estimated based on contribution rate of 9.88% and covered valuation payroll of \$616,584.

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates:**

Actuarial Cost Method: Aggregate Entry Age Normal

Amortization Method: Level Percentage of Payroll, Closed

Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period.
 Taxing bodies (Regular, SLEP and ECO groups): 26-year closed
 Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.50%

Price Inflation: 2.75%--approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50% including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

CITY OF VILLA GROVE

Villa Grove, Illinois

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions - Concluded

Methods and Assumptions Used to Determine 2017 Contribution Rates - Concluded:

Mortality:

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes:

There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2015, actuarial valuation

CITY OF VILLA GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended April 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Property taxes	\$ 283,826	\$ 277,636	\$ (6,190)
Sales taxes	370,290	329,289	(41,001)
State income taxes	256,237	230,852	(25,385)
Video gaming taxes	17,925	18,796	871
Replacement taxes	12,627	14,664	2,037
Grant revenue	401,066	0	(401,066)
Fines and fees	24,128	15,316	(8,812)
Licenses and permits	6,100	7,167	1,067
Franchise fees	131,602	143,007	11,405
Interest income	4,797	6,057	1,260
Miscellaneous	83,642	80,957	(2,685)
Total revenues	<u>1,592,240</u>	<u>1,123,741</u>	<u>(468,499)</u>
EXPENDITURES			
General government	547,487	443,771	(103,716)
Public safety	805,442	554,836	(250,606)
Public works	348,192	229,405	(118,787)
Culture and recreation	44,981	13,760	(31,221)
Capital outlay	381,881	344,784	(37,097)
Total expenditures	<u>2,127,983</u>	<u>1,586,556</u>	<u>(541,427)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(535,743)</u>	<u>(462,815)</u>	<u>72,928</u>
OTHER FINANCNG SOURCES AND USES			
Loan proceeds	400,000	403,500	3,500
Transfers in (out)	328,034	0	(328,034)
Total other financing sources (uses)	<u>728,034</u>	<u>403,500</u>	<u>(324,534)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ 192,291</u>	<u>(59,315)</u>	<u>\$ (251,606)</u>
Fund balances - beginning of the year, restated		1,400,584	
Fund balances - end of year		<u>\$ 1,341,269</u>	

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

CITY OF VILLA GROVE
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
For the Year Ended April 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Property taxes	\$ 272,277	\$ 288,440	\$ 16,163
Interest income	584	1,860	1,276
Total revenues	<u>272,861</u>	<u>290,300</u>	<u>17,439</u>
EXPENDITURES			
General government	4,424	8,554	4,130
Development	48,185	34,613	(13,572)
Debt service:			
Principal	82,746	82,746	0
Interest	17,913	17,913	0
Total expenditures	<u>153,268</u>	<u>143,826</u>	<u>(9,442)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 119,593</u>	<u>146,474</u>	<u>\$ 26,881</u>
Fund balances - beginning of year, restated		(813,533)	
Fund balances - end of year		<u>\$ (667,059)</u>	

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

CITY OF VILLA GROVE
BUDGETARY COMPARISON SCHEDULE
MOTOR FUEL FUND
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
State motor fuel taxes	\$ 65,328	\$ 64,777	\$ (551)
Interest income	332	1,199	867
Total revenues	65,660	65,976	316
EXPENDITURES			
General government	3,500	194	(3,306)
Public works	69,500	37,517	(31,983)
Total expenditures	73,000	37,711	(35,289)
Excess (deficiency) of revenues over (under) expenditures	\$ (7,340)	28,265	\$ 35,605
Fund balances - beginning of the year, restated		116,988	
Fund balances - end of year		\$ 145,253	

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

STATISTICAL INFORMATION

CITY OF VILLA GROVE
Additional Information
Illinois Municipal Retirement Fund
Schedule of Funding Progress
April 30, 2018
(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)
12/31/2017	\$ 1,553,713	\$ 1,776,462	\$ 222,749	87.46%	\$ 616,584	36.13%
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%

On a market value basis, the actuarial value of assets as of December 31, 2017 is \$1,651,623. On a market basis, the funded ratio would be 92.97%.

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 (Unaudited)
April 30, 2018

Tax Levy Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Equalized Assessed Valuation (not including TIF Districts)	<u>\$ 20,662,068</u>	<u>\$ 20,358,323</u>	<u>\$ 19,115,655</u>	<u>\$ 17,556,954</u>
TAX RATES				
General corporate	\$ 0.2500	\$ 0.2500	\$ 0.2500	\$ 0.2500
IMRF	0.2063	0.1701	0.1784	0.1933
Fire protection	0.0750	0.0750	0.0750	0.0750
Police protection	0.0750	0.0750	0.0750	0.0750
Garbage	0.0364	0.0050	0.1021	0.1671
Audit	0.0388	0.0303	0.0314	0.0335
Liability insurance	0.2233	0.2271	0.1355	0.1578
Road & bridge	0.0000	0.0067	0.0055	0.0000
Street lighting	0.0500	0.0500	0.0500	0.0500
Playground/recreation	0.0900	0.0900	0.0900	0.0900
Social security	0.1560	0.1338	0.1381	0.1451
Unemployment insurance	0.0076	0.0082	0.0088	0.0082
Workmans compensation	0.1253	0.1175	0.0798	0.0817
Medicare	0.0365	0.0313	0.0323	0.0340
Total Tax Rate	<u>\$ 1.3702</u>	<u>\$ 1.2700</u>	<u>\$ 1.2519</u>	<u>\$ 1.3607</u>
Equalized Assessed Valuation - TIF Districts only	<u>\$ 2,623,995</u>	<u>\$ 2,627,329</u>	<u>\$ 2,646,766</u>	<u>\$ 2,712,072</u>
TIF Districts	<u>\$ 11.4836</u>	<u>\$ 10.9988</u>	<u>\$ 9.4794</u>	<u>\$ 8.2900</u>
TAX EXTENSIONS				
General corporate	\$ 51,655	\$ 50,896	\$ 47,789	\$ 43,892
IMRF	42,626	34,630	34,102	33,937
Fire protection	15,497	15,269	14,337	13,168
Police protection	15,497	15,269	14,337	13,168
Garbage	7,521	1,018	19,517	29,338
Audit	8,017	6,169	6,002	5,882
Liability insurance	46,138	46,234	25,902	27,705
Street & bridge	0	1,364	1,051	0
Street lighting	10,331	10,179	9,558	8,778
Playground/recreation	18,596	18,322	17,204	15,801
Social security	32,233	27,239	26,399	25,475
Unemployment insurance	1,570	1,669	1,682	1,440
Workmans compensation	25,889	23,921	15,254	14,344
Medicare	7,542	6,372	6,174	5,969
Road & bridge	0	18,994	18,064	17,557
TIF Districts	301,330	288,975	250,897	224,816
Total Tax Extensions	<u>\$ 584,442</u>	<u>\$ 566,520</u>	<u>\$ 508,269</u>	<u>\$ 481,270</u>

CITY OF VILLA GROVE
SCHEDULE OF ASSESSED VALUATION, TAX RATES,
EXTENSIONS AND COLLECTIONS (Unaudited) - Concluded
April 30, 2018

Tax Levy Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TAXES COLLECTED				
General corporate	\$ -	\$ 50,552	\$ 47,704	\$ 43,625
IMRF	-	34,395	34,041	33,730
Fire protection	-	15,166	14,311	13,087
Police protection	-	15,166	14,311	13,087
Garbage	-	1,011	19,482	29,158
Audit	-	6,127	5,992	5,846
Liability insurance	-	45,921	25,855	27,536
Street & bridge	-	1,355	1,050	0
Street lighting	-	10,110	9,541	8,725
Playground/recreation	-	18,199	17,173	15,705
Social security	-	27,055	26,352	25,320
Unemployment insurance	-	1,658	1,679	1,431
Workmans compensation	-	23,759	15,227	14,257
Medicare	-	6,329	6,163	5,933
Road & bridge	-	18,911	17,991	17,481
TIF Districts	-	288,440	248,302	219,631
Taxes collected	<u>\$ -</u>	<u>\$ 564,154</u>	<u>\$ 505,174</u>	<u>\$ 474,552</u>
Percentage of Extensions				
Collected	<u>0.00%</u>	<u>99.58%</u>	<u>99.39%</u>	<u>98.60%</u>

CITY OF VILLA GROVE
SCHEDULE OF LEGAL DEBT MARGIN (Unaudited)
April 30, 2018

Assessed valuation	<u>\$ 20,358,323</u>
Debt limit - 8.625%	\$ 1,755,905
Outstanding general obligation bonds	<u>(475,000)</u>
Legal debt margin	<u>\$ 1,280,905</u>



Larsson Woodyard & Henson, LLP
Certified Public Accountants

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, 2018, 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 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 that are included in a separate report dated December 19, 2018. 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:

- 2016-03 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, Liability Insurance, and Unemployment Tax exceeded expenditures by \$21,714, \$2,393, and \$40, respectively. 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, Street Lighting, etc.) and less is levied for Garbage, Liability Insurance, and Unemployment Tax.
- 2018-01 Six officials filed a statement of economic interest late and one official did not file with the County Clerk this year. Officials should file a statement with the County Clerk by May 1 each year.
- 2018-02 The City needs to update the signers with the Illinois Funds account. There are old board members still listed.

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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 19, 2018