

VILLAGE OF PESOTUM

Pesotum, Illinois

Annual Financial Report

For the Year Ended April 30, 2016

Feller & Kuester CPAs LLP
Certified Public Accountants
806 Parkland Court, Suite 1
Champaign, IL 61821
217-351-3192

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Feller & Kuester CPAs LLP

Tax - Audit - Bookkeeping
806 Parkland Court, Suite 1 - Champaign, Illinois 61821
Phone - (217) 351-3192 Fax - (217) 351-4135 Email - neal@fellerkuester.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management
Village of Pesotum
Pesotum, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Village of Pesotum, Illinois (the Village), as of and for the year ended April 30, 2016, and the related notes to the basic 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Village as of April 30, 2016; the respective changes in modified cash basis financial position; and, when applicable, cash flows thereof for the year then ended in conformity with the basis of accounting as described in Note 1.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The schedule of property tax levies, rates, extensions, and collections is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The schedule of property tax levies, rates, extensions, and collections presented on pages 18 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Feller & Kuester CPAs LLP

Feller & Kuester CPAs LLP
Champaign, Illinois

September 23, 2016

VILLAGE OF PESOTUM
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 145,006
Investments	196,306
Capital Assets, Net of Accumulated Depreciation:	
Land (Not Being Depreciated)	83,800
Other Capital Assets	<u>412,486</u>
Total Assets	<u><u>837,598</u></u>
 Liabilities	
Payroll Liabilities	<u>1,177</u>
Total Liabilities	<u><u>1,177</u></u>
 Net Position	
Net Investment in Capital Assets	496,286
Restricted	44,429
Unrestricted	<u>295,706</u>
Total Net Position	<u><u>\$ 836,421</u></u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF PESOTUM
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and</u>
<u>Primary Government:</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
<u>Governmental Activities:</u>	<u>Services</u>	<u>Contributions</u>	<u>Grants and</u>	<u>Primary Government</u>
<u>General Government</u>	<u>-</u>	<u>-</u>	<u>Capital</u>	<u>Governmental</u>
<u>Public Safety</u>	<u>-</u>	<u>-</u>	<u>Grants and</u>	<u>Activities</u>
<u>Streets and Highways</u>	<u>-</u>	<u>-</u>	<u>Contributions</u>	<u>-</u>
<u>Culture and Recreation</u>	<u>7,590</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
<u>Solid Waste Management</u>	<u>2,120</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Governmental Activities</u>	<u>189,320</u>	<u>7,141</u>	<u>1,000</u>	<u>(181,179)</u>
<u>Total Primary Government</u>	<u>\$ 189,320</u>	<u>\$ 7,141</u>	<u>\$ 1,000</u>	<u>(181,179)</u>
<u>General Revenues:</u>				
<u>Taxes:</u>				
Property Tax				29,898
Municipal Electric Utilities Tax				12,945
Municipal Gas Utilities Tax				8,665
Municipal Water Utilities Tax				7,080
Municipal Communications Utilities Tax				8,005
State Income Tax				58,835
State Sales Tax				2,554
State Use Tax				12,680
State Motor Fuel Tax				14,121
State Replacement Tax				933
State Gaming Tax				4,464
Interest Income				3,365
Miscellaneous Income				1,000
<u>Total General Revenue</u>				<u>164,545</u>
<u>Change in Net Position</u>				<u>(16,634)</u>
<u>Net Position - Beginning of Year, As Previously Stated</u>				<u>876,910</u>
<u>Prior Period Adjustment</u>				<u>(23,855)</u>
<u>Net Position - Beginning of Year, Restated</u>				<u>853,055</u>
<u>Net Position - End of Year</u>				<u>\$ 836,421</u>

See Accompanying Notes to the Basic Financial Statements.

**VILLAGE OF PESOTUM
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2016**

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 117,446	\$ 27,560	\$ 145,006
Investments	196,306	-	196,306
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 313,752</u>	<u>\$ 27,560</u>	<u>\$ 341,312</u>
Liabilities			
Payroll Liabilities	\$ 1,177	-	\$ 1,177
Total Liabilities	<u>1,177</u>	<u>-</u>	<u>1,177</u>
Fund Balances			
Restricted	16,869	27,560	44,429
Unassigned	295,706	-	295,706
Total Fund Balances	<u>312,575</u>	<u>27,560</u>	<u>340,135</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 313,752</u>	<u>\$ 27,560</u>	<u>\$ 341,312</u>

Reconciliation to Statement of Net Position - Modified Cash Basis:

Total Fund Balances of Governmental Funds \$ 340,135

Amounts Reported for Governmental Activities in the Statement of
Net Position - Modified Cash Basis are Different Because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 496,286

Net Position of Governmental Activities \$ 836,421

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF PESOTUM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
Revenues			
<i>Local Taxes</i>			
Property Tax	\$ 29,898	\$ -	\$ 29,898
Municipal Electric Utilities Tax	12,945	-	12,945
Municipal Gas Utilities Tax	8,665	-	8,665
Municipal Water Utilities Tax	7,080	-	7,080
Municipal Communications Utilities Tax	8,005	-	8,005
<i>Intergovernmental Receipts</i>			
State Income Tax	58,835	-	58,835
State Sales Tax	2,554	-	2,554
State Use Tax	12,680	-	12,680
State Motor Fuel Tax	-	14,121	14,121
State Replacement Tax	933	-	933
State Gaming Tax	4,464	-	4,464
<i>Other Sources</i>			
Licenses and Permits	1,800	-	1,800
Franchise Fees	2,823	-	2,823
Rental Income	1,830	-	1,830
Event Receipts	600	-	600
Scrap Income	88	-	88
Interest Income	3,338	27	3,365
Donations	1,000	-	1,000
Miscellaneous Income	1,000	-	1,000
Total Revenues	158,538	14,148	172,686
Expenditures			
<i>Current</i>			
General Government	61,747	-	61,747
Public Safety	3,809	-	3,809
Streets and Highways	65,517	18,270	83,787
Culture and Recreation	4,550	-	4,550
Solid Waste Management	2,120	-	2,120
<i>Capital Outlay</i>	44,054	-	44,054
Total Expenditures	181,797	18,270	200,067
Excess (Deficiency) of Revenues Over Expenditures	(23,259)	(4,122)	(27,381)
Other Financing Sources			
None	-	-	-
Net Changes in Fund Balances	(23,259)	(4,122)	(27,381)
Fund Balances - Beginning of Year, As Previously Stated	347,324	32,466	379,790
Prior Period Adjustment	(11,490)	(784)	(12,274)
Fund Balance - Beginning of Year, Restated	335,834	31,682	367,516
Fund Balances - End of Year	\$ 312,575	\$ 27,560	\$ 340,135
Reconciliation to the Statement of Activities - Modified Cash Basis:			
Net Changes in Fund Balances of Governmental Funds			\$ (27,381)
Amounts Reported for Governmental Activities in the Statement of Activities - Modified Cash Basis are Different Because:			
Governmental funds reports capital outlays as expenditures while governmental activities report depreciation to allocate those costs over the lives of the assets:			
Capital Outlay			44,054
Depreciation Expense			(33,307)
Change in Net Position of Governmental Activities			\$ (16,634)

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

As discussed further later in this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Financial Reporting Entity

Village of Pesotum (the Village) is duly organized and existing under the provisions of the laws of the State of Illinois. The Village is governed by an elected board consisting of six trustees. The Village's financial reporting entity is composed of a single primary government. In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. Based on the operational and financial criteria of that statement, the Village does not have a component unit that should be reported as part of the reporting entity.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Village does not have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Village presently has no proprietary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions or activities of the Village. The reporting entity included the following special revenue fund, which is a major fund:

<u>Fund</u>	<u>Brief Description</u>
Motor Fuel Tax Fund	Accounts for motor fuel tax provided by the State of Illinois and expenditures paid for road repair and replacement.

The Motor Fuel Tax Fund does not meet the requirements of a major fund; however, management has elected to include this fund as a major fund of the Village.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, governmental activities are presented using the “economic resources” measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Equities are classified as net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

In the governmental fund financial statements, the “current financial resources” measurement focus, as applied to the modified cash basis of accounting, is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis and the fund financial statements, activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and recording of long-term debt in the government-wide financial statements and proprietary funds financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Village utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

For the purpose of these statements, cash and cash equivalents include all cash and highly liquid investments acquired with an original maturity date of three months or less.

Investments

Investments classified in these statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

The Village’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and similar discretely presented

**VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016**

component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position – Modified Cash Basis. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities – Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Position – Modified Cash Basis. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The capitalization threshold and range of estimated useful lives by type of asset are as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	20-40 years	\$ 2,500
Other Improvements	7-40 years	\$ 2,500
Machinery and Equipment	5-10 years	\$ 2,500
Infrastructure	20-50 years	\$ 2,500

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

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

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements, which is the debt proceeds are reported as liabilities at the time of occurrence and payment of principal is reported as reduction in debt outstanding and interest is reported as an expense.

**VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016**

Equity Classification

Government-Wide Statements

In the government-wide statements, equity is classified as net position and displayed in three components. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted.

- Net Investment in Capital Assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other debt that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position - consists of net position with constraints placed on their use either by external groups, by laws of other higher authority governments, or by constitutional provisions.
- Unrestricted Net Position - consists of all other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Financial Statements

In the governmental fund statements, fund equity is classified as fund balance and displayed in five components in accordance with GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Propriety fund equity is classified the same as in the government-wide statements. The five components of fund balance are:

- Nonspendable - consists of fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints require them to be maintained intact. At April 30, 2016, the Village did not report any amounts as nonspendable.
- Restricted - consists of fund balances with constraints placed on their use either by external groups, by laws of higher authority governments or by constitutional provisions, or enabling legislation. The Village at April 30, 2016 reported the total amount of \$44,429 as restricted in the following components:
 - \$27,560 restricted for unspent motor fuel tax. This amount can only be spent on street and alley improvements under state laws and procedures.
 - \$26 restricted for unspent special tax levies. This amount can only be spent for purposes as described in the special tax levy.
 - \$16,843 restricted for unspent restricted donations. This amount can only be spent on the Davis Memorial Cemetery.

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

- Committed - consists of fund balance amounts that are constrained for specific purposes that are internally imposed by formal action of the highest level of decision making authority, the Village Trustees. These amounts are committed thru a resolution approved by the Village Trustees prior to year end (actual amounts are determined after year end). Any changes to the constraints imposed require amendment by the same type of Village Trustee resolution. At April 30, 2016, the Village did not report any amounts as committed.
- Assigned - consists of fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned by financial management or official action of the Village Trustees and also includes all amounts in governmental funds, other than the general fund, that are not restricted or committed. Assignments may take place after the end of the reporting period. At April 30, 2016, the Village did not report any amounts as assigned.
- Unassigned - consists of residual positive fund balance within the general fund which has not been classified within the other above categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. At April 30, 2016, the Village reported the amount of \$295,706 as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first unless there are legal documents or contracts that prohibit this (ex. grant agreements). Additionally, if different levels of unrestricted funds are available for spending, the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village does not maintain any rainy day funds (amounts set aside for use in emergency situations or when a budgetary imbalance arises). The Village also does not utilize encumbrance accounting. Appropriations not spent at year-end lapse and may be acted upon as a supplemental appropriation, if required.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Village's taxpayers are reported as program revenues. Program revenues include the following:

Charges for Services:

- | | |
|------------------------|--|
| • Licenses and Permits | Fees paid by the public for licenses and permits. |
| • Franchise Fees | Fees paid by the public for franchise fees. |
| • Rental Income | Rent paid by the public for use of village property. |
| • Event Receipts | Funds received during special events. |
| • Scrap Income | Funds received for the sale of scrap. |

**VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016**

Operating Grants and Contributions:

- Donations Donations received from the public to support general operations of the Village.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- Interfund Loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- Interfund Services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- Interfund Reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- Interfund Transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal Balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Position - Modified Cash Basis, except for the net residual amounts due between governmental and business-type activities which are reported as Internal Balances.
- Internal Activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities – Modified Cash Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Modified Cash Basis.

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Subsequent Events

The Village has evaluated subsequent events through September 23, 2016, the date on which the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.

NOTE 2 – Legal Budget

Legal budgets are prepared in the form of appropriations for Village funds using the cash basis of accounting as outlined under Chapter 50, Section 330 of the Illinois Compiled Statutes. Unexpended appropriations lapse at the end of the fiscal year. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board of Village Trustees after a public notice and hearing.

Appropriations transfers between budget line items may be presented to the Board at their regular meetings. Each transfer must have Board approval. Such transfers are made before the fact and are reflected in the official minutes of the Board. There were no transfers made after fiscal year-end, as dictated by law.

NOTE 3 – Property Taxes

The Village's property tax is levied each year on all taxable real property located in the Village on or before the last Tuesday in December. The Board of Trustees passed the 2014 levy on August 6, 2014. The Board of Trustees passed the 2015 levy on August 5, 2015. Property taxes attach as an enforceable lien on property as of January 1st on property values assessed as of the same date. Property taxes are payable in two installments on or around June 1st and September 1st. The Village usually receives approximately four distributions of taxes from July through November. Property taxes are recorded as revenue when they are received. Property tax receipts in these financial statements are from the 2014 tax levy.

NOTE 4 – Cash and Cash Equivalents

The Village's cash deposits consist of checking, certificate of deposits, and money markets. These deposits are stated at cost. The Village is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235 of the Illinois Compiled Statutes. Such instructions include obligations of the U.S. Treasury, agencies, instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of state and their political subdivision, saving accounts, credit union shares, and the Illinois Funds

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

or such other officially recognized funds. The Village does not have a separate investment policy.

Custodial Credit Risk – Bank Deposit

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits, including amounts in checking, savings, certificate of deposits, and money market accounts may not be returned. The table presented below is designed to disclose the level of custodial credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at April 30, 2016. The categories of custodial credit risk are defined as follows:

Category 1 – Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Village's name; or properly collateralized with no written and approved collateral agreement.

Type of Deposit	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
<i>Insured Deposits</i>	\$ 266,843	\$ 266,843	\$ -	\$ -	
<i>Uninsured Deposits</i>					
Collateralized	-	-	-	-	
Uncollateralized	20,661	-	-	20,661	
Total Deposits	\$ 287,504	\$ 266,843	\$ -	\$ 20,661	\$ 287,504

Cash and Cash Equivalents	\$ 145,006
Investments	196,306
Outstanding Items	3,830
Less: Illinois Funds Money Market Funds	(57,638)
Total Bank Balance	\$ 287,504

Credit Risk and Interest Rate Risk – External Investment Pool

Credit risk is the risk that the issuer of a bond or note security will not repay the principal or pay the interest due on the debt. Interest rate risk is the risk that a change in the market rate of interest for a category of debt securities will negatively impact the market value of a debt security. The Village does not have an investment policy and thus does not have a written policy to address credit risk or interest rate risk.

VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016

At April 30, 2016, the Village held \$57,638 in the Illinois Funds Money Market Fund, reconciled to a book balance of \$57,638. The fair value of the Village's position in the fund is equal to the value of the Village's fund shares. The portfolio is regulated by oversight of the Treasurer of the State of Illinois and private rating agencies. The portfolio has an AAAM rating from Standard and Poor's. The assets of the fund are mainly invested in debt securities issued by the United States government or agencies related to the United States. Assets of the fund not invested in United States government securities are fully collateralized by pledged securities. The time to maturity of the investments in this external investment pool averages less than one year.

NOTE 5 – Capital Assets

A summary of capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2016, was as follows for governmental activities:

	<u>Balance at</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>April 30, 2016</u>
Capital Assets Not Being Depreciated:				
Land	\$ 83,800	\$ -	\$ -	\$ 83,800
Other Capital Assets:				
Buildings	129,663	-	-	129,663
Other Improvements	57,941	12,724	-	70,665
Machinery and Equipment	174,215	8,755	-	182,970
Infrastructure	334,378	22,575	-	356,953
Total Depreciable Property at Historical Cost	<u>696,197</u>	<u>44,054</u>	<u>-</u>	<u>740,251</u>
Less Accumulated Depreciation for:				
Buildings	98,017	4,046	-	102,063
Other Improvements	34,216	4,011	-	38,227
Machinery and Equipment	122,543	15,961	-	138,504
Infrastructure	39,682	9,289	-	48,971
Total Accumulated Depreciation	<u>294,458</u>	<u>33,307</u>	<u>-</u>	<u>327,765</u>
Other Capital Assets, Net	<u>401,739</u>	<u>10,747</u>	<u>-</u>	<u>412,486</u>
Capital Assets, Net	<u>\$ 485,539</u>	<u>\$ 10,747</u>	<u>\$ -</u>	<u>\$ 496,286</u>

Depreciation expense as charged to functions as follows in the Statement of Activities – Modified Cash Basis:

General Government	\$ 2,839
Public Safety	3,309
Streets and Highways	24,119
Culture and Recreation	3,040
Total Depreciation Expense	<u>\$ 33,307</u>

**VILLAGE OF PESOTUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
APRIL 30, 2016**

NOTE 6 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover these risks of loss. During the current fiscal year there were no significant reductions in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – Legal Debt Margin

The Village’s legal debt margin is 8.625% of the most recent available equalized assessed valuation (EAV) of the Village per 65 ILCS 5/8-5-1.

2015 EAV	\$	7,665,190
Debt Legal (%)		8.625%
Debt Margin		<u>661,123</u>
Current Debt		-
Remaining Debt Margin	\$	<u><u>661,123</u></u>

NOTE 8 – Restricted Property Tax Activity

The Village had the following restricted property tax activity in the general fund during the year ended April 30, 2016:

	<u>Special Tax Levy</u>	
	Audit	Road & Bridge
Restricted Balance at April 30, 2015	\$ -	\$ -
Property Taxes Received	3,876	9,573
Expenditures Incurred	<u>(3,850)</u>	<u>(9,573)</u>
Restricted Balance at April 30, 2016	<u>\$ 26</u>	<u>\$ -</u>

NOTE 9 – Prior Period Adjustment – Change in Accounting Basis

As of May 1, 2015, the Village has elected to present the financial statements on the modified cash basis of accounting as described further in Note 1 rather than GAAP. Management has determined that financial statements on the modified cash basis will be easier to read and understand. Due to this change in accounting basis, a prior period adjustment has been made as of May 1, 2015 for (\$23,855) for governmental activities. In addition, a prior period adjustment was made of (\$11,490) for the general fund and (\$784) for the motor fuel tax fund.

VILLAGE OF PESOTUM
SCHEDULE OF PROPERTY TAX LEVIES, RATES, EXTENSIONS, AND COLLECTIONS
FOR THE YEARS ENDED APRIL 30

Fiscal Year of Receipt	2017	2016	2015	2014	2013
Levy Year	2015	2014	2013	2012	2011
Assessed Valuations	<u>\$ 7,665,190</u>	<u>\$ 7,416,575</u>	<u>\$ 7,454,648</u>	<u>\$ 7,687,717</u>	<u>\$ 7,609,870</u>
Tax Levies					
General	\$ 17,361	\$ 16,985	\$ 16,608	\$ 16,008	\$ 15,645
Audit	4,000	4,000	4,000	4,000	4,000
Total Tax Levies	<u>\$ 21,361</u>	<u>\$ 20,985</u>	<u>\$ 20,608</u>	<u>\$ 20,008</u>	<u>\$ 19,645</u>
Tax Rates					
General	0.2192	0.2220	0.2160	0.2043	0.1994
Audit	0.0505	0.0523	0.0521	0.0510	0.0510
Total Tax Rates	<u>0.2697</u>	<u>0.2743</u>	<u>0.2681</u>	<u>0.2553</u>	<u>0.2504</u>
Tax Extensions					
General	\$ 16,802	\$ 16,465	\$ 16,102	\$ 15,706	\$ 15,174
Audit	3,871	3,879	3,884	3,921	3,881
Total Tax Extension	<u>\$ 20,673</u>	<u>\$ 20,344</u>	<u>\$ 19,986</u>	<u>\$ 19,627</u>	<u>\$ 19,055</u>
Tax Extension Collected					
General		\$ 16,449	\$ 15,977	\$ 15,657	\$ 15,150
Audit		3,876	3,852	3,909	3,875
Total Tax Extension Collected		<u>20,325</u>	<u>19,829</u>	<u>19,566</u>	<u>19,025</u>
Additions / Subtractions					
Village's Share of Road and Bridge Levy		9,573	9,942	10,403	10,448
		<u>9,573</u>	<u>9,942</u>	<u>10,403</u>	<u>10,448</u>
Total Tax Collections		<u>\$ 29,898</u>	<u>\$ 29,771</u>	<u>\$ 29,969</u>	<u>\$ 29,473</u>
Percentage Extensions Collected		<u>99.9%</u>	<u>99.2%</u>	<u>99.7%</u>	<u>99.8%</u>