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VILLAGE OF SPRING GROVE, ILLINOIS

ANNUAL FINANCIAL REPORT

APRIL 30, 2016

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

Management's Responsibility for the Financial Statements

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Spring Grove as of April 30, 2016, 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 20 to the financial statements, the Village of Spring Grove implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 44 through 53 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 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SPRING GROVE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

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, 2016. 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 2016:

- The assets of the Village exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,028,766 (net position as of April 30, 2016). Of this amount, \$(1,175,490) represents a deficit unrestricted amount, and \$625,090 may be used to meet the Village's ongoing obligations to citizens and creditors for Business-Type Activities.
- Total net position decreased by \$4,937,720, which includes a net position adjustment of (\$4,531,139).
- At April 30, 2016, the Village's governmental funds reported combined ending fund balances of \$4,650,206, an increase of \$32,539 in comparison with the prior year. Of this amount, \$3,160,520 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 \$3,160,520, or 102% of total General Fund expenditures.
- The Village's total debt decreased by \$226,859.

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 43 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 44 through 53 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 \$11,028,766 at April 30, 2016.

Village of Spring Grove, Illinois' Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Assets						
Current and Other Assets	\$ 5,825,094	\$ 5,890,779	\$ 771,983	\$ 782,203	\$ 6,597,077	\$ 6,672,982
Capital Assets	8,212,082	8,739,113	3,357,073	3,494,463	11,569,155	12,233,576
Total Assets	\$ 14,037,176	\$ 14,629,892	\$ 4,129,056	\$ 4,276,666	\$ 18,166,232	\$ 18,906,558
Deferred Outflows of Resources						
Pensions - IMRF	\$ 142,398	\$ -	\$ -	\$ -	\$ 142,398	\$ -
Total Deferred Inflows of Resources	\$ 142,398	\$ -	\$ -	\$ -	\$ 142,398	\$ -
Liabilities						
Long-Term Liabilities Outstanding	\$ 297,575	\$ 365,149	\$ 1,077,327	\$ 1,232,187	\$ 1,374,902	\$ 1,597,336
Other Liabilities	4,719,893	396,562	17,117	15,112	4,737,010	411,674
Total Liabilities	\$ 5,017,468	\$ 761,711	\$ 1,094,444	\$ 1,247,299	\$ 6,111,912	\$ 2,009,010
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	\$ 799,239	\$ 801,286	\$ 129,776	\$ 129,776	\$ 929,015	\$ 931,062
Pensions - Police Pension	238,937	-	-	-	238,937	-
Total Deferred Inflows of Resources	\$ 1,038,176	\$ 801,286	\$ 129,776	\$ 129,776	\$ 1,167,952	\$ 931,062
Net Position						
Net Investment in Capital Assets	\$ 7,925,302	\$ 8,380,334	\$ 2,279,746	\$ 2,262,276	\$ 10,205,048	\$ 10,642,610
Restricted	1,374,118	1,297,367	-	-	1,374,118	1,297,367
Unrestricted	(1,175,490)	3,389,194	625,090	637,315	(550,400)	4,026,509
Total Net Position	\$ 8,123,930	\$ 13,066,895	\$ 2,904,836	\$ 2,899,591	\$ 11,028,766	\$ 15,966,486

The largest portion of the Village's net position (92.5%) 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 (12.5%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, is a deficit of (\$550,400).

The Village's net position decreased by \$406,581 during the current fiscal year.

Governmental Activities - Governmental activities decreased the Village's net position by \$411,826. Key elements of this decrease are as follows:

Village of Spring Grove, Illinois' Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Revenues						
Program Revenues						
Charges for Services	\$ 545,417	\$ 475,649	\$ 179,254	\$ 256,759	\$ 724,671	\$ 732,408
Operating Grants and Contributions	41,606	206,500	-	-	41,606	206,500
General Revenues						
Property Taxes	777,972	760,567	129,614	129,465	907,586	890,032
Sales Taxes	597,377	593,744	-	-	597,377	593,744
Other Taxes	1,475,385	1,535,704	-	-	1,475,385	1,535,704
Other	94,839	13,281	23,044	21,472	117,883	34,753
Total Revenues	\$ 3,532,596	\$ 3,585,445	\$ 331,912	\$ 407,696	\$ 3,864,508	\$ 3,993,141
Expenses						
Administration	\$ 588,475	\$ 542,775	\$ -	\$ -	\$ 588,475	\$ 542,775
Public Works	1,399,674	1,279,479	-	-	1,399,674	1,279,479
Public Safety	1,618,050	1,728,749	-	-	1,618,050	1,728,749
Parks and Recreation	204,983	228,182	-	-	204,983	228,182
Development	105,907	130,849	-	-	105,907	130,849
Interest and Fees on Long-Term Debt	10,333	12,634	-	-	10,333	12,634
Water and Sewer	-	-	343,667	314,459	343,667	314,459
Total Expenses	\$ 3,927,422	\$ 3,922,668	\$ 343,667	\$ 314,459	\$ 4,271,089	\$ 4,237,127
Increase/(Decrease) in Net Position Before Transfers						
	\$ (394,826)	\$ (337,223)	\$ (11,755)	\$ 93,237	\$ (406,581)	\$ (243,986)
Transfers	(17,000)	(51,000)	17,000	51,000	-	-
Increase/(Decrease) in Net Position	\$ (411,826)	\$ (388,223)	\$ 5,245	\$ 144,237	\$ (406,581)	\$ (243,986)
Net Position - Beginning of Year	13,066,895	13,455,118	2,899,591	2,755,354	15,966,486	16,210,472
Net Position Adjustment	(4,531,139)	-	-	-	(4,531,139)	-
Net Position - End of Year	\$ 8,123,930	\$ 13,066,895	\$ 2,904,836	\$ 2,899,591	\$ 11,028,766	\$ 15,966,486

- Charges for Services increased by \$69,768 due to an increase in collections from licenses, permits and fines.
- Operating Grants and Contributions decreased by \$164,894 primarily due to state grants received in the previous year that were not received in the current year.
- Other Tax revenues decreased by \$60,319 primarily due to a lower amount of utility tax collected from the state.
- Other revenues increased by \$81,558 mainly due to the Village realizing a loss on the sale of capital assets in the prior year. A small gain was realized in the current year.
- Public Works expenses increased by \$120,195 due to increases in personnel costs and additional maintenance, road repairs and snowplowing.
- Public Safety expenses decreased by \$110,699 primarily due to reduced personnel costs and lower fuel costs.

Business-Type Activities - Business-type activities increased the Village's net position by \$5,245. Key elements of this increase are as follows:

- Charges for Services decreased by \$77,505 due to a decrease in connection fees.
- Expenses increased by \$29,208 due mainly to an increase in meter replacements.

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 \$4,650,206, an increase of \$32,539 in comparison with the prior year. 68% 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 (\$193,789); 2) future capital projects (\$750,853); 3) public safety (\$218,104); and 4) special service areas (\$326,940).

The General Fund is the chief operating fund of the Village. At April 30, 2016, unassigned fund balance of the General Fund was \$3,160,520. 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 102% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$16,010 during the year ended April 30, 2016.

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, 2016 is \$625,090. The total increase in net position for the Water and Sewer Fund was \$5,245. 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 \$2,245,991 as of April 30, 2015 to \$2,524,092 as of April 30, 2016. 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, 2016, 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 (\$98,627) (unfavorable). This was primarily due to less than expected revenues for state utility taxes.

- The difference between appropriated expenditures and actual expenditures was \$1,050,049 (favorable) and was mostly due to less than expected expenditures for personnel expenses, insurance, and revenue sharing in the administration function; personnel expenses, fuel, 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, 2016 amounts to \$11,569,155 (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	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Land	\$ 2,246,557	\$ 2,246,557	\$ 9,273	\$ 9,273	\$ 2,255,830	\$ 2,255,830
Construction in Progress	24,538	24,103	-	-	24,538	24,103
Buildings	1,801,458	1,822,614	-	-	1,801,458	1,822,614
Vehicles	906,726	1,178,054	-	-	906,726	1,178,054
Equipment	253,777	352,299	8,513	13,184	262,290	365,483
Land Improvements	282,488	295,152	-	-	282,488	295,152
Water and Sewer Treatment System	-	-	3,211,773	3,337,600	3,211,773	3,337,600
Infrastructure	2,696,538	2,820,334	127,514	134,406	2,824,052	2,954,740
Total	<u>\$ 8,212,082</u>	<u>\$ 8,739,113</u>	<u>\$ 3,357,073</u>	<u>\$ 3,494,463</u>	<u>\$ 11,569,155</u>	<u>\$ 12,233,576</u>

Major capital asset events during the year ended April 30, 2016 included the following:

- A 2015 Chevy Tahoe was purchased for \$33,942.
- Small equipment purchases included a board room sound system for \$7,714, a surveillance system for \$5,181, public safety body cameras for \$2,709 and a compressor for \$4,300.
- A Ford F250 was purchased for \$33,584.
- A pavilion was constructed at Hatchery Park for \$44,674.

Additional information on the Village's capital assets can be found in note 3 on pages 28 and 29 of this report.

Long-Term Debt - At April 30, 2016, the Village had total debt outstanding of \$1,364,107. Of this amount, \$572,703 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	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Thelen Park Loan	\$ 229,161	\$ 263,333	\$ -	\$ -	\$ 229,161	\$ 263,333
Int'l Truck Loan	50,753	78,758	-	-	50,753	78,758
Panasonic ToughBooks	6,866	16,688	-	-	6,866	16,688
Revenue Bonds	-	-	784,539	893,657	784,539	893,657
Note Payable	-	-	292,788	338,530	292,788	338,530
Total	<u>\$ 286,780</u>	<u>\$ 358,779</u>	<u>\$ 1,077,327</u>	<u>\$ 1,232,187</u>	<u>\$ 1,364,107</u>	<u>\$ 1,590,966</u>

The Village's total debt decreased by \$226,859 (14.3%) during the year ended April 30, 2016. 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 29 and 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The assessed valuation for 2015 is \$160,593,666, an increase of \$7,624,935 from the 2014 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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,260,938	\$ 174,653	\$ 2,435,591
Investments	2,207,165	400,000	2,607,165
Receivables (Net of Allowance for Estimated Uncollectible Amounts)			
Accounts Receivable	71,358	67,554	138,912
Property Taxes	783,244	129,776	913,020
Utility Taxes	111,061	-	111,061
Due from Other Governmental Units	391,328	-	391,328
Capital Assets			
Land, Construction in Progress, and Other Non-Depreciable Assets	2,271,095	9,273	2,280,368
Other Capital Assets, Net of Depreciation	5,940,987	3,347,800	9,288,787
TOTAL ASSETS	\$ 14,037,176	\$ 4,129,056	\$ 18,166,232
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions - IMRF	\$ 142,398	\$ -	\$ 142,398
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 142,398	\$ -	\$ 142,398
LIABILITIES			
Accounts Payable	\$ 24,198	\$ 7,884	\$ 32,082
Accrued Expenses	26,332	9,301	35,633
Interfund Balances	68	(68)	-
Bond Liability	10,000	-	10,000
Due to Developer	315,051	-	315,051
Net OPEB Liability	10,795	-	10,795
Net Pension Liability - IMRF	184,402	-	184,402
Net Pension Liability - Police Pension	4,159,842	-	4,159,842
Non-Current Liabilities			
Due Within One Year	70,852	159,257	230,109
Due in More Than One Year	215,928	918,070	1,133,998
TOTAL LIABILITIES	\$ 5,017,468	\$ 1,094,444	\$ 6,111,912
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 799,239	\$ 129,776	\$ 929,015
Deferred Inflows Related to Pensions - Police Pension	238,937	-	238,937
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,038,176	\$ 129,776	\$ 1,167,952
NET POSITION			
Net Investment in Capital Assets	\$ 7,925,302	\$ 2,279,746	\$ 10,205,048
Restricted for:			
Highways and Streets	193,039	-	193,039
Capital Projects	640,423	-	640,423
Public Safety	216,340	-	216,340
Special Service Areas	324,316	-	324,316
Unrestricted/(Deficit)	(1,175,490)	625,090	(550,400)
TOTAL NET POSITION	\$ 8,123,930	\$ 2,904,836	\$ 11,028,766

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, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Administration	\$ 588,475	\$ 121,907	\$ -	\$ (466,568)	\$ -	\$ (466,568)
Public Works	1,399,674	-	27,350	(1,372,324)	-	(1,372,324)
Public Safety	1,618,050	308,336	14,256	(1,295,458)	-	(1,295,458)
Parks and Recreation	204,983	44,739	-	(160,244)	-	(160,244)
Development	105,907	70,435	-	(35,472)	-	(35,472)
Interest and Fees on Long-Term Debt	10,333	-	-	(10,333)	-	(10,333)
	<u>\$ 3,927,422</u>	<u>\$ 545,417</u>	<u>\$ 41,606</u>	<u>\$ (3,340,399)</u>	<u>\$ -</u>	<u>\$ (3,340,399)</u>
Business-Type Activities						
Water and Sewer	\$ 343,667	\$ 179,254	\$ -	\$ -	\$ (164,413)	\$ (164,413)
	<u>\$ 343,667</u>	<u>\$ 179,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164,413)</u>	<u>\$ (164,413)</u>
Total Primary Government	<u>\$ 4,271,089</u>	<u>\$ 724,671</u>	<u>\$ 41,606</u>	<u>\$ (3,340,399)</u>	<u>\$ (164,413)</u>	<u>\$ (3,504,812)</u>
		General Revenues				
		Taxes				
			Property Tax, Levied for General Purposes	\$ 777,972	\$ 129,614	\$ 907,586
			State Sales Tax	597,377	-	597,377
			State Income Tax	585,673	-	585,673
			State Use Tax	133,379	-	133,379
			State Motor Fuel Tax	147,795	-	147,795
			Utility Taxes	590,442	-	590,442
			Other Taxes	18,096	-	18,096
			Impact Fees	4,497	-	4,497
			Unrestricted Investment Earnings	15,179	3,465	18,644
			Gain/(Loss) on Sale of Capital Assets	8,777	-	8,777
			Miscellaneous	66,386	19,579	85,965
			Transfers	(17,000)	17,000	-
			Total General Revenues and Transfers	<u>\$ 2,928,573</u>	<u>\$ 169,658</u>	<u>\$ 3,098,231</u>
			Change in Net Position	\$ (411,826)	\$ 5,245	\$ (406,581)
			Net Position - May 1, 2015	13,066,895	2,899,591	15,966,486
			Change in Accounting Principle (Note 20)	(4,531,139)	-	(4,531,139)
			Net Position - April 30, 2016	<u>\$ 8,123,930</u>	<u>\$ 2,904,836</u>	<u>\$ 11,028,766</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, 2016

	General Fund	Capital Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,033,473	\$ 751,638	\$ 180,639	\$ 295,188	\$ 2,260,938
Investments	1,957,165	-	-	250,000	2,207,165
Receivables (Net of Allowance for Estimated Uncollectible Amounts)					
Accounts Receivable	71,358	-	-	-	71,358
Property Taxes	710,923	-	-	72,321	783,244
Utility Taxes	111,061	-	-	-	111,061
Due from Other Governmental Units	377,928	-	13,150	250	391,328
TOTAL ASSETS	\$ 4,261,908	\$ 751,638	\$ 193,789	\$ 617,759	\$ 5,825,094
LIABILITIES					
Accounts Payable	\$ 24,198	\$ -	\$ -	\$ -	\$ 24,198
Accrued Payroll	26,332	-	-	-	26,332
Interfund Balances	(1,111)	785	-	394	68
Bond Liability	10,000	-	-	-	10,000
Due to Developer	315,051	-	-	-	315,051
TOTAL LIABILITIES	\$ 374,470	\$ 785	\$ -	\$ 394	\$ 375,649
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	\$ 726,918	\$ -	\$ -	\$ 72,321	\$ 799,239
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 726,918	\$ -	\$ -	\$ 72,321	\$ 799,239
FUND BALANCES					
Restricted for:					
Highways and Streets	\$ -	\$ -	\$ 193,039	\$ -	\$ 193,039
Capital Projects	-	640,423	-	-	640,423
Public Safety	-	-	-	216,340	216,340
Special Service Areas	-	-	-	324,316	324,316
Assigned for:					
Highways and Streets	-	-	750	-	750
Capital Projects	-	110,430	-	-	110,430
Public Safety	-	-	-	1,764	1,764
Special Service Areas	-	-	-	2,624	2,624
Unassigned (Deficit)	3,160,520	-	-	-	3,160,520
TOTAL FUND BALANCES	\$ 3,160,520	\$ 750,853	\$ 193,789	\$ 545,044	\$ 4,650,206
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,261,908	\$ 751,638	\$ 193,789	\$ 617,759	\$ 5,825,094

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, 2016

Total Fund Balances - Governmental Funds	\$	4,650,206
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets, net of accumulated depreciation		8,212,082
Deferred pension costs in governmental activities are not financial resources and therefore are not reported in the funds.		
Deferred Outflows - IMRF	\$ 142,398	
Deferred Inflows - Police Pension	<u>(238,937)</u>	
		(96,539)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net OPEB Liability	\$ (10,795)	
Bonds and Notes Payable	<u>(286,780)</u>	
		(297,575)
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.		
Net Pension Liability - IMRF	\$ (184,402)	
Net Pension Liability - Police Pension	<u>(4,159,842)</u>	
		<u>(4,344,244)</u>
Net Position of Governmental Activities	\$	<u><u>8,123,930</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, 2016

	General Fund	Capital Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Taxes					
Property Tax	\$ 706,501	\$ -	\$ -	\$ 71,471	\$ 777,972
Intergovernmental					
State Sales Tax	597,377	-	-	-	597,377
State Income Tax	585,673	-	-	-	585,673
State Replacement Tax	4,128	-	-	-	4,128
State Use Tax	133,379	-	-	-	133,379
State Motor Fuel Tax	-	-	147,795	-	147,795
Grants	14,256	-	1,815	-	16,071
Other Local Sources					
Utility Tax	590,442	-	-	-	590,442
Amusement Tax	13,968	-	-	-	13,968
Licenses and Permits	174,210	-	-	-	174,210
Fines and Forfeitures	175,801	2,629	-	137,035	315,465
Charges for Services	55,742	-	-	-	55,742
Impact Fees	2,497	2,000	-	-	4,497
Interest	13,919	521	115	624	15,179
Rentals	5,417	-	-	-	5,417
Royalties	12,224	-	-	-	12,224
Miscellaneous					
Donations	-	24,985	-	550	25,535
Asset Sale	-	-	-	1,648	1,648
Other Miscellaneous	13,369	28,761	9,059	4,685	55,874
	<u>\$ 3,098,903</u>	<u>\$ 58,896</u>	<u>\$ 158,784</u>	<u>\$ 216,013</u>	<u>\$ 3,532,596</u>
EXPENDITURES					
Current					
Administration	\$ 593,498	\$ -	\$ -	\$ -	\$ 593,498
Public Works	918,017	-	274,687	-	1,192,704
Public Safety	1,252,813	-	-	19,874	1,272,687
Parks and Recreation	78,000	-	-	-	78,000
Development	77,647	-	-	-	77,647
Capital Outlay	95,606	90,583	-	-	186,189
Debt Service					
Principal	71,999	-	-	-	71,999
Interest and Fees	10,333	-	-	-	10,333
	<u>\$ 3,097,913</u>	<u>\$ 90,583</u>	<u>\$ 274,687</u>	<u>\$ 19,874</u>	<u>\$ 3,483,057</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 990	\$ (31,687)	\$ (115,903)	\$ 196,139	\$ 49,539
OTHER FINANCING SOURCES/(USES)					
Transfers	(17,000)	37,000	-	(37,000)	(17,000)
NET CHANGE IN FUND BALANCES	\$ (16,010)	\$ 5,313	\$ (115,903)	\$ 159,139	\$ 32,539
FUND BALANCES - MAY 1, 2015	3,176,530	745,540	309,692	385,905	4,617,667
FUND BALANCES - APRIL 30, 2016	<u>\$ 3,160,520</u>	<u>\$ 750,853</u>	<u>\$ 193,789</u>	<u>\$ 545,044</u>	<u>\$ 4,650,206</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 32,539

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	\$ (659,570)	
Capital Outlays	<u>132,539</u>	(527,031)

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.

Proceeds from Sale of Capital Assets	\$ (8,777)	
Gain/(Loss) on Sale of Capital Assets	<u>8,777</u>	-

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

Change in Other Post-Employment Benefits	\$ (4,425)	
Pension Expense - IMRF	7,062	
Pension Expense - Police Pension	<u>8,030</u>	10,667

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>71,999</u>
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Change in Net Position of Governmental Activities \$ (411,826)

VILLAGE OF SPRING GROVE, ILLINOIS
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 APRIL 30, 2016

	Enterprise Fund Water and Sewer
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 174,653
Investments	400,000
Receivables (Net of Allowance for Estimated Uncollectible Amounts)	
Property Taxes	129,776
Accounts Receivable	67,554
Interfund Receivables	68
	\$ 772,051
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	(1,836,041)
	\$ 3,357,073
TOTAL ASSETS	\$ 4,129,124
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 7,884
Accrued Interest	9,301
Bonds Payable - Current	159,257
	\$ 176,442
Non-Current Liabilities	
Bonds Payable (Net of Current Portion Shown Above)	\$ 918,070
TOTAL LIABILITIES	\$ 1,094,512
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 129,776
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 129,776
NET POSITION	
Net Investment in Capital Assets	\$ 2,279,746
Unrestricted/(Deficit)	625,090
TOTAL NET POSITION	\$ 2,904,836

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, 2016

	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for Services	
Customer Fees	\$ 162,634
Water Meter Sales	520
Other Fees	40
	\$ 163,194
OPERATING EXPENSES	
Office Expenses	\$ 3,497
Operating Expenses	170,803
Depreciation	137,390
	\$ 311,690
OPERATING INCOME/(LOSS)	\$ (148,496)
NON-OPERATING REVENUE/(EXPENSE)	
Connection Fees	\$ 16,060
Interest Income	3,465
Rental Income	19,579
Property Taxes	129,614
Interest Expense	(31,977)
	\$ 136,741
INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ (11,755)
TRANSFERS (TO)/FROM OTHER FUNDS	17,000
CHANGE IN NET POSITION	\$ 5,245
NET POSITION - MAY 1, 2015	2,899,591
NET POSITION - APRIL 30, 2016	\$ 2,904,836

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, 2016

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 139,650
Payments to Suppliers for Goods and Services	(170,894)
Net Cash Provided/(Used) by Operating Activities	\$ (31,244)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	\$ 17,000
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 17,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection Fees	\$ 16,060
Interest Paid on Capital Debt	(33,310)
Principal Paid on Capital Debt	(154,860)
Other Receipts/(Payments)	149,125
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ (22,985)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents and Investments	\$ 3,465
Net Cash Provided/(Used) by Investing Activities	\$ 3,465
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (33,764)
CASH AND CASH EQUIVALENTS AND INVESTMENT BALANCE - MAY 1, 2015	608,417
CASH AND CASH EQUIVALENTS AND INVESTMENT BALANCE - APRIL 30, 2016	\$ 574,653
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ (148,496)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	137,390
Change in assets and liabilities:	
Receivables, net	(23,544)
Accounts Payable	3,406
Net Cash Provided by Operating Activities	\$ (31,244)

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, 2016

	Police Pension Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 636,669
Investments, at fair value	1,887,423
TOTAL ASSETS	\$ 2,524,092
TOTAL LIABILITIES	\$ -
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$ 2,524,092

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, 2016

	<u>Police Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 332,003
Plan Members	51,533
Total Contributions	<u>\$ 383,536</u>
Investment Income	
Interest Income	\$ 732
Unrealized Gain/(Loss)	85,829
Realized Gain/(Loss)	(3,217)
Net Investment Income	<u>\$ 83,344</u>
TOTAL ADDITIONS	<u>\$ 466,880</u>
DEDUCTIONS	
Benefits	\$ 145,015
Refunds of Contributions	33,177
Administrative Expenses	10,587
TOTAL DEDUCTIONS	<u>\$ 188,779</u>
NET INCREASE/(DECREASE)	\$ 278,101
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - MAY 1, 2015	<u>2,245,991</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - APRIL 30, 2016	<u><u>\$ 2,524,092</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, 2016

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Basic Financial Statements – Fund Financial Statements (Continued)*

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:

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

2. Modified Accrual (Continued)

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, 2016.

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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Capital Assets* (Continued)

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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Government-Wide and Proprietary Fund Net Position* (Continued)

- 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Governmental Fund Balances (Continued)*

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

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

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 \$799,239 and \$129,776 in its governmental funds and its proprietary funds, respectively, are from the 2015 tax levy. The unavailable revenue is 100% of the 2015 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 2016. The Village has determined that 100% of the amount collected for the 2014 levy is allocable for use in fiscal year 2016. Therefore, 100% of the amounts collected for the 2014 levy (\$907,586) 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2016, the Village had the following investments:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 679,555	\$ 679,555	\$ -	\$ -	\$ -

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, 2016, the Village's investments were rated as follows:

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

Concentration of Credit Risk. The Village places no limit on the amount the Village may invest in any one issuer. More than 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, 2016 was as follows:

	Balance January 0, 1900	Increases	Decreases	Balance January 0, 1900
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 2,246,557	\$ -	\$ -	\$ 2,246,557
Construction in Progress	24,103	435	-	24,538
Total Capital Assets not being depreciated	\$ 2,270,660	\$ 435	\$ -	\$ 2,271,095
Other Capital Assets				
Buildings	\$ 2,881,236	\$ 44,674	\$ -	\$ 2,925,910
Vehicles	2,301,034	67,526	52,063	2,316,497
Equipment	1,209,433	19,904	8,506	1,220,831
Land Improvements	358,307	-	-	358,307
Infrastructure	3,654,903	-	-	3,654,903
Total Other Capital Assets at Historical Cost	\$ 10,404,913	\$ 132,104	\$ 60,569	\$ 10,476,448
Less Accumulated Depreciation for				
Buildings	\$ 1,058,622	\$ 65,830	\$ -	\$ 1,124,452
Vehicles	1,122,980	338,854	52,063	1,409,771
Equipment	857,134	118,426	8,506	967,054
Land Improvements	63,155	12,664	-	75,819
Infrastructure	834,569	123,796	-	958,365
Total Accumulated Depreciation	\$ 3,936,460	\$ 659,570	\$ 60,569	\$ 4,535,461
Other Capital Assets, Net	\$ 6,468,453	\$ (527,466)	\$ -	\$ 5,940,987
Governmental Activities Capital Assets, Net	\$ 8,739,113	\$ (527,031)	\$ -	\$ 8,212,082

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance May 1, 2015	Increases	Decreases	Balance April 30, 2016
Business-Type Activities				
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	-	-	35,033
Infrastructure	137,853	-	-	137,853
Total Other Capital Assets at Historical Cost	<u>\$ 5,183,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,183,841</u>
Less Accumulated Depreciation for				
Water and Sewer Treatment System	\$ 1,673,355	\$ 125,827	\$ -	\$ 1,799,182
Equipment	21,849	4,671	-	26,520
Infrastructure	3,447	6,892	-	10,339
Total Accumulated Depreciation	<u>\$ 1,698,651</u>	<u>\$ 137,390</u>	<u>\$ -</u>	<u>\$ 1,836,041</u>
Other Capital Assets, Net	<u>\$ 3,485,190</u>	<u>\$ (137,390)</u>	<u>\$ -</u>	<u>\$ 3,347,800</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,494,463</u>	<u>\$ (137,390)</u>	<u>\$ -</u>	<u>\$ 3,357,073</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:		
Administration		\$ 9,754
Public Works		211,270
Public Safety		348,496
Parks and Recreation		61,131
Development		28,919
Total Governmental Activities Depreciation Expense		<u>\$ 659,570</u>
Business-Type Activities:		
Water and Sewer		\$ 137,390
Total Business-Type Activities Depreciation Expense		<u>\$ 137,390</u>

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

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

	Balance May 1, 2015	Additions	Retirements	Balance April 30, 2016	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
Thelen Park Loan	\$ 263,333	\$ -	\$ 34,172	\$ 229,161	\$ 35,261
International Truck Loan	78,758	-	28,005	50,753	28,726
Panasonic ToughBooks	16,688	-	9,822	6,866	6,865
Total Bonds and Notes Payable	<u>\$ 358,779</u>	<u>\$ -</u>	<u>\$ 71,999</u>	<u>\$ 286,780</u>	<u>\$ 70,852</u>
Governmental Activities Long-Term Liabilities	<u>\$ 358,779</u>	<u>\$ -</u>	<u>\$ 71,999</u>	<u>\$ 286,780</u>	<u>\$ 70,852</u>
Business-Type Activities					
Bonds Payable:					
Revenue Bonds	\$ 893,657	\$ -	\$ 109,118	\$ 784,539	\$ 112,056
Note Payable	338,530	-	45,742	292,788	47,201
Total Bonds Payable	<u>\$ 1,232,187</u>	<u>\$ -</u>	<u>\$ 154,860</u>	<u>\$ 1,077,327</u>	<u>\$ 159,257</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,232,187</u>	<u>\$ -</u>	<u>\$ 154,860</u>	<u>\$ 1,077,327</u>	<u>\$ 159,257</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

Bonds and notes payable consisted of the following at April 30, 2016:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities:				
Thelen Park Loan	2/1/2022	3.150%	\$ 362,034	\$ 229,161
International Truck Loan	11/1/2017	2.550%	139,560	50,753
Panasonic ToughBooks	1/7/2017	5.698%	28,912	6,866
Business-Type Activities:				
Revenue Bonds	7/1/2022	2.675%	\$ 2,000,000	\$ 784,539
Note Payable	11/1/2021	3.150%	470,559	292,788

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

Year Ending April 30	Principal	Interest	Total
2017	\$ 70,852	\$ 7,973	\$ 78,825
2018	58,414	5,962	64,376
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>\$ 286,780</u>	<u>\$ 24,686</u>	<u>\$ 311,466</u>

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

Year Ending April 30	Principal	Interest	Total
2017	\$ 159,257	\$ 28,911	\$ 188,168
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	65,279	873	66,152
	<u>\$ 1,077,327</u>	<u>\$ 103,867</u>	<u>\$ 1,181,194</u>

NOTE 5 - INTERFUND BALANCES

Interfund balances at April 30, 2016 consisted of the following:

Due from General Fund to:	
Wastewater Fund	<u>\$ 68</u>
Due to General Fund from:	
Police Special Fund	394
Capital Fund	785
	<u>\$ 1,179</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, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY TAXES

The 2015 levy was passed by the Board on December 1, 2015. A summary of the assessed valuations, rates, and extensions for the years 2015, 2014, and 2013 follows:

Tax Year	\$160,593,666		\$152,968,731		\$158,174,729	
Assessed Valuation	Rate	Extension	Rate	Extension	Rate	Extension
Corporate	0.2102	\$ 337,533	0.2722	\$ 416,431	0.2258	\$ 357,234
Police Pension	0.2067	332,000	0.1634	250,001	0.1871	296,000
	0.4169	\$ 669,533	0.4357	\$ 666,432	0.4130	\$ 653,234
Road and Bridge (from Townships)		\$ 41,391	-	\$ 40,014	-	\$ 39,477
Special Service Area #1	0.6615	\$ 129,776	0.6587	\$ 129,776	0.5920	\$ 129,776
Special Service Area #8	-	25,500	-	25,500	-	25,500
Special Service Area #9	-	22,988	-	22,988	-	21,754
Special Service Area #11	-	4,272	-	4,272	-	4,272
Special Service Area #13	-	7,872	-	7,872	-	7,360
Special Service Area #15	-	7,801	-	7,801	-	7,511
Special Service Area #24	-	3,888	-	3,888	-	3,648
	0.6615	202,097	0.6587	\$ 202,097	0.5920	\$ 199,821

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no funds in which the expenditures exceeded the appropriations for the year ended April 30, 2016.

NOTE 9 - OPERATING LEASES

The Village leases copier and laptop equipment under operating leases. Total lease expense for fiscal year 2016 was \$3,503.

Annual requirements to cover outstanding lease agreements at April 30, 2016 are:

Year Ending April 30	Total Payments
2017	\$ 3,552
2018	3,552
2019	3,552
2020	2,040
2021	2,040
	\$ 14,736

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND

A. *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 multiple-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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

A. *Plan Description* (Continued)

that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. That report may be obtained on-line at www.imrf.org.

B. *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).

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.

C. *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, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	12
Total	19

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. *Contributions*

As set by statute, the Village’s Regular plan members are required to contribute 4.50% 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 required contribution rate for calendar year 2015 was 10.38%. For the fiscal year ended April 30, 2016, the Village contributed \$57,550 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

E. *Net Pension Liability*

The components of the net pension liability of the IMRF as of December 31, 2014 calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	1,384,703
IMRF Fiduciary Net Position		1,200,301
Village's Net Pension Liability		184,402
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		87%

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.

F. *Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% - 14.5% including inflation
Interest Rate	7.49%
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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

G. *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:

Asset Class	Target Allocation	Projected Return
Equities	63.2%	7.60%
International Equities	2.6%	7.80%
Fixed Income	23.5%	3.00%
Real Estate	4.3%	6.15%
Alternatives	4.5%	
Private Equity		8.50%
Hedge Funds		5.25%
Commodities		2.75%
Cash Equivalents	1.9%	2.25%
	100.0%	

H. *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 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 3.56%; and resulting single discount rate is 7.49%.

I. *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 7.49% 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 (6.49%) or 1-percentage-point higher (8.49%) than the current rate:

	1% Decrease 6.49%	Current Single Discount Rate 7.49%	1% Increase 8.49%
Net Pension Liability	\$ 446,115	\$ 184,402	\$ (23,273)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

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

For the year ended June 30, 2016, the Village recognized pension expense of \$47,044. At June 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Expense in Future Periods	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ 6,780	\$ -	\$ 6,780
Assumption changes	47,843	-	47,843
Net difference between projected and actual earnings on pension investments	<u>12,585</u>	<u>-</u>	<u>12,585</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 67,208	\$ -	\$ 67,208
Pension contributions made subsequent to the measurement date	<u>75,190</u>	<u>-</u>	<u>75,190</u>
Total deferred amounts related to pensions	<u><u>\$ 142,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,398</u></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>
2015	\$ 10,754
2016	10,754
2017	10,754
2018	10,754
2019	7,608
Thereafter	<u>16,584</u>
	<u><u>\$ 67,208</u></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:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

B. *Plan Membership* (Continued)

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.

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, 2016 the Village's contribution was 57% 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:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	75.0%	1.2%
Large Capital Domestic Equity	17.5%	6.4%
Small Capital Domestic Equity	5.0%	8.4%
International Equity	2.5%	6.7%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

E. *Investment Policy (Continued)*

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, 2016 are listed in the table above.

F. *Investment Valuations*

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, 2016 for debt securities, equity securities and mutual funds.

G. *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.

H. *Investment Rate of Return*

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

I. *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.

J. *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, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

J. *Interest Rate Risk* (Continued)

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
Mutual Funds	\$ 602,166	\$ 602,166	\$ -	\$ -	\$ -
Fannie Mae	35,807	-	35,807	-	-
FFCB	560,741	-	41,935	398,312	120,494
FHLB	416,404	-	37,411	362,483	16,510
Freddie Mac	25,159	10,087	15,072	-	-
Tennessee Valley Auth.	64,304	-	-	64,304	-
American Express	19,386	-	19,386	-	-
AT&T Inc.	25,186	25,186	-	-	-
Ebay Inc.	25,080	-	25,080	-	-
General Electric Corp	16,545	-	-	16,545	-
Oracle Corp	25,130	-	25,130	-	-
The Walt Disney Company	25,195	-	25,195	-	-
Proctor & Gamble Co	5,532	-	5,532	-	-
EMC Corp	14,217	-	14,217	-	-
Target Corp	26,578	-	-	26,578	-
Simon Property Group Inc.	10,623	-	-	10,623	-
Texas Instruments	15,175	15,175	-	-	-
Wells Fargo	31,647	31,647	-	-	-
US Treasury Notes	268,429	5,034	123,147	140,248	-
Municipal Bonds	276,285	-	53,994	100,940	121,351
	<u>\$ 2,489,589</u>	<u>\$ 689,295</u>	<u>\$ 421,906</u>	<u>\$ 1,120,033</u>	<u>\$ 258,355</u>

K. *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 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, 2016, the Plan's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
Mutual Funds	NR	Standard and Poor's
Fannie Mae	Aaa	Moody's Investors Service
FFCB	AA+	Standard and Poor's
FHLB	Aaa	Moody's Investors Service
Freddie Mac	Aaa	Moody's Investors Service
Tennessee Valley Authority	NR	Moody's Investors Service
American Express	A3	Moody's Investors Service
AT&T Inc.	Baa1	Moody's Investors Service
Ebay Inc.	Baa1	Moody's Investors Service
General Electric Corp	A1	Moody's Investors Service
Oracle Corp	A1	Moody's Investors Service
The Walt Disney Company	A2	Moody's Investors Service
Proctor & Gamble Co	Aa3	Moody's Investors Service
EMC Corp	A1	Moody's Investors Service
Target Corp	A2	Moody's Investors Service
Simon Property Group Inc.	A2	Moody's Investors Service
Texas Instruments	A1	Moody's Investors Service
Wells Fargo	A2	Moody's Investors Service
US Treasury Notes	NR	Moody's Investors Service
Municipal Bonds	AAA - AA / Aaa - Aa2	Standard and Poor's / Moody's Investors Service

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

L. *Net Pension Liability*

The components of the net pension liability of the Plan as of April 30, 2016 calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$	6,683,934
Plan Fiduciary Net Position		2,524,092
Village's Net Pension Liability		4,159,842
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		38%

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.

M. *Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Actuarial Valuation Date	January 00, 1900
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 prepared by Lauterbach and Amen, LLP in 2016. The table combines observed experience of Illinois Police Officers with the RP -2014 mortality table for blue collar workers. Mortality improvements have been made up to 5 years past the valuation date. Other demographic assumption rates are based on a review of assumptions in the L&A 2016 for Illinois Police Officers.

N. *Discount Rate*

The discount rate used in the determination of the Total Pension Liability was 4.91%. 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 for the current employees until 2069.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - POLICE PENSION PLAN (Continued)

O. *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 4.91% 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 (3.91%) or 1 percentage point higher (5.91%) than the current rate.

	1% Decrease -3.91%	Current Discount Rate -4.91%	1% Increase -5.91%
Employer Net Pension Liability	\$ 5,355,083	\$ 4,159,842	\$ 3,206,985

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.

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

For the year ended April 30, 2016, the Village recognized pension expense of \$323,973. At April 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Expense in Future Periods	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (549,165)	\$ (549,165)
Assumption changes	283,168	-	283,168
Net difference between projected and actual earnings on pension investments	<u>27,060</u>	<u>-</u>	<u>27,060</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 310,228	\$ (549,165)	\$ (238,937)
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 310,228</u>	<u>\$ (549,165)</u>	<u>\$ (238,937)</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>
2017	\$ (32,237)
2018	(32,237)
2019	(32,237)
2020	(32,237)
2021	(39,002)
Thereafter	<u>(70,987)</u>
	<u>\$ (238,937)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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:

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>1,953</u>
Increase in net OPEB obligation	\$ 4,425
Net OPEB obligation - beginning of year	6,370
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
4/30/2016	\$ 6,378	\$ 1,953	31%	\$ 10,795
4/30/2015	4,178	4,178	100%	6,370
4/30/2014	4,178	972	23%	6,370

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS – RETIREE PAID INSURANCE (Continued)

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, 2016 was 28 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, 2016 consisted of the following:

Transfers from General Fund to:		
Water and Sewer Fund	\$	17,000
Transfer from SSA Fund to		
Capital Fund		37,000

The transfer from the General Fund to the Water and Sewer Fund was made to cover operating expenses. The transfer from the SSA Fund to the Capital Fund was made to pay for the SSA projects paid out of the Capital Fund.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - RISK MANAGEMENT (Continued)

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

NOTE 16 - CONSTRUCTION COMMITMENTS

The Village has incurred \$24,537 of expenses relating to the Winn Road bike path as of April 30, 2016. The Village incurred \$435 of these expenses during fiscal year 2016. The estimated cost and completion date of the commitment is unknown.

NOTE 17 - CONTINGENCIES

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

NOTE 18 - 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.

2015 EAV	\$	160,593,666
	X	<u>8.625%</u>
Debt Margin	\$	13,851,204
Current Governmental Activities Debt		<u>(286,780)</u>
Remaining Debt Margin	\$	<u><u>13,564,424</u></u>

NOTE 19 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through August 31, 2016, the date on which the financial statements were available to be issued.

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended April 30, 2016, the Village has implemented GASB Statement No. 68, *Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of GASB Statement No. 68 and GASB Statement No. 71 required a restatement for prior year net positions related to the pension funds. As a result, the beginning net position decreased by \$4,531,139.

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, 2016

	4/30/2016 *
TOTAL PENSION LIABILITY	
Service Cost	\$ 62,463
Interest	91,143
Differences Between Expected and Actual Experience	7,724
Changes in Assumptions	54,507
Benefit Payments, Including Refunds of Member Contributions	(30,292)
Net Change in Total Pension Liability	\$ 185,545
 Total Pension Liability - Beginning	 1,199,158
Total Pension Liability - Ending	\$ 1,384,703
 PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 57,040
Contributions - Member	24,993
Net Investment Income	66,968
Benefit Payments, Including Refunds of Member Contributions	(30,292)
Other	9,624
Net Change in Plan Fiduciary Net Position	\$ 128,333
 Plan Net Position - Beginning	 1,071,968
Plan Net Position - Ending	\$ 1,200,301
 Village's Net Pension Liability	 \$ 184,402
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.68%
 Covered-Employee Payroll	\$ 535,824
 Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	34.41%

* 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, 2016

	4/30/2016 *
Actuarial Determined Contribution	\$ 55,029
Contributions in Relation to Actuarially Determined Contribution	57,040
Contribution Deficiency/(Excess)	\$ (2,011)
Covered-Employee Payroll	\$ 535,824
Contributions as a Percentage of Covered-Employee Payroll	10.65%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2014 Contribution Rate *

Actuarially determined contribution rates are calculated as of December 31 each year, which are 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: 29-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: 4%

Price Inflation: 3%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 4.40% to 16%, 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.

Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

*Based on Valuation Assumptions used in the December 31, 2012 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

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

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

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

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.

VILLAGE OF SPRING GROVE, ILLINOIS
 POST EMPLOYMENT BENEFIT COMMITMENTS
 SCHEDULE OF FUNDING PROGRESS
 APRIL 30, 2016

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)
4/30/2016	\$ -	\$ 61,243	\$ 61,243	0.00%	N/A	N/A
4/30/2015	-	61,243	61,243	0.00%	N/A	N/A
4/30/2014	-	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, 2016

	<u>Appropriated Amounts</u>	<u>Actual Amounts</u>
	<u>Original and Final</u>	<u></u>
REVENUES		
Local Taxes		
Property Tax	\$ 710,430	\$ 706,501
Intergovernmental		
State Sales Tax	575,000	597,377
State Income Tax	550,000	585,673
State Replacement Tax	4,000	4,128
State Use Tax	100,000	133,379
Grants	10,000	14,256
Other Local Sources		
Utility Tax	700,000	590,442
Amusement Tax	22,000	13,968
Licenses and Permits	176,000	174,210
Fines and Forfeitures	226,500	175,801
Charges for Services	64,600	55,742
Impact Fees	11,000	2,497
Interest	20,000	13,919
Rentals	5,000	5,417
Royalties	15,000	12,224
Miscellaneous		
Other Miscellaneous	8,000	13,369
Total Revenues	<u>\$ 3,197,530</u>	<u>\$ 3,098,903</u>
EXPENDITURES		
Current		
Administration		
Personnel Salaries	\$ 243,100	\$ 184,381
Payroll Taxes	18,850	14,047
Retirement and Benefits	26,910	19,753
Contract Services	29,120	21,924
Professional Fees	103,350	123,386
Insurance	89,700	63,205
Dues and Subscriptions	9,100	6,854
Supplies	1,560	1,200
Printing	2,600	839
Office Expense	9,100	6,052
Communications	14,950	11,524
Special Events	12,350	8,926
Revenue Sharing	159,900	130,718
Miscellaneous Expenses	975	689
	<u>\$ 721,565</u>	<u>\$ 593,498</u>
Public Works		
Personnel Salaries	\$ 344,500	\$ 312,080
Payroll Taxes	27,040	23,597
Retirement and Benefits	89,180	69,584

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, 2016

	<u>Appropriated Amounts Original and Final</u>	<u>Actual Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Public Works (Continued)		
Contract Services	\$ 650	\$ 432
Engineering Fees	32,500	24,396
Fuel	36,400	17,002
Small Tools	2,600	2,651
Seminars and Dues	2,600	1,671
Supplies	14,950	12,406
Rentals	1,300	-
Utilities	3,900	3,084
Maintenance and Repairs	211,400	176,433
Road Maintenance	293,800	221,763
Snowplowing	84,500	49,826
Communications	3,900	2,688
Miscellaneous Expenses	1,560	404
	<u>\$ 1,150,780</u>	<u>\$ 918,017</u>
Public Safety		
Personnel Salaries	\$ 959,400	\$ 648,261
Payroll Taxes	24,700	15,517
Retirement and Benefits	112,450	62,836
Pension Contribution	431,600	332,001
Contract Services	72,930	50,886
Professional Fees	66,300	52,162
Communications	33,800	13,152
Supplies	18,200	10,996
Conferences and Dues	7,800	6,420
Training and Education	10,400	6,450
Maintenance and Repairs	23,400	14,734
Printing	6,370	3,501
Office Expense	14,170	9,827
Fuel	52,000	19,504
Miscellaneous Expenses	26,350	6,566
	<u>\$ 1,859,870</u>	<u>\$ 1,252,813</u>
Parks and Recreation		
Personnel Salaries	\$ 28,990	\$ 24,439
Payroll Taxes	2,210	1,902
Instructional Fees	33,800	16,589
Supplies	13,000	7,370
Park Maintenance	22,620	19,163
Contract Services	9,750	6,453
Special Events	6,630	1,743
Utilities	1,300	341
Miscellaneous	260	-
	<u>\$ 118,560</u>	<u>\$ 78,000</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, 2016

	<u>Appropriated Amounts Original and Final</u>	<u>Actual Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Development		
Personnel Salaries	\$ 59,800	\$ 47,048
Payroll Taxes	5,460	4,621
Retirement and Benefits	6,500	5,267
Contract Services	24,050	11,269
Communications	1,950	1,139
Maintenance and Repairs	3,257	1,200
Printing	195	-
Seminars and Dues	1,950	440
Supplies	2,600	1,101
Utilities	4,550	3,087
Miscellaneous Expenses	2,925	2,475
	<u>\$ 113,237</u>	<u>\$ 77,647</u>
Capital Outlay		
Public Safety	\$ 44,200	\$ 42,303
Parks and Recreation	27,300	20,378
Development	18,200	32,925
	<u>\$ 89,700</u>	<u>\$ 95,606</u>
Debt Service		
Principal	\$ 94,250	\$ 71,999
Interest and Fees	-	10,333
	<u>\$ 94,250</u>	<u>\$ 82,332</u>
Total Expenditures	<u>\$ 4,147,962</u>	<u>\$ 3,097,913</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (950,432)	\$ 990
OTHER FINANCING SOURCES/(USES)		
Transfers	<u>-</u>	<u>(17,000)</u>
NET CHANGE IN FUND BALANCE	\$ (950,432)	\$ (16,010)
FUND BALANCE - MAY 1, 2015	<u>3,176,530</u>	<u>3,176,530</u>
FUND BALANCE - APRIL 30, 2016	<u>\$ 2,226,098</u>	<u>\$ 3,160,520</u>

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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, 2016

	Appropriated Amounts Original and Final	Actual Amounts
REVENUES		
Intergovernmental		
State Motor Fuel Tax	\$ 140,000	\$ 147,795
Grants	160,000	1,815
Other Local Sources		
Interest	-	115
Other Miscellaneous	-	9,059
Total Revenues	\$ 300,000	\$ 158,784
EXPENDITURES		
Current		
Public Works		
Motor Fuel Expenses	\$ 552,000	\$ 274,687
Total Expenditures	\$ 552,000	\$ 274,687
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (252,000)	\$ (115,903)
OTHER FINANCING SOURCES/(USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (252,000)	\$ (115,903)
FUND BALANCE - MAY 1, 2015	309,692	309,692
FUND BALANCE - APRIL 30, 2016	\$ 57,692	\$ 193,789

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VILLAGE OF SPRING GROVE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
APRIL 30, 2016

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 2, 2015 and was not amended.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended April 30, 2016, no fund presented as Required Supplementary Information had expenditures that exceeded the appropriations ordinance.