

VILLAGE OF WAPELLA

Wapella, Illinois

Annual Financial Report

For the Year Ended June 30, 2013

Feller & Kuester CPAs LLP
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Wapella
Wapella, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Wapella, Illinois (the Village), as of and for the year ended June 30, 2013, 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 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 the 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, the business-type activities, and each major fund of the Village as of June 30, 2013; 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 as a whole that collectively comprise the Village's basic financial statements. The schedule listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule listed as "Supplementary Information" 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 schedule listed as "Supplementary 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 that 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

November 22, 2013

VILLAGE OF WAPELLA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 114,868	\$ 74,803	\$ 189,671
Investments	110,360	14,302	124,662
Interfund Loan Receivable	6,989	-	6,989
Capital Assets, Net of Accumulated Depreciation:			
Land (Not Being Depreciated)	29,250	7,500	36,750
Other Capital Assets	329,253	40,232	369,485
	590,720	136,837	727,557
Liabilities			
Payroll Taxes Payable	2,228	659	2,887
Interfund Loan Payable	-	6,989	6,989
Capital Lease Payable, Current Portion	6,912	-	6,912
Notes Payable, Current Portion	-	30,957	30,957
Capital Lease Payable, Net of Portion	15,245	-	15,245
Notes Bonds Payable, Net of Current	-	73,258	73,258
	24,385	111,863	136,248
Net Position			
Net Investment in Capital Assets	336,346	47,732	384,078
Restricted for:			
Expendable:			
Streets and Highways	20,563	-	20,563
Unspent Levy Allocations	19,866	-	19,866
Unrestricted	189,560	(22,758)	166,802
	\$ 566,335	\$ 24,974	\$ 591,309

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
<i>Governmental Activities:</i>							
General Government	\$ 140,486	\$ 21,506	\$ -	\$ -	\$ (118,980)	\$ -	\$ (118,980)
Streets and Highways	81,793	-	-	-	(81,793)	-	(81,793)
Culture and Recreation	42,491	-	-	-	(42,491)	-	(42,491)
Total Governmental Activities	264,770	21,506	-	-	(243,264)	-	(243,264)
<i>Business-Type Activities:</i>							
Water	219,683	57,167	-	-	-	(162,516)	(162,516)
Garbage	29,451	31,705	-	-	-	2,254	2,254
Total Business-Type Activities	249,134	88,872	-	-	-	(160,262)	(160,262)
Total Primary Government	\$ 513,904	\$ 110,378	\$ -	\$ -	\$ (243,264)	\$ (160,262)	\$ (403,526)

General Revenues and Transfers:

Taxes:	
Property Tax	56,425
Municipal Electric Utilities Tax	30,458
Municipal Telecommunication Utilities Tax	20,262
State Income Tax	55,116
State Sales Tax	65,344
State Motor Fuel Tax	19,154
State Replacement Tax	2,512
State Gaming Tax	6,342
State Use Tax	8,847
Interest Income	1,174
Miscellaneous	4,991
Transfers	(32,318)
Total General Revenues and Transfers	238,307
Change in Net Position	(4,957)
Net Position - Beginning of Year	571,292
Net Position - End of Year	\$ 566,335

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Motor Fuel Tax Fund	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 94,305	\$ 20,563	\$ 114,868
Investments	110,360	-	110,360
Due from Other Funds	6,989	-	6,989
Total Assets	\$ 211,654	\$ 20,563	\$ 232,217
Liabilities			
<i>Current Liabilities</i>			
Payroll Taxes Payable	\$ 2,228	\$ -	\$ 2,228
Total Current Liabilities	\$ 2,228	\$ -	\$ 2,228
Fund Balances			
Restricted	19,866	20,563	40,429
Unassigned	189,560	-	189,560
Total Fund Balances	209,426	20,563	229,989
Total Liabilities and Fund Balances	\$ 211,654	\$ 20,563	\$ 232,217

Reconciliation to Statement of Net Position - Modified Cash Basis:

Total Fund Balances of Governmental Funds	\$ 229,989
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	358,503
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(22,157)
Net Position of Governmental Activities	\$ 566,335

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Motor Fuel Tax Fund	Totals Governmental Funds
Revenues			
<i>Local Revenue</i>			
Property Tax	\$ 56,425	\$ -	\$ 56,425
Municipal Electric Utilities Tax	30,458	-	30,458
Municipal Telecommunication Utilities Tax	20,262	-	20,262
<i>Intergovernmental</i>			
State Income Tax	55,116	-	55,116
State Sales Tax	65,344	-	65,344
State Motor Fuel Tax	-	19,154	19,154
State Replacement Tax	2,512	-	2,512
State Gaming Tax	6,342	-	6,342
State Use Tax	8,847	-	8,847
<i>Other</i>			
Licenses and Permits	7,050	-	7,050
Rental Revenue	2,925	-	2,925
Franchise Fees	9,229	-	9,229
Sale of Aggregate	2,302	-	2,302
Interest Income	1,156	18	1,174
Miscellaneous	4,991	-	4,991
Total Revenues	272,959	19,172	292,131
Expenditures			
<i>Current</i>			
General Government	120,306	-	120,306
Streets and Highways	61,049	17,108	78,157
Culture and Recreation	32,266	-	32,266
<i>Capital Outlays</i>			
	2,125	-	2,125
<i>Debt Service</i>			
Principal	6,478	-	6,478
Interest	1,919	-	1,919
Total Expenditures	224,143	17,108	241,251
Excess (Deficiency) of Revenues Over Expenditures	48,816	2,064	50,880
Other Financing Sources (Uses)			
Transfers Out	(32,318)	-	(32,318)
Net Changes in Fund Balances	16,498	2,064	18,562
Fund Balances - Beginning of Year	192,928	18,499	211,427
Fund Balances - End of Year	\$ 209,426	\$ 20,563	\$ 229,989

Reconciliation to the Statement of Activities - Modified Cash Basis:

Net Change in Fund Balances of Governmental Funds \$ 18,562

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

Governmental funds reports capital outlays as expenditures. However, in the Statement of Activities - Modified Cash Basis, the cost of those assets is allocated over their useful lives as depreciation expense.

This activity is reconciled as follows:

Capital Outlay	2,125
Depreciation Expense	(32,122)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets - Modified Cash Basis.

This activity is reconciled as follows:

Principal Paid	6,478
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Change in Net Position of Governmental Activities \$ (4,957)

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 62,664	\$ 12,139	\$ 74,803
Investments	14,302	-	14,302
Total Current Assets	<u>76,966</u>	<u>12,139</u>	<u>89,105</u>
<i>Capital Assets, Net of Accumulated Depreciation</i>			
Land (Not Being Depreciation)	7,500	-	7,500
Other Capital Assets	40,232	-	40,232
Total Capital Assets, Net	<u>47,732</u>	<u>-</u>	<u>47,732</u>
Total Assets	<u>124,698</u>	<u>12,139</u>	<u>136,837</u>
Liabilities			
<i>Current Liabilities</i>			
Payroll Taxes Payable	659	-	659
Due to Other Funds	6,989	-	6,989
Notes Payable, Current Portion	-	30,957	30,957
Total Current Liabilities	<u>7,648</u>	<u>30,957</u>	<u>38,605</u>
<i>Noncurrent Liabilities</i>			
Notes Bonds Payable, Net of Current	-	73,258	73,258
Total Liabilities	<u>7,648</u>	<u>104,215</u>	<u>111,863</u>
Net Position			
Net Investment in Capital Assets	47,732	-	47,732
Unrestricted	69,318	(92,076)	(22,758)
Total Net Position	<u>\$ 117,050</u>	<u>\$ (92,076)</u>	<u>\$ 24,974</u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Operating Revenues			
Charges for Services:			
Water	\$ 52,225	\$ -	\$ 52,225
Garbage	31,705	-	31,705
Penalties	3,759	-	3,759
Other	1,183	-	1,183
Total Operating Revenue	<u>88,872</u>	<u>-</u>	<u>88,872</u>
Operating Expenses			
Salaries and Wages	19,467	-	19,467
Payroll Taxes	2,116	-	2,116
Contractual Services	29,451	-	29,451
Maintenance and Repairs	9,862	148,285	158,147
Utilities	6,888	-	6,888
Materials and Supplies	5,680	-	5,680
Insurance	692	-	692
Miscellaneous	226	-	226
Depreciation	22,170	-	22,170
Total Operating Expenses	<u>96,552</u>	<u>148,285</u>	<u>244,837</u>
Operating Income (Loss)	<u>(7,680)</u>	<u>(148,285)</u>	<u>(155,965)</u>
Non-Operating Revenue (Expenses)			
Interest Income	113	153	266
Interest Expense	-	(4,297)	(4,297)
Total Non-Operating Revenue (Expenses)	<u>113</u>	<u>(4,144)</u>	<u>(4,031)</u>
Income (Loss) Before Transfers	<u>(7,567)</u>	<u>(152,429)</u>	<u>(159,996)</u>
Transfers			
Transfers In	-	32,318	32,318
Net Transfers In (Out)	<u>-</u>	<u>32,318</u>	<u>32,318</u>
Change in Net Position	(7,567)	(120,111)	(127,678)
Net Position - Beginning of Year	124,617	28,035	152,652
Net Position - End of Year	<u>\$ 117,050</u>	<u>\$ (92,076)</u>	<u>\$ 24,974</u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 88,872	\$ -	\$ 88,872
Cash Paid to Employees	(19,467)	-	(19,467)
Cash Paid to Suppliers and Vendors	(54,625)	(148,285)	(202,910)
Net Cash Provided by (Used in) Operating Activities	<u>14,780</u>	<u>(148,285)</u>	<u>(133,505)</u>
Cash Flows from Non-Capital Financing Activities			
Transfer In from Other Funds	-	32,318	32,318
Cash Flows from Capital and Related Financing Activities			
Payment of Principal on Notes Payable	-	(41,895)	(41,895)
Payment of Interest on Notes Payable	-	(4,297)	(4,297)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(46,192)</u>	<u>(46,192)</u>
Cash Flows from Investing Activities			
Interest Receipts	113	153	266
Net Increase in Cash and Cash Equivalents	14,893	(162,006)	(147,113)
Cash and Cash Equivalents and Investments - Beginning of Year	62,073	174,145	236,218
Cash and Cash Equivalents and Investments - End of Year	<u>\$ 76,966</u>	<u>\$ 12,139</u>	<u>\$ 89,105</u>
Cash and Cash Equivalents	\$ 62,664	\$ 12,139	\$ 74,803
Investments	14,302	-	14,302
Total Cash and Cash Equivalents and Investments	<u>\$ 76,966</u>	<u>\$ 12,139</u>	<u>\$ 89,105</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (7,680)	\$ (148,285)	\$ (155,965)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation expense	22,170	-	22,170
Changes in Operating Assets and Liabilities:			
Increase (Decrease) in Payroll Tax Liabilities	290	-	290
Net Cash Provided by (Used in) Operating Activities	<u>\$ 14,780</u>	<u>\$ (148,285)</u>	<u>\$ (133,505)</u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 include 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

The Village of Wapella (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.

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. 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 WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund 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 proprietary 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 that is reported as 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 did not meet the requirements of a major fund; however, management has elected to include this fund as a major fund of the reporting entity.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds that are reported as major funds:

<u>Fund</u>	<u>Brief Description</u>
Water Fund	Accounts for revenues received and expenses paid for operating the water system. Also accounts for revenues received and expenses paid related to refuse.
Water Project Fund	Accounts for revenues received and expenses paid for improvements to the water system.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, both governmental activities and business-type activities are presented using the “economic resources” measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as defined below:

- All governmental funds utilize a “current financial resources” measurement focus. 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.
- The proprietary funds utilize an “economic resources” measurement focus. 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. These funds’ equities are classified as net position.

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.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 and fund financial statements for proprietary funds 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 costs, 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 component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at estimated fair market value at the date of donation. The Village, in compliance with GASB 34 (as amended), as a Phase 3 implementer, has chosen not to capitalize infrastructure costs incurred prior to the implementation of GASB 34 at July 1, 2004 for governmental activities on the Statement of Net Position – Modified Cash Basis. In addition, estimated historical costs were used to value the majority of non-infrastructure capital assets acquired prior to July 1, 2004.

Depreciation of all exhaustible capital assets 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. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

	<u>Useful Life</u>
Buildings	20-40 years
Land Improvements	10-20 years
Machinery and Equipment	5-20 years
Utility Property and Improvements	10-50 years
Infrastructure	40 years

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. Capital assets acquired for use in proprietary fund operations are accounted for the same as government-wide financial statements.

Long-Term Debt

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

Equity Classification

Government-Wide Statements

In the government-wide financial 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. The Village at June 30, 2013 reported the total amount of \$40,429 as restricted in the following components:
 - \$20,563 restricted for unspent motor fuel tax. This amount can only be spent on street and highway improvements under state laws and procedures.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

- \$19,866 restricted for unspent levy allocations. This amount can only be spent for purposes as described in the special tax levy.
- Unrestricted Net Position - consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Fund Financial Statements

In the governmental fund financial 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*. 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 June 30, 2013, 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 June 30, 2013 reported the total amount of \$40,429 as restricted in the following components:

General Fund

- \$2,035 restricted for garbage for unspent special tax levy.
- \$15 restricted for social security for unspent special tax levy.
- \$17,816 restricted for police protection for unspent special tax levy.

Motor Fuel Tax Fund

- \$20,563 restricted for unspent motor fuel tax. This amount can only be spent on street and highway improvements under state laws and procedures.
- 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 June 30, 2013, 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 June 30, 2013, the Village did not report any amounts as assigned.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

- 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 June 30, 2013, the Village reported the amount of \$189,560 as unassigned in the general fund.

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 - Modified Cash Basis, 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:

Governmental Activities

Charges for Services:

Licenses and Permits	Fees paid by the public for liquor and other licenses.
Rental Revenue	Fees paid by the public for use of land, buildings, and equipment.
Franchise Fees	Amounts remitted to the Village for franchise fees.
Sale of Aggregate	Amounts remitted to the Village for the purchase of construction aggregate.

Business-Type Activities

Charges for Services:

User Fees	Fees paid by the public for water usage and garbage pick-up.
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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Operating and Non-Operating Revenues and Expenses of the Proprietary Funds

Operating revenues and expenses for the proprietary funds are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

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, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

1. Interfund Loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund Services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. 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.
4. 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:

1. Internal Balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type 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.
2. 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 WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 November 22, 2013, 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 same accounting basis and practices as are used to account for and prepare financial reports. 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.

The Village did not have any expenditures over legal appropriation limits for the year ended June 30, 2013.

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 Village Trustees passed the 2011 tax levy on December 20, 2011. The Board of Village Trustees passed the 2012 tax levy on December 18, 2012. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments around June 1st and September 1st. The Village receives significant distributions of tax receipts approximately one month after these due dates. Property tax receipts in these financial statements are from the 2011 tax levy.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – Cash and Cash Equivalents

The Village is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235, of the Illinois Compiled Statutes. Such instruments include obligations of the U.S. Treasury, savings accounts, certificates of deposit, and money market mutual funds.

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have an investment policy and thus does not have a written policy to address custodial credit risk. At June 30, 2013, none of the Village's bank deposits totaling \$319,987, which reconciled to a book balance of \$314,333, was subject to custodial credit risk as all deposits were insured by federal deposit insurance.

NOTE 5 – Capital Assets

The following is a summary of the changes in the property and equipment of the governmental activities for the year ended June 30, 2013:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 29,250	\$ -	\$ -	\$ 29,250
Other Capital Assets:				
Buildings	372,499	-	-	372,499
Land Improvements	140,745	-	-	140,745
Machinery & Equipment	310,475	2,125	-	312,600
Total Other Capital Assets	<u>823,719</u>	<u>2,125</u>	<u>-</u>	<u>825,844</u>
Less Accumulated Depreciation:				
Buildings	148,422	9,500	-	157,922
Land Improvements	78,687	8,245	-	86,932
Machinery & Equipment	237,360	14,377	-	251,737
Total Accumulated Depreciation	<u>464,469</u>	<u>32,122</u>	<u>-</u>	<u>496,591</u>
Other Capital Assets, Net	<u>359,250</u>	<u>(29,997)</u>	<u>-</u>	<u>329,253</u>
Capital Assets, Net	<u>\$ 388,500</u>	<u>\$ (29,997)</u>	<u>\$ -</u>	<u>\$ 358,503</u>

Depreciation expense was charged to the General Government function in the amount of \$20,180, the Streets and Highways function in the amount of \$1,717, and the Culture and Recreation function in the amount of \$10,225.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The following is a summary of the changes in the property and equipment of the business-type activities (proprietary fund) for the year ended June 30, 2013:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Other Capital Assets:				
Utility Property & Improvements	421,150	-	-	421,150
Machinery & Equipment	22,242	-	-	22,242
Total Other Capital Assets	<u>443,392</u>	<u>-</u>	<u>-</u>	<u>443,392</u>
Less Accumulated Depreciation:				
Utility Property & Improvements	379,044	21,058	-	400,102
Machinery & Equipment	1,946	1,112	-	3,058
Total Accumulated Depreciation	<u>380,990</u>	<u>22,170</u>	<u>-</u>	<u>403,160</u>
Other Capital Assets, Net	<u>62,402</u>	<u>(22,170)</u>	<u>-</u>	<u>40,232</u>
Capital Assets, Net	<u>\$ 69,902</u>	<u>\$ (22,170)</u>	<u>\$ -</u>	<u>\$ 47,732</u>

Depreciation expense was charged to the Water function in the amount of \$22,170.

NOTE 6 – Long-Term Debt

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital Lease:

Capital lease dated December 20, 2011 to Ford Credit for a 2012 Ford F350 with Dump; Payable in five annual payments of \$8,396.76 with the first payment due December 20, 2011; Original principal was \$37,062; Interest Rate is 6.70%; Includes a purchase option price of \$1.00. \$ 22,157

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from business-type fund resources consisted of the following:

Notes Payable:

Unsecured note payable dated April 6, 2012 with a financial institution located in Lincoln, Illinois; \$40,000 payments due on April 6, 2013 and 2014 with remaining amount due April 6, 2015; Original Principal \$146,110; Bearing interest rate of 3.25%. \$ 104,215

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2013, are as follows:

<i>Year Ended June 30,</i>	<u><i>Governmental Activities</i></u>		<u><i>Business-Type Activities</i></u>	
	<u><i>Capital Lease</i></u>		<u><i>Notes Payable</i></u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 6,912	\$ 1,485	\$ 30,957	\$ 2,851
2015	7,375	1,021	73,258	2,381
2016	7,870	527	-	1,775
Total	<u>\$ 22,157</u>	<u>\$ 3,033</u>	<u>\$ 104,215</u>	<u>\$ 7,007</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
<i>Governmental Activities:</i>					
Capital Lease	\$ 28,635	\$ -	\$ 6,478	\$ 22,157	\$ 6,912
<i>Business-Type Activities:</i>					
Notes Payable	\$ 146,110	\$ -	\$ 41,895	\$ 104,215	\$ 30,957
Total	<u>\$ 174,745</u>	<u>\$ -</u>	<u>\$ 48,373</u>	<u>\$ 126,372</u>	<u>\$ 37,869</u>

Interest expense for the capital lease for the year ended June 30, 2013 was \$1,919 and was charged to the Streets and Highways function on the Statement of Activities – Modified Cash Basis.

Interest expense for the notes payable for the year ended June 30, 2013 was \$4,297 and was charged to the Water function on the Statement of Activities – Modified Cash Basis.

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – Interfund Receivables and Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2013:

	Interfund Receivable	Interfund Payable
Major Funds:		
General Fund	\$ 6,989	\$ -
Water Fund	-	6,989
Total	\$ 6,989	\$ 6,989

These interfund loans are expected to be paid back within one year. These interfund balances were the result of errors in revenue and expenditure allocations during the data entry processing.

Transfers to / from Other Funds

Transfers to / from other funds at June 30, 2013 consist of the following:

From the General Fund to the Water Project Fund for payments of principal and interest on the note payables.	\$ 32,318
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NOTE 8 – Litigation

As of June 30, 2013, the Village was involved in several pending legal matters. However, management did not feel that any of these legal matters would cause significant financial damage besides attorney fees to the Village.

NOTE 9 – Restricted Property Tax Activity

The Village had the following restricted property tax activity in the general fund during the year ended June 30, 2013:

	Special Tax Levy			
	Garbage	Audit	Liability Insurance	Unemployment Insurance
Beginning Restricted Balance	\$ -	\$ -	\$ -	\$ -
Property Taxes Received	2,508	4,012	16,550	402
Expenditures Incurred	(473)	(4,012)	(16,550)	(402)
Ending Restricted Balance	\$ 2,035	\$ -	\$ -	\$ -

VILLAGE OF WAPELLA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

	Special Tax Levy			
	Road & Bridge	Street Lighting	Social Security	Police Protection
Beginning Restricted Balance	\$ -	\$ -	\$ -	\$ 17,816
Property Taxes Received	8,280	3,109	5,517	-
Expenditures Incurred	(8,280)	(3,109)	(5,502)	-
Ending Restricted Balance	\$ -	\$ -	\$ 15	\$ 17,816

NOTE 10 – 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.

2012 EAV	\$ 6,581,885
Debt Legal (%)	8.625%
Debt Margin	567,688
Current Debt	22,157
Remaining Debt Margin	\$ 545,531

VILLAGE OF WAPELLA
PROPERTY TAX LEVIES, RATES, EXTENSIONS, AND COLLECTIONS
FOR THE YEARS ENDED JUNE 30

Fiscal Year of Receipt <i>Levy Year</i>	2014 <u>2012</u>	2013 <u>2011</u>	2012 <u>2010</u>
Assessed Valuations	\$ 6,581,892	\$ 6,450,839	\$ 6,217,374
Tax Levies			
Corporate	\$ 16,300	\$ 16,000	\$ 16,000
Audit	6,000	4,000	4,000
ESDA	-	-	150
Unemployment Insurance & Liability Insurance	17,900	16,900	15,900
Street Lighting	3,300	3,100	3,100
Social Security	4,000	5,500	5,500
Garbage	1,500	2,500	2,500
Total Tax Levies	<u>\$ 49,000</u>	<u>\$ 48,000</u>	<u>\$ 47,150</u>
Tax Rates			
Corporate	0.24765	0.24803	0.25000
Audit	0.09116	0.06201	0.06440
ESDA	-	-	0.00250
Unemployment Insurance & Liability Insurance	0.27197	0.26200	0.25590
Street Lighting	0.05000	0.04806	0.04990
Social Security	0.06078	0.08527	0.08850
Garbage	0.02279	0.03876	0.04030
Total Tax Rates	<u>0.74435</u>	<u>0.74413</u>	<u>0.75150</u>
Tax Extensions			
Corporate	\$ 16,300	\$ 16,000	\$ 15,544
Audit	6,000	4,000	4,004
ESDA	-	-	155
Unemployment Insurance & Liability Insurance	17,900	16,902	15,910
Street Lighting	3,291	3,100	3,102
Social Security	4,000	5,501	5,502
Garbage	1,501	2,500	2,506
Total Tax Extensions	<u>\$ 48,992</u>	<u>\$ 48,003</u>	<u>\$ 46,723</u>
Tax Collections			
Corporate		\$ 16,047	\$ 15,675
Audit		4,012	4,038
ESDA		-	157
Unemployment Insurance & Liability Insurance		16,952	16,045
Street Lighting		3,109	3,129
Social Security		5,517	5,549
Garbage		2,508	2,527
Extended Tax Collections		<u>48,145</u>	<u>47,120</u>
Adjustments:			
Road and Bridge Allocation		8,280	8,425
Total Tax Collections		<u>\$ 56,425</u>	<u>\$ 55,545</u>
Percentage of Extension Collected		<u>100.30%</u>	<u>100.85%</u>