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VILLAGE OF WADSWORTH, ILLINOIS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2016

VILLAGE OF WADSWORTH, ILLINOIS  
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INDEPENDENT AUDITOR'S REPORT

Village President and Trustees  
Village of Wadsworth, Illinois

We have audited the accompanying financial statements of the governmental activities and each fund of the Village of Wadsworth, Illinois as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 consolidated financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Village of Wadsworth, Illinois as of April 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 8 and 9 of the notes to the financial statements, in 2016 the Village adopted new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-8 and 29-32 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, economical, 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 inquires 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. In our opinion, the required supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Milburn Cain & Co.  
Certified Public Accountants

Gurnee, Illinois  
November 23, 2016

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF WADSWORTH, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

As management of the Village of Wadsworth, Illinois (Village), we offer readers of the Village's statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

**Financial Highlights**

- The assets and deferred outflows of the Village exceed its liabilities and deferred inflows at April 30, 2016 by \$11,280,506 (total net position). Of this amount, \$2,820,249 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased \$673,412 from current year activities.
- Effective May 1, 2015, the Village adopted and implemented new pension reporting to comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. The implementation of this GASB statement resulted in a prior period charge to net position of \$97,721. The fund financial statements were unaffected by the adoption of GASB 68.
- At April 30, 2016, the Village's governmental funds reported combined ending fund balances of \$3,187,718, an increase from current year activities of \$708,216.
- At April 30, 2016, the unassigned fund balance for the General Fund was \$2,930,843, or 227% of total General Fund expenditures.

**Overview of the Financial Statements**

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

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

**Government-wide Financial Statements**

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

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

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

The government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Village has no business-type activities at this time. The governmental activities of the Village include general government and motor fuel tax.

The government-wide financial statements can be found on pages 9 and 10 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be categorized as governmental funds.

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

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

The Village maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Motor Fuel Tax Fund, each as major funds. The basic governmental fund financial statements can be found on pages 11-14 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-26 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental financial information comparing the Village's appropriation (budget) to actual revenues and expenditures for the General Fund and Motor Fuel Tax Fund. Required supplementary information can be found on pages 27-32 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Village, assets exceeded liabilities and deferred inflows by \$11,280,506 at April 30, 2016.

By far, the largest portion of the Village's net position (73%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, building improvements, park improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
Village of Wadsworth, Illinois  
Statement of Net Position  
As of April 30, 2016  
Compared With April 30, 2015

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 3,319,189	\$ 2,582,363
Capital Assets	8,203,382	8,225,313
Deferred Outflows	40,496	---
Total Assets and Deferred Outflows	\$ <u>11,563,067</u>	\$ <u>10,807,676</u>
Liabilities and Deferred Inflows	\$ <u>282,561</u>	\$ <u>102,861</u>
Net Position		
Net Investment in Capital Assets	\$ 8,203,382	\$ 8,225,313
Restricted	256,875	172,068
Unrestricted	<u>2,820,249</u>	<u>2,307,434</u>
Total Net Position	\$ <u>11,280,506</u>	\$ <u>10,704,815</u>

An additional portion of the Village's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,820,249) may be used to meet the Village's ongoing obligations to citizens and creditors.

#### Governmental Activities

Governmental activities increased the Village's net position by \$673,412. This increase is attributable to the Village having increased revenues as compared to the previous year:

Table 2  
Village of Wadsworth, Illinois  
Changes in Net Position  
As of April 30, 2016  
Compared With April 30, 2015

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 103,548	\$ 195,941
Operating Grants and Contributions	144,240	---
General Revenues		
Property Taxes	43,541	45,613
Sales and Use Taxes	853,963	559,821
Income and Other Taxes	613,912	642,978
Other Revenue	<u>246,928</u>	<u>309,073</u>
Total Revenues	\$ <u>2,006,132</u>	\$ <u>1,753,426</u>
<b>Expenses</b>		
General Government	\$ 612,338	\$ 580,141
Public Works	688,768	653,660
Parks and Recreation	31,614	27,781
Interest	---	714
Total Expenses	\$ <u>1,332,720</u>	\$ <u>1,262,296</u>
Increase/(Decrease) in Net Position	\$ 673,412	\$ 491,130
Net Position - Beginning of Year	10,704,815	10,213,685
Prior Period Adjustment - Note 8	<u>(97,721)</u>	<u>---</u>
Net Position - End of Year	\$ <u>11,280,506</u>	\$ <u>10,704,815</u>

General Government revenues increased due to an increase in contributions and tax receipts.

Expenses increased 5.6% due to inflation.

A prior period adjustment for pension costs reduced net position by \$97,721.

#### Financial Analysis of the Village's Funds

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

## **Governmental Funds**

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year. At April 30, 2016, the Village's governmental funds reported combined ending fund balances of \$3,187,718, an increase of \$708,216 in comparison with the prior year. Approximately 92% of this total amount constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific restricted purposes.

The General Fund is the chief operating fund of the Village. At April 30, 2016, the fund balance of the General Fund was \$2,930,843, all of which was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 227% of total General Fund expenditures.

The General Fund fund balance increased \$623,409 during the year ended April 30, 2016 due to the extent that ongoing revenues exceeded ongoing expenses by \$611,619, and had gains on sale of asset of \$11,790.

Other significant highlights in the governmental funds for the year ended April 30, 2016 are outlined below:

- The Village spent \$328,863 on capital asset additions.

The Motor Fuel Tax fund balance increased from \$172,068 as of April 30, 2015 to \$256,875 as of April 30, 2016. This increase was due mainly to a small amount of road maintenance projects undertaken during the year.

### **General Fund Budgetary Highlights**

The Village's budget was not amended during the year ended April 30, 2016. Actual revenue exceeded budgeted revenue by \$306,172. This difference was mostly due to more than expected contributions and tax revenue. Budgeted expenditures exceeded actual expenditures by \$3,274,378. The majority of this difference was due to less than expected General Government, Public Works, and Capital Outlay expenditures, and Contingencies.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of April 30, 2016 amounts to \$8,203,382 (net of accumulated depreciation). This investment includes land, buildings and improvements, equipment, vehicles, park improvements, construction in progress, and infrastructure.

Table 3  
Village of Wadsworth, Illinois  
Capital Assets (net of accumulated depreciation)  
As of April 30, 2016  
Compared With April 30, 2015

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land and Buildings	\$ 883,238	\$ 720,424
Office Equipment	11,773	8,787
Building Improvements	33,982	25,386
Park Improvements	72,175	74,217
Other Equipment	50,696	71,362
Construction in Progress	---	4,750
Infrastructure	<u>7,151,518</u>	<u>7,320,387</u>
 Total	 <u>\$ 8,203,382</u>	 <u>\$ 8,225,313</u>

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

- The Village added \$301,268 to its land and infrastructure assets which makes up most of its capital asset additions.

For further information, please see Note 3 on page 20 and 21 of this report.

**Long-Term Debt**

State statutes limit the amount of general obligation debt a non-home rule governmental village may issue to 8.625% of its equalized assessed valuation. The current debt limitation for the Village is \$10,541,442.

**Economic Factors and Next Year's Budget**

The Village's elected officials considered many factors when setting the fiscal year 2016-17 budget and the associated property tax rates. Such factors include the Village's assessed valuation, which can affect real estate tax revenues and the overall economy. The Village continues to seek ways to improve the quality and quantity of services provided to the citizens of the Village of Wadsworth, Illinois.

**Requests For Information**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Village of Wadsworth's finances. Any questions concerning the information provided herein or requests for additional financial information should be directed to: Administrator Moses Amidei, 14155 W. Wadsworth Rd., Wadsworth, IL 60083.

## **BASIC FINANCIAL STATEMENTS**

VILLAGE OF WADSWORTH, ILLINOIS  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION  
 APRIL 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 294,991
Investments	2,647,450
Receivables	
Property Taxes, Net	44,143
Intergovernmental Receivables	307,826
Other Receivables	24,779
Capital Assets	
Land and Other Non-Depreciable Assets	656,126
Other Capital Assets - Net of Depreciation	<u>7,547,256</u>
Total Assets	<u>\$ 11,522,571</u>
<b>Deferred Outflows of Resources</b>	
IMRF Pension	\$ <u>40,496</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,563,067</u>
<b>Liabilities</b>	
Accounts Payable	\$ 56,243
Accrued Payroll and Payroll Taxes	9,816
Deposits	21,269
Net Pension Liability	<u>149,474</u>
Total Liabilities	<u>\$ 236,802</u>
<b>Deferred Inflows of Resources</b>	
IMRF Pension	\$ 1,616
Unavailable Revenue - Property Taxes	<u>44,143</u>
Total Deferred Inflows of Resources	<u>\$ 45,759</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 282,561</u>
<b>Net Position</b>	
Net Investment in Capital Assets	\$ 8,203,382
Restricted Motor Fuel Tax	256,875
Unrestricted	<u>2,820,249</u>
Total Net Position	<u>\$ 11,280,506</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Governmental Activities</b>					
Functions/Programs					
General Government	\$ 612,338	\$ 102,023	\$ 144,240	\$ ---	\$ (366,075)
Public Works	688,768	---	---	---	(688,768)
Parks and Recreation	<u>31,614</u>	<u>1,525</u>	<u>---</u>	<u>---</u>	<u>(30,089)</u>
Total Governmental Activities	\$ <u>1,332,720</u>	\$ <u>103,548</u>	\$ <u>144,240</u>	\$ <u>---</u>	\$ <u>(1,084,932)</u>

General Revenues

Taxes	
Property Tax, Levied for General Purposes	\$ 43,541
State Sales Tax and Use Tax	853,963
State Income Tax	386,698
State Motor Fuel Tax	97,583
Other Taxes	129,631
Unrestricted Investment Earnings	13,081
Other General Revenues	222,057
Gain/(Loss) on Sale of Capital Assets	<u>11,790</u>
Total General Revenues	\$ <u>1,758,344</u>
Change in Net Position	\$ 673,412
Net Position - Beginning	10,704,815
Prior Period Adjustment - Note 8	<u>(97,721)</u>
Net Position - Ending	\$ <u>11,280,506</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 APRIL 30, 2016

	General	Motor Fuel Tax	Total Governmental Funds
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash	\$ 294,491	\$ 500	\$ 294,991
Investments	2,399,757	247,693	2,647,450
Receivables			
Property Taxes	44,143	---	44,143
Sales and Income Taxes	270,406	---	270,406
Telecommunications Tax	11,481	---	11,481
Motor Fuel Tax	---	8,682	8,682
Franchise Fees	14,173	---	14,173
Builders/Developers	3,084	---	3,084
Other Receivables	24,779	---	24,779
Total Assets	<u>\$ 3,062,314</u>	<u>\$ 256,875</u>	<u>\$ 3,319,189</u>
<b>Deferred Outflows of Resources</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,062,314</u>	<u>\$ 256,875</u>	<u>\$ 3,319,189</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 56,243	\$ ---	\$ 56,243
Payroll Liabilities	(2,782)	---	(2,782)
Accrued Wages	12,598	---	12,598
Developer Road Deposits	12,000	---	12,000
Escrow Deposits	4,340	---	4,340
Silt Fence Deposits	4,000	---	4,000
Park Security Deposits	600	---	600
School Agreement Deposits	329	---	329
Total Liabilities	<u>\$ 87,328</u>	<u>\$ ---</u>	<u>\$ 87,328</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Property Taxes	<u>\$ 44,143</u>	<u>\$ ---</u>	<u>\$ 44,143</u>
<b>Fund Balances</b>			
Restricted For			
Motor Fuel Tax	\$ ---	\$ 256,875	\$ 256,875
Unassigned	2,930,843	---	2,930,843
Total Fund Balances	<u>\$ 2,930,843</u>	<u>\$ 256,875</u>	<u>\$ 3,187,718</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,062,314</u>	<u>\$ 256,875</u>	<u>\$ 3,319,189</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

APRIL 30, 2016

Total Fund Balances - Governmental Funds	\$ 3,187,718
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital Assets, Net of Accumulated Depreciation	8,203,382
Deferred Outflows/Inflows and Pension liabilities are not included in the Fund Financial Statements.	<u>(110,594)</u>
Net Position of Governmental Activities	\$ <u>11,280,506</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS

FUND FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED APRIL 30, 2016

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Taxes	\$ 1,026,669	\$ ---	\$ 1,026,669
Licenses and Permits	53,754	---	53,754
Intergovernmental Revenue	387,164	97,583	484,747
Charges for Services	54,544	---	54,544
Interest	12,814	267	13,081
Other	<u>366,297</u>	<u>---</u>	<u>366,297</u>
Total Revenue	\$ <u>1,901,242</u>	\$ <u>97,850</u>	\$ <u>1,999,092</u>
<b>Expenditures</b>			
General Government	\$ 562,253	\$ ---	\$ 562,253
Public Works	374,170	13,043	387,213
Parks and Recreation	24,337	---	24,337
Capital Outlay	<u>328,863</u>	<u>---</u>	<u>328,863</u>
Total Expenditures	\$ <u>1,289,623</u>	\$ <u>13,043</u>	\$ <u>1,302,666</u>
Excess or (Deficiency) of Revenue Over Expenditures	\$ 611,619	\$ 84,807	\$ 696,426
<b>Other Financing Sources (Uses)</b>			
Proceeds on Sale of Assets	<u>11,790</u>	<u>---</u>	<u>11,790</u>
Net Change in Fund Balances	\$ 623,409	\$ 84,807	\$ 708,216
Fund Balance - May 1, 2015	<u>2,307,434</u>	<u>172,068</u>	<u>2,479,502</u>
Fund Balance - April 30, 2016	\$ <u>2,930,843</u>	\$ <u>256,875</u>	\$ <u>3,187,718</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED APRIL 30, 2016

Net Change in Fund Balances - Total Governmental Funds		\$	708,216
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.			
Depreciation Expense	\$	(346,044)	
Capital Outlay		<u>328,863</u>	(17,181)
Refund of amount previously recorded as Construction in Progress.			(4,750)
Pension expense on the District's Pension liability is not charged to the Fund Financial Statements.			<u>(12,873)</u>
Change in Net Position of Governmental Activities		\$	<u>673,412</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF WADSWORTH, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Wadsworth, Illinois' (Village) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the Village are discussed below.

A. Reporting Entity

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

B. Basic Financial Statements - Government-wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's general government, public safety, public works, and parks and recreation services are classified as governmental activities. The Village has no business-type activities at this time.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, sales taxes, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public works, parks and recreation, etc.). Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue (property taxes, sales and use taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements - Government-wide Statements (continued)

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

C. Basic Financial Statements - Fund Financial Statements

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

The emphasis in fund financial statements is on the major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The two funds of the Village are considered major funds.

The following fund types are used by the Village:

1. Governmental Funds

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

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Fund (Motor Fuel Tax) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

D. Basis of Accounting

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

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property tax revenues are recognized in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements are met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. Cash and Cash Equivalents and Investments

Separate bank accounts are maintained for all of the Village's funds.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains and losses on the sale of investments are recognized as they are incurred.

F. Receivables

Receivables are reported net of estimated uncollectible amounts. Allowances for uncollectible amounts are as follows:

Property Taxes Receivable	\$	222
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All other receivable allowances are estimated at \$-0-.

G. Prepaid Expenses

Prepaid expenses are for payments made by the Village in the current year for goods and services used in the subsequent fiscal year. The Village had no material prepaid expenses at year-end.

H. Inventories

Inventory accounts are not maintained within the funds to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of these items is not deemed to be material. The Village has no inventory at year-end.

I. Interfund Activity

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

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

Building and Improvements	15-50 years
Equipment	5-45 years
Park Improvements	5-45 years
Vehicles	5-25 years
Infrastructure	20-50 years

The Village reports and depreciates infrastructure assets effective as of May 1, 2011. Infrastructure assets include roads, bridges, underground pipe, etc. These infrastructure assets constitute the largest asset class of the Village's governmental activities.

K. Government-Wide Net Position

Government-wide net position is divided into three components:

1. Invested in capital assets, net of related debt -- consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position -- consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
3. Unrestricted -- all other net position is reported in this category.

L. Governmental Fund Balances

Governmental fund balances are divided between non-spendable and spendable.

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Governmental Fund Balances (continued)

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

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

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

M. Property Tax Calendar and Revenues

The Village's property tax is levied each calendar year on all taxable real property located within the Village's borders on or before the last Tuesday in December. The 2015 levy was passed by the Board on December 5, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

N. Estimates

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Village has deferred outflows and inflows related to pension expenses, and inflows for property taxes intended to fund operations of the next fiscal year.

NOTE 2 - PROPERTY TAXES

Property tax revenues are recorded on the "deferred method". Because of the extraordinarily long period of time between the levy date and the receipt of tax distributions from the County Collector, the property taxes are not "available" to finance current year expenditures. For those funds on the modified accrual basis, the current year tax levy is recorded as property taxes receivable and unavailable revenue.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - PROPERTY TAXES (continued)

A summary of assessed valuations, extensions and collections for tax years 2013, 2014, and 2015 follows:

Tax Years	2015		2014		2013	
<b>Assessed Valuation</b>	\$ 122,219,623		\$ 117,588,085		\$ 119,482,448	
	<u>Rates</u>	<u>Extension</u>	<u>Rates</u>	<u>Extension</u>	<u>Rates</u>	<u>Extension</u>
<b>Purpose</b>						
Corporate	<u>.017871</u>	<u>\$ 21,842</u>	<u>.017</u>	<u>\$ 20,751</u>	<u>.018</u>	<u>\$ 21,507</u>
Village Share of Township Road and Bridge Fund:						
Newport Township		\$ 13,767		\$ 14,290		\$ 16,371
Warren Township		8,437		8,194		7,102
Benton Township		319		276		269
		<u>\$ 22,523</u>		<u>\$ 22,760</u>		<u>\$ 23,742</u>
<b>Total Extension</b>		<u>\$ 44,365</u>		<u>\$ 43,511</u>		<u>\$ 45,249</u>
<b>Collections</b>		<u>\$ ---</u>		<u>\$ 43,401</u>		<u>\$ 45,133</u>
<b>Percent of Extension Collected</b>		N/A		99.75%		99.74%

In addition to tax rate limitations which govern individual fund tax rates, the Village is subject to "Tax Cap" limitations affecting the five collar counties surrounding Cook County, Illinois. Under the "Tax Cap", the total of certain levies (not including bond levies) may not increase by more than the lesser of 5% of the prior year total or the prior year percentage increase in the Consumer Price Index.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 487,544	\$ 168,582	\$ ---	\$ 656,126
Construction in Progress	<u>4,750</u>	<u>---</u>	<u>4,750</u>	<u>---</u>
Total Capital Assets Not Being Depreciated	<u>\$ 492,294</u>	<u>\$ 168,582</u>	<u>\$ 4,750</u>	<u>\$ 656,126</u>
Other Capital Assets:				
Buildings	\$ 472,196	\$ ---	\$ ---	\$ 472,196
Office Equipment	78,642	6,770	4,878	80,534
Building Improvements	220,925	12,490	8,000	225,415
Park Improvements	363,425	5,235	---	368,660
Other Equipment	175,577	3,100	---	178,677
Infrastructure	<u>10,450,689</u>	<u>132,686</u>	<u>---</u>	<u>10,583,375</u>
Total Other Capital Assets at Historical Cost	<u>\$ 11,761,454</u>	<u>\$ 160,281</u>	<u>\$ 12,878</u>	<u>\$ 11,908,857</u>
Less: Accumulated Depreciation For:				
Buildings	\$ 239,316	\$ 5,768	\$ ---	\$ 245,084
Office Equipment	69,855	3,784	4,878	68,761
Building Improvements	195,539	3,894	8,000	191,433
Park Improvements	289,208	7,277	---	296,485
Other Equipment	104,215	23,766	---	127,981
Infrastructure	<u>3,130,302</u>	<u>301,555</u>	<u>---</u>	<u>3,431,857</u>
Total Accumulated Depreciation	<u>\$ 4,028,435</u>	<u>\$ 346,044</u>	<u>\$ 12,878</u>	<u>\$ 4,361,601</u>
Other Capital Assets, Net	<u>\$ 7,733,019</u>	<u>\$ (185,763)</u>	<u>\$ ---</u>	<u>\$ 7,547,256</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,225,313</u>	<u>\$ (17,181)</u>	<u>\$ 4,750</u>	<u>\$ 8,203,382</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS (continued)

All capital asset additions came from the General Fund.

Depreciation expense was allocated by function as follows:

General Government	\$ 37,212
Public Works	301,555
Parks and Recreation	<u>7,277</u>
	<u>\$ 346,044</u>

NOTE 4 - CASH AND INVESTMENTS

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

A. Deposits

At April 30, 2016, the carrying amount of the Village's deposits was \$294,741, exclusive of \$250 held as petty cash, and the bank balance was \$303,978.

B. Investments

The following table shows the Village's investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
The Illinois Fund	\$ 2,241,893	\$ 2,241,893
Morgan Stanley - U.S. Government Securities	<u>405,557</u>	<u>405,557</u>
	<u>\$ 2,647,450</u>	<u>\$ 2,647,450</u>

Interest Rate Risk - The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to specific types of investment instruments.

Concentration of Credit Risk - The Village places no limit on the amount the Village may invest in any one investment instrument. Some of the Village's deposits and investments are covered by FDIC Insurance or collateral consisting of U.S. Government securities or U.S. Government insurance programs.

NOTE 5 - PENSION AND RETIREMENT FUND COMMITMENTS

A. Illinois Municipal Retirement Fund

➤ Plan Description

The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly-available report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

NOTE 5 - PENSION AND RETIREMENT FUND COMMITMENTS (continued)

A. Illinois Municipal Retirement Fund (continued)

➤ Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 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 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 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
- ½ of the increase in the Consumer Price Index of the original pension amount.

➤ Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2015, the measurement date, the Village's membership consisted of:

Retirees and Beneficiaries	4
Inactive, Non-Retired Members	2
Active Members	<u>5</u>
Total	<u>11</u>

➤ Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2015 was 9.87%. For the fiscal year ended April 30, 2016, the Village contributed \$21,372 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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - PENSION AND RETIREMENT FUND COMMITMENTS (continued)

A. Illinois Municipal Retirement Fund (continued)

➤ Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2015, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 724,976
IMRF Fiduciary Net Pension	<u>575,502</u>
District's Net Pension Liability	\$ <u>149,474</u>
IMRF Fiduciary Net Pension as a Percentage of the Total Pension Liability	79.38%

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

➤ Actuarial Assumptions

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

Assumptions	
Inflation	4.00%
Price Inflation	2.75%
Salary Increases	3.75% - 14.50% including inflation
Interest Rate	7.48%
 Asset Valuation Method	 5-year smoothed market; 20% corridor
 Projected Retirement Age	 Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

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

➤ Long-Term Expected Rate of Return

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - PENSION AND RETIREMENT FUND COMMITMENTS (continued)

A. Illinois Municipal Retirement Fund (continued)

➤ Long-Term Expected Rate of Return (continued)

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

➤ Single Discount Rate

The projection of cash flow used to determine this Single Discount Rate assumed that the Plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57%; and resulting single discount rate is 7.48%.

➤ Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.48% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48%) or 1-percentage-point higher (8.48%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.48%</u>	<u>7.48%</u>	<u>8.48%</u>
Net Pension Liability	\$ 264,079	\$ 149,474	\$ 57,087

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

For the year ended April, 2016, the Village recognized pension expense of \$35,644. At April 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - PENSION AND RETIREMENT FUND COMMITMENTS (continued)

A. Illinois Municipal Retirement Fund (continued)

➤ Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ ---	\$ 1,616	\$ (1,616)
Assumption Changes	835	---	835
Net Difference Between Projected and Actual Earnings on Pension Investments	<u>31,930</u>	<u>---</u>	<u>31,930</u>
	\$ 32,765	\$ 1,616	\$ 31,149
Pension Contributions Made Subsequent to the Measurement Date	<u>7,731</u>	<u>---</u>	<u>7,731</u>
Total Deferred Amounts Related to Pensions	\$ <u><u>40,496</u></u>	\$ <u><u>1,616</u></u>	\$ <u><u>38,880</u></u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 7,780
2017	7,780
2018	7,780
2019	7,809
2020	---
Thereafter	<u>---</u>
	\$ <u><u>31,149</u></u>

The schedule of funding progress, presented as RSI following the notes to the financial statements, 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.

B. 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 the total required contribution for the current fiscal year.

NOTE 6 - CALCULATION OF LEGAL DEBT MARGIN

2015 Assessed Valuation	\$ 122,219,623
Statutory Debt Limitation Rate	<u>x 8.625%</u>
Statutory Debt Limitation	\$ 10,541,442
Total Debt	<u>---</u>
Legal Debt Margin	\$ <u><u>10,541,442</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 23, 2016, the date on which the financial statements were available to be issued.

NOTE 8 - NET POSITION ADJUSTMENT

For April 30, 2016, the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* required a restatement for deferred employer contributions to pension and net pension liability/asset that were expensed in the period incurred under prior standards but are recorded when the obligation is incurred under the new standards. As a result, the deferred employer contributions to pension and net pension liability/asset have been recorded which resulted in a decrease in the beginning net position of \$97,721.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended April 30, 2016, the Village has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

VILLAGE OF WADSWORTH, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET  
PENSION LIABILITY AND RELATED RATIOS

APRIL 30, 2016

	<u>April 30, 2016</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 24,059
Interest	50,470
Difference Between Expected and Actual Experience	(2,033)
Changes in Assumptions	1,050
Benefit Payments, Including Refunds of Member Contributions	<u>(20,755)</u>
Net Change in Total Pension Liability	\$ 52,791
Total Pension Liability - Beginning	<u>672,185</u>
Total Pension Liability - Ending	\$ <u>724,976</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 21,372
Contributions - Member	9,744
Net Investment Income	2,867
Benefit Payments, Including Refunds of Member Contributions	(20,755)
Other (Net Transfer)	<u>(5,858)</u>
Net Change in Plan Fiduciary Net Position	\$ 7,370
Plan Fiduciary Net Position - Beginning	<u>568,132</u>
Plan Fiduciary Net Position - Ending	\$ <u>575,502</u>
District's Net Pension Liability	\$ <u>149,474</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.38%
Covered-Employee Payroll	\$ 216,533
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	69.03%

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

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

VILLAGE OF WADSWORTH, ILLINOIS  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 SCHEDULE OF EMPLOYER CONTRIBUTION  
 APRIL 30, 2016

	<u>April 30, 2016</u>
Actuarial Determined Contribution	\$ 21,372
Contributions in Relation to Actuarial Determined Contribution	<u>21,372</u>
Contribution Deficiency/(Excess)	\$ <u>---</u>
Covered-Employee Payroll	\$ 216,533
Contributions as a Percentage of Covered-Employee Payroll	9.87%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2015 Contribution Rate\****

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

**Actuarial Cost Method:** Aggregate entry age = normal

**Amortization Method:** Level percentage of payroll, closed

**Remaining Amortization Period:** 28-year closed period

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

**Wage Growth:** 4%

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

**Salary Increases:** 4.40% to 16%, including inflation

**Investment Rate of Return:** 7.50%

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**Mortality:** RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

\*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF WADSWORTH, ILLINOIS

GENERAL CORPORATE FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budget</u>	<u>Actual</u>
<b>Revenue</b>		
Locally Levied Taxes		
Property Taxes	\$ 43,500	\$ 43,541
Sales Taxes	889,000	853,963
Franchise Fees	53,000	55,438
Telecommunication Fees	64,800	72,477
Hotel Use Tax	850	1,250
Licenses and Permits		
Liquor Licenses	17,500	19,120
Motor Vehicle Licenses	100	66
Building Permits	15,850	33,445
Scavenger Licenses	1,000	1,000
Recycling and Reclamation Payments	500	123
Cable and Video Service Provider Fees	---	20,453
Intergovernmental Revenue		
Illinois Income Tax	283,300	386,698
Illinois Replacement Tax	450	466
Charges for Services		
Rental of Facilities	300	50
Zoning and Other Fees	26,000	27,049
Park Fees	1,000	1,525
Other Revenue		
Earnings on Investments		
Interest Earned	300	10,810
Market Value Adjustment	---	2,004
Reimbursement of Fees	---	349
Fines and Forfeitures	3,000	5,118
Special Events	---	75
Video Gaming Revenue	192,000	221,152
Farmer's Market Vendor Fees	1,500	770
Contributions and Donations	---	144,240
Miscellaneous Income	1,120	60
Total Revenue	<u>\$ 1,595,070</u>	<u>\$ 1,901,242</u>
<b>Expenditures (Page 30)</b>		
General Government	\$ 945,000	\$ 562,252
Public Works	1,069,000	374,170
Parks and Recreation	100,000	24,337
Capital Outlay	950,000	328,863
Contingencies	1,500,000	---
Total Expenditures	<u>\$ 4,564,000</u>	<u>\$ 1,289,622</u>
Excess or (Deficiency) of Revenue Over Expenditures	\$ (2,968,930)	\$ 611,620
<b>Other Financing Sources (Uses)</b>		
Proceeds of Asset Sales	<u>12,000</u>	<u>11,790</u>
Net Change in Fund Balance	<u>\$ (2,956,930)</u>	\$ 623,410
Fund Balance - Beginning		<u>2,307,434</u>
Fund Balance - Ending		<u>\$ 2,930,844</u>

VILLAGE OF WADSWORTH, ILLINOIS

GENERAL CORPORATE FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budget</u>	<u>Actual</u>
<b>Expenditures</b>		
General Government		
President and Board of Trustees	\$ 35,000	\$ 30,900
Village Clerk	8,000	7,200
Village Administrator	95,000	86,902
Village Treasurer	8,000	7,200
Building and Site Inspectors	40,000	15,645
Municipal Employees Salaries	150,000	135,816
Legal	125,000	75,423
Audit	15,000	12,000
Insurance	30,000	23,730
Dues and Subscriptions	10,000	5,384
Comprehensive Plan	---	1,000
Bond Premiums for Village Officials	1,000	---
Village Hall and Community Center Operating Expenses	125,000	84,876
Travel, Registration, and Truck	40,000	10,992
Police Contractual Services	50,000	---
Planning and Feasibility Study	20,000	---
Stationary, Printing, Postage, and Office Supplies	10,000	2,873
Consulting Fees	25,000	5,223
Illinois Municipal Retirement Fund	30,000	22,771
Board Expense	8,000	6,860
Special Events	25,000	9,653
Payroll Taxes	45,000	17,804
Grant Expenses	<u>50,000</u>	<u>---</u>
	<u>\$ 945,000</u>	<u>\$ 562,252</u>
Public Works		
Street Lighting	\$ 65,000	\$ 54,849
Road Maintenance and Materials	900,000	293,053
Refuse Disposal	4,000	1,952
Engineering Expenses	<u>100,000</u>	<u>24,316</u>
	<u>\$ 1,069,000</u>	<u>\$ 374,170</u>
Parks and Recreation		
Park Maintenance and Utilities	<u>\$ 100,000</u>	<u>\$ 24,337</u>
Capital Outlay		
Municipal Equipment	\$ 200,000	\$ 45,167
Infrastructure	750,000	139,456
Land	<u>---</u>	<u>144,240</u>
	<u>\$ 950,000</u>	<u>\$ 328,863</u>
Contingencies	<u>\$ 1,500,000</u>	<u>\$ ---</u>
Total Expenditures	<u>\$ 4,564,000</u>	<u>\$ 1,289,622</u>

VILLAGE OF WADSWORTH, ILLINOIS

MOTOR FUEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budget</u>	<u>Actual</u>
<b>Revenue</b>		
Intergovernmental Revenue		
Motor Fuel Tax Allocations	\$ 90,700	\$ 97,583
Other Revenue		
Interest on Investments	<u>30</u>	<u>267</u>
Total Revenue	\$ <u>90,730</u>	\$ <u>97,850</u>
<b>Expenditures</b>		
Road Maintenance	\$ <u>377,250</u>	\$ <u>13,043</u>
Excess or (Deficiency) of Revenue Over Expenditures	\$ <u>(286,520)</u>	\$ 84,807
Reserve Balance - May 1, 2015		<u>172,068</u>
Reserve Balance - April 30, 2016		\$ <u><u>256,875</u></u>

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

NOTE 1 - BUDGET

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

Budgeted expenditures are controlled at the departmental level with the Village Administrator's oversight. All transfers and any revision that changes the total expenditures not contemplated of any fund must be approved by the Village Board. All budget amendments must be approved by the Village Board.

The budget document in this context was the Village of Wadsworth Ordinance 2015-973 entitled An Ordinance Fixing the Annual Appropriation for the Village of Wadsworth, Lake County, Illinois for the Fiscal Year Beginning May 1, 2015 and Ending April 30, 2016.

The budget was approved on July 7, 2015.