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***VILLAGE OF SPRING GROVE, ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***APRIL 30, 2017***

**eder, casella & co.**

VILLAGE OF SPRING GROVE, ILLINOIS  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of

### VILLAGE OF SPRING GROVE

as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

major fund, and the aggregate remaining fund information of the Village of Spring Grove as of April 30, 2017, 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 19 to the financial statements, the Village of Spring Grove implemented GASB Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 77, *Tax Abatement Disclosures*. 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 Employer's Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Funding Progress, and budgetary comparison information on pages 3 through 9 and 43 through 52 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.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
August 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

# VILLAGE OF SPRING GROVE, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2017

As management of the Village of Spring Grove, Illinois (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

### FINANCIAL HIGHLIGHTS

Please find below highlights of fiscal year 2017:

- The assets of the Village exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,356,269 (net position as of April 30, 2017). Of this amount, \$(1,035,000) represents a deficit unrestricted amount, and \$600,889 may be used to meet the Village's ongoing obligations to citizens and creditors for Business-Type Activities.
- Total net position decreased by \$672,497, which includes a net position adjustment of (\$61,803).
- At April 30, 2017, the Village's governmental funds reported combined ending fund balances of \$4,324,067, a decrease of \$358,390 in comparison with the prior year. Of this amount, \$2,816,867 is available for spending at the Village's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,816,867, or 86.8% of total General Fund expenditures.
- The Village's total debt decreased by \$252,140.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Both perspectives (government-wide and fund level financial statements) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private business.

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating when comparing year to year results.

The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include administration, public works, public safety, parks and recreation, and development. The business-type activities of the Village include Water and Sewer services.

The government-wide financial statements include only the Village itself (known as the primary government) and not the Village's Police Pension Fund which is a component unit of the Village.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Fund, and the Motor Fuel Tax Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. The other three funds include Police Special, Siren, and Special Service Area.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Proprietary Funds - The Village maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for the water and sewer services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer services.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 19 and 20 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 42 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's appropriation to actual for the General and Motor Fuel Tax Funds. Required supplementary information can be found on pages 43 through 52 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$10,356,269 at April 30, 2017.

Village of Spring Grove, Illinois' Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
<b>Assets</b>						
Current and Other Assets	\$ 5,457,746	\$ 5,825,094	\$ 614,373	\$ 771,983	\$ 6,072,119	\$ 6,597,077
Capital Assets	7,900,772	8,212,082	3,224,655	3,357,073	11,125,427	11,569,155
<b>Total Assets</b>	<b>\$ 13,358,518</b>	<b>\$ 14,037,176</b>	<b>\$ 3,839,028</b>	<b>\$ 4,129,056</b>	<b>\$ 17,197,546</b>	<b>\$ 18,166,232</b>
<b>Deferred Outflows of Resources</b>						
Pensions - IMRF	\$ 63,215	\$ 142,398	\$ -	\$ -	\$ 63,215	\$ 142,398
<b>Total Deferred Inflows of Resources</b>	<b>\$ 63,215</b>	<b>\$ 142,398</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,215</b>	<b>\$ 142,398</b>
<b>Liabilities</b>						
Long-Term Liabilities Outstanding	\$ 4,208,433	\$ 4,560,172	\$ 918,068	\$ 1,077,327	\$ 5,126,501	\$ 5,637,499
Other Liabilities	331,865	457,296	13,484	17,117	345,349	474,413
<b>Total Liabilities</b>	<b>\$ 4,540,298</b>	<b>\$ 5,017,468</b>	<b>\$ 931,552</b>	<b>\$ 1,094,444</b>	<b>\$ 5,471,850</b>	<b>\$ 6,111,912</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue - Property Taxes	\$ 801,814	\$ 799,239	\$ -	\$ 129,776	\$ 801,814	\$ 929,015
Pensions - Police Pension	630,828	238,937	-	-	630,828	238,937
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,432,642</b>	<b>\$ 1,038,176</b>	<b>\$ -</b>	<b>\$ 129,776</b>	<b>\$ 1,432,642</b>	<b>\$ 1,167,952</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 7,706,873	\$ 7,925,302	\$ 2,306,587	\$ 2,279,746	\$ 10,013,460	\$ 10,205,048
Restricted	1,377,809	1,374,118	-	-	1,377,809	1,374,118
Unrestricted	(1,635,889)	(1,175,490)	600,889	625,090	(1,035,000)	(550,400)
<b>Total Net Position</b>	<b>\$ 7,448,793</b>	<b>\$ 8,123,930</b>	<b>\$ 2,907,476</b>	<b>\$ 2,904,836</b>	<b>\$ 10,356,269</b>	<b>\$ 11,028,766</b>

The largest portion of the Village's net position (96.7%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, vehicles, equipment, land improvements, water and sewer treatment system, infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (13.3%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, is a deficit of (\$1,035,000).

The Village's net position decreased by \$672,497 during the current fiscal year.

**Governmental Activities** - Governmental activities decreased the Village's net position by \$675,137. Key elements of this decrease are as follows:

	Village of Spring Grove, Illinois' Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Revenues						
Program Revenues						
Charges for Services	\$ 401,299	\$ 545,417	\$ 179,080	\$ 179,254	\$ 580,379	\$ 724,671
Operating Grants and Contributions	53,299	41,606	-	-	53,299	41,606
Capital Grants and Contributions	37,123	-	-	-	37,123	-
General Revenues						
Property Taxes	782,436	777,972	129,670	129,614	912,106	907,586
Sales Taxes	610,005	597,377	-	-	610,005	597,377
Other Taxes	1,449,169	1,475,385	-	-	1,449,169	1,475,385
Other	(231,576)	94,839	30,090	23,044	(201,486)	117,883
Total Revenues	\$ 3,101,755	\$ 3,532,596	\$ 338,840	\$ 331,912	\$ 3,440,595	\$ 3,864,508
Expenses						
Administration	\$ 582,805	\$ 588,475	\$ -	\$ -	\$ 582,805	\$ 588,475
Public Works	1,305,002	1,399,674	-	-	1,305,002	1,399,674
Public Safety	1,611,457	1,618,050	-	-	1,611,457	1,618,050
Parks and Recreation	136,385	204,983	-	-	136,385	204,983
Development	164,343	105,907	-	-	164,343	105,907
Interest and Fees on Long-Term Debt	8,703	10,333	-	-	8,703	10,333
Water and Sewer	-	-	366,200	343,667	366,200	343,667
Total Expenses	\$ 3,808,695	\$ 3,927,422	\$ 366,200	\$ 343,667	\$ 4,174,895	\$ 4,271,089
Increase/(Decrease) in Net Position Before Transfers	\$ (706,940)	\$ (394,826)	\$ (27,360)	\$ (11,755)	\$ (734,300)	\$ (406,581)
Transfers	(30,000)	(17,000)	30,000	17,000	-	-
Increase/(Decrease) in Net Position	\$ (736,940)	\$ (411,826)	\$ 2,640	\$ 5,245	\$ (734,300)	\$ (406,581)
Net Position - Beginning of Year	8,123,930	13,066,895	2,904,836	2,899,591	11,028,766	15,966,486
Net Position Adjustment	61,803	(4,531,139)	-	-	61,803	(4,531,139)
Net Position - End of Year	\$ 7,448,793	\$ 8,123,930	\$ 2,907,476	\$ 2,904,836	\$ 10,356,269	\$ 11,028,766

- Charges for Services decreased by \$144,118 due to a decrease in collections from licenses, permits and fines.
- Operating Grants and Contributions increased by \$11,693 primarily due to additional state grants received in the current year.
- Other revenues decreased by \$326,416 mainly due to the Village realizing a loss on the sale of capital assets in the current year. A gain was realized in the prior year.
- Public Works expenses decreased by \$94,672 due to lower spending on the road program
- Parks and Recreation expenses decreased by \$68,598 due to larger amounts spent in the prior year on Hatchery Park and reduced costs in the current year.
- Development expenses increased by \$58,436 due to an increase in municipal maintenance costs.

**Business-Type Activities** - Business-type activities increased the Village's net position by \$2,640. Key elements of this increase are as follows:

- Other revenues increased by \$7,046 due to increases in rental and interest income.
- Expenses increased by \$22,533 due mainly to an increase in meter replacements.
- Transfers from the general fund increased by \$13,000.

## FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$4,324,067, a decrease of \$358,390 in comparison with the prior year. 65% of this total amount constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of the fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been restricted or assigned for 1) maintenance of highways and streets (\$325,914); 2) future capital projects (\$584,350); 3) public safety (\$220,522); and 4) special service areas (\$376,414).

The General Fund is the chief operating fund of the Village. At April 30, 2017, unassigned fund balance of the General Fund was \$2,816,867. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 86.8% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$375,903 during the year ended April 30, 2017.

**Proprietary funds** - The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at April 30, 2017 is \$600,889. The total increase in net position for the Water and Sewer Fund was \$2,640. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

**Fiduciary Funds (Police Pension Fund)** – The Police Pension Fund net position increased from \$2,524,092, as of April 30, 2016 to \$2,814,367 as of April 30, 2017. This increase was due to an excess of investment earnings and contributions over pension benefits and administrative expenses.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Village did not amend the budget and appropriations ordinance during the year ended April 30, 2017, therefore, there are no differences between the original and final appropriations.

Significant differences between appropriations and actual revenues and expenditures are summarized as follows:

- The difference between appropriated revenues and actual revenues was (\$94,645) (unfavorable). This was primarily due to less than expected revenues for state utility taxes.
- The difference between appropriated expenditures and actual expenditures was \$584,498 (favorable) and was mostly due to less than expected expenditures for personnel expenses, insurance, and revenue sharing in the administration function; personnel expenses, road maintenance, and snow plowing in the public works function; and personnel expenses, retirement and benefits, pension contribution, and fuel expenses in the public safety function.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - The Village's investment in capital assets for its governmental and business-type activities as of April 30, 2017 amounts to \$11,125,428 (net of accumulated depreciation). This investment in capital assets include land, construction in progress, buildings, vehicles, equipment, land improvements, water and sewer treatment system, and infrastructure.

Village of Spring Grove, Illinois' Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Land	\$ 2,298,119	\$ 2,246,557	\$ 9,273	\$ 9,273	\$ 2,307,392	\$ 2,255,830
Construction in Progress	-	24,538	-	-	-	24,538
Buildings	1,791,798	1,801,458	-	-	1,791,798	1,801,458
Vehicles	613,144	906,726	-	-	613,144	906,726
Equipment	177,938	253,777	8,814	8,513	186,752	262,290
Land Improvements	326,031	282,488	-	-	326,031	282,488
Water and Sewer Treatment System	-	-	120,621	3,211,773	120,621	3,211,773
Infrastructure	2,693,742	2,696,538	3,085,947	127,514	5,779,689	2,824,052
<b>Total</b>	<b>\$ 7,900,772</b>	<b>\$ 8,212,082</b>	<b>\$ 3,224,655</b>	<b>\$ 3,357,073</b>	<b>\$ 11,125,427</b>	<b>\$ 11,569,155</b>

Major capital asset events during the year ended April 30, 2017 included the following:

- Improvements to the Village Hall roof, sidewalks and parking lot cost \$101,048.
- Vacant property on Blivin Street was acquired for \$39,438.
- A new snowplow truck was purchased for \$142,062.
- The Winn Road bike path was completed at a cost of \$88,619.
- The Village disposed of a tactical vehicle acquired in a previous year.

Additional information on the Village's capital assets can be found in note 3 on pages 27 and 28 of this report.

**Long-Term Debt** - At April 30, 2017, the Village had total debt outstanding of \$1,111,967. Of this amount, \$439,487 comprises debt backed by the full faith and credit of the Village. The remainder of the Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Village of Spring Grove, Illinois' Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	4/30/2017	4/30/2016	4/30/2017	4/30/2016	4/30/2017	4/30/2016
Thelen Park Loan	\$ 193,899	\$ 229,161	\$ -	\$ -	\$ 193,899	\$ 229,161
Int'l Truck Loan	-	50,753	-	-	-	50,753
Panasonic ToughBooks	-	6,866	-	-	-	6,866
Revenue Bonds	-	-	672,480	784,539	672,480	784,539
Note Payable	-	-	245,588	292,788	245,588	292,788
<b>Total</b>	<b>\$ 193,899</b>	<b>\$ 286,780</b>	<b>\$ 918,068</b>	<b>\$ 1,077,327</b>	<b>\$ 1,111,967</b>	<b>\$ 1,364,107</b>

The Village's total debt decreased by \$252,140 (18.5%) during the year ended April 30, 2017. The key factors in this decrease were principal payments made on outstanding debt.

Additional information on the Village's long-term debt can be found in note 4 on pages 28 and 29 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The assessed valuation for 2016 is \$171,201,296, an increase of \$10,607,630 from the 2015 assessed valuation.

This factor was considered in preparing the Village's budget for the 2017 fiscal year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Committee Chairperson  
Village of Spring Grove  
7401 Meyer Road  
Spring Grove, Illinois, 60081

## BASIC FINANCIAL STATEMENTS

VILLAGE OF SPRING GROVE, ILLINOIS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
APRIL 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,943,746	\$ 158,624	\$ 2,102,370
Investments	2,138,966	405,329	2,544,295
Receivables (Net of Allowance for Estimated Uncollectible Amounts)			
Accounts Receivable	81,838	50,420	132,258
Property Taxes	785,164	-	785,164
Utility Taxes	76,855	-	76,855
Due from Other Governmental Units	389,398	-	389,398
Other Assets	41,779	-	41,779
Capital Assets			
Land, Construction in Progress, and Other Non-Depreciable Assets	2,298,119	9,273	2,307,392
Other Capital Assets, Net of Depreciation	5,602,653	3,215,382	8,818,035
<b>TOTAL ASSETS</b>	<b>\$ 13,358,518</b>	<b>\$ 3,839,028</b>	<b>\$ 17,197,546</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions - IMRF	\$ 63,215	\$ -	\$ 63,215
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 63,215</b>	<b>\$ -</b>	<b>\$ 63,215</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 34,923	\$ 5,554	\$ 40,477
Accrued Expenses	26,903	7,930	34,833
Bond Liability	13,500	-	13,500
Due to Developer	256,539	-	256,539
Non-Current Liabilities			
Due Within One Year	36,385	163,779	200,164
Due in More Than One Year	4,172,048	754,289	4,926,337
<b>TOTAL LIABILITIES</b>	<b>\$ 4,540,298</b>	<b>\$ 931,552</b>	<b>\$ 5,471,850</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	\$ 801,814	\$ -	\$ 801,814
Deferred Inflows Related to Pensions - Police Pension	630,828	-	630,828
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,432,642</b>	<b>\$ -</b>	<b>\$ 1,432,642</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 7,706,873	\$ 2,306,587	\$ 10,013,460
Restricted for:			
Highways and Streets	315,020	-	315,020
Capital Projects	474,031	-	474,031
Public Safety	218,620	-	218,620
Special Service Areas	370,138	-	370,138
Unrestricted/(Deficit)	(1,635,889)	600,889	(1,035,000)
<b>TOTAL NET POSITION</b>	<b>\$ 7,448,793</b>	<b>\$ 2,907,476</b>	<b>\$ 10,356,269</b>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administration	\$ 582,805	\$ 115,727	\$ -	\$ -	\$ (467,078)	\$ -	\$ (467,078)
Public Works	1,305,002	-	8,500	12,123	(1,284,379)	-	(1,284,379)
Public Safety	1,611,457	194,442	44,799	-	(1,372,216)	-	(1,372,216)
Parks and Recreation	136,385	36,346	-	25,000	(75,039)	-	(75,039)
Development	164,343	54,784	-	-	(109,559)	-	(109,559)
Interest and Fees on Long-Term Debt	8,703	-	-	-	(8,703)	-	(8,703)
	<u>\$ 3,808,695</u>	<u>\$ 401,299</u>	<u>\$ 53,299</u>	<u>\$ 37,123</u>	<u>\$ (3,316,974)</u>	<u>\$ -</u>	<u>\$ (3,316,974)</u>
Business-Type Activities							
Water and Sewer	\$ 366,200	\$ 179,080	\$ -	\$ -	\$ -	\$ (187,120)	\$ (187,120)
	<u>\$ 366,200</u>	<u>\$ 179,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (187,120)</u>	<u>\$ (187,120)</u>
Total Primary Government	<u>\$ 4,174,895</u>	<u>\$ 580,379</u>	<u>\$ 53,299</u>	<u>\$ 37,123</u>	<u>\$ (3,316,974)</u>	<u>\$ (187,120)</u>	<u>\$ (3,504,094)</u>
General Revenues							
Taxes							
					\$ 782,436	\$ 129,670	\$ 912,106
Property Tax, Levied for General Purposes					610,005	-	610,005
State Sales Tax					550,140	-	550,140
State Income Tax					141,171	-	141,171
State Use Tax					146,452	-	146,452
State Motor Fuel Tax					581,782	-	581,782
Utility Taxes					29,624	-	29,624
Other Taxes					2,000	-	2,000
Impact Fees					26,248	7,658	33,906
Unrestricted Investment Earnings					(368,277)	-	(368,277)
Gain/(Loss) on Sale of Capital Assets					108,453	22,432	130,885
Miscellaneous					(30,000)	30,000	-
Transfers							
Total General Revenues and Transfers					<u>\$ 2,580,034</u>	<u>\$ 189,760</u>	<u>\$ 2,769,794</u>
Change in Net Position					\$ (736,940)	\$ 2,640	\$ (734,300)
Net Position - May 1, 2016					8,123,930	2,904,836	11,028,766
Net Position Adjustment (Note 20)					61,803	-	61,803
Net Position - April 30, 2017					<u>\$ 7,448,793</u>	<u>\$ 2,907,476</u>	<u>\$ 10,356,269</u>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 APRIL 30, 2017

	General Fund	Capital Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 801,701	\$ 584,350	\$ 313,263	\$ 244,432	\$ 1,943,746
Investments	1,785,561	-	-	353,405	2,138,966
Receivables (Net of Allowance for Estimated Uncollectible Amounts)					
Accounts Receivable	81,838	-	-	-	81,838
Property Taxes	713,659	-	-	71,505	785,164
Utility Taxes	76,855	-	-	-	76,855
Due from Other Governmental Units	376,747	-	12,651	-	389,398
Other Assets	41,779	-	-	-	41,779
<b>TOTAL ASSETS</b>	<b><u>\$ 3,878,140</u></b>	<b><u>\$ 584,350</u></b>	<b><u>\$ 325,914</u></b>	<b><u>\$ 669,342</u></b>	<b><u>\$ 5,457,746</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 34,923	\$ -	\$ -	\$ -	\$ 34,923
Accrued Payroll	26,903	-	-	-	26,903
Interfund Balances	(901)	-	-	901	-
Bond Liability	13,500	-	-	-	13,500
Due to Developer	256,539	-	-	-	256,539
<b>TOTAL LIABILITIES</b>	<b><u>\$ 330,964</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 901</u></b>	<b><u>\$ 331,865</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	\$ 730,309	\$ -	\$ -	\$ 71,505	\$ 801,814
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 730,309</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 71,505</u></b>	<b><u>\$ 801,814</u></b>
<b>FUND BALANCES</b>					
Restricted for:					
Highways and Streets	\$ -	\$ -	\$ 315,020	\$ -	\$ 315,020
Capital Projects	-	474,031	-	-	474,031
Public Safety	-	-	-	218,620	218,620
Special Service Areas	-	-	-	370,138	370,138
Assigned for:					
Highways and Streets	-	-	10,894	-	10,894
Capital Projects	-	110,319	-	-	110,319
Public Safety	-	-	-	1,902	1,902
Special Service Areas	-	-	-	6,276	6,276
Unassigned (Deficit)	2,816,867	-	-	-	2,816,867
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 2,816,867</u></b>	<b><u>\$ 584,350</u></b>	<b><u>\$ 325,914</u></b>	<b><u>\$ 596,936</u></b>	<b><u>\$ 4,324,067</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 3,878,140</u></b>	<b><u>\$ 584,350</u></b>	<b><u>\$ 325,914</u></b>	<b><u>\$ 669,342</u></b>	<b><u>\$ 5,457,746</u></b>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 APRIL 30, 2017

Total Fund Balances - Governmental Funds	\$	4,324,067
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets, net of accumulated depreciation		7,900,772
<p>Deferred pension costs in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Deferred Outflows - IMRF	\$ 63,215	
Deferred Inflows - Police Pension	<u>(630,828)</u>	
		(567,613)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Net OPEB Liability	\$ (10,795)	
Bonds and Notes Payable	<u>(193,899)</u>	
		(204,694)
<p>Other items, including net pension liabilities, are not due and payable in the current period and, therefore, are either deferred or not reported in the funds.</p>		
Net Pension Liability - IMRF	\$ (293,183)	
Net Pension Liability - Police Pension	<u>(3,710,556)</u>	
		<u>(4,003,739)</u>
Net Position of Governmental Activities	\$	<u><u>7,448,793</u></u>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2017

	General Fund	Capital Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Taxes					
Property Tax	\$ 709,614	\$ -	\$ -	\$ 72,822	\$ 782,436
Intergovernmental					
State Sales Tax	610,005	-	-	-	610,005
State Income Tax	550,140	-	-	-	550,140
State Replacement Tax	3,959	-	-	-	3,959
State Use Tax	141,171	-	-	-	141,171
State Motor Fuel Tax	-	-	146,452	-	146,452
Grants	43,699	25,000	2,075	1,100	71,874
Other Local Sources					
Utility Tax	581,782	-	-	-	581,782
Amusement Tax	25,665	-	-	-	25,665
Licenses and Permits	157,706	-	-	-	157,706
Fines and Forfeitures	164,023	2,830	-	32,739	199,592
Charges for Services	44,000	-	-	-	44,000
Impact Fees	-	2,000	-	-	2,000
Interest	21,835	481	143	3,789	26,248
Rentals	6,211	3,050	-	-	9,261
Royalties	14,041	-	-	-	14,041
Miscellaneous					
Donations	-	6,050	-	375	6,425
Asset Sale	-	-	-	2,740	2,740
Other Miscellaneous	19,254	-	50,829	2,454	72,537
	<u>\$ 3,093,105</u>	<u>\$ 39,411</u>	<u>\$ 199,499</u>	<u>\$ 116,019</u>	<u>\$ 3,448,034</u>
<b>EXPENDITURES</b>					
Current					
Administration	\$ 560,118	\$ -	\$ -	\$ -	\$ 560,118
Public Works	1,017,758	-	50,000	-	1,067,758
Public Safety	1,335,402	-	-	50,731	1,386,133
Parks and Recreation	68,292	-	-	-	68,292
Development	81,777	-	-	-	81,777
Capital Outlay	107,896	371,969	27,374	13,396	520,635
Debt Service					
Principal	63,562	29,319	-	-	92,881
Interest and Fees	8,703	-	-	-	8,703
	<u>\$ 3,243,508</u>	<u>\$ 401,288</u>	<u>\$ 77,374</u>	<u>\$ 64,127</u>	<u>\$ 3,786,297</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (150,403)</u>	<u>\$ (361,877)</u>	<u>\$ 122,125</u>	<u>\$ 51,892</u>	<u>\$ (338,263)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Proceeds from the Sale of Fixed Assets	\$ -	\$ 9,874	\$ -	\$ -	\$ 9,874
Transfers	(225,500)	185,500	10,000	-	(30,000)
	<u>(225,500)</u>	<u>195,374</u>	<u>10,000</u>	<u>-</u>	<u>(20,126)</u>
NET CHANGE IN FUND BALANCES	\$ (375,903)	\$ (166,503)	\$ 132,125	\$ 51,892	\$ (358,389)
FUND BALANCES - MAY 1, 2016	3,160,520	750,853	193,789	545,044	4,650,206
FUND BALANCE ADJUSTMENT (Note 20)	<u>32,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,250</u>
FUND BALANCES - APRIL 30, 2017	<u>\$ 2,816,867</u>	<u>\$ 584,350</u>	<u>\$ 325,914</u>	<u>\$ 596,936</u>	<u>\$ 4,324,067</u>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED APRIL 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (358,389)

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 and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense	\$ (632,081)	
Capital Outlays	<u>466,296</u>	(165,785)

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

Gain/(Loss) on Sale of Capital Assets	<u>\$ (368,277)</u>	(368,277)
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Donated capital assets used in governmental activities are not current financial resources and therefore are not reported as revenue in the governmental funds.		12,123
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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 governmental funds.

Pension Expense - IMRF	\$ (6,888)	
Pension Expense - Police Pension	<u>57,395</u>	50,507

Long-term debt proceeds provide current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Position and is therefore not reported in the Statement of Activities.

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

Repayment of Long-Term Debt		<u>92,881</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (736,940)</u></u>
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 APRIL 30, 2017

	Enterprise Fund Water and Sewer
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 158,624
Investments	405,329
Receivables (Net of Allowance for Estimated Uncollectible Amounts)	
Accounts Receivable	50,420
	\$ 614,373
Non-Current Assets	
Capital Assets	
Land	\$ 9,273
Water and Sewer Treatment System	3,164,487
Water Tower	1,085,452
Well House	761,016
Infrastructure	137,853
Equipment	35,033
Less: Accumulated Depreciation	(1,968,459)
	\$ 3,224,655
<b>TOTAL ASSETS</b>	<b>\$ 3,839,028</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 5,554
Accrued Interest	7,930
Bonds Payable - Current	163,779
	\$ 177,263
Non-Current Liabilities	
Bonds Payable (Net of Current Portion Shown Above)	\$ 754,289
<b>TOTAL LIABILITIES</b>	<b>\$ 931,552</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 2,306,587
Unrestricted/(Deficit)	600,889
<b>TOTAL NET POSITION</b>	<b>\$ 2,907,476</b>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED APRIL 30, 2017

	Enterprise Fund Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for Services	
Customer Fees	\$ 168,065
Water Meter Sales	850
Other Fees	80
	\$ 168,995
<b>OPERATING EXPENSES</b>	
Office Expenses	\$ 4,164
Operating Expenses	196,280
Depreciation	138,218
	\$ 338,662
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (169,667)</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>	
Connection Fees	\$ 10,085
Interest Income	7,658
Rental Income	22,432
Property Taxes	129,670
Interest Expense	(27,538)
	\$ 142,307
<b>INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>\$ (27,360)</b>
<b>TRANSFERS (TO)/FROM OTHER FUNDS</b>	<b>30,000</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,640</b>
<b>NET POSITION - MAY 1, 2016</b>	<b>2,904,836</b>
<b>NET POSITION - APRIL 30, 2017</b>	<b>\$ 2,907,476</b>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED APRIL 30, 2017

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 186,129
Payments to Suppliers for Goods and Services	(202,774)
Net Cash Provided/(Used) by Operating Activities	\$ (16,645)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	\$ 30,000
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 30,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection Fees	\$ 10,085
Purchase of Capital Assets	(5,800)
Interest Paid on Capital Debt	(28,909)
Principal Paid on Capital Debt	(159,259)
Other Receipts/(Payments)	152,170
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (31,713)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents and Investments	\$ 7,658
Net Cash Provided/(Used) by Investing Activities	\$ 7,658
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (10,700)
CASH AND CASH EQUIVALENTS AND INVESTMENT BALANCE - MAY 1, 2016	574,653
CASH AND CASH EQUIVALENTS AND INVESTMENT BALANCE - APRIL 30, 2017	\$ 563,953
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ (169,667)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	138,218
Change in assets and liabilities:	
Receivables, net	17,134
Accounts Payable	(2,330)
Net Cash Provided by Operating Activities	\$ (16,645)

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 APRIL 30, 2017

	Police Pension Trust Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 33,488
Investments, at fair value	2,780,879
<b>TOTAL ASSETS</b>	<b>\$ 2,814,367</b>
 <b>TOTAL LIABILITIES</b>	 \$ -
 <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	 <b>\$ 2,814,367</b>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED APRIL 30, 2017

	<u>Police Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 332,000
Plan Members	51,014
Total Contributions	<u>\$ 383,014</u>
Investment Income	
Interest Income	\$ 77,675
Unrealized Gain/(Loss)	61,999
Realized Gain/(Loss)	(3,381)
Net Investment Income	<u>\$ 136,293</u>
Miscellaneous Income	<u>\$ 101</u>
<b>TOTAL ADDITIONS</b>	<u>\$ 519,408</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 149,366
Refunds of Contributions	61,039
Administrative Expenses	18,728
<b>TOTAL DEDUCTIONS</b>	<u>\$ 229,133</u>
<b>NET INCREASE/(DECREASE)</b>	<b>\$ 290,275</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2016</b>	<u>2,524,092</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2017</b>	<u><u>\$ 2,814,367</u></u>

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

VILLAGE OF SPRING GROVE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Village of Spring Grove, Illinois' (Village) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies established in GAAP and used by the Village are discussed below.

**A. Reporting Entity**

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

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

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's administration, public works, public safety, parks and recreation, and development services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales taxes, unrestricted investment earnings, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public works, public safety, parks and recreation, and development) or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

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

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

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues and expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in one column in the fund financial statements.

#### 1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Village reports these governmental funds and fund types:

- a. The General Fund is the Village's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Motor Fuel Tax Fund includes revenues from motor fuel tax and other state road grants along with the related expenditures.
- c. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital projects.

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

#### 2. Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Village reports the following proprietary fund types:

- a. Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

#### 3. Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The Village's fiduciary fund is presented in the fiduciary fund financial statements by type (pension). Because, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the Village, this fund is not incorporated into the government-wide statements.

### D. *Basis of Accounting*

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

#### 1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

#### 2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. An exception was made to the 60 day recognition period for income tax revenues due to delayed payments from the State of Illinois. The exception was made to preserve the consistency of revenue recognition between years. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt, which is recognized when due and payable.

### E. *Cash and Cash Equivalents*

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, checking accounts, savings accounts, money market accounts, and short-term investments with an original maturity of less than three months.

### F. *Investments*

Investments, including those reported in the police pension trust fund, are stated at fair value (quoted market price or the best available estimate).

### G. *Receivables*

Property taxes receivable are recognized at the time they are levied. The property tax receivable allowance is equal to 0% of outstanding property taxes at April 30, 2017.

### H. *Inventories*

It is the Village's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the value of resale or supply items on hand.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### I. *Interfund Activity*

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

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

### J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land	No Depreciation
Buildings and Improvements	7 - 40 years
Vehicles	5 - 10 years
Equipment	3 - 20 years
Land Improvements	5 - 50 years
Infrastructure	20 - 30 years
Wastewater Treatment System	40 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

### K. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheet and Statements of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource until that time.

### L. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities and proprietary fund Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

### M. *Government-Wide and Proprietary Fund Net Position*

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted Net Position – all other net positions are reported in this category.

### N. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

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

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

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

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

- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash.

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

### O. *Revenue Recognition*

Substantially all shared revenue is recorded during the period when received by the collecting authority, the State of Illinois. Income from investments, bank accounts, and unbilled usage receivables are recognized when earned. Licenses and permits, fines and forfeits, fees and refunds, charges for services (other than enterprise funds), miscellaneous and other revenues are recorded as revenues when received in cash as they are generally not measurable until actually received.

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

The Village is responsible for levying property taxes, but the taxes are collected by the County. Taxes are levied on January 1 of each year on all taxable real property located in the Village. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts within one month after these dates. Property taxes receivable and unavailable revenue recorded in these financial statements, in the amount of \$785,164 and \$0 in its governmental funds and its proprietary funds, respectively, are from the 2016 tax levy. The unavailable revenue is 100% of the 2016 levy, less allowance. These taxes are unavailable as none of the taxes are collected before the end of the fiscal year and the Village does not consider the amounts to be available and does not budget for their use in fiscal year 2017. The Village has determined that 100% of the amount collected for the 2015 levy is allocable for use in fiscal year 2017. Therefore, 100% of the amounts collected for the 2015 levy (\$912,106) are recorded in these financial statements as property taxes revenue.

### Q. *Defining Operating Revenues and Expenses*

The Village's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's Water and Sewer Fund consist of charges for services (including permit fees) and the costs for providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

### R. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

### *Investments*

As of April 30, 2017, the Village had the following investments:

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 568,476	\$ 568,476	\$ -	\$ -	\$ -

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

*Interest Rate Risk* – The Village’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – State law limits investments based on credit risk. The Village has no investment policy that would further limit its investment choices. As of April 30, 2017, the Village’s investments were rated as follows:

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

*Concentration of Credit Risk.* The Village places no limit on the amount the Village may invest in any one issuer. More than 5% of the Village’s investments are in State Investment Pool (100%).

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2017 was as follows:

	Balance May 1, 2016	Increases	Decreases	Balance April 30, 2017
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 2,246,557	\$ 51,562	\$ -	\$ 2,298,119
Construction in Progress	24,538	-	24,538	-
Total Capital Assets not being depreciated	\$ 2,271,095	\$ 51,562	\$ 24,538	\$ 2,298,119
Other Capital Assets				
Buildings	\$ 2,925,910	\$ 57,816	\$ -	\$ 2,983,726
Vehicles	2,316,497	391,390	805,262	1,902,625
Equipment	1,220,831	31,587	48,266	1,204,152
Land Improvements	358,307	59,398	-	417,705
Infrastructure	3,654,903	121,834	-	3,776,737
Total Other Capital Assets at Historical Cost	\$ 10,476,448	\$ 662,025	\$ 853,528	\$ 10,284,945
Less Accumulated Depreciation for				
Buildings	\$ 1,124,452	\$ 67,476	\$ -	\$ 1,191,928
Vehicles	1,409,771	318,472	438,762	1,289,481
Equipment	967,054	105,648	46,488	1,026,214
Land Improvements	75,819	15,855	-	91,674
Infrastructure	958,365	124,630	-	1,082,995
Total Accumulated Depreciation	\$ 4,535,461	\$ 632,081	\$ 485,250	\$ 4,682,292
Other Capital Assets, Net	\$ 5,940,987	\$ 29,944	\$ 368,278	\$ 5,602,653
Governmental Activities Capital Assets, Net	\$ 8,212,082	\$ 81,506	\$ 392,816	\$ 7,900,772

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance May 1, 2016	Increases	Decreases	Balance April 30, 2017
<b>Business-Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 9,273	\$ -	\$ -	\$ 9,273
Total Capital Assets not being depreciated	<u>\$ 9,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,273</u>
Other Capital Assets				
Water and Sewer Treatment System	\$ 5,010,955	\$ -	\$ -	\$ 5,010,955
Equipment	35,033	5,800	5,800	35,033
Infrastructure	137,853	-	-	137,853
Total Other Capital Assets at Historical Cost	<u>\$ 5,183,841</u>	<u>\$ 5,800</u>	<u>\$ 5,800</u>	<u>\$ 5,183,841</u>
Less Accumulated Depreciation for				
Water and Sewer Treatment System	\$ 1,799,182	\$ 125,826	\$ -	\$ 1,925,008
Equipment	26,520	5,499	5,800	26,219
Infrastructure	10,339	6,893	-	17,232
Total Accumulated Depreciation	<u>\$ 1,836,041</u>	<u>\$ 138,218</u>	<u>\$ 5,800</u>	<u>\$ 1,968,459</u>
Other Capital Assets, Net	<u>\$ 3,347,800</u>	<u>\$ (132,418)</u>	<u>\$ -</u>	<u>\$ 3,215,382</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,357,073</u>	<u>\$ (132,418)</u>	<u>\$ -</u>	<u>\$ 3,224,655</u>

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

Administration	\$ 15,799
Public Works	243,085
Public Safety	280,612
Parks and Recreation	60,862
Development	31,723
Total Governmental Activities Depreciation Expense	<u>\$ 632,081</u>

**Business-Type Activities:**

Water and Sewer	\$ 138,218
Total Business-Type Activities Depreciation Expense	<u>\$ 138,218</u>

**NOTE 4 - LONG-TERM LIABILITY ACTIVITY**

Long-term liability activity for the year ended April 30, 2017 was as follows:

	Balance May 1, 2016	Additions	Retirements	Balance April 30, 2017	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable:					
Thelen Park Loan	\$ 229,161	\$ -	\$ 35,262	\$ 193,899	\$ 36,385
International Truck Loan	50,753	-	50,753	-	-
Panasonic ToughBooks	6,866	-	6,866	-	-
Total Bonds and Notes Payable	<u>\$ 286,780</u>	<u>\$ -</u>	<u>\$ 92,881</u>	<u>\$ 193,899</u>	<u>\$ 36,385</u>
Other Long-Term Obligations:					
Net Pension and OPEB Liabilities	\$ 4,355,039	\$ -	\$ 340,505	\$ 4,014,534	\$ -
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,641,819</u>	<u>\$ -</u>	<u>\$ 433,386</u>	<u>\$ 4,208,433</u>	<u>\$ 36,385</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
Revenue Bonds	\$ 784,539	\$ -	\$ 112,059	\$ 672,480	\$ 115,074
Note Payable	292,788	-	47,200	245,588	48,705
Total Bonds Payable	<u>\$ 1,077,327</u>	<u>\$ -</u>	<u>\$ 159,259</u>	<u>\$ 918,068</u>	<u>\$ 163,779</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,077,327</u>	<u>\$ -</u>	<u>\$ 159,259</u>	<u>\$ 918,068</u>	<u>\$ 163,779</u>

Bonds and notes payable consisted of the following at April 30, 2017:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
<b>Governmental Activities:</b>				
Thelen Park Loan	2/1/2022	3.150%	\$ 362,034	\$ 193,899
<b>Business-Type Activities:</b>				
Revenue Bonds	7/1/2022	2.675%	\$ 2,000,000	\$ 672,480
Note Payable	11/1/2021	3.150%	470,559	245,588

At April 30, 2017 the annual debt service requirements to service long-term debt attributable to governmental activities are:

Governmental			
Year Ending April 30	Principal	Interest	Total
2018	\$ 36,385	\$ 5,681	\$ 42,066
2019	37,545	4,521	42,066
2020	38,742	3,324	42,066
2021	39,977	2,090	42,066
2022	41,251	815	42,066
	<u>\$ 193,899</u>	<u>\$ 16,431</u>	<u>\$ 210,331</u>

At April 30, 2017 the annual debt service requirements to service long-term debt attributable to business-type activities are:

Business-Type			
Year Ending April 30	Principal	Interest	Total
2018	\$ 163,779	\$ 24,389	\$ 188,168
2019	168,431	19,738	188,168
2020	173,215	14,953	188,168
2021	178,136	10,032	188,168
2022	169,230	4,971	174,201
2023	65,278	873	66,151
	<u>\$ 918,068</u>	<u>\$ 74,956</u>	<u>\$ 993,024</u>

**NOTE 5 - INTERFUND BALANCES**

Interfund balances at April 30, 2017 consisted of the following:

Due to General Fund from:	
Police Special Fund	\$ 901
	<u>\$ 901</u>

All interfund balances resulted from a time lag between the dates that expenditures were incurred and reimbursed between funds.

**NOTE 6 - DEFICIT FUND BALANCES**

There were no funds which reflected a deficit fund balance as of April 30, 2017.

**NOTE 7 - PROPERTY TAXES**

The 2016 levy was passed by the Board on November 1, 2016. A summary of the assessed valuations, rates, and extensions for the years 2016, 2015, and 2014 follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Tax Year	2016		2015		2014	
	Rate	Extension	Rate	Extension	Rate	Extension
Assessed Valuation	\$171,201,296		\$160,593,666		\$152,968,731	
Corporate	0.1945	\$ 333,053	0.2102	\$ 337,533	0.2722	\$ 416,431
Police Pension	0.1977	338,501	0.2067	332,000	0.1634	250,001
	0.3923	\$ 671,554	0.4169	\$ 669,533	0.4357	\$ 666,432
Road and Bridge (from Townships)		\$ 42,104	-	\$ 41,391	-	\$ 40,014
Special Service Area #1	0.0000	\$ -	0.6615	\$ 129,776	0.6587	\$ 129,776
Special Service Area #8	-	25,500	-	25,500	-	25,500
Special Service Area #9	-	22,172	-	22,988	-	22,988
Special Service Area #11	-	4,272	-	4,272	-	4,272
Special Service Area #13	-	7,872	-	7,872	-	7,872
Special Service Area #15	-	7,801	-	7,801	-	7,801
Special Service Area #24	-	3,888	-	3,888	-	3,888
	0.0000	\$ 71,505	0.6615	\$ 202,097	0.6587	\$ 202,097

**NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no funds in which the expenditures exceeded the appropriations for the year ended April 30, 2017.

**NOTE 9 - OPERATING LEASES**

The Village leases copier and laptop equipment under operating leases. Total lease expense for fiscal year 2017 was \$3,552. Annual requirements to cover outstanding lease agreements at April 30, 2017 are:

<u>Year Ending April 30</u>	<u>Total Payments</u>
2018	\$ 3,552
2019	3,552
2020	2,040
2021	2,040
	<u>\$ 11,184</u>

**NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND**

Plan Description

The Village’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 Village’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

NOTES TO FINANCIAL STATEMENTS (Continued)

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 ten 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 ten 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.

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>12</u>
Total	<u><u>20</u></u>

Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2016 was 10.21%. For the fiscal year ended April 30, 2017, the Village contributed \$57,533 to the plan. The Village 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	1,597,689
IMRF Fiduciary Net Position		1,304,506
Village's Net Pension Liability		293,183
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		82%

## NOTES TO FINANCIAL STATEMENTS (Continued)

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Required Supplementary Information following the notes to the financial statements for additional information related to the funded status of the plan.

### Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

#### Assumptions

Inflation	2.75%
Salary Increases	3.75% - 14.5% including inflation
Interest Rate	7.50%

Asset Valuation Method                      Market Value of Assets

Projected Retirement Age      Experience -based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013

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-2014 (base year 2014). 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-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

### Long-Term Expected Rate of Return

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 as of December 31, 2016:

Asset Class	Target Allocation	Projected Return
Equities	38.0%	6.85%
International Equities	17.0%	6.75%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	5.75%
Alternatives	9.0%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash Equivalents	1.0%	2.25%
	100.0%	

### Single Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78%; and resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2015	\$ 1,503,231	\$ 1,196,641	\$ 306,590
Changes for the year:			
Service Cost	\$ 59,466	\$ -	\$ 59,466
Interest on the Total Pension Liability	112,362	-	112,362
Differences Between Expected and Actual			
Experience of the Total Pension Liability	(9,147)	-	(9,147)
Changes of Assumptions	(2,627)	-	(2,627)
Contributions - Employer	-	57,073	(57,073)
Contributions - Employee	-	25,154	(25,154)
Net Investment Income	-	83,355	(83,355)
Benefit Payments, including Refunds			
of Employee Contributions	(65,596)	(65,596)	-
Other (Net Transfer)	-	7,879	(7,879)
Net Changes	\$ 94,458	\$ 107,865	\$ (13,407)
Balances at December 31, 2016	\$ 1,597,689	\$ 1,304,506	\$ 293,183

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% Decrease 6.50%	Current Single Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 580,511	\$ 293,183	\$ 64,122

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

For the year ended April 30, 2017, the Village recognized pension expense of \$64,421. At April 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

<b>Expense in Future Periods</b>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,578	\$ (10,578)
Assumption changes	-	2,301	(2,301)
Net difference between projected and actual earnings on pension investments	<u>55,988</u>	<u>-</u>	<u>55,988</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 55,988	\$ 12,879	\$ 43,109
Pension contributions made subsequent to the measurement date	<u>20,106</u>	<u>-</u>	<u>20,106</u>
Total deferred amounts related to pensions	<u>\$ 76,094</u>	<u>\$ 12,879</u>	<u>\$ 63,215</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 16,293
2018	16,293
2019	16,292
2020	(418)
2021	(1,882)
Thereafter	<u>(3,469)</u>
	<u>\$ 43,109</u>

**NOTE 11 - POLICE PENSION PLAN**

*A. Plan Administration*

Full-time police sworn personnel of the Village are covered by The Spring Grove Police Pension Fund of the Village of Spring Grove (Plan). Although this is a single-member pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 IL CS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the Plan as a pension trust fund.

The Pension Board administers the Plan and the Illinois Department of Insurance is the oversight agency. The Board consists of four appointed members.

*B. Plan Membership*

Membership in the Plan consisted of the following at April 30, 2016, the measurement date:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>10</u></u>

*C. Benefits Provided*

The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Chapter 40-Pensions-Act 5/Article 3 of the Illinois Compiled Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Illinois legislature.

NOTES TO FINANCIAL STATEMENTS (Continued)

D. *Contributions*

Employees are required by Illinois Compiled Statutes (ILCS) to contribute 9.91% of their base salary to the Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Plan. For the year ended April 30, 2017 the Village's contribution was 55.8% of covered payroll.

E. *Investment Policy*

ILCS limit the Plan's investments to those allowable by ILCS and require the Plan's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Plan's investment policy authorizes the Plan to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Plan may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities.

The Plan's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	65.0%	1.2%
Large Capital Domestic Equity	24.5%	6.4%
Small Capital Domestic Equity	7.0%	8.4%
International Equity	3.5%	6.7%

ILCS limits the Plan's investments in equities and mutual funds to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Plan's target asset allocation as of April 30, 2017 are listed in the table above.

All Investments in the Plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30, 2017 for debt securities, equity securities and mutual funds.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### F. *Investment Concentrations*

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.0% or more of the Plan's investments.

### G. *Investment Rate of Return*

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. *Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Plan's deposits may not be returned to it. The Plan's investment policy requires all bank balances to be covered by federal depository insurance.

### I. *Interest Rate Risk*

In accordance with its investment policy, the Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Plan.

The following table presents the investments and maturities of the Plan's debt securities as of April 30, 2017.

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
Mutual Funds	\$ 981,824	\$ 981,824	\$ -	\$ -	\$ -
Fannie Mae	108,091	-	73,676	34,415	-
FFCB	515,215	-	49,210	466,005	-
FHLB	433,761	-	88,033	345,728	-
Tennessee Valley Auth.	75,436	-	-	75,436	-
Ebay Inc.	25,092	25,092	-	-	-
Oracle Corp	25,006	25,006	-	-	-
The Walt Disney Company	25,086	25,086	-	-	-
American Express	19,213	-	19,213	-	-
Idaho Power Co.	12,561	-	12,561	-	-
Target Corp	25,940	-	25,940	-	-
Simon Property Group Inc.	10,374	-	10,374	-	-
General Electric Corp	16,160	-	-	16,160	-
Apple Inc.	10,308	-	-	10,308	-
US Treasury Notes	247,013	15,051	138,732	93,230	-
Municipal Bonds	249,799	-	57,825	100,545	91,429
	<u>\$ 2,780,879</u>	<u>\$ 1,072,059</u>	<u>\$ 475,564</u>	<u>\$ 1,141,827</u>	<u>\$ 91,429</u>

### J. *Credit Risk*

The Plan limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government, and investment grade corporate bonds rated by at least one of the two largest rating services at the time of purchase. If subsequently downgraded below investment grade, the

NOTES TO FINANCIAL STATEMENTS (Continued)

bonds must be liquidated by the manager from the portfolio within 90 days after being downgraded. However, certain fixed income securities are not rated. As of April 30, 2017, the Plan's investments were rated as follows:

Investment	Credit Rating	Rating Source
Mutual Funds	NR	Standard and Poor's
Fannie Mae	AA+	Standard and Poor's
FFCB	AA+	Standard and Poor's
FHLB	AA+	Standard and Poor's
Tennessee Valley Auth.	AA+/NR	Standard and Poor's
Ebay Inc.	BBB+	Standard and Poor's
Oracle Corp	AA-	Standard and Poor's
The Walt Disney Company	A	Standard and Poor's
American Express	A3	Standard and Poor's
Idaho Power Co.	A-	Standard and Poor's
Target Corp	A	Standard and Poor's
Simon Property Group Inc.	A	Standard and Poor's
General Electric Corp	AA-	Standard and Poor's
Apple Inc.	AA+	Standard and Poor's
US Treasury Notes	NR	Moody's Investors Service
Municipal Bonds	AAA - AA / Aaa - Aa3	Standard and Poor's / Moody's Investors Service

K. *Net Pension Liability*

The components of the net pension liability of the Plan as of April 30, 2017 calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$	6,524,923
Plan Fiduciary Net Position		2,814,367
Village's Net Pension Liability		3,710,556
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		43%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Required Supplementary Information for additional information related to the funded status of the Plan.

L. *Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2017
Actuarial Cost Method	Entry Age Normal (Level %)
Assumptions	
Inflation	2.5%
Salary Increases (Includes COLA)	3.5% - 8.28%
Interest Rate	5%
Asset Valuation Method	Market Value

Mortality rates were based on the Assumption Study for Police prepared by Lauterbach and Amen, LLP in 2016. Active mortality follows the sex distinct raw rates as developed in the RP-2014 study, with blue collar adjustment. These rates are improved generationally using MP-2016 improvement rates. Retiree mortality follows the L&A Assumption Study for Police 2016. These rates are experience weighted with the raw rates as developed in the RP-2014 study, with blue collar adjustment and improved generationally using MP-2016 improvement rates. Disabled mortality follows the sex distinct raw rates as developed in the RP-2014 study for disabled participants, with blue collar adjustment. These rates are improved generationally using MP-2016 improvement rates. Spouse mortality follows sex distinct raw rates as developed in the RP-2014 study. These rates are improved generationally using MP-2016 improvement rates. Other demographic assumption rates are based on a review of assumptions in the L&A 2016 study for Illinois Police Officers.

NOTES TO FINANCIAL STATEMENTS (Continued)

M. *Discount Rate*

The discount rate used in the determination of the Total Pension Liability was 5%. This rate is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent to which the Plan’s future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the Plan’s projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the Plan’s projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

The Plan’s projected net position is expected to cover future benefit payments in full for the current employees.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the Plan.

N. *Discount Rate Sensitivity*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 5% as well as what the Village’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate.

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Employer Net Pension Liability	\$ 4,832,934	\$ 3,710,556	\$ 2,815,085

The sensitivity of the Net Pension Liability to the discount rate is based primarily on two factors:

1. The duration of the plan’s expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the net position to the total pension liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

O. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended April 30, 2017, the Village recognized pension expense of \$274,605. At April 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

<b>Expense in Future Periods</b>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 888,347	\$ (888,347)
Assumption changes	241,647	5,972	235,675
Net difference between projected and actual earnings on pension investments	<u>21,844</u>	<u>-</u>	<u>21,844</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 263,491	\$ 894,319	\$ (630,828)
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 263,491</u>	<u>\$ 894,319</u>	<u>\$ (630,828)</u>

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

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ (95,575)
2019	(95,575)
2020	(95,575)
2021	(102,343)
2022	(102,728)
Thereafter	<u>(139,032)</u>
	<u>\$ (630,828)</u>

**NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS – RETIREE PAID INSURANCE**

A. *Plan Overview*

The Village provides post-employment benefits other than pensions (“OPEB”) to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides medical benefits to retirees and their covered eligible dependents. All active employees who retire directly from the Village and meet the eligibility criteria may participate, but at their own cost.

The Village is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the Village or the retiree. Consequently, participating retirees are considered to receive a benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the Village’s younger and statistically healthier active employees.

B. *Funding Policy*

The required contribution is based on projected pay-as-you-go financing requirements.

C. *Annual OPEB Cost and Net OPEB Obligation*

The Village’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the Village, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the Village’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Village’s net OPEB obligation to the plan:

NOTES TO FINANCIAL STATEMENTS (Continued)

Annual required contribution	\$ 6,335
Interest on net OPEB obligation	255
Adjustment to annual required contribution	(212)
Annual OPEB cost (expense)	<u>\$ 6,378</u>
Contributions made	<u>6,378</u>
Increase in net OPEB obligation	\$ -
Net OPEB obligation - beginning of year	10,795
Net OPEB obligation - end of year	<u><u>\$ 10,795</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2017	\$ 6,335	\$ 6,335	100%	\$ 10,795
4/30/2016	6,378	1,953	31%	10,795
4/30/2015	4,178	4,178	100%	6,370

**D. Funded Status and Funding Progress**

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The Actuarial Accrued Liability was determined using a 4% discount rate. At the valuation date, healthcare benefits were expected to increase 7.5% in 2014, trending down to 5.5% increases in 2018 and later years. Mortality assumptions were based on similar rates utilized for IMRF and Police Pension Funds. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized on an open, level percentage of pay. The remaining amortization period at April 30, 2017 was 27 years.

**NOTE 13 - SOCIAL SECURITY**

All employees, except full-time police officers, are covered under Social Security. The Village paid the total required contribution for the current fiscal year.

**NOTE 14 - INTERFUND TRANSFERS**

Interfund transfers for the year ended April 30, 2017 consisted of the following:

Transfers from General Fund to:	
Water and Sewer Fund	\$ 30,000
Capital Fund	195,500
Transfer from Capital Fund to:	
Motor Fuel Tax Fund	\$ 10,000

The transfer from the General Fund to the Water and Sewer Fund was made to cover operating expenses. The transfer from the General Fund to the Capital Fund was made to pay for assets purchased by the Capital Fund. The transfer from the Capital Fund to the Motor Fuel Tax Fund was made to supplement the cost of capital projects paid out of the Motor Fuel Tax Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

**NOTE 15 - RISK MANAGEMENT**

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

The Village is a member of the McHenry County Municipal Risk Management Agency (MCMRMA), a public entity risk pool through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The relationship between the Village and MCMRMA is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Village is contractually obligated to make all annual and supplementary contributions for MCMRMA, to report claims on a timely basis, cooperate with MCMRMA, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by MCMRMA. Members have a contractual obligation to fund any deficit of MCMRMA attributable to a membership year during which they were a member.

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

During the year ended April 30, 2017, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in any of the past three years. The Village is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended April 30, 2017, there were no significant adjustments in premiums based on actual experience.

**NOTE 16 - CONTINGENCIES**

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

**NOTE 17 - LEGAL DEBT LIMITATION**

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

2016 EAV	\$	171,201,296
	X	<u>8.625%</u>
Debt Margin	\$	14,766,112
Current Governmental Activities Debt		<u>(193,899)</u>
Remaining Debt Margin	\$	<u><u>14,572,213</u></u>

**NOTE 18 - TAX ABATEMENT AGREEMENTS**

In 2003, the Village entered into an economic incentive agreement with Jewel Food Stores, Inc. As a result of this agreement, in exchange for Jewel providing economic assistance in constructing a water tower, the Village rebates fifty percent of its share of sales tax collected by Jewel. The abatement ends after 20 years, or when Jewel recoups the value of the water tower, whichever occurs first. In the fiscal year ending April 30, 2017, the Village rebated sales tax in the amount of \$134,270.

The Village is not subject to any tax abatement agreements entered into by other governmental entities.

NOTES TO FINANCIAL STATEMENTS (Continued)

**NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective in the year ended April 30, 2017, the Village has implemented GASB Statement No.72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also requires additional disclosures about the fair value measurement of the investments held by the Village. At April 30, 2017, the Village did not hold any investments required to be reported.

As discussed in Note 18, effective in the year ended April 30, 2017, the Village has implemented GASB Statement No. 77, *Tax Abatement Disclosures*.

**NOTE 20 - PRIOR PERIOD ADJUSTMENTS**

The Village had the following fund balance and net position adjustments for the year ended April 30, 2017:

	<u>Fund Balance</u>	<u>Net Position</u>
Prior year expenditures	\$ 32,250	\$ 32,250
Donated assets	-	210,630
IMRF adjustment	-	(181,077)
Net adjustment	<u>\$ 32,250</u>	<u>\$ 61,803</u>

A fund balance adjustment is shown on the Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

In prior years, the Village incurred expenditures related to acquiring abandoned property which is held for resale. The prior cumulative costs were added to the value of this asset, resulting in an increase to fund balance of \$32,250.

A net position adjustment is reported on the Statement of Activities for the following items:

- The addition of prior year expenditures to the cost of the asset in the fund balance adjustment noted above increased beginning net position by \$32,250.
- Surplus assets were received by the Village in prior years but never recorded on the books. An adjustment was made in the current year to account for this donation, increasing beginning net position by \$210,630.

For the year ended April 30, 2016, the December 31, 2014 actuarial valuation was used for determining the IMRF Net Pension Liability, as well as the Deferred Outflows and Inflows of Resources. For the year ended April 30, 2017, the December 31, 2016 actuarial valuation was available at the time of the audit, and was used for determining the IMRF Net Pension Liability, as well as the Deferred Outflows and Inflows of Resources. Prior year net position was restated to include the effect of December 31, 2015 actuarial valuation. As a result, the beginning net position decreased by \$181,077.

**NOTE 21 - SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through August 30, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SPRING GROVE, ILLINOIS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
APRIL 30, 2017

	<u>4/30/2017 *</u>	<u>4/30/2016 *</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 59,466	\$ 60,637
Interest	112,362	104,372
Differences Between Expected and Actual Experience	(9,147)	(3,407)
Changes in Assumptions	(2,627)	-
Benefit Payments, Including Refunds of Member Contributions	<u>(65,596)</u>	<u>(43,074)</u>
Net Change in Total Pension Liability	\$ 94,458	\$ 118,528
Total Pension Liability - Beginning	<u>1,503,231</u>	<u>1,384,703</u>
Total Pension Liability - Ending	<u>\$ 1,597,689</u>	<u>\$ 1,503,231</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 57,073	\$ 55,545
Contributions - Member	25,154	24,080
Net Investment Income	83,355	6,093
Benefit Payments, Including Refunds of Member Contributions	(65,596)	(43,074)
Other	<u>7,879</u>	<u>(46,304)</u>
Net Change in Plan Fiduciary Net Position	\$ 107,865	\$ (3,660)
Plan Net Position - Beginning	<u>1,196,641</u>	<u>1,200,301</u>
Plan Net Position - Ending	<u>\$ 1,304,506</u>	<u>\$ 1,196,641</u>
Village's Net Pension Liability	<u>\$ 293,183</u>	<u>\$ 306,590</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.65%	79.60%
Covered-Employee Payroll	\$ 558,987	\$ 535,112
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	52.45%	57.29%

\* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF SPRING GROVE, ILLINOIS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
APRIL 30, 2017

	<u>4/30/2017 *</u>	<u>4/30/2016 *</u>
Actuarial Determined Contribution	\$ 57,073	\$ 55,545
Contributions in Relation to Actuarially Determined Contribution	<u>57,073</u>	<u>55,545</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 558,987	\$ 535,112
Contributions as a Percentage of Covered-Employee Payroll	10.21%	10.38%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used in the Calculation in the 2016 Contribution Rate \****

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.

**Actuarial Cost Method:** Aggregate Entry Age Normal

**Amortization Method:** Level Percentage of Payroll, Closed

**Remaining Amortization Period:** 27-year closed period until remaining period reaches 15 years (then 15-year rolling period)

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

**Wage Growth:** 3.5%

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

**Salary Increases:** 3.75% to 14.5%, 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 to 2013.

**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.

\*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF SPRING GROVE, ILLINOIS  
POLICE PENSION PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS

	4/30/2017	4/30/2016	4/30/2015
TOTAL PENSION LIABILITY			
Service Cost	\$ 211,860	\$ 192,048	\$ 244,858
Interest	328,937	322,278	307,104
Differences Between Expected and Actual Experience	(482,536)	(629,688)	-
Changes in Assumptions	(6,867)	324,689	-
Benefit Payments, Including Refunds of Member Contributions	(210,405)	(178,193)	(154,138)
Net Change in Total Pension Liability	\$ (159,011)	\$ 31,134	\$ 397,824
Total Pension Liability - Beginning	6,683,934	6,652,800	6,254,976
Total Pension Liability - Ending	\$ 6,524,923	\$ 6,683,934	\$ 6,652,800
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 332,000	\$ 332,003	\$ 295,297
Contributions - Member	51,014	51,533	56,429
Net Investment Income	128,317	83,344	51,935
Benefit Payments, Including Refunds of Member Contributions	(210,405)	(178,192)	(210,568)
Administrative Expenses	(10,651)	(10,587)	(6,341)
Net Change in Plan Fiduciary Net Position	\$ 290,275	\$ 278,101	\$ 186,752
Plan Net Position - Beginning	2,524,092	2,245,991	2,059,239
Plan Net Position - Ending	\$ 2,814,367	\$ 2,524,092	\$ 2,245,991
Village's Net Pension Liability	\$ 3,710,556	\$ 4,159,842	\$ 4,406,809
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.13%	37.76%	33.76%
Covered-Employee Payroll	\$ 594,671	\$ 580,059	\$ 411,705
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	623.97%	717.14%	1070.38%
Annual Money-Weighted Rate of Return, Net of Investment Expenses	2017	2016	2015
	4.85%	2.38%	2.00%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 68.

See Accompanying Independent Auditor's Report

VILLAGE OF SPRING GROVE, ILLINOIS  
POLICE PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS

	<u>4/30/2017</u>	<u>4/30/2016</u>	<u>4/30/2015</u>
Actuarial Determined Contribution	\$ 359,046	\$ 331,957	\$ 296,699
Contributions in Relation to Actuarially Determined Contribution	<u>332,000</u>	<u>332,003</u>	<u>295,297</u>
Contribution Deficiency/(Excess)	<u>\$ 27,046</u>	<u>\$ (46)</u>	<u>\$ 1,402</u>
Covered-Employee Payroll	\$ 594,671	\$ 580,059	\$ 411,705
Contributions as a Percentage of Covered-Employee Payroll	55.83%	57.24%	71.73%

Notes:

The actuarially determined contribution shown for the current year is from the April 30, 2015 actuary's report completed by Lauterbach and Amen, LLP for the tax levy recommendation for the December 2015 tax levy.

This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 68.

VILLAGE OF SPRING GROVE, ILLINOIS  
 POST EMPLOYMENT BENEFIT COMMITMENTS  
 SCHEDULE OF FUNDING PROGRESS  
 APRIL 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2017	\$ -	\$ 61,243	\$ 61,243	0.00%	N/A	N/A
4/30/2016	-	61,243	61,243	0.00%	N/A	N/A
4/30/2015	-	61,243	61,243	0.00%	N/A	N/A

See Accompanying Independent Auditor's Report

VILLAGE OF SPRING GROVE, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - APPROPRIATIONS AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2017

	Appropriated Amounts <u>Original and Final</u>	Actual Amounts
<b>REVENUES</b>		
Local Taxes		
Property Tax	\$ 709,000	\$ 709,614
Intergovernmental		
State Sales Tax	587,000	610,005
State Income Tax	578,000	550,140
State Replacement Tax	4,000	3,959
State Use Tax	116,000	141,171
Grants	8,000	43,699
Other Local Sources		
Utility Tax	675,000	581,782
Amusement Tax	22,000	25,665
Licenses and Permits	176,000	157,706
Fines and Forfeitures	201,500	164,023
Charges for Services	60,250	44,000
Impact Fees	6,000	-
Interest	20,000	21,835
Rentals	6,000	6,211
Royalties	13,000	14,041
Miscellaneous		
Other Miscellaneous	6,000	19,254
<b>Total Revenues</b>	<b>\$ 3,187,750</b>	<b>\$ 3,093,105</b>
<b>EXPENDITURES</b>		
Current		
Administration		
Personnel Salaries	\$ 229,200	\$ 190,595
Payroll Taxes	17,520	13,870
Retirement and Benefits	25,440	19,817
Contract Services	29,280	27,801
Professional Fees	97,200	79,287
Insurance	82,800	59,668
Dues and Subscriptions	8,400	6,505
Supplies	1,530	-
Printing	1,800	1,661
Office Expense	8,400	6,374
Communications	13,800	11,252
Special Events	11,400	8,280
Revenue Sharing	162,000	134,270
Miscellaneous Expenses	900	738
	<b>\$ 689,670</b>	<b>\$ 560,118</b>
Public Works		
Personnel Salaries	\$ 388,800	\$ 328,467
Payroll Taxes	30,600	23,653
Retirement and Benefits	96,840	77,660

See Accompanying Independent Auditor's Report

VILLAGE OF SPRING GROVE, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - APPROPRIATIONS AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2017

	<u>Appropriated Amounts Original and Final</u>	<u>Actual Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Public Works (Continued)		
Contract Services	\$ 600	\$ 260
Engineering Fees	36,000	28,895
Fuel	28,200	18,710
Small Tools	4,200	3,668
Seminars and Dues	2,400	435
Supplies	16,200	13,517
Rentals	1,200	-
Utilities	3,600	3,892
Maintenance and Repairs	190,800	220,247
Road Maintenance	313,200	260,653
Snowplowing	82,500	33,627
Communications	3,600	3,189
Miscellaneous Expenses	1,440	885
	<u>\$ 1,200,180</u>	<u>\$ 1,017,758</u>
Public Safety		
Personnel Salaries	\$ 763,920	\$ 699,061
Payroll Taxes	19,920	18,615
Retirement and Benefits	85,044	63,437
Pension Contribution	398,400	332,000
Contract Services	69,120	60,089
Professional Fees	61,200	63,660
Communications	31,200	14,871
Supplies	16,800	14,805
Conferences and Dues	7,200	6,214
Training and Education	9,600	4,587
Maintenance and Repairs	21,600	19,332
Printing	5,880	4,070
Office Expense	13,080	8,555
Fuel	42,000	17,847
Miscellaneous Expenses	17,400	8,259
	<u>\$ 1,562,364</u>	<u>\$ 1,335,402</u>
Parks and Recreation		
Personnel Salaries	\$ 28,800	\$ 23,632
Payroll Taxes	2,232	1,829
Instructional Fees	22,800	9,363
Supplies	9,840	4,439
Park Maintenance	21,000	19,645
Contract Services	9,000	6,658
Special Events	5,400	2,368
Utilities	1,200	358
Miscellaneous	240	-
	<u>\$ 100,512</u>	<u>\$ 68,292</u>

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VILLAGE OF SPRING GROVE, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - APPROPRIATIONS AND ACTUAL  
GENERAL FUND  
YEAR ENDED APRIL 30, 2017

	Appropriated Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Current (Continued)		
Development		
Personnel Salaries	\$ 56,400	\$ 48,525
Payroll Taxes	5,400	4,762
Retirement and Benefits	6,000	5,191
Contract Services	19,260	14,718
Communications	1,440	927
Maintenance and Repairs	300	120
Printing	180	110
Seminars and Dues	1,800	1,018
Supplies	1,800	1,522
Utilities	3,600	4,001
Miscellaneous Expenses	2,700	883
	\$ 98,880	\$ 81,777
Capital Outlay		
Public Safety	\$ 40,800	\$ 34,435
Parks and Recreation	25,200	19,539
Development	13,200	53,922
	\$ 79,200	\$ 107,896
Debt Service		
Principal	\$ 97,200	\$ 63,562
Interest and Fees	-	8,703
	\$ 97,200	\$ 72,265
Total Expenditures	\$ 3,828,006	\$ 3,243,508
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (640,256)	\$ (150,403)
OTHER FINANCING SOURCES/(USES)		
Transfers	-	(225,500)
NET CHANGE IN FUND BALANCE	\$ (640,256)	\$ (375,903)
FUND BALANCE - MAY 1, 2016	3,160,520	3,160,520
FUND BALANCE ADJUSTMENT (Note 20)	32,250	32,250
FUND BALANCE - APRIL 30, 2017	\$ 2,552,514	\$ 2,816,867

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VILLAGE OF SPRING GROVE, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - APPROPRIATIONS AND ACTUAL  
MOTOR FUEL TAX FUND  
YEAR ENDED APRIL 30, 2017

	Appropriated Amounts Original and Final	Actual Amounts
REVENUES		
Intergovernmental		
State Motor Fuel Tax	\$ 139,000	\$ 146,452
Grants	100,000	2,075
Other Local Sources		
Interest	-	143
Other Miscellaneous	-	50,829
Total Revenues	\$ 239,000	\$ 199,499
EXPENDITURES		
Current		
Public Works		
Motor Fuel Expenses	\$ 245,000	\$ 50,000
	\$ 245,000	\$ 50,000
Capital Outlay		
Public Works	\$ -	\$ 27,374
	\$ -	\$ 27,374
Total Expenditures	\$ 245,000	\$ 77,374
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (6,000)	\$ 122,125
OTHER FINANCING SOURCES/(USES)	-	10,000
NET CHANGE IN FUND BALANCE	\$ (6,000)	\$ 132,125
FUND BALANCE - MAY 1, 2016	193,789	193,789
FUND BALANCE - APRIL 30, 2017	\$ 187,789	\$ 325,914

See Accompanying Independent Auditor's Report

VILLAGE OF SPRING GROVE, ILLINOIS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
APRIL 30, 2017

**NOTE 1 - APPROPRIATIONS**

Appropriations are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations are adopted for all funds except agency funds. All annual appropriations lapse at fiscal year-end.

Appropriated expenditures are controlled at the departmental level with the Finance Committee Chairperson's oversight. All transfers and any revisions that change the total expenditures not contemplated of any fund must be approved by the Board of Trustees. All appropriation amendments must be approved by the Board of Trustees.

The appropriation ordinance was approved on June 7, 2016 and was not amended.

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended April 30, 2017, no fund presented as Required Supplementary Information had expenditures that exceeded the appropriations ordinance.