

VILLAGE OF BETHALTO, ILLINOIS

ANNUAL FINANCIAL REPORT
APRIL 30, 2017

VILLAGE OF BETHALTO, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Village of Bethalto, Illinois

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Major Governmental General Fund, Business-Type Activity Water and Sewer Fund, and Fiduciary Police Pension Fund

The Village's financial statements do not disclose the disclosures required by Governmental Accounting Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, Governmental Accounting Standards Board Statement 67 *Financial Reporting for Pensions Plans*, and Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* in the Major Governmental General Fund, the Business-type Activity Water and Sewer Fund, and the Fiduciary Police Pension Fund. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Major Governmental General Fund, Business-Type Activity Water and Sewer Fund, and Fiduciary Police Pension Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Major Governmental General Fund, Business-Type Activity Water and Sewer Fund, and Fiduciary Police Pension Fund of the Village of Bethalto, Illinois, as of April 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, Municipal Retirement/Social Security Fund, Motor Fuel Tax Fund, and Garbage Fund, and the aggregate remaining fund information of the Village of Bethalto, Illinois, as of April 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4-10 and 56-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Bethalto, Illinois basic financial statements. The other supplemental information on pages 64-66 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Dennis Rose & Associates, P.C.
Certified Public Accountants
Alton, Illinois
October 9, 2017

VILLAGE OF BETHALTO, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Within this section of the Village of Bethalto, Illinois' (the Village) annual financial report, the Village's management is pleased to provide this narrative discussion and analysis of the financial activities of the Village for the fiscal year ended April 30, 2017. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Village's assets exceeded its liabilities by \$15,551,984 and \$15,077,435 (net position) for the fiscal year 2017 and 2016.
- Capital assets of \$26,627,139 include property, equipment and vehicles, net of accumulated depreciation. This is an increase of \$417,571 in comparison to 2016.
- The Village's governmental activities revenue decreased to \$6.3 million or 7.4% while expenses increased to \$6.6 million or 11.9%. The Village's business-type activities revenue increased to \$4.5 million or 9.8% while expenses decreased to \$3.7 million or 12%.
- The Village's governmental funds reported total ending fund balance of \$1,403,145 this year. This compares to the prior year ending fund balance of \$1,326,059 an increase of \$77,086 during the current year.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

INDEPENDENT AUDITOR'S REPORT

Our auditors have provided assurance in their Independent Auditor's Report that are presented on pages 1 to 3. Varying degrees of assurance are being provided by the auditors regarding the basic financial statements, required supplemental information, and the supplemental information. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the parts in the financial section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Village also includes in this report required supplementary information and supplementary information consisting of budgetary comparison schedules and other supplemental schedules to assist users of the financial statements.

Government-Wide Financial Statements

The Village's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the Statement of Net Position. This is the statement presenting information that includes all of the Village's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village's infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the Village's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

The government-wide financial statements are presented on pages 11-13 of this report.

Fund Financial Statements

The Village's fund financial statements, which begin on page 14, provide information about the most significant funds.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives.

- *Governmental funds* – Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows into and out of these funds and (2) the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds statements provided a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We reconcile the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.
- *Proprietary funds* – Services for which the Village charges customers for the full cost of the services it provides are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long – and short-term financial information. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.
- *Fiduciary funds* – The Village has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Village's

fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

In fact, the Village's enterprise funds (one type of proprietary fund) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flow.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's combined net position changed from a year ago, increasing from \$15.1 million to \$15.6 million. Our analysis below focuses on the net position in terms of governmental and business-type activities.

	Net Position (in thousands of dollars)						Total Percentage Change 2017-2016
	Governmental Activities		Business-Type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Assets:							
Current Assets	\$ 3,793	\$ 3,754	\$ 1,856	\$ 1,522	\$ 5,649	\$ 5,276	7.1%
Capital Assets	<u>15,354</u>	<u>15,143</u>	<u>11,323</u>	<u>11,116</u>	<u>26,677</u>	<u>26,259</u>	<u>2.4%</u>
Total Assets	<u>\$19,147</u>	<u>\$18,897</u>	<u>\$13,179</u>	<u>\$12,638</u>	<u>\$32,326</u>	<u>\$31,535</u>	<u>.3%</u>
Deferred Outflow	\$ <u>1,305</u>	\$ <u>999</u>			\$ <u>1,305</u>	\$ <u>999</u>	
Liabilities:							
Current Liabilities	\$ 789	\$ 903	\$ 715	\$ 661	\$ 1,504	\$ 1,564	-3.8%
Long-Term Liabilities	<u>11,050</u>	<u>10,160</u>	<u>5,456</u>	<u>5,733</u>	<u>16,506</u>	<u>15,893</u>	<u>3.9%</u>
Total Liabilities	<u>\$11,839</u>	<u>\$11,063</u>	<u>\$ 6,171</u>	<u>\$ 6,394</u>	<u>\$18,010</u>	<u>\$17,457</u>	<u>3.1%</u>
Deferred Inflow	\$ <u>69</u>				\$ <u>69</u>		
Net Position:							
Invested in Capital Assets	\$ 4,304	\$ 4,984	\$ 5,868	\$ 5,383	\$10,172	\$10,367	1.9%
Restricted	1,382	1,306			1,382	1,306	5.8%
Unrestricted	<u>2,858</u>	<u>2,543</u>	<u>1,140</u>	<u>862</u>	<u>3,998</u>	<u>3,405</u>	<u>17.4%</u>
Total Net Position	<u>\$ 8,544</u>	<u>\$ 8,833</u>	<u>\$ 7,008</u>	<u>\$ 6,245</u>	<u>\$15,552</u>	<u>\$15,078</u>	<u>3.1%</u>

Net position of the Village's governmental activities decreased by 3.3%. Unrestricted net position – the part of net position that can be used to finance day to day operations – increased by 12.4% to a balance of \$2.9 million and restricted net position increased by 5.8% to a balance of \$1.4 million at the end of the year.

Net position of the Village's business-type activities increased 12.2% due to income from operations after non-operating expenses.

Remember, the following data is presented on the accrual basis of accounting which means that all costs are presented, however, the purchase of capital assets is not included but depreciation on the capital assets is included. In addition, vacation costs are reported when the employee earns the leave, not when they take the leave. The following table provides a summary of the Village's changes in net position:

Changes in Net Position (in thousands of dollars)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program Revenues:						
Charges for Services	\$ 938	\$ 846	\$4,485	\$4,142	\$ 5,423	\$ 4,988
Operating Grants	244	289			244	289
Capital Grants	39	1,160			39	1,160
General Revenues:						
Property Taxes	1,524	1,441			1,524	1,441
Utility Tax	829	845			829	845
Intergovernmental	2,120	2,156			2,120	2,156
Interest	4	2	2	2	6	4
Miscellaneous	<u>565</u>	<u>21</u>	<u>2</u>	<u>2</u>	<u>567</u>	<u>23</u>
Total Revenues	<u>\$6,263</u>	<u>\$6,760</u>	<u>\$4,489</u>	<u>\$4,146</u>	<u>\$10,752</u>	<u>\$10,906</u>
Program Expenses:						
General Government	\$2,082	\$2,554			\$ 2,082	\$ 2,554
Development Services	2	2			2	2
Public Safety	2,271	2,075			2,217	2,075
Streets and Highways	1,229	811			1,229	811
Cultural & Recreation	879	377			879	377
Interest on Debt	88	114			88	114
Water & Sewer	—	—	\$3,726	\$4,241	<u>3,726</u>	<u>4,241</u>
Total Expenses	<u>\$6,551</u>	<u>\$5,933</u>	<u>\$3,726</u>	<u>\$4,241</u>	<u>\$10,277</u>	<u>\$10,174</u>
Excess before Transfers	\$ (288)	\$ 827	\$ 763	\$ (95)	\$ 475	\$ 732
Transfers (Net)	—	<u>23</u>	—	<u>(23)</u>	—	—
Change in Net Position	\$ (288)	\$ 850	\$ 763	\$ (118)	\$ 475	\$ 732
Beginning Net Position	8,832	7,099	6,245	6,363	15,077	13,462
Change in Accounting Principle		883				883
Beginning New Position as Restated	—	<u>7,982</u>	—	<u>6,363</u>	—	<u>14,345</u>
Ending Net Position	<u>\$8,544</u>	<u>\$8,832</u>	<u>\$7,008</u>	<u>\$6,245</u>	<u>\$15,552</u>	<u>\$15,077</u>

The Village relied upon the Village taxpayers, intergovernmental, and charges for services for 24%, 34%, and 15% of its revenue, respectively, in its governmental activities. General Government and Public Safety represent the largest portion of the governmental activities' expenses (66% of total expenses).

Governmental Activities

The governmental funds consist of the following major funds: General, Municipal Retirement/Social Security, Motor Fuel Tax, and Garbage. The fund balance of the general fund increased 107.4%. The retirement fund decreased 74.1% and garbage fund increased 36.3%. The fund balance of the motor fuel tax fund decreased 10.4%. This decrease was due to actual expenses exceeding budgeted expenses for the year. The increase in the general fund is due primarily to realizing non-operating revenues during the year and delaying capital expenditures. The garbage fund increase was more than anticipated due to revenue exceeding budgeted amounts and expenditures were less than budgeted amounts. The IMRF decrease was anticipated due to limiting the IMRF levy to a smaller amount than the expenditures.

Business-Type Activities

The business-type fund consists of the water and sewer fund. The fund balance of the water and sewer fund increased 12.2%. This was due to operating revenues increased over prior year by \$343,256. Also, the operating expenses decreased by \$502,219. The actual net change in fund balance was \$763,442.

BUDGETARY HIGHLIGHTS

General Fund

The General Fund's final revenue budget was more than actual amounts by \$165,093 and the final expenditure budget was more than actual amounts by \$781,126.

Municipal Retirement/Social Security Fund

The Municipal Retirement/Social Security Fund's final revenue budget was less than actual amounts by \$838 and the final expenditure budget was less than actual amounts by \$8,481.

Motor Fuel Tax Fund

The Motor Fuel Tax Fund's final revenue budget was less than actual amounts by \$34,544 and the final expenditure budget was less than actual amounts by \$154,378.

Garbage Fund

The Garbage Fund's final revenue budget was less than actual amounts by \$9,552 and the final expenditure budget was more than actual amounts by \$12,639.

CAPITAL ASSETS

At the end of 2017, the Village had \$26.7 million (net of depreciation) invested in a broad range of capital assets that include building and improvements, sewer system, machinery and equipment, vehicles and infrastructure. The Finance Committee established an implementation policy for capital and fixed assets. Thresholds for capitalization based on a per piece basis, were established. Depreciation is calculated based on the straight-line method, and salvage value is estimated to be zero in all cases.

Village of Bethalto Capital Assets
(net depreciation in thousands of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 775	\$ 775	\$ 248	\$ 248	\$ 1,023	\$ 1,023
Construction in Progress	1,651	1,494	101	101	1,752	1,595
Buildings and Improvements	2,785	2,925	175	189	2,960	3,114
Furniture and Equipment	753	617	828	495	1,581	1,112
Vehicles	637	377	95	4	732	381
Infrastructure	8,753	8,955	0	0	8,753	8,955
Water and Sewer System	<u>0</u>	<u>0</u>	<u>9,876</u>	<u>10,079</u>	<u>9,876</u>	<u>10,079</u>
Totals	<u>\$15,354</u>	<u>\$15,143</u>	<u>\$11,323</u>	<u>\$11,116</u>	<u>\$26,677</u>	<u>\$26,259</u>

DEBT

The Village continues to maintain responsible and manageable debts. The total long term debt decreased in the current year by \$443,947 which is below the legal debt limitation.

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
Lease Purchase Commitments	\$ 106,236	\$ 134,532
Notes Payable	<u>3,294,999</u>	<u>3,432,923</u>
Total Governmental Activities	<u>\$3,401,235</u>	<u>\$3,567,455</u>
<u>Business-Type Activities:</u>		
Lease Purchase Commitments	\$ 56,457	\$ 73,281
Notes Payable	<u>5,399,055</u>	<u>5,659,958</u>
Total Business-Type Activities	<u>\$5,455,512</u>	<u>\$5,733,239</u>
Total Government	<u>\$8,856,747</u>	<u>\$9,300,694</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village has many factors to consider when establishing the 2017-2018 fiscal year budget. The budget for the year has been established by Village ordinance at \$13,437,517, which is an increase of \$119,917 from the previous year. This increase is mostly due to a continuance of capital projects in the parks and recreation and water/sewer fund.

The Water and Sewer Fund reflected an operating income of \$878,705 this past year and paid out \$789,554 in capital projects fund for needed replacement and improvements in the system. For this coming year, capital projects have budgeted \$707,500 in the Water and Sewer Fund.

The commercial retail development at St. Louis Regional Airport is at a standstill but the Village is hopeful that the developer will continue to market the property to potential businesses. Construction of Sports Complex Phase II has resumed and is expected to be ready for play next spring. The Splash Pad at the site of the former swimming pool is nearly complete and will be open Memorial Day weekend 2018. New housing construction continues to grow and a new housing development is expected to be announced soon. Commercial development continues with two large Assisted Living Centers underway as well as smaller commercial buildings expected along Route 140. Infrastructure improvements are proceeding as well. Upgrading of the sanitary sewers is well ahead of schedule. Storm sewer upgrades are seeing movement with recent acquisitions of property and easements that will help to control flood water from storms. The multi-use path that will connect Bethalto to the Madison County Trail System recently broke ground. Phase One along the Arboretum is expected to be complete in early 2018 with Phase Two along Moreland Road from Central St. to an area south of Route 140 to be finished in late 2018. Phase Three, which traverses Central Park, may possibly begin in 2018 depending on the availability of grant funding.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village's finances, comply with finance-related laws and regulations, and demonstrate the Village's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Village Clerk, Sue Lowrance, 213 N. Prairie Street, Bethalto, IL 62010.

VILLAGE OF BETHALTO, ILLINOIS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
APRIL 30, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Investments	\$ 1,080,655	\$ 1,142,222	\$ 2,222,877
Investments	50,113	151,294	201,407
Receivables (Net Where Applicable of Allowance for Doubtful Accounts):			
Accounts		212,802	212,802
Unbilled Revenue		231,537	231,537
Other Governments	1,026,729	36,476	1,063,205
Property Tax	1,450,070		1,450,070
Accrued Interest	1	179	180
Other	2,850		2,850
Internal Balances	(12,099)	12,099	
External Balances	(1,852)		(1,852)
Prepaid Items	59,956	59,956	119,912
Restricted Assets:			
Cash and Cash Investments	136,710	9,195	145,905
Capital Assets:			
Not Being Depreciated	2,426,127	349,367	2,775,494
Being Depreciated - Net	12,927,534	10,974,111	23,901,645
Total Assets	19,146,794	13,179,238	32,326,032
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pensions	1,305,134		1,305,134
Total Deferred Outflows of Resources	1,305,134		1,305,134
<u>LIABILITIES</u>			
Accrued Payroll and Benefits	476,903	373,835	850,738
Accounts Payable	161,898	308,266	470,164
Accrued Interest	11,266	24,292	35,558
Due to Library	2,647		2,647
Payable from Restricted Assets:			
Accrued Payroll and Benefits	136,710		136,710
Customer Deposits		9,195	9,195
Noncurrent Liabilities:			
Due Within One Year	703,817	306,541	1,010,358
Due in More Than One Year	10,346,133	5,148,971	15,495,104
Total Liabilities	11,839,374	6,171,100	18,010,474
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	68,708		68,708
Total Deferred Inflows of Resources	68,708		68,708
<u>NET POSITION</u>			
Net Investment in Capital Assets	4,303,711	5,867,966	10,171,677
Restricted	1,382,321		1,382,321
Unrestricted	2,857,814	1,140,172	3,997,986
Total Net Position	\$ 8,543,846	\$ 7,008,138	\$ 15,551,984

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

<u>PROGRAM ACTIVITIES</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>FEEES, FINES AND CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
Governmental Activities:				
General Government and Administration	\$ 2,081,954	\$ 923,075		
Public Safety	2,271,319	14,623	\$ 2,500	
Development Services	1,557			
Streets and Highways	1,229,301		241,324	\$ 38,361
Cultural and Recreational	878,671			
Interest on Long-Term Debt	88,315			
Total Governmental Activities	6,551,117	937,698	243,824	38,361
Business-Type Activities:				
Water and Sewer	3,726,149	4,485,368		
Total Government	\$ 10,277,266	\$ 5,423,066	\$ 243,824	\$ 38,361

General Revenues:
Property Tax
Utilities Tax
Intergovernmental:
Sales/Use Tax
Income Tax
Corporate Personal Property Tax
Other
Investment Earnings
Gain on Sale/Retirement of Capital Assets
Miscellaneous
Total General Revenues and Transfer

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Notes to Financial Statements and Independent Auditor's Report

NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (1,158,879)		\$ (1,158,879)
(2,254,196)		(2,254,196)
(1,557)		(1,557)
(949,616)		(949,616)
(878,671)		(878,671)
(88,315)		(88,315)
<u>(5,331,234)</u>		<u>(5,331,234)</u>
	\$ <u>759,219</u>	<u>759,219</u>
<u>(5,331,234)</u>	<u>759,219</u>	<u>(4,572,015)</u>
1,524,365		1,524,365
829,286		829,286
1,146,133		1,146,133
901,633		901,633
61,118		61,118
10,315		10,315
4,285	1,838	6,123
300,473		300,473
264,733	2,385	267,118
<u>5,042,341</u>	<u>4,223</u>	<u>5,046,564</u>
(288,893)	763,442	474,549
<u>8,832,739</u>	<u>6,244,696</u>	<u>15,077,435</u>
<u>\$ 8,543,846</u>	<u>\$ 7,008,138</u>	<u>\$ 15,551,984</u>

VILLAGE OF BETHALTO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2017

	<u>GENERAL</u>	<u>MUNICIPAL RETIREMENT/ SOCIAL SECURITY</u>
<u>ASSETS</u>		
Cash and Cash Investments	\$ 249,903	\$ 19,725
Investments	50,113	
Receivables (Net Where Applicable of Allowance for Doubtful Accounts):		
Other Governments	929,607	1,166
Property Tax	798,430	361,785
Accrued Interest	1	
Other	77,962	
Prepaid Items		
Interfund Receivables	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,106,016</u>	<u>\$ 382,676</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities:		
Accrued Payroll and Benefits	\$ 613,615	
Accounts Payable	87,525	
Due to Library	2,647	
Interfund Payables	<u>200,160</u>	
Total Liabilities	<u>903,947</u>	
Deferred Inflows of Resources:		
Unavailable Revenues	<u>960,188</u>	<u>\$ 361,785</u>
Fund Balance:		
Nonspendable		
Restricted		20,891
Committed	221,057	
Unassigned	<u>20,824</u>	
Total Fund Balance	<u>241,881</u>	<u>20,891</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,106,016</u>	<u>\$ 382,676</u>

See Notes to Financial Statements and Independent Auditor's Report

MOTOR FUEL TAX	GARBAGE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 621,984	\$ 146,756	\$ 178,996	\$ 1,217,364
			50,113
20,846			951,619
	27,740	262,115	1,450,070
			1
			77,962
		59,956	59,956
	25,367	160,841	186,208
<u>642,830</u>	<u>199,863</u>	<u>661,908</u>	<u>3,993,293</u>
\$ 16,839	\$ 48,530	\$ 9,004	\$ 613,615
			161,898
			2,647
			200,160
<u>16,839</u>	<u>48,530</u>	<u>9,004</u>	<u>978,320</u>
	27,740	262,115	1,611,828
		59,956	59,956
625,991	123,593	330,833	1,101,308
			221,057
			20,824
<u>625,991</u>	<u>123,593</u>	<u>390,789</u>	<u>1,403,145</u>
<u>642,830</u>	<u>199,863</u>	<u>661,908</u>	<u>3,993,293</u>

VILLAGE OF BETHALTO, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
APRIL 30, 2017

Total fund balance - total governmental funds \$ 1,403,145

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 15,353,661

Some receivables are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the governmental funds balance sheet, but recognized as revenue as economic financial resources. These include deferred property taxes of \$1,450,070; and deferred intergovernmental revenues of \$161,760. 1,611,830

Other items, including net pension assets, are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds. 1,236,426

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (11,266)

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Due Within One Year	\$	703,817	
Due in More Than One Year		10,346,133	<u>(11,049,950)</u>

Net position of governmental activities \$ 8,543,846

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2017

	<u>GENERAL</u>	<u>MUNICIPAL RETIREMENT/ SOCIAL SECURITY</u>
Revenues:		
Property Tax	\$ 846,819	\$ 294,254
Utilities Tax	831,625	
Charges for Services	14,623	
Licenses and Permits	143,377	
Intergovernmental	2,113,469	7,584
Investment Income	2,024	
Fines and Forfeitures	34,112	
Miscellaneous	710,768	
Total Revenues	<u>4,696,817</u>	<u>301,838</u>
Expenditures:		
Current:		
General Governmental	1,072,433	361,481
Public Safety	1,614,747	
Streets and Highways	567,013	
Development Services		
Cultural and Recreational	433,819	
Capital Outlay	757,036	
Debt Services:		
Principal	116,043	
Interest and Fiscal Charges	12,633	
Total Expenditures	<u>4,573,724</u>	<u>361,481</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>123,093</u>	<u>(59,643)</u>
Other Financing Sources (Uses):		
Transfers In	9,040	
Transfers Out	(460,000)	
Loan Proceeds	453,149	
Total Other Financing Sources (Uses)	<u>2,189</u>	
Net Change in Fund Balance	125,282	(59,643)
Fund Balance:		
Beginning of Year	<u>116,599</u>	<u>80,534</u>
End of Year	<u>\$ 241,881</u>	<u>\$ 20,891</u>

See Notes to Financial Statements and Independent Auditor's Report

MOTOR FUEL TAX	<u>GARBAGE</u>	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	\$ 25,052	\$ 286,660	\$ 1,452,785
	609,257		831,625
\$ 279,685			623,880
2,259			143,377
			2,400,738
			4,283
			34,112
			710,768
<u>281,944</u>	<u>634,309</u>	<u>286,660</u>	<u>6,201,568</u>
	592,337	119,139	2,145,390
		5,512	1,620,259
354,378		1,557	921,391
			1,557
			433,819
			757,036
		491,998	608,041
		77,505	90,138
<u>354,378</u>	<u>592,337</u>	<u>695,711</u>	<u>6,577,631</u>
<u>(72,434)</u>	<u>41,972</u>	<u>(409,051)</u>	<u>(376,063)</u>
		460,000	469,040
	(9,040)		(469,040)
			453,149
	<u>(9,040)</u>	<u>460,000</u>	<u>453,149</u>
(72,434)	32,932	50,949	77,086
<u>698,425</u>	<u>90,661</u>	<u>339,840</u>	<u>1,326,059</u>
<u>\$ 625,991</u>	<u>\$ 123,593</u>	<u>\$ 390,789</u>	<u>\$ 1,403,145</u>

VILLAGE OF BETHALTO, ILLINOIS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED APRIL 30, 2017

Net change in fund balances - total governmental funds \$ 77,086

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 813,674

Sales/Retirements of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. (14,333)

Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (588,957)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt. The amount issued totaled \$453,149 and the amount repaid totaled \$619,368. 166,219

Some expenses reported in the government-wide statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in (818,972)

Some property tax and other intergovernmental revenues will not be collected for several months after the Village's fiscal year end. They are not considered "available" revenues in the governmental funds. 74,990

Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds. 1,400

Change in net position of governmental activities \$ (288,893)

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUND - WATER AND SEWER
APRIL 30, 2017

ASSETS

Current Assets:	
Cash and Cash Investments	\$ 1,142,222
Investments	151,294
Receivables (Net Where Applicable of Allowance for Doubtful Accounts):	
Accounts	212,802
Unbilled Revenue	231,537
Other Governments	36,476
Accrued Interest	179
Prepaid Items	59,956
Due from Other Funds	41,365
Total Current Assets	<u>1,875,831</u>
Restricted Assets:	
Cash and Cash Investments:	
Customer Deposits	<u>9,195</u>
Capital Assets, Not Being Depreciated:	
Land	248,083
Construction in Progress	101,284
Total Capital Assets Not Being Depreciated	<u>349,367</u>
Capital Assets:	
Buildings and Improvements	440,328
Equipment	2,975,361
Water and Sewer System	18,623,779
Vehicles	432,045
Accumulated Depreciation	(11,497,402)
Total Capital Assets, Net of Accumulated Depreciation	<u>10,974,111</u>
Total Assets	<u>13,208,504</u>

LIABILITIES

Current Liabilities:	
Accrued Payroll and Benefits	373,835
Accounts Payable	308,266
Accrued Interest	24,292
Interfund Payables	29,266
Notes Payable/Lease Purchase Commitments	306,541
Total Current Liabilities	<u>1,042,200</u>
Liabilities Payable from Restricted Assets:	
Customer Deposits	<u>9,195</u>
Noncurrent Liabilities:	
Notes Payable/Lease Purchase Commitments	<u>5,148,971</u>
Total Liabilities	<u>6,200,366</u>

NET POSITION

Net Investment in Capital Assets	5,867,966
Unrestricted	1,140,172
Total Net Position	<u>\$ 7,008,138</u>

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUND - WATER AND SEWER
FOR THE YEAR ENDED APRIL 30, 2017

Operating Revenues:	
Charges for Services	\$ 4,484,803
Total Operating Revenues	<u>4,484,803</u>
Operating Expenses:	
Personnel Services	1,598,773
Supplies	367,814
Contractual Services	1,057,145
Depreciation	582,366
Total Operating Expenses	<u>3,606,098</u>
Income from Operations	<u>878,705</u>
Non-Operating Revenues (Expenses):	
Investment Income	1,838
Interest Expense	(120,051)
Miscellaneous Income	2,385
Rental Income	565
Total Non-Operating Revenues (Expenses)	<u>(115,263)</u>
Change in Net Position	763,442
Net Position:	
Beginning of Year	<u>6,244,696</u>
End of Year	<u><u>\$ 7,008,138</u></u>

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUND - WATER AND SEWER
FOR THE YEAR ENDED APRIL 30, 2017

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 4,459,989
Cash Payments to Suppliers for Goods and Services	(1,380,158)
Cash Payments to Employees for Services	(1,572,277)
Net Cash Provided (Used) by Operating Activities	<u>1,507,554</u>
Cash Flows from Noncapital Financing Activities:	
Loans to Other Funds	(41,365)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(41,365)</u>
Cash Flows from Capital and Related Financing Activities:	
Cash Payments on Long-Term Debt	(277,727)
Cash Payments on Interest	(120,850)
Cash Payments on Capital Assets	(789,554)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,188,131)</u>
Cash Flows from Investing Activities:	
Interest Received on Cash and Investments	1,900
Cash Received on Rentals	565
Cash Received from Miscellaneous	2,385
Cash Invested in Investment	(453)
Net Cash Provided (Used) by Investing Activities	<u>4,397</u>
Net Increase (Decrease) in Cash and Cash Investments	282,455
Cash and Cash Investments:	
Beginning of Year	<u>868,962</u>
End of Year	<u><u>\$ 1,151,417</u></u>

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUND - WATER AND SEWER
FOR THE YEAR ENDED APRIL 30, 2017

Reconciliation of Income from Operations to Net Cash	
Provided (Used) by Operating Activities:	
Income (Loss) from Operations	\$ 878,705
Adjustments to Reconcile Income from Operations to Net	
Cash Provided (Used) by Operating Activities:	
Depreciation	582,366
Change in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	2,224
Unbilled Revenue	(24,793)
Accounts Receivable - Other Governments	(1,018)
Prepaid Items	13,967
Increase (Decrease) in:	
Accounts Payable	31,852
Accrued Payroll and Benefits	26,496
Customer Deposits	(2,245)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,507,554</u>
Non-Cash Investing, Capital and Financing Activities	
Interest Paid	\$ 120,850
Reconciliation of Total Cash and Cash Investments:	
Current Assets	\$ 1,142,222
Restricted Assets	9,195
Total Cash and Cash Investments	<u>\$ 1,151,417</u>

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
POLICE PENSION TRUST
APRIL 30, 2017

ASSETS

Cash and Cash Investments	\$ 190,828
Receivables (Net Where Applicable of Allowance for Doubtful Accounts):	
Other Governments	766
Property Tax	396,200
Interest and Dividends	26,339
Total Receivables	423,305
Interfund Receivable	5,303
Investments, at Fair Value:	
U.S. Government Securities/Fixed Income	2,034,359
Corporate Bonds	1,465,421
Stock Mutual Funds	2,865,439
Total Investments	6,365,219
Total Assets	6,984,655

LIABILITIES AND NET POSITION

Liabilities:	
Deferred Revenue	396,200
Total Liabilities	396,200
Net Position - Restricted for Pension Benefits	\$ 6,588,455

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
POLICE PENSION TRUST
FOR THE YEAR ENDED APRIL 30, 2017

ADDITIONS

Contributions:	
Employer	\$ 404,141
Plan Members	89,255
Total Contributions	<u>493,396</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	282,216
Net Gain (Loss) on Sale of Investments	(20,144)
Interest	80,613
Dividends	51,567
Total Investment Income	<u>394,252</u>
Total Net Additions	<u>887,648</u>

DEDUCTIONS

Benefits	518,224
Administrative Expenses	31,388
Total Deductions	<u>549,612</u>
Change in Net Position	338,036
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>6,250,419</u>
End of Year	<u>\$ 6,588,455</u>

See Notes to Financial Statements and Independent Auditor's Report

VILLAGE OF BETHALTO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Bethalto (Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The Village operates under a Mayor-Board of Trustees form of government and provides the following services as authorized by its charter: public safety, development services, public health and welfare, culture, recreation and water/sewer. The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

Based on the aforementioned criteria, the Village has no component units or related organizations.

Basis of Presentation – Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Village as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed, but the statements distinguish governmental activities, which are generally supported by taxes and Village general revenues, from business-type activities, which are generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the Village at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities and for each identifiable activity of the business-type activities of the Village. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function.

See Independent Auditor's Report

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary, and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village uses three categories of funds: governmental, proprietary and fiduciary.

Measurement Focus/Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed. Proprietary and Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the Village has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, charges for services and investment income. In general, other revenues are recognized when cash is received.

Operating revenues and expenses reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs—other than quoted prices included within level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Deferred Inflows of Resources

In addition to liabilities, the balance sheets will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports the item, *unavailable revenue*, only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes of \$1,846,270; sales tax of \$76,616; income tax of \$65,995; and excise tax of \$14,047. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Village will also report pension related deferred inflows in the government-wide statements, as applicable.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Fund Types and Major Funds

Governmental Funds

The Village has presented the following major governmental funds:

General Fund—The General Fund is the main operating fund of the Village. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, capital improvement costs, and payment of long-term debt that are not paid through other funds are paid from the General Fund.

Municipal Retirement/Social Security Fund—The Municipal Retirement/Social Security Fund is used to account for funds received and expended for employee benefits of the Village.

Motor Fuel Tax Fund—The Motor Fuel Tax Fund is used to account for the funds received and expended for the street maintenance program of the Village. The State monitors and audits the use of these resources.

Garbage Fund—The Garbage Fund is used to account for the provision of garbage services to the residents of the Village. Activities of the fund include administration, operations and maintenance, and billing and collection.

Proprietary Fund

The Village has presented the following major proprietary fund:

Water and Sewer Fund—The Water and Sewer Fund is used to account for the provision of water and sewer services to the residential and commercial customers of the Village. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection. The fund also accounts for the accumulation of resources for the payment of long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Fiduciary Fund

The Village has presented the following fund:

Police Pension Trust—The Police Pension Fund is used to account for assets held on behalf of the Village's sworn personnel.

Cash and Investments

The Village pools most of their cash and investments. Each fund's portion of the pool is displayed on its respective balance sheet as "cash and cash investments." Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents". For purposes

of the statement of cash flows, all cash and investments of the proprietary fund with a maturity date of three months or less are considered to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year for outside services to be provided in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of the fund balance is not available for other subsequent expenditures.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Balances to which a fiduciary fund is a party are treated as “external” receivables and payables.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets, Depreciation, and Amortization

The Village’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, and comprehensively reported in the government-wide financial statements. Proprietary capital assets are reported in their respective financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets that cost one thousand dollars or more as purchase and construction outlays occur. General infrastructure assets are generally capitalized that cost ten thousand dollars or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets which are generally from 3-75 years. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Under GASB Statement 34, the Village is considered a “Phase 3” government and is not required to retroactively report their general infrastructure assets. The Village is, therefore, capitalizing general infrastructure assets prospectively, beginning May 1, 2004.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	10 - 75
Equipment	3 - 33
Water and Sewer System	5 - 50
Vehicles	4 - 20
Infrastructure	20 - 75

Compensated Absences

Sick leave is accrued for Village employees at the rate of 8 to 10 days per year (125 days maximum). Employees accrue vacation time from one to five weeks based upon the years of employment. Employees may carryover unused sick and vacation leave beyond the calendar year in which it is earned. Unused sick and vacation leave is paid at time of retirement, termination, or death. A liability for these amounts is recorded in the governmental funds and proprietary fund.

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position is divided into three captions as follows:

Net investment in capital assets consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted describes the portion of the net position when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. These principally include construction projects and special revenue funds.

Unrestricted describes the portion of the net position which is not restricted as to use.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable—The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted—Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Proceeds from federal and state grants and the related expenditures have been included in the governmental and proprietary funds.

Committed—The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the

extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned—Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent may be expressed by the Board itself or the finance committee or Mayor when the Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned—Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Use of Estimates

In preparing the financial statements management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from these estimates.

Recently Announced Pronouncements

GASB Statement No. 74—In June, 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement will be effective for fiscal years beginning after June, 15, 2016.

GASB Statement No. 75—In June, 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provision of this Statement will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 82—In March, 2016, the GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain

issues that have been raised with respect to Statements No. 67 and 73. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget Policy and Practice

The Mayor submits an annual budget to the Village Board in accordance with the Illinois State Statutes. The budget is presented to the Village Board for review, and public hearings are held to address priorities and the allocation of resources. In May, the Village Board adopts the annual fiscal year budgets for Village operating funds. Once approved, the Village may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The budget was approved on July 25, 2016.

Basis of Budgeting

Each fund’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt services. Budget revisions at this level are subject to final review by the Village Board. The level of control is by department within a fund. Expenditures may not exceed budgeted amounts without board approval at this level. Within these control levels, transfers of appropriations may be made with Board approval. Budgeted amounts are as originally adopted by the Village Board.

The budgets for the operating funds, special revenue funds, and the proprietary fund operations are prepared on the modified accrual basis. Revenues and expenditures are budgeted on the modified accrual basis. Project-length financial plans are adopted for all Capital Project Funds. Appropriations for annually budgeted funds lapse at fiscal year end.

NOTE 3: DETAILED NOTES ON FUNDS

Deposits and Investments

Deposits

The Village had the following depository accounts. All deposits are carried at cost plus accrued interest. It is the Village’s policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured - Bank Accounts	\$ 639,179
Collateral Held by Pledged Bank's Trust Department in the Village's Name	<u>2,022,553</u>
Total	<u>\$ 2,661,732</u>

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Deposits in each local bank are insured by the FDIC in the amount of \$250,000 for all time and savings account and \$250,000 for all demand deposit accounts. The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash.

Credit Risk – The Village deposit policy is to invest in money market accounts, certificates of deposit, U.S. Government obligations, and other investments as permitted by Illinois State Statutes.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it.

Investments

Generally, the Village investing activities are managed under the custody of the Village Treasurer. Investing is performed in accordance with investment policies complying with state statutes and the Village Board. The Village is allowed to invest in money market accounts, certificates of deposit, U.S. Government obligations, and other investments as permitted by Illinois State Statutes. The Village Police Pension Board has the investing authority over the Police Pension Fund. The Police Pension Board invests in accordance with state statutes. The Police Pension Board is allowed to invest in money market accounts, certificates of deposit, U.S. Government obligations and other investments as permitted by Illinois State Statutes.

At year end, the Village had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (In Years)</u>				<u>Weighted Average in Years</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Corporate Bonds	\$ 1,465,421	\$ 70,176	\$ 691,489	\$ 325,996	\$ 377,760	2.15
Stock Mutual Funds	2,865,439				2,865,439	
U.S. Government and Agencies Securities	<u>2,034,359</u>	<u> </u>	<u>1,495,031</u>	<u>249,688</u>	<u>289,640</u>	2.27
Total	<u>\$ 6,365,219</u>	<u>\$ 70,176</u>	<u>\$ 2,186,520</u>	<u>\$ 575,684</u>	<u>\$ 3,532,839</u>	

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Village had the following fair value measurements at year end:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level:					
Corporate Bonds	\$ 1,465,421		\$ 1,465,421		\$ 1,465,421
Stock Mutual Funds	2,865,439	\$ 2,865,439			2,865,439
U.S. Government and Agencies Securities	<u>2,034,359</u>	<u>1,769,000</u>	<u> </u>	<u>\$ 265,359</u>	<u>2,034,359</u>
Total	<u>\$ 6,365,219</u>	<u>\$ 4,634,439</u>	<u>\$ 1,465,421</u>	<u>\$ 265,359</u>	<u>\$ 6,365,219</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village structures the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Village invests operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Credit Risk – The Village investment policy is to invest in money market accounts, certificates of deposit, U.S. Government obligations, and other investments as permitted by Illinois State Statutes. At year end, the Village had the following investments which are rated by Standard and Poors (S&P), Moody's (Mo), and Morningstar (M):

	<u>Balance</u>	<u>Rating</u>
Corporate Bonds	\$ 121,757	A+ (S & P)
Corporate Bonds	498,764	A (S & P)
Corporate Bonds	233,813	A- (S & P)
Corporate Bonds	43,894	AA+ (S & P)
Corporate Bonds	62,369	AA (S & P)
Corporate Bonds	86,800	AA- (S & P)
Corporate Bonds	325,197	BBB+ (S & P)
Corporate Bonds	67,712	BBB (S & P)
Corporate Bonds	25,115	BBB- (S & P)
Stock Mutual Funds	1,608,420	4 Star (M)
Stock Mutual Funds	660,687	3 Star (M)
Stock Mutual Funds	596,332	2 Star (M)
U.S. Government and Agencies Securities	1,998,982	AAA (Mo)
U.S. Government and Agencies Securities	20,088	AA (S & P)
U.S. Government and Agencies Securities	<u>15,289</u>	AA+ (S & P)
 Total	 \$ <u><u>6,365,219</u></u>	

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Government - Wide			
	<u>Statement of Net Position</u>			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Fund</u>	<u>Government</u>
Cash and Investments:				
Unrestricted	\$ 1,130,768	\$ 1,293,516	\$ 6,556,047	\$ 8,980,331
Restricted	<u>136,710</u>	<u>9,195</u>	<u> </u>	<u>145,905</u>
 Total	 <u>\$ 1,267,478</u>	 <u>\$ 1,302,711</u>	 <u>\$ 6,556,047</u>	 <u>\$ 9,126,236</u>

See Independent Auditor's Report

Receivables and Uncollectible Accounts

Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. Enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using historical experience. Related amounts are shown in the following table:

	<u>Major Enterprise Fund</u>
	<u>Water</u>
	<u>and Sewer</u>
Accounts Receivable, Gross	\$ 224,157
Less Allowance for Uncollectible Accounts	<u>(11,355)</u>
Net Accounts Receivable	<u>\$ 212,802</u>
Uncollectible Amounts Netted with Revenues	\$ 0

Property Taxes Receivable and Property Tax Calendar

Property taxes are collected and remitted to the Village by the Madison County government. Taxes levied annually in December are due in four installments on July 6, September 6, October 6, and December 6, 2017. Major tax payments are received June through February. Lien date for real property is January 1. The tax levy was approved on December 5, 2016.

At fiscal year-end, the receivables represent 2016 taxes to be collected. Taxes collected during the current year were from the 2015 tax levy.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Village regardless of when cash is received. Over time, substantially all property taxes are collected.

Intergovernmental Receivables and Deferred Inflows

Intergovernmental receivables are primarily comprised of amounts due from state funded sources. Revenue is recorded as earned when eligibility requirements are met. Grant revenues, shown as deferred inflows in the governmental fund financial statements, include unearned revenue and revenue received more than 60 days following year end (unavailable to pay liabilities in the current period). Unavailable revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

Restricted Assets

Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses such as the payment of water and sewer customer deposits and for miscellaneous projects.

Capital Assets

Capital asset activity for the year ended is as follows:

	<u>Beginning of Year</u>	<u>Additions/ Completion</u>	<u>Retirements/ Adjustments</u>	<u>End of Year</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 775,653		\$ 667	\$ 774,986
Construction in Progress	<u>1,493,808</u>	<u>\$ 157,333</u>		<u>1,651,141</u>
Total Capital Assets, Not Being Depreciated	<u>2,269,461</u>	<u>157,333</u>	<u>667</u>	<u>2,426,127</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,776,991			2,776,991
Buildings and Improvements	1,926,688			1,926,688
Equipment	2,407,811	280,818	83,093	2,605,536
Vehicles	1,909,086	375,523	254,930	2,029,679
Infrastructure	<u>9,917,320</u>			<u>9,917,320</u>
Total Capital Assets, Being Depreciated	<u>18,937,896</u>	<u>656,341</u>	<u>338,023</u>	<u>19,256,214</u>
Less Accumulated Depreciation for:				
Land Improvements	835,018	95,907		930,925
Buildings and Improvements	944,030	43,560		987,590
Equipment	1,790,313	146,242	83,093	1,853,462
Vehicles	1,532,456	101,367	241,263	1,392,560
Infrastructure	<u>962,261</u>	<u>201,882</u>		<u>1,164,143</u>
Total Accumulated Depreciation	<u>6,064,078</u>	<u>588,958</u>	<u>324,356</u>	<u>6,328,680</u>
Total Capital Assets, Being Depreciated, Net	<u>12,873,818</u>	<u>67,383</u>	<u>13,667</u>	<u>12,927,534</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,143,279</u>	<u>\$ 224,716</u>	<u>\$ 14,334</u>	<u>\$ 15,353,661</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 248,083			\$ 248,083
Construction in Progress	<u>101,284</u>			<u>101,284</u>
Total Capital Assets, Not Being Depreciated	<u>349,367</u>			<u>349,367</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	440,328			440,328
Equipment	2,551,102	\$ 424,259		2,975,361
Water and Sewer System	18,352,525	271,254		18,623,779
Vehicles	<u>338,004</u>	<u>94,041</u>		<u>432,045</u>
Total Capital Assets, Being Depreciated	<u>21,681,959</u>	<u>789,554</u>		<u>22,471,513</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	250,586	14,601		265,187
Equipment	2,056,492	90,793		2,147,285
Water and Sewer System	8,274,217	473,849		8,748,066
Vehicles	<u>333,742</u>	<u>3,122</u>		<u>336,864</u>
Total Accumulated Depreciation	<u>10,915,037</u>	<u>582,365</u>		<u>11,497,402</u>
Total Capital Assets, Being Depreciated, Net	<u>10,766,922</u>	<u>207,189</u>		<u>10,974,111</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,116,289</u>	<u>\$ 207,189</u>	<u>\$ 0</u>	<u>\$ 11,323,478</u>

See Independent Auditor's Report

Depreciation expense, which includes the assets that were acquired through capital leases, was charged as a direct expense as follows:

Governmental Activities:	
General Government and Administration	\$ 33,610
Public Safety	144,546
Streets and Highways	265,601
Cultural and Recreational	145,201
Total Depreciation Expense - Governmental Activities	<u>\$ 588,958</u>
Business-Type Activities:	
Water and Sewer	\$ 582,365
Total Depreciation Expense - Business-Type Activities	<u>\$ 582,365</u>

Long-Term Debt

The following is a summary of long-term debt transactions for the year:

	<u>Beginning of Year</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Lease Purchase Commitments	\$ 134,532		\$ 28,296	\$ 106,236	\$ 29,258
Notes Payable	<u>3,432,923</u>	<u>\$ 453,149</u>	<u>591,073</u>	<u>3,294,999</u>	<u>674,559</u>
Total Governmental Activities	<u>3,567,455</u>	<u>453,149</u>	<u>619,369</u>	<u>3,401,235</u>	<u>703,817</u>
<u>Business-Type Activities:</u>					
Lease Purchase Commitments	73,281		16,824	56,457	16,931
Notes Payable	<u>5,659,958</u>		<u>260,903</u>	<u>5,399,055</u>	<u>289,610</u>
Total Business-Type Activities	<u>5,733,239</u>		<u>277,727</u>	<u>5,455,512</u>	<u>306,541</u>
Total Government	<u>\$ 9,300,694</u>	<u>\$ 453,149</u>	<u>\$ 897,096</u>	<u>\$ 8,856,747</u>	<u>\$ 1,010,358</u>

Lease Purchase Commitments

The Village entered into a lease purchase agreement on October 4, 2010, for the purchase of a fire truck; 120 monthly payments are required of \$2,693.67. The current portion due is \$29,258. The general fund is making these payments.

The Village entered into a lease purchase agreement on October 3, 2013, for the purchase of a copier; 60 monthly payments are required of \$202. The current portion due is \$2,305. The water and sewer fund is making these payments.

The Village entered into a lease purchase agreement on October 3, 2013, for the purchase of a copier; 60 monthly payments are required of \$141. The current portion due is \$1,609. The water and sewer fund is making these payments.

The Village entered into a lease purchase agreement on October 26, 2015, for the purchase of a loader backhoe; 60 monthly payments are required of \$3,662.22. The current portion due is \$13,017. The water and sewer fund is making these payments.

The assets acquired through capital leases are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Governmental Activities:			
Public Safety:			
Vehicles	\$ 314,828	\$ 110,637	\$ 204,191
Cultural and Recreational:			
Equipment	8,158	8,158	0
Total Governmental Activities	<u>322,986</u>	<u>118,795</u>	<u>204,191</u>
Business-Type Activities:			
Water and Sewer:			
Water and Sewer System	583,005	341,036	241,969
Total Business-Type Activities	<u>583,005</u>	<u>341,036</u>	<u>241,969</u>
	<u>\$ 905,991</u>	<u>\$ 459,831</u>	<u>\$ 446,160</u>

Notes Payable

The Village financed on February 18, 2009, the purchase of 5 dump trucks for \$440,380 through First National Bank of Staunton. The agreement calls for monthly principal and interest payments of \$4,520 for 120 months with interest at a rate of 4.29%. The final payment is due February 18, 2019. The current portion due is \$51,247. The general fund is making these payments.

The Village financed on March 5, 2009, the purchase of a street sweeper for \$161,650 through First National Bank of Staunton. The agreement calls for monthly principal and interest payments of \$1,660 for 120 months with interest at a rate of 4.29%. The final payment is due March 5, 2019. The current portion due is \$18,696. The general fund is making these payments.

The Village financed on December 7, 2010, the purchase of a sewer detention basin, a lift station, and sewer lines for a total of \$1,120,643 through the Illinois Environmental Protection Agency. On February 16, 2012, the loan was amended for a total of \$1,202,450, with principal forgiveness of \$280,161, making total amount due \$847,305. The agreement calls for semi-annual payments for 20 years with an interest rate of 1.25%. The final payment is due May, 2031. The current portion due is \$45,367. The water and sewer fund is making these payments.

The Village financed on August 9, 2011, the purchase of 4 police cars for \$86,361 through First National Bank of Staunton. The agreement calls for monthly principal and interest payments of \$1,517.15 for 60 months with interest at a rate of 2.046%. The final payment was made August 5, 2016. The general fund made these payments.

The Village entered into an installment agreement on November 15, 2011, for the purchase of land for \$212,472.50 with the land owners. The agreement calls for monthly principal and interest payments of \$2,500 for 60 months with interest at a rate of 3.5%. The final payment was due November 15, 2016, with a balloon payment. An addendum to this agreement was done on February 1, 2016, to remove the balloon payment and continue monthly payments of \$2,500 until paid in full. The current portion due is \$27,708. The water and sewer fund is making these payments.

The Village financed on September 27, 2012, water infrastructure up to the amount of \$6,000,000 through the Illinois Environmental Protection Agency. On August 26, 2014, the loan was amended for a total of \$6,124,515, with principal forgiveness of \$1,000,000, making the total amount due \$5,124,515. The agreement calls for semi-annual payments for 20 years with an interest rate of 2.295%. The final payment is due August, 2034. The current portion due is \$216,535. The water and sewer fund is making these payments.

The Village entered into General Obligation Project and Refunding Debt Certificates on March 4, 2013, to finance and refinance municipal facilities for an amount up to \$5,000,000. The agreement calls for quarterly payments for 10 years with an interest rate of 2.6%. The final payment is due March, 2022. The amount that has been disbursed as of April 30, 2017, is \$4,618,058. The current portion due is \$504,683. The TIF fund is making these payments.

The Village financed on May 9, 2012, the purchase of clean energy electrical equipment for \$80,000 through Madison County Community Development. The agreement calls for monthly principal payments of \$982.38 with an interest rate of 0%. The final payment is due September, 2019. The current portion due is \$11,789. The general fund is making these payments.

The Village financed on February 9, 2017, the purchase of 9 police vehicles and fire department equipment for \$453,148.56 through First National Bank of Staunton. The agreement calls for monthly principal and interest payments of \$7,847.73 for 60 months with interest at a rate of 1.5%. The final payment is due February 9, 2022. The current portion due is \$88,145. The general fund is making these payments.

The annual aggregate maturities for each debt type for the years subsequent are as follows:

Lease Purchase Commitments

Year Ending <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 29,258	\$ 3,066	\$ 16,931	\$ 1,834	\$ 51,089
2019	30,238	2,086	15,490	1,217	49,031
2020	31,252	1,073	13,960	689	46,974
2021	15,488	146	10,076	178	25,888
Total	<u>\$ 106,236</u>	<u>\$ 6,371</u>	<u>\$ 56,457</u>	<u>\$ 3,918</u>	<u>\$ 172,982</u>

Notes Payable

Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 674,559	\$ 75,065	\$ 289,610	\$ 115,584	\$ 1,154,818
2019	682,470	57,982	296,189	109,005	1,145,646
2020	627,326	41,689	294,902	102,319	1,066,236
2021	637,334	26,342	279,004	96,190	1,038,870
2022	8,322,025	10,617	284,948	90,246	8,707,836
2023-2027			1,518,599	357,371	1,875,970
2028-2032			1,661,279	187,802	1,849,081
2033-2035			774,524	26,843	801,367
Total	<u>\$ 10,943,714</u>	<u>\$ 211,695</u>	<u>\$ 5,399,055</u>	<u>\$ 1,085,360</u>	<u>\$ 17,639,824</u>

Included in the principal amount for notes payable (Governmental Activities) for the final year is amounts for IMRF and Police Pension obligations of \$2,955,315 and \$4,693,400, respectively.

All lease purchase commitments and notes payable are collateralized by the assets of the Village. The fair market value of these assets is \$39,310,687.

Defeasance of Debt

During the fiscal year ending April 30, 2004, outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. The bonds mature February, 2020. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At fiscal year-end, the following bonds are considered defeased:

	<u>Purpose</u>	<u>Bond Series</u>	<u>Defeased Balance</u>
<u>Business-Type Activities:</u>			
Major Enterprise Fund:			
Golf Course Fund	Develop Land	2000	\$ 1,065,000

The Village has a legal debt margin of 8.625% (\$12,022,742) of the assessed valuation. The Village has used 35.38% (\$4,253,084) of the legal debt margin, which excludes the \$4,603,663 IEPA loan which is to be repaid solely from revenue derived from the water and sewer system; therefore, making it not part of the Village's indebtedness.

Rental Commitments

The Village leases a copier under an operating lease with a monthly payment of \$197.54. The operating lease expires during the fiscal year 2019. The lease agreement provides for a fair market value purchase option at the end of the lease. The General Fund paid \$2,370 during the fiscal year.

See Independent Auditor's Report

At year end, future minimum lease payments under operating leases are as follows:

<u>April 30.</u>	Amount <u>Due</u>
2018	\$ 2,370
2019	<u>1,975</u>
Total	<u>\$ 4,345</u>

Fund Balance

The following is a breakdown of the Village's fund balance accounts for the governmental funds according to their classifications (unspendable, committed, restricted) and the reason for the classification.

	<u>Unspendable</u> Prepaid <u>Items</u>	<u>Committed</u> Construction <u>Projects</u>	<u>Restricted</u> Special Revenue <u>Funds</u>	Unassigned <u>(Deficit)</u>	<u>Total</u>
General		\$ 221,057		\$ 20,824	\$ 241,881
Municipal Retirement/ Social Security			\$ 20,891		20,891
Motor Fuel Tax			625,991		625,991
Garbage			123,593		123,593
TIF			167,715		167,715
Civil Defense			2,630		2,630
Audit			14,602		14,602
Liability Insurance	\$ 59,956		145,886		205,842
Total	<u>\$ 59,956</u>	<u>\$ 221,057</u>	<u>\$ 1,101,308</u>	<u>\$ 20,824</u>	<u>\$ 1,403,145</u>

See Independent Auditor's Report

Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide statement of net position is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Investment in Capital Assets:		
Cost of Capital Assets	\$ 21,682,341	\$ 22,820,880
Less Accumulated Depreciation	<u>6,328,680</u>	<u>11,497,402</u>
Book Value	15,353,661	11,323,478
Less Capital Related Debt	<u>11,049,950</u>	<u>5,455,512</u>
Net Investment in Capital Assets	<u>\$ 4,303,711</u>	<u>\$ 5,867,966</u>

NOTE 4: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans).

Due to/from other funds within the reporting entity are substantially for the purposes of subsidizing expenses paid by another fund. Police Pension Fund receivables are expected to be paid within the year. All other are not expected to be paid within the year.

The following schedule reports receivables and payables within the reporting entity at year-end:

	<u>Due To</u>		<u>Business -</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Governmental Activities</u>				
	<u>Major Governmental</u>	<u>Other Governmental</u>	<u>Type</u>		
	<u>Funds</u>	<u>Funds</u>	<u>Activities</u>	<u>Fund</u>	<u>Due</u>
<u>Due From Primary Government</u>	<u>General</u>	<u>Garbage</u>	<u>TIF</u>	<u>Water</u>	<u>Police</u>
				<u>And Sewer</u>	<u>Pension</u>
					<u>From</u>
Governmental Activities:					
Major Governmental Fund:					
General Fund			\$ 160,841	\$ 41,365	\$ 1,852
					\$ 204,058
Business-Type Activities:					
Major Enterprise Fund:					
Water and Sewer	\$ 3,899	\$ 25,367			29,266
Total Due To	\$ 3,899	\$ 25,367	\$ 160,841	\$ 41,365	\$ 1,852
					\$ 233,324

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

	<u>Transfers In</u>		<u>Total</u>
	<u>Governmental Activities</u>		
	<u>Major Governmental</u>	<u>Other Governmental</u>	
	<u>Funds</u>	<u>Funds</u>	<u>Transfers</u>
<u>Transfers From Primary Government</u>	<u>General</u>	<u>TIF</u>	<u>From</u>
Governmental Activities:			
Major Governmental Funds:			
General		\$ 460,000	\$ 460,000
Garbage	\$ 9,040		9,040
Total Transfers To	\$ 9,040	\$ 460,000	\$ 469,040

See Independent Auditor's Report

NOTE 5: PENSION PLANS

Illinois Municipal Retirement Fund

IMRF 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 agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

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

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

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	32
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	<u>36</u>
Total	<u>76</u>

Contributions

As set by statute, the Village's plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2016 was 10.38%. For the fiscal year ended April 30, 2017, the Village contributed \$283,6386 to the plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 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 2012). 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.

See Independent Auditor's Report

- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38 %	6.85 %
International Equity	17	6.75
Fixed Income	27	3.00
Real Estate	8	5.75
Alternative Investments	9	2.65-7.35
Cash Equivalents	1	2.25
Total	<u>100 %</u>	

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fudiciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) - (B)</u>
Balances at December 31, 2015	\$ 15,386,414	\$ 12,817,860	\$ 2,568,554
Changes for the Year:			
Service Cost	249,337		249,337
Interest on the Total Pension Liability	1,126,484		1,126,484
Differences Between Expected and Actual Experience of the Total Pension Liability	551,970		551,970
Changes of Assumptions	(83,235)		(83,235)
Contributions - Employer		298,869	(298,869)
Contributions - Employees		111,432	(111,432)
Net Investment Income		852,239	(852,239)
Benefit Payments, Including Refunds of Employee Contributions	(821,518)	(821,518)	0
Other (Net Transfer)		195,255	(195,255)
	<u>1,023,038</u>	<u>636,277</u>	<u>386,761</u>
Net Changes			
Balances at December 31, 2016	<u>\$ 16,409,452</u>	<u>\$ 13,454,137</u>	<u>\$ 2,955,315</u>

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

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

	1% Decrease <u>(6.50%)</u>	Current Single Discount Rate Assumption <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Total Pension Liability	\$ 18,660,123	\$ 16,409,452	\$ 14,609,820
Plan Fiduciary Net Position	<u>13,454,137</u>	<u>13,454,137</u>	<u>13,454,137</u>
Net Pension Liability	<u>\$ 5,205,986</u>	<u>\$ 2,955,315</u>	<u>\$ 1,155,683</u>

See Independent Auditor's Report

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the IMRF Pension

For the year ended April 30, 2017, the Village recognized pension expense of \$283,386. At April 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to the IMRF pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences Between Expected and Actual Experience	\$ 552,025	
Changes of Assumptions	38,952	\$ 68,708
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>619,956</u>	<u> </u>
Total Deferred Amounts to be Recognized In Pension Expense in Future Periods	<u>1,210,933</u>	<u>68,708</u>
Pension Contributions Made Subsequent to the Measurement Date	<u>94,201</u>	<u> </u>
Total Deferred Amounts Related to Pensions	<u>\$ 1,305,134</u>	<u>\$ 68,708</u>

The \$94,201 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the IMRF pension is projected for future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 316,414
2018	316,414
2019	316,414
2020	133,303
2021	<u>59,680</u>
Total	<u>\$ 1,142,225</u>

Social Security

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund are considered "non-participating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The Village paid \$254,893, the total required contribution for the year.

Police Pension

This information is presented based on the Actuarial Valuation Report prepared by the State of Illinois Department of Insurance. It is not compliant with GASB 68 standards.

Sworn police personnel are covered by the Police Pension Defined Benefit Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois State Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At April 30, 2017, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated	
Employees Entitled to Benefits but Not Yet Receiving Benefits	15
Current Employees:	
Vested	0
Nonvested	<u>17</u>
Total	<u><u>32</u></u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2% of such salary for each additional year of service over 20 years up to 30 years, and by 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Employees with at least eight years, but less than 20 years of credited service, may retire at or after age 60

and receive a reduced benefit. The monthly benefit of a police officer who retires with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Employees are required by ILCS to contribute 9.9% of their base salary to the Police Pension 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 as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended April 30, 2016, the Village's contribution was 39.92% of covered payroll.

Summary of Significant Accounting Policies and Plan Asset Matters

Significant Investments

The following list is the investments held at year end that represent 5% of the Police Pension Plan (other than U.S. Government guaranteed obligations). Information for the IMRF is not available.

	<u>Cost</u>	<u>Market Value</u>
Fidelity Intl Index Premium	\$ 426,710	\$ 431,156
Fidelity Mid Cap Idx Premium	338,829	372,023
Vanguard Russell 1000 Index I	1,073,610	1,236,397

Annual Pension Costs

Employer annual pension costs (APC), actual contributions, and the net pension obligation (NPO) are as follows: (The NPO is the cumulative difference between the annual required contribution (ARC) and the contributions actually made.) Police pension information presented is for the fiscal years ending April 30, 2016, 2015, and 2014.

Defined Benefit Pension Plan	<u>Police Pension</u>
Annual Pension Cost (APC)	\$ 1,127,652 444,053 1,321,960
Actual Contribution	\$ 457,825 464,867 425,902
Annual Required Contribution	\$ 389,099 355,601 366,626
Percentage of ARC Contributed	117.66% 130.73% 116.17%
NPO (Assets)	\$ 4,693,400 4,023,573 4,044,387

The NPO at April 30, 2016 has been calculated as follows:

	<u>Police Pension</u>
Annual Required Contribution	\$ 389,099
Adjustment to Annual Required Contribution	<u>738,553</u>
Annual Pension Cost	1,127,652
Contributions Made	<u>457,825</u>
Increase (Decrease) in Net Pension Obligation	669,827
Net Pension Obligation, Beginning of Year	<u>4,023,573</u>
Net Pension Obligation, End of Year	<u><u>\$ 4,693,400</u></u>

See Independent Auditor's Report

Actuarial Valuation Date	April 30, 2016
Actuarial Cost Method	Entry-age Normal
Asset Valuation Method	Cost
Amortization Method	Level % of Payroll
Amortization Period	24 Years, Closed

Significant Actuarial Assumptions

a) Rate of Return on Present and Future Assets	6.5%
b) Projected Salary Increase-Attributable to Inflation	4.5%
c) Additional Projected Salary Increase-Seniority/Merit	1971 Group Annuity Experience Tables

As of April 30, 2016, the most recent actuarial valuation date, the plan was 59.53% funded. The actuarial accrued liability for benefits was \$11,596,352 and the actuarial value of assets was \$6,902,952, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,693,400. The covered payroll (annual payroll of active employees covered by the plan) was \$912,613 and the ratio of the UAAL to the covered payroll was 514.28%.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police Pension - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4-30-16	\$ 6,902,952	\$ 11,596,352	\$ 4,693,400	59.53%	\$ 912,613	514.28%
4-30-15	6,745,828	10,769,403	4,023,575	62.64%	915,612	439.44%
4-30-14	6,435,556	10,479,943	4,044,387	61.41%	949,523	425.94%
4-30-13	6,115,766	9,264,095	3,148,329	66.02%	771,127	408.28%
4-30-12	5,782,990	8,623,226	2,840,236	67.06%	815,606	348.24%
4-30-10	4,952,200	7,594,628	2,642,428	65.21%	843,595	313.23%
4-30-09	4,451,350	7,628,552	3,177,202	58.35%	960,839	330.67%
4-30-08	4,858,577	6,775,429	1,916,852	71.71%	974,120	196.78%

The following table provides the aggregate amount for all defined benefit plans in which the Village participates:

Total Net Pension Liabilities	\$ 7,648,715
Total Pension Assets	0
Total Pension Expense for the Period Associated with the Net Pension Liabilities	283,386
Total Deferred Outflows of Resources	1,305,134
Total Deferred Inflows of Resources	68,708

Deferred Compensation Plan

The Village maintains a deferred compensation plan for its employees under the provisions of Internal Revenue Code Section 457. The plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Village has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for this plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and are not subject to claims of the Village's creditors. Accordingly, those plan assets are not reported as a part of these financial statements.

NOTE 6: RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs: property, liability, and worker's compensation. During the year ended, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

NOTE 7: CONSTRUCTION COMMITMENTS

The Village has active construction projects as of the year end. The projects include new construction. At year end, the government's commitments with contractors are as follows:

	<u>Spent to</u> <u>Date</u>	<u>Remaining</u> <u>Commitment</u>	<u>Total</u>
Sports Complex Phase 2	\$ 1,586,857	\$ 202,143	\$ 1,789,000
Splash Pad	<u>106,086</u>	<u>18,914</u>	<u>125,000</u>
Totals	<u>\$ 1,692,943</u>	<u>\$ 221,057</u>	<u>\$ 1,914,000</u>

The commitments are being financed with Village money and state and local grants.

NOTE 8: TAX ABATEMENT

The Village established a Tax Increment Financing (TIF) District in 2000. The goal was to increase the Village's total EAV by inducing private development. The EAV for the TIF District is \$2,754,390; however, the taxable value is \$1,405,100. Therefore, the total property taxes the Village will receive would be reduced by around \$17,000.

NOTE 9: DATE OF MANAGEMENT REVIEW

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through October 9, 2017, the date of the management representation letter and the date the financial statements were available to be issued.

VILLAGE OF BETHALTO, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
FOR THE YEAR ENDED APRIL 30, 2017

Calendar Year Ended December 31,	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 243,985	\$ 249,337
Interest on the Total Pension Liability	1,072,572	1,126,484
Differences Between Expected and Actual Experience of the Total Pension Liability	145,799	551,970
Changes of Assumptions	58,916	(83,235)
Benefit Payments Including Refunds of Employee Contributions	<u>(665,830)</u>	<u>(821,518)</u>
 Net Change in Total Pension Liability	 855,442	 1,023,038
Total Pension Liability - Beginning	<u>14,530,972</u>	<u>15,386,414</u>
 Total Pension Liability - Ending (A)	 <u>\$ 15,386,414</u>	 <u>\$ 16,409,452</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 312,859	\$ 298,869
Contributions - Employees	113,461	111,432
Net Investments Income	63,974	852,239
Benefit Payments, Including Refunds of Employee Contributions	(665,830)	(821,518)
Other (Net Transfer)	<u>78,905</u>	<u>195,255</u>
 Net Change in Plan Fiduciary Net Position	 (96,631)	 636,277
Plan Fiduciary Net Position - Beginning	<u>12,914,491</u>	<u>12,817,860</u>
 Plan Fiduciary Net Position - Ending (B)	 <u>12,817,860</u>	 <u>13,454,137</u>
 Net Pension Liability - Ending (A) - (B)	 <u>\$ 2,568,554</u>	 <u>\$ 2,955,315</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 83.31 %	 81.99 %
 Covered Valuation Payroll	 \$ 2,290,336	 \$ 2,247,133
 Net Pension Liability as a Percentage of Covered Valuation Payroll	 112.15 %	 131.51 %

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available

Information reported on a calendar year basis.

VILLAGE OF BETHALTO, ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 ILLINOIS MUNICIPAL RETIREMENT FUND
 FOR THE YEAR ENDED APRIL 30, 2017

Calendar Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Valuation <u>Payroll</u>	Actual Contribution as a Percentage of Covered <u>Valuation Payroll</u>
2015	\$ 312,860	\$ 312,859	\$ 1	\$ 2,290,336	13.66 %
2016	298,869	298,869	0	2,247,133	13.30

Note: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is

Information reported on a calendar year basis.

VILLAGE OF BETHALTO, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	<u>BUDGETED AMOUNTS</u>				<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL GAAP BASIS</u>	<u>ADJUSTMENTS BUDGET BASIS</u>	<u>ACTUAL BUDGET BASIS</u>	
Revenues:					
Property Tax	\$ 785,250	\$ 846,819		\$ 846,819	\$ 61,569
Utilities Tax	866,000	831,625		831,625	(34,375)
Charges for Services	14,500	14,623		14,623	123
Licenses and Permits	65,900	143,377		143,377	77,477
Intergovernmental	2,962,600	2,113,469		2,113,469	(849,131)
Investment Income	1,800	2,024		2,024	224
Fines and Forfeitures	27,000	34,112		34,112	7,112
Miscellaneous	138,860	710,768		710,768	571,908
Total Revenues	<u>4,861,910</u>	<u>4,696,817</u>		<u>4,696,817</u>	<u>(165,093)</u>
Expenditures:					
Current:					
General Government	1,071,550	1,072,433		1,072,433	(883)
Public Safety	1,642,700	1,614,747		1,614,747	27,953
Streets and Highways	563,000	567,013		567,013	(4,013)
Cultural and Recreational	507,100	433,819		433,819	73,281
Capital Outlay	1,423,000	757,036		757,036	665,964
Debt Services:					
Principal	147,500	116,043		116,043	31,457
Interest and Fiscal Charges		12,633		12,633	(12,633)
Total Expenditures	<u>5,354,850</u>	<u>4,573,724</u>		<u>4,573,724</u>	<u>781,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(492,940)</u>	<u>123,093</u>		<u>123,093</u>	<u>616,033</u>
Other Financing Sources (Uses):					
Transfers In		9,040		9,040	9,040
Transfers Out	(460,000)	(460,000)		(460,000)	
Loan Proceeds	865,000	453,149		453,149	(411,851)
Total Other Financing Sources (Uses)	<u>405,000</u>	<u>2,189</u>		<u>2,189</u>	<u>(402,811)</u>
Net Change in Fund Balance	(87,940)	125,282		125,282	213,222
Fund Balance:					
Beginning of Year	<u>116,599</u>	<u>116,599</u>		<u>116,599</u>	
End of Year	<u>\$ 28,659</u>	<u>\$ 241,881</u>	<u>\$</u>	<u>\$ 241,881</u>	<u>\$ 213,222</u>

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VILLAGE OF BETHALTO, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
FOR THE YEAR ENDED APRIL 30, 2017

	<u>BUDGETED AMOUNTS</u>				<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL GAAP BASIS</u>	<u>ADJUSTMENTS BUDGET BASIS</u>	<u>ACTUAL BUDGET BASIS</u>	
Revenues:					
Property Tax	\$ 295,000	\$ 294,254		\$ 294,254	\$ (746)
Intergovernmental	6,000	7,584		7,584	1,584
Total Revenues	<u>301,000</u>	<u>301,838</u>		<u>301,838</u>	<u>838</u>
Expenditures:					
Current:					
General Government	<u>353,000</u>	<u>361,481</u>		<u>361,481</u>	<u>(8,481)</u>
Total Expenditures	353,000	361,481		361,481	(8,481)
Net Change in Fund Balance	(52,000)	(59,643)		(59,643)	(7,643)
Fund Balance:					
Beginning of Year	<u>80,534</u>	<u>80,534</u>	<u> </u>	<u>80,534</u>	<u> </u>
End of Year	<u>\$ 28,534</u>	<u>\$ 20,891</u>	<u>\$</u>	<u>\$ 20,891</u>	<u>\$ (7,643)</u>

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VILLAGE OF BETHALTO, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2017

	<u>BUDGETED</u> <u>AMOUNTS</u>				<u>VARIANCE</u> <u>WITH FINAL</u>
	<u>ORIGINAL</u> <u>AND</u> <u>FINAL</u>	<u>ACTUAL</u> <u>GAAP</u> <u>BASIS</u>	<u>ADJUSTMENTS</u> <u>BUDGET</u> <u>BASIS</u>	<u>ACTUAL</u> <u>BUDGET</u> <u>BASIS</u>	<u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
Revenues:					
Intergovernmental	\$ 246,600	\$ 279,685		\$ 279,685	\$ 33,085
Investment Income	800	2,259		2,259	1,459
Total Revenues	<u>247,400</u>	<u>281,944</u>		<u>281,944</u>	<u>34,544</u>
Expenditures:					
Current:					
Streets and Highways	<u>200,000</u>	<u>354,378</u>		<u>354,378</u>	<u>(154,378)</u>
Net Change in Fund Balance	47,400	(72,434)		(72,434)	188,922
Fund Balance:					
Beginning of Year	<u>698,425</u>	<u>698,425</u>	_____	<u>698,425</u>	_____
End of Year	<u>\$ 745,825</u>	<u>\$ 625,991</u>	<u>\$ _____</u>	<u>\$ 625,991</u>	<u>\$ 188,922</u>

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VILLAGE OF BETHALTO, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GARBAGE FUND
FOR THE YEAR ENDED APRIL 30, 2017

	<u>BUDGETED AMOUNTS</u>				<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL GAAP BASIS</u>	<u>ADJUSTMENTS BUDGET BASIS</u>	<u>ACTUAL BUDGET BASIS</u>	
Revenues:					
Property Tax	\$ 25,000	\$ 25,052		\$ 25,052	\$ 52
Charges for Services	<u>599,757</u>	<u>609,257</u>		<u>609,257</u>	<u>9,500</u>
Total Revenues	<u>624,757</u>	<u>634,309</u>		<u>634,309</u>	<u>9,552</u>
Expenditures:					
Current:					
General Government	<u>604,976</u>	<u>592,337</u>		<u>592,337</u>	<u>12,639</u>
Net Change in Fund Balance	19,781	41,972		41,972	22,191
Fund Balance:					
Beginning of Year	<u>99,701</u>	<u>99,701</u>	<u> </u>	<u>99,701</u>	<u> </u>
End of Year	<u>\$ 119,482</u>	<u>\$ 141,673</u>	<u>\$ </u>	<u>\$ 141,673</u>	<u>\$ 22,191</u>

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VILLAGE OF BETHALTO, ILLINOIS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 1: SUMMARY OF BUDGETARY ACCOUNTING POLICIES

The Village prepares the budget on the modified accrual basis of accounting.

NOTE 2: EXPENDITURES OVER BUDGET

The following funds had expenditures over budget:

	<u>Actual</u>	<u>Budget</u>
Municipal Retirement/Social Security	\$ 361,481	\$ 353,000
Motor Fuel Tax	354,378	200,000

NOTE 3: IMRF PENSION INFORMATION

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date: December 31, 2016

Notes 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.

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

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Mortality:

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

Other Information:

Notes:

There were no benefit changes during the year.

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

VILLAGE OF BETHALTO, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENT FUNDS
 APRIL 30, 2017

	<u>CIVIL</u>	<u>AUDIT</u>	<u>LIABILITY</u>	<u>TIF</u>	<u>TOTAL</u>
	<u>DEFENSE</u>		<u>INSURANCE</u>		
<u>ASSETS</u>					
Cash and Cash Investments	\$ 2,630	\$ 14,602	\$ 154,890	\$ 6,874	\$ 178,996
Receivables (Net Where Applicable of Allowance for Doubtful Accounts):					
Property Tax	2,470	13,975	131,820	113,850	262,115
Other Funds				160,841	160,841
Prepaid Insurance	<u> </u>	<u> </u>	<u>59,956</u>	<u> </u>	<u>59,956</u>
 Total Assets	 <u>\$ 5,100</u>	 <u>\$ 28,577</u>	 <u>\$ 346,666</u>	 <u>\$ 281,565</u>	 <u>\$ 661,908</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>					
Deferred Inflows of Resources:					
Unavailable Revenues	<u>\$ 2,470</u>	<u>\$ 13,975</u>	<u>\$ 131,820</u>	<u>\$ 113,850</u>	<u>\$ 262,115</u>
Fund Balance:					
Nonspendable			59,956		59,956
Restricted	<u>2,630</u>	<u>14,602</u>	<u>145,886</u>	<u>167,715</u>	<u>330,833</u>
Total Fund Balance	<u>2,630</u>	<u>14,602</u>	<u>205,842</u>	<u>167,715</u>	<u>390,789</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 5,100</u>	 <u>\$ 28,577</u>	 <u>\$ 346,666</u>	 <u>\$ 281,565</u>	 <u>\$ 661,908</u>

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VILLAGE OF BETHALTO, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED APRIL 30, 2017

	<u>CIVIL DEFENSE</u>	<u>AUDIT</u>	<u>LIABILITY INSURANCE</u>	<u>TIF</u>	<u>TOTAL</u>
Revenues:					
Property Tax	\$ 2,491	\$ 17,993	\$ 164,566	\$ 101,610	\$ 286,660
Total Revenues	<u>2,491</u>	<u>17,993</u>	<u>164,566</u>	<u>101,610</u>	<u>286,660</u>
Expenditures:					
Current:					
General Government		11,712	107,427		119,139
Public Safety	5,512				5,512
Development Services				1,557	1,557
Debt Service:					
Principal				491,998	491,998
Interest and Fiscal Charges				77,505	77,505
Total Expenditures	<u>5,512</u>	<u>11,712</u>	<u>107,427</u>	<u>571,060</u>	<u>695,711</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,021)</u>	<u>6,281</u>	<u>57,139</u>	<u>(469,450)</u>	<u>(409,051)</u>
Other Financing Sources (Uses):					
Transfers In				460,000	460,000
Total Other Financing Sources (Uses)				<u>460,000</u>	<u>460,000</u>
Net Change in Fund Balance	(3,021)	6,281	57,139	(9,450)	50,949
Fund Balance:					
Beginning of Year	<u>5,651</u>	<u>8,321</u>	<u>148,703</u>	<u>177,165</u>	<u>339,840</u>
End of Year	<u>\$ 2,630</u>	<u>\$ 14,602</u>	<u>\$ 205,842</u>	<u>\$ 167,715</u>	<u>\$ 390,789</u>

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VILLAGE OF BETHALTO, ILLINOIS
SCHEDULE OF TAXES EXTENDED AND COLLECTED
APRIL 30, 2017

The following are the actual tax rates applicable by levy year to the various levies per \$100 of assessed valuation and the assessed valuation, tax extensions and collections:

	Maximum <u>Levy</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government	\$.2500	\$ 0.2500	\$ 0.2450	\$ 0.2500
Street and Bridge	.1000	0.0529	0.0526	0.0545
Garbage	.2000	0.0201	0.0181	0.0823
Fire Protection	.2000	0.1507	0.1441	0.1551
Emergency Services	.0500	0.0018	0.0018	0.0018
Police Protection	.0750 *	0.0750	0.0745	0.0750
Liability Insurance	None	0.0955	0.1189	0.1793
Social Security	None	0.1306	0.1261	0.1275
Municipal Retirement	None	0.1316	0.0865	0.0952
Police Pension	None	0.2871	0.2882	0.2684
Audit	None	0.0101	0.0130	0.0132
Street Lighting	.0500	0.0500	0.0490	0.0500
Total		\$ <u>1.2554</u>	\$ <u>1.2178</u>	\$ <u>1.3523</u>

* Limited to .25 Per Capita

Assessed Valuation	\$ <u>139,394,112</u>	\$ <u>138,816,896</u>	\$ <u>136,665,889</u>
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Tax Extension by Levy:

General Government	\$ 348,485	\$ 340,101	\$ 341,665
Street and Bridge	73,739	73,018	74,483
Garbage	28,018	25,126	112,476
Fire Protection	210,067	200,035	211,969
Emergency Services	2,509	2,499	2,460
Police Protection	104,546	103,419	102,499
Liability Insurance	133,121	165,053	245,042
Social Security	182,049	175,048	174,249
Municipal Retirement	183,443	120,077	130,106
Police Pension	400,200	400,070	366,811
Audit	14,079	18,046	18,040
Street Lighting	69,697	68,020	68,333
Total	\$ <u>1,749,954</u>	\$ <u>1,690,512</u>	\$ <u>1,848,133</u>

Amounts Collected on Extensions	\$ <u>0</u>	\$ <u>1,686,605</u>	\$ <u>1,828,923</u>
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Percentage of Total Extensions Collected	<u>0.0 %</u>	<u>99.8 %</u>	<u>99.0 %</u>
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