

VILLAGE OF WAPELLA

Wapella, Illinois

Annual Financial Report

For the Year Ended June 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017; 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 of property tax levies, rates, extensions, and collections is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of property tax levies, rates, extensions, and collections presented on page 24 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements 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

February 25, 2018

VILLAGE OF WAPELLA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 178,436	\$ 118,859	\$ 297,295
Investments	112,544	-	112,544
Internal Balances	6,852	(6,852)	-
Capital Assets, Net of Accumulated Depreciation:			
Land (Not Being Depreciated)	29,250	7,500	36,750
Other Capital Assets	325,021	40,496	365,517
 Total Assets	 <u>652,103</u>	 <u>160,003</u>	 <u>812,106</u>
Liabilities			
Payroll Taxes Payable	3,034	401	3,435
Notes Payable, Current Portion	9,502	-	9,502
Notes Payable, Noncurrent Portion	26,154	-	26,154
 Total Liabilities	 <u>38,690</u>	 <u>401</u>	 <u>39,091</u>
Net Position			
Net Investment in Capital Assets	318,615	47,996	366,611
Restricted for:			
Expendable:			
Unspent Motor Fuel Tax	28,656	-	28,656
Unspent Levy Allocations	26,002	-	26,002
Unrestricted	240,140	111,606	351,746
 Total Net Position	 <u>\$ 613,413</u>	 <u>\$ 159,602</u>	 <u>\$ 773,015</u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
<i>Governmental Activities:</i>								
General Government	\$ 133,783	\$ 26,074	\$ -	\$ -	\$ (107,709)	\$ -	\$ -	\$ (107,709)
Streets and Highways	79,495	-	-	-	(79,495)	-	-	(79,495)
Culture and Recreation	35,562	-	-	-	(35,562)	-	-	(35,562)
Total Governmental Activities	248,840	26,074	-	-	(222,766)	-	-	(222,766)
<i>Business-Type Activities:</i>								
Water	54,686	79,675	-	-	-	24,989	-	24,989
Garbage	31,836	33,026	-	-	-	1,190	-	1,190
Total Business-Type Activities	86,522	112,701	-	-	-	26,179	-	26,179
Total Primary Government	\$ 335,362	\$ 138,775	\$ -	\$ -	(222,766)	26,179	-	(196,587)

General Revenues and Transfers:

Taxes:			
Property Tax	57,635	-	57,635
Municipal Electric Utilities Tax	31,535	-	31,535
Municipal Telecommunication Utilities Tax	9,059	-	9,059
State Income Tax	45,134	-	45,134
State Sales Tax	54,877	-	54,877
State Use Tax	13,758	-	13,758
State Motor Fuel Tax	14,121	-	14,121
State Replacement Tax	2,818	-	2,818
State Gaming Tax	18,599	-	18,599
Interest Income	479	58	537
Miscellaneous	74	-	74
Internal Activities - Transfers	2,137	(2,137)	-
Total General Revenues and Transfers	250,226	(2,079)	248,147
Change in Net Position	27,460	24,100	51,560
Net Position - Beginning of Year	585,953	135,502	721,455
Net Position - End of Year	\$ 613,413	\$ 159,602	\$ 773,015

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Motor Fuel Tax Fund	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 149,780	\$ 28,656	\$ 178,436
Investments	112,544	-	112,544
Due from Other Funds	6,852	-	6,852
Total Assets	\$ 269,176	\$ 28,656	\$ 297,832
Liabilities			
<i>Current Liabilities</i>			
Payroll Taxes Payable	\$ 3,034	\$ -	\$ 3,034
Total Current Liabilities	3,034	-	3,034
Fund Balances			
Restricted	26,002	28,656	54,658
Unassigned	240,140	-	240,140
Total Fund Balances	266,142	28,656	294,798
Total Liabilities and Fund Balances	\$ 269,176	\$ 28,656	\$ 297,832

Reconciliation to Statement of Net Position - Modified Cash Basis:

Total Fund Balances of Governmental Funds	\$ 294,798
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	354,271
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(35,656)
Net Position of Governmental Activities	\$ 613,413

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, 2017

	General Fund	Motor Fuel Tax Fund	Totals Governmental Funds
Revenues			
<i>Local Revenue</i>			
Property Tax	\$ 57,635	\$ -	\$ 57,635
Municipal Electric Utilities Tax	31,535	-	31,535
Municipal Telecommunication Utilities Tax	9,059	-	9,059
<i>Intergovernmental</i>			
State Income Tax	45,134	-	45,134
State Sales Tax	54,877	-	54,877
State Use Tax	13,758	-	13,758
State Motor Fuel Tax	-	14,121	14,121
State Replacement Tax	2,818	-	2,818
State Gaming Tax	18,599	-	18,599
<i>Other</i>			
Licenses and Permits	6,850	-	6,850
Franchise Fees	8,351	-	8,351
Rental Revenue	4,075	-	4,075
Mowing Fees	6,100	-	6,100
Sale of Aggregate	698	-	698
Interest Income	465	14	479
Miscellaneous	74	-	74
Total Revenues	260,028	14,135	274,163
Expenditures			
<i>Current</i>			
General Government	117,707	-	117,707
Streets and Highways	56,027	10,932	66,959
Culture and Recreation	28,281	-	28,281
<i>Capital Outlays</i>			
-			
<i>Debt Service</i>			
Principal	9,162	-	9,162
Interest	1,739	-	1,739
Total Expenditures	212,916	10,932	223,848
Excess (Deficiency) of Revenues Over Expenditures	47,112	3,203	50,315
Other Financing Sources (Uses)			
Transfers In	2,137	-	2,137
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	2,137	-	2,137
Net Changes in Fund Balances	49,249	3,203	52,452
Fund Balances - Beginning of Year	216,893	25,453	242,346
Fund Balances - End of Year	\$ 266,142	\$ 28,656	\$ 294,798
Reconciliation to the Statement of Activities - Modified Cash Basis:			
Net Change in Fund Balances of Governmental Funds			\$ 52,452
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:			
Depreciation Expense			(34,154)
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			9,162
Change in Net Position of Governmental Activities			\$ 27,460

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 89,836	\$ 29,023	\$ 118,859
Total Current Assets	<u>89,836</u>	<u>29,023</u>	<u>118,859</u>
<i>Capital Assets, Net of Accumulated Depreciation</i>			
Land (Not Being Depreciation)	7,500	-	7,500
Other Capital Assets	40,496	-	40,496
Total Capital Assets, Net	<u>47,996</u>	<u>-</u>	<u>47,996</u>
 Total Assets	 <u>137,832</u>	 <u>29,023</u>	 <u>166,855</u>
Liabilities			
<i>Current Liabilities</i>			
Payroll Taxes Payable	401	-	401
Due to Other Funds	6,852	-	6,852
Total Current Liabilities	<u>7,253</u>	<u>-</u>	<u>7,253</u>
Net Position			
Net Investment in Capital Assets	47,996	-	47,996
Unrestricted	82,583	29,023	111,606
 Total Net Position	 <u>\$ 130,579</u>	 <u>\$ 29,023</u>	 <u>\$ 159,602</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, 2017

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Operating Revenues			
Charges for Services:			
Water	\$ 72,419	\$ -	\$ 72,419
Garbage	33,026	-	33,026
Penalties	5,453	-	5,453
Other	1,803	-	1,803
Total Operating Revenue	<u>112,701</u>	<u>-</u>	<u>112,701</u>
Operating Expenses			
Salaries and Wages	18,053	-	18,053
Payroll Taxes	1,381	-	1,381
Contractual Services	31,836	-	31,836
Distribution System Supplies and Maintenance	14,754	-	14,754
Utilities	10,699	-	10,699
Insurance	600	-	600
Office Supplies	3,087	-	3,087
Equipment Supplies and Maintenance	2,090	-	2,090
Depreciation	2,206	-	2,206
Building, Structure, and Land Supplies and Maintenance	1,738	-	1,738
Miscellaneous	68	10	78
Total Operating Expenses	<u>86,512</u>	<u>10</u>	<u>86,522</u>
Operating Income (Loss)	<u>26,189</u>	<u>(10)</u>	<u>26,179</u>
Non-Operating Revenue (Expenses)			
Interest Income	43	15	58
Total Non-Operating Revenue (Expenses)	<u>43</u>	<u>15</u>	<u>58</u>
Income (Loss) Before Transfers	<u>26,232</u>	<u>5</u>	<u>26,237</u>
Transfers			
Transfers In	-	-	-
Transfers Out	(2,137)	-	(2,137)
Net Transfers In (Out)	<u>(2,137)</u>	<u>-</u>	<u>(2,137)</u>
Change in Net Position	24,095	5	24,100
Net Position - Beginning of Year	106,484	29,018	135,502
Net Position - End of Year	<u>\$ 130,579</u>	<u>\$ 29,023</u>	<u>\$ 159,602</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, 2017

	Enterprise Funds		
	Water Fund	Water Project Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 112,701	\$ -	\$ 112,701
Cash Paid to Employees	(18,053)	-	(18,053)
Cash Paid to Suppliers and Vendors	(66,316)	(10)	(66,326)
Net Cash Provided by (Used in) Operating Activities	<u>28,332</u>	<u>(10)</u>	<u>28,322</u>
Cash Flows from Non-Capital Financing Activities			
Advances (Repayments) to Other Funds	4,392	-	4,392
Transfer Out from Other Funds	(2,137)	-	(2,137)
Transfer In from Other Funds	-	-	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>2,255</u>	<u>-</u>	<u>2,255</u>
Cash Flows from Capital and Related Financing Activities			
Capital Outlay Purchases	(18,467)	-	(18,467)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(18,467)</u>	<u>-</u>	<u>(18,467)</u>
Cash Flows from Investing Activities			
Interest Receipts	43	15	58
Net Increase in Cash and Cash Equivalents	12,163	5	12,168
Cash and Cash Equivalents and Investments - Beginning of Year	77,673	29,018	106,691
Cash and Cash Equivalents and Investments - End of Year	<u>\$ 89,836</u>	<u>\$ 29,023</u>	<u>\$ 118,859</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 26,189	\$ (10)	\$ 26,179
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation expense	2,206	-	2,206
Changes in Operating Assets and Liabilities:			
Increase (Decrease) in Payroll Tax Liabilities	(63)	-	(63)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 28,332</u>	<u>\$ (10)</u>	<u>\$ 28,322</u>

See Accompanying Notes to the Basic Financial Statements.

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

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. The Village presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- 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.

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

- 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 does 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 arising from cash transactions are accounted for as assets in the Statement of Net Position – Modified Cash Basis. All capital assets are valued at historical cost or estimated historical cost, if actual 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 arising from cash transactions is recorded as an allocated expense in the Statement of Activities – Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Position – Modified Cash Basis. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

	<u>Useful Life</u>
Buildings and Improvements	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. All long-term debt arising from modified cash basis transactions to be repaid from business-type resources is reported as liabilities in the government-wide and fund financial statements.

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

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

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

constitutional provisions. The Village at June 30, 2017 reported the total amount of \$54,658 as restricted in the following components:

- \$28,656 restricted for unspent motor fuel tax. This amount can only be spent on street and highway improvements under state laws and procedures.
 - \$26,002 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, 2017, 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, 2017 reported the total amount of \$54,658 as restricted in the following components:

General Fund

- \$853 restricted for garbage expenditures for unspent special tax levy.
- \$399 restricted for audit expenditures for unspent special tax levy.
- \$17,816 restricted for police protection expenditures for unspent special tax levy.
- \$5,582 restricted for unemployment insurance expenditures for unspent special tax levy.
- \$1,352 restricted for social security tax expenditures for unspent special tax levy.

Motor Fuel Tax Fund

- \$28,656 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

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Trustee resolution. At June 30, 2017, 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, 2017, the Village did not report any amounts as assigned.
- Unassigned - consists of residual positive fund balance within the general fund which has not been classified within the other above categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. At June 30, 2017, the Village reported the amount of \$240,140 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.
Franchise Fees	Amounts remitted to the Village for franchise fees.
Rental Revenue	Fees paid by the public for use of land, buildings, and equipment.
Mowing Fees	Fees paid by the public for mowing services.

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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.

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

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

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

Government-Wide Financial Statements

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

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

- 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.
- 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.

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 February 25, 2018, 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 modified cash basis of accounting as applied to the governmental funds in the basic financial statements. 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, 2017.

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 2015 tax levy on November 17, 2015. The Board of Village Trustees passed the 2016 tax levy on

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

December 20, 2016. Property taxes attach as an enforceable lien on property as of January 1st and are payable in two installments around July 1st and September 1st. The Village usually receives significant distributions of tax receipts approximately one month after these due dates. Property taxes are recorded as revenue when they are received. Property tax receipts in these financial statements are from the 2015 tax levy.

NOTE 4 -- Cash and Cash Equivalents

The Village's cash deposits consist of checking, certificate of deposits, and money markets. These deposits are stated at cost. The Village is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235 of the Illinois Compiled Statutes. Such instructions include obligations of the U.S. Treasury, agencies, instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of state and their political subdivision, saving accounts, credit union shares, and the Illinois Funds or such other officially recognized funds. The Village does not have a separate investment policy.

Custodial Credit Risk – Bank Deposit

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits, including amounts in checking, savings, certificate of deposits, and money market accounts may not be returned. The table presented below is designed to disclose the level of custodial credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at June 30, 2017. The categories of custodial credit risk are defined as follows:

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

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

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

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Type of Deposit	Total Bank Balance	Custody Credit Risk Category			
		1	2	3	
<i>Insured Deposits</i>	\$ 321,552	\$ 321,552	\$ -	\$ -	
<i>Uninsured Deposits</i>					
Collateralized	-	-	-	-	Total Bank
Uncollateralized	96,194	-	-	96,194	Balance
Total Deposits	\$ 417,746	\$ 321,552	\$ -	\$ 96,194	\$ 417,746

Reconciliation to Government-Wide Statement of Net Position:

Cash and Cash Equivalents	\$ 297,295
Investments	112,544
Outstanding Items	7,907
Total Bank Balance	\$ 417,746

NOTE 5 – Capital Assets

A summary of capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2017, was as follows for governmental activities:

	Balance at July 1, 2016	Additions	Deductions	Balance at June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 29,250	\$ -	\$ -	\$ 29,250
Other Capital Assets:				
Buildings and Improvements	391,061	-	-	391,061
Land Improvements	140,745	-	-	140,745
Machinery and Equipment	375,151	-	-	375,151
Total Other Capital Assets	906,957	-	-	906,957
Less Accumulated Depreciation:				
Buildings and Improvements	186,671	9,706	-	196,377
Land Improvements	104,136	5,703	-	109,839
Machinery and Equipment	256,975	18,745	-	275,720
Total Accumulated Depreciation	547,782	34,154	-	581,936
Other Capital Assets, Net	359,175	(34,154)	-	325,021
Capital Assets, Net	\$ 388,425	\$ (34,154)	\$ -	\$ 354,271

Depreciation expense was charged to the general government function in the amount of \$16,076, the streets and highways function in the amount of \$10,797, and the culture and recreation function in the amount of \$7,281.

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

A summary of capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2017, was as follows for business-type activities:

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Other Capital Assets:				
Utility Property and Improvements	421,150	3,900	-	425,050
Machinery and Equipment	30,771	14,567	-	45,338
Total Other Capital Assets	451,921	18,467	-	470,388
Less Accumulated Depreciation:				
Utility Property and Improvements	421,150	-	-	421,150
Machinery and Equipment	6,536	2,206	-	8,742
Total Accumulated Depreciation	427,686	2,206	-	429,892
Other Capital Assets, Net	24,235	16,261	-	40,496
Capital Assets, Net	\$ 31,735	\$ 16,261	\$ -	\$ 47,996

Depreciation expense was charged to the water function in the amount of \$2,206.

NOTE 6 – Long-Term Debt

As of June 30, 2017, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Notes Payable:

Note payable dated January 7, 2016 with a financial institution located in Bloomington, Illinois; 60 monthly payments of \$893.56 with the first payment due February 7, 2016; Original principal of \$48,500; Bearing interest rate of 3.96%; Secured by a 2015 Case 580SN Loader Backhoe. \$ 35,656

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2017, are as follows:

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

<i>Year Ended</i> <i>June 30,</i>	<u><i>Governmental Activities</i></u>	
	<u><i>Notes Payable</i></u>	
	<u>Principal</u>	<u>Interest</u>
2018	9,502	1,221
2019	9,865	858
2020	10,262	460
2021	6,027	78
Total	<u><u>\$ 35,656</u></u>	<u><u>\$ 2,617</u></u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

<u>Type of Debt</u>	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
<i>Governmental Activities:</i>					
Notes Payable	44,818	-	9,162	35,656	9,502
Total	<u><u>\$ 44,818</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,162</u></u>	<u><u>\$ 35,656</u></u>	<u><u>\$ 9,502</u></u>

Interest expense for the notes payable for the year ended June 30, 2017 was \$1,739 and was charged to the streets and highways function on the Statement of Activities – Modified Cash Basis.

NOTE 7 – Interfund Receivables and Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2017:

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
Major Funds:		
General Fund	\$ 6,852	\$ -
Water Fund	-	6,852
Total	<u><u>\$ 6,852</u></u>	<u><u>\$ 6,852</u></u>

These interfund loans are expected to be paid back within one year. These interfund balances were the result of payroll taxes and garbage collection being paid out of the incorrect fund.

Transfers to / from Other Funds

Transfers to / from other funds at June 30, 2017 consist of the following:

VILLAGE OF WAPELLA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

From the Water Fund to the General Fund for payments of principal and interest on the note payable. \$ 2,137

NOTE 8 – Risk Management

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2017, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

NOTE 9 – 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.

2016 EAV	\$	6,692,839
Debt Legal (%)		8.625%
Debt Margin		577,257
Current Debt		35,656
Remaining Debt Margin	\$	541,601

NOTE 10 – Restricted Property Tax Activity

The Village had the following restricted property tax activity in the general fund during the year ended June 30, 2017:

	Special Tax Levy			
	Garbage	Audit	Liability Insurance	Unemployment Insurance
Beginning Restricted Balance	\$ 2,757	\$ 949	\$ -	\$ 4,961
Property Taxes Received	-	5,049	20,197	1,010
Expenditures Incurred	(1,904)	(5,599)	(20,197)	(389)
Ending Restricted Balance	\$ 853	\$ 399	\$ -	\$ 5,582

	Special Tax Levy			
	Road & Bridge	Street Lighting	Social Security	Police Protection
Beginning Restricted Balance	\$ -	\$ -	\$ 1,748	\$ 17,816
Property Taxes Received	8,153	3,030	4,039	-
Expenditures Incurred	(8,153)	(3,030)	(4,435)	-
Ending Restricted Balance	\$ -	\$ -	\$ 1,352	\$ 17,816

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

Fiscal Year of Receipt <i>Levy Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed Valuations	<u>\$ 6,692,839</u>	<u>\$ 6,729,851</u>	<u>\$ 6,726,794</u>	<u>\$ 6,607,298</u>	<u>\$ 6,581,892</u>
Tax Levies					
Corporate	\$ 16,000	\$ 16,000	\$ 11,700	\$ 11,700	\$ 16,300
Audit	5,000	5,000	5,000	5,000	6,000
Liability Insurance	20,000	20,000	18,500	18,500	17,000
Unemployment Insurance	1,000	1,000	4,000	4,000	900
Street Lighting	3,000	3,000	3,300	3,300	3,300
Social Security	4,000	4,000	5,500	5,500	4,000
Garbage	-	-	1,000	1,000	1,500
Total Tax Levies	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>
Tax Rates					
Corporate	0.23907	0.23775	0.17394	0.17708	0.24765
Audit	0.07471	0.07430	0.07433	0.07568	0.09116
Liability Insurance	0.29883	0.29719	0.27502	0.28000	0.25829
Unemployment Insurance	0.01495	0.01486	0.05947	0.06054	0.01368
Street Lighting	0.04483	0.04458	0.04906	0.04995	0.05000
Social Security	0.05977	0.05944	0.08177	0.08325	0.06078
Garbage	-	-	0.01487	0.01514	0.02279
Total Tax Rates	<u>0.73216</u>	<u>0.72812</u>	<u>0.72846</u>	<u>0.74164</u>	<u>0.74435</u>
Tax Extensions					
Corporate	\$ 16,001	\$ 16,000	\$ 11,701	\$ 11,700	\$ 16,300
Audit	5,000	5,000	5,000	5,000	6,000
Liability Insurance	20,000	20,001	18,500	18,500	17,000
Unemployment Insurance	1,001	1,000	4,000	4,000	900
Street Lighting	3,000	3,000	3,300	3,300	3,291
Social Security	4,000	4,000	5,501	5,501	4,000
Garbage	-	-	1,000	1,000	1,501
Total Tax Extensions	<u>\$ 49,002</u>	<u>\$ 49,001</u>	<u>\$ 49,002</u>	<u>\$ 49,001</u>	<u>\$ 48,992</u>
Tax Collections					
Corporate		\$ 16,157	\$ 11,765	\$ 11,555	\$ 16,257
Audit		5,049	5,027	4,938	5,984
Liability Insurance		20,197	18,601	18,270	16,956
Unemployment Insurance		1,010	4,022	3,950	898
Street Lighting		3,030	3,318	3,259	3,282
Social Security		4,039	5,531	5,432	3,990
Garbage		-	1,006	988	1,496
Extended Tax Collections		<u>49,482</u>	<u>49,270</u>	<u>48,392</u>	<u>48,863</u>
Adjustments:					
Road and Bridge Allocation		8,153	7,354	7,681	7,992
Total Tax Collections		<u>\$ 57,635</u>	<u>\$ 56,624</u>	<u>\$ 56,073</u>	<u>\$ 56,855</u>
Percentage of Extension Collected		<u>100.98%</u>	<u>100.55%</u>	<u>98.76%</u>	<u>99.74%</u>

