

VILLAGE OF PEOTONE, ILLINOIS

Annual Financial Statements

**As of and for the Year Ended
March 31, 2018**

Village of Peotone, Illinois
Annual Financial Statements
As of March 31, 2018

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Wayne D. Koelling
Lawrence K. Ohm
Richard S. Stenzinger
Marcie Meents Kolberg
Michael L. Stroud
Keith B. Ohm
Vicki L. DeYoung

Mark L. Smith
Curtis L. Dykstra



1605 N. Convent
Bourbonnais, IL 60914
(815) 937-1997
Fax: (815) 935-0360
www.skdocpa.com

Beecher (708) 946-3232
Morris (815) 942-2554
Herscher (815) 426-9808
Peotone (708) 258-0300
Wilmington (815) 476-4477
Momence (815) 472-6508

Independent Auditor's Report

To the Board of Trustees
Village of Peotone
208 East Main
Peotone, Illinois 60468

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Peotone, Illinois, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Peotone, Illinois, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents on pages 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Village has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Peotone, Illinois' basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Smith, Kelling, Dykstra and Ohm, P.C.

Bourbonnais, Illinois
September 19, 2018

Village of Peotone, Illinois
Statement of Net Position
March 31, 2018

Exhibit A

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 284,656	\$ 366,358	\$ 651,014
Investments	1,550,928	162,398	1,713,326
Receivables, (net, where applicable, of allowance for uncollectibles):			
Taxes, including interest, penalties and liens	787,221	-	787,221
Accounts	26,440	265,079	291,519
Internal balances	1,120	(1,120)	-
Prepaid expenses	51,098	21,010	72,108
Health insurance escrow fund	106,018	31,618	137,636
Capital assets:			
Non-depreciable capital assets:			
Land	19,100	133,351	152,451
Construction in progress	389,100	-	389,100
Depreciable capital assets, net	3,175,002	5,415,688	8,590,690
Net pension asset	135,329	84,313	219,642
Total assets	<u>6,526,012</u>	<u>6,478,695</u>	<u>13,004,707</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>1,114,131</u>	<u>129,656</u>	<u>1,243,787</u>
Liabilities			
Accounts payable and accrued expenses	189,009	44,342	233,351
Customer/escrow deposits	178,062	20,662	198,724
Unearned revenue	94,316	-	94,316
Long-term liabilities:			
Due within one year:			
Notes payable	29,152	-	29,152
Debt certificates	103,000	-	103,000
Due in more than one year:			
Accrued compensation	99,588	-	99,588
Notes payable	320,848	-	320,848
Debt certificates	105,000	-	105,000
Net pension liabilities	4,992,800	-	4,992,800
Total liabilities	<u>6,111,775</u>	<u>65,004</u>	<u>6,176,779</u>
Deferred Inflows of Resources			
Property taxes related to a future period	571,450	-	571,450
Deferred inflows related to pensions	751,977	236,110	988,087
Total deferred inflows of resources	<u>1,323,427</u>	<u>236,110</u>	<u>1,559,537</u>
Net Position			
Net investment in capital assets	3,025,202	5,549,039	8,574,241
Restricted for:			
Streets	617,199	-	617,199
Capital improvements	570,320	-	570,320
Retirement	135,329	84,313	219,642
Other purposes	62,411	-	62,411
Unrestricted	(4,205,520)	673,885	(3,531,635)
Total net position	<u>\$ 204,941</u>	<u>\$ 6,307,237</u>	<u>\$ 6,512,178</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Activities
For the year ended March 31, 2018

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 490,879	\$ 257,547	\$ -	\$ 48,443	\$ (184,889)	\$ -	\$ (184,889)
Economic development	63,033	-	-	-	(63,033)	-	(63,033)
Public safety	1,734,170	46,617	-	-	(1,687,553)	-	(1,687,553)
Public works	1,067,429	-	86,070	-	(981,359)	-	(981,359)
Interest and fiscal charges	8,896	-	-	-	(8,896)	-	(8,896)
Total governmental activities	<u>3,364,407</u>	<u>304,164</u>	<u>86,070</u>	<u>48,443</u>	<u>(2,925,730)</u>	<u>-</u>	<u>(2,925,730)</u>
Business-type activities:							
Water	424,330	425,045	-	-	-	715	715
Sewer	512,733	417,194	-	-	-	(95,539)	(95,539)
Garbage	253,309	255,592	-	-	-	2,283	2,283
Total business-type activities	<u>1,190,372</u>	<u>1,097,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,541)</u>	<u>(92,541)</u>
Total	<u>\$ 4,554,779</u>	<u>\$ 1,401,995</u>	<u>\$ 86,070</u>	<u>\$ -</u>	<u>(2,925,730)</u>	<u>(92,541)</u>	<u>(3,018,271)</u>
General revenues:							
Property taxes					555,099	-	555,099
Sales tax					919,985	-	919,985
State income tax					375,604	-	375,604
Replacement and other taxes					415,770	-	415,770
Interest					2,813	1,970	4,783
Miscellaneous					1,426	14,087	15,513
Transfers					(51,397)	51,397	-
Total general revenue					<u>2,219,300</u>	<u>67,454</u>	<u>2,286,754</u>
Change in net position					(706,430)	(25,087)	(731,517)
Net position - beginning					911,371	6,332,324	7,243,695
Net position - ending					<u>\$ 204,941</u>	<u>\$ 6,307,237</u>	<u>\$ 6,512,178</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Balance Sheet - Governmental Funds
March 31, 2018

Exhibit C

	General Fund	Capital Improvement Fund	Motor Fuel Tax Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 284,656	\$ -	\$ -	\$ 284,656
Investments	362,133	570,320	618,475	1,550,928
Accounts receivable, net	20,584	-	5,856	26,440
Prepaid expenses	51,098	-	-	51,098
Due from other funds	9,002	-	-	9,002
Health insurance escrow fund	106,018	-	-	106,018
Taxes receivable	779,174	-	8,047	787,221
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,612,665</u>	<u>\$ 570,320</u>	<u>\$ 632,378</u>	<u>\$ 2,815,363</u>
Liabilities				
Accounts payable and accrued expenses	\$ 149,898	\$ -	\$ 7,297	\$ 157,195
Escrow deposits	178,062	-	-	178,062
Accrued compensation	17,632	-	-	17,632
Due to other funds	-	-	7,882	7,882
Unearned revenue	94,316	-	-	94,316
Total liabilities	<u>439,908</u>	<u>-</u>	<u>15,179</u>	<u>455,087</u>
Deferred Inflows of Resources				
Property taxes related to a future period	<u>571,450</u>	<u>-</u>	<u>-</u>	<u>571,450</u>
Fund Balance				
Nonspendable:				
Prepaid expenses	51,098	-	-	51,098
Restricted for:				
Capital projects	-	570,320	-	570,320
Street improvements	-	-	617,199	617,199
Other purposes	62,411	-	-	62,411
Assigned:				
Capital outlay	15,630	-	-	15,630
Unassigned	472,168	-	-	472,168
Total fund balance	<u>601,307</u>	<u>570,320</u>	<u>617,199</u>	<u>1,788,826</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,612,665</u>	<u>\$ 570,320</u>	<u>\$ 632,378</u>	<u>\$ 2,815,363</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
March 31, 2018

Exhibit D

Total fund balances for governmental funds (Exhibit C)	\$ 1,788,826
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land	\$ 19,100
Construction in progress	389,100
Infrastructure, net of \$3,029,815 accumulated depreciation	2,931,241
Buildings and improvements, net of \$9,951 accumulated depreciation	28,051
Equipment, net of \$469,645 accumulated depreciation	100,164
Vehicles, net of \$294,181 accumulated depreciation	<u>115,546</u>
Total capital assets	3,583,202
The deferred outflows related to pensions are not an available resource and, therefore, are not reported in the funds	1,114,131
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(4,857,471)
The deferred inflows related to pensions is not due and payable in the current period and, therefore, is not reported in the funds	(751,977)
Long-term liabilities are not due and payable in the current period and therefore, are not reported as a fund liability in governmental funds	(558,000)
Payables resulting from the long-term economic focus of the statement of net position are not reported in the funds, which focus on current financial resources	<u>(113,770)</u>
Total net position of governmental activities (Exhibit A)	<u><u>\$ 204,941</u></u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
For the year ended March 31, 2018

Exhibit E

	General Fund	Capital Improvement Fund	Motor Fuel Tax Fund	Totals Governmental Funds
Revenues				
Taxes - property	\$ 510,046	\$ -	\$ -	\$ 510,046
Intergovernmental:				
State replacement taxes	25,450	-	-	25,450
State income taxes	375,604	-	-	375,604
State sales tax	919,985	-	-	919,985
Video gaming tax	39,318	-	-	39,318
Motor fuel tax	-	-	105,344	105,344
Grants	48,443	-	86,070	134,513
Road and bridge tax	45,053	-	-	45,053
Utility tax	245,658	-	-	245,658
Licenses and permits	156,273	-	-	156,273
Police collections	6,456	-	-	6,456
Franchise agreements	69,724	-	-	69,724
Fines	63,711	-	-	63,711
Interest	1,216	838	759	2,813
Other	9,426	-	-	9,426
Total revenues	<u>2,516,363</u>	<u>838</u>	<u>192,173</u>	<u>2,709,374</u>
Expenditures				
Current:				
General government	437,230	-	-	437,230
Public safety	1,273,651	-	-	1,273,651
Public works/transportation	744,478	-	92,740	837,218
Communications	105,014	-	-	105,014
Economic development	63,033	-	-	63,033
Building	48,088	-	-	48,088
Capital outlay	481,600	835	-	482,435
Debt service:				
Principal	122,835	-	-	122,835
Interest	8,896	-	-	8,896
Total expenditures	<u>3,284,825</u>	<u>835</u>	<u>92,740</u>	<u>3,378,400</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)				
	<u>(768,462)</u>	<u>3</u>	<u>99,433</u>	<u>(669,026)</u>
Other financing sources (uses):				
Proceeds from long term debt	350,000	-	-	350,000
Transfers out	-	(51,397)	-	(51,397)
Total other financing sources (uses)	<u>350,000</u>	<u>(51,397)</u>	<u>-</u>	<u>298,603</u>
Net change in fund balance	(418,462)	(51,394)	99,433	(370,423)
Fund balance, beginning of year	1,019,769	621,714	517,766	2,159,249
Fund balance, end of year	<u>\$ 601,307</u>	<u>\$ 570,320</u>	<u>\$ 617,199</u>	<u>\$ 1,788,826</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2018

Exhibit F

Net change in fund balances - total governmental funds (Exhibit E)	\$ (370,423)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded (was less than) depreciation expense in the current period.	265,948
In the statement of activities, a gain or loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds received from disposition of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of disposed capital assets.	(42,927)
The payment of principal on long-term debt is reflected as an expense on the fund level statements, but is reported as a reduction of liabilities on the entity-wide statements.	122,835
The change in pension obligations is not reported on the fund level statements, and therefore is not reported as expenditures in governmental funds.	(327,834)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(4,029)
The proceeds from long-term debt are reflected as a revenue on the fund level statements, but are reported as an increase of liabilities on the entity-wide statements.	<u>(350,000)</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ (706,430)</u></u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Fund Net Position
Proprietary Fund
Water, Sewer and Refuse Fund
March 31, 2018

Exhibit G

Assets

Current assets:	
Cash	\$ 366,358
Investments	162,398
Accounts receivable	265,079
Prepaid expenses	21,010
Total current assets	<u>814,845</u>
Property and equipment:	
Land	133,351
Buildings and equipment	10,945,276
Less accumulated depreciation	<u>(5,529,588)</u>
Building and equipment, net	<u>5,415,688</u>
Other assets	
Health insurance escrow fund	31,618
Net pension asset	<u>84,313</u>
Total other assets	<u>115,931</u>
Total assets	<u>6,479,815</u>

Deferred Outflows of Resources

Deferred outflows of resources related to pensions	<u>129,656</u>
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Liabilities

Payable from current assets:	
Accounts payable and accrued expenses	44,342
Utility deposits	20,662
Due to other funds	1,120
Total current liabilities	<u>66,124</u>
Total liabilities	<u>66,124</u>

Deferred Inflows of Resources

Deferred inflows of resources related to pensions	236,110
Total deferred inflows of resources	<u>236,110</u>

Net Position

Net investment in capital assets	5,549,039
Restricted for net pension asset	84,313
Unrestricted	673,885
Total net position	<u>\$ 6,307,237</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund
Water, Sewer and Refuse Fund
For the year ended March 31, 2018

Exhibit H

Operating revenues:	
Water, sewer, and garbage fees	\$ 1,078,138
Meter sales and tap-on fees	<u>19,693</u>
Total operating revenue	1,097,831
Operating expenses	<u>940,222</u>
Operating income (loss) before depreciation	157,609
Depreciation	<u>(249,478)</u>
Operating income (loss)	<u>(91,869)</u>
Nonoperating revenue (expense):	
Interest expense	(672)
Interest income	1,970
Other income	<u>14,087</u>
Net nonoperating revenue (expense)	<u>15,385</u>
Income (loss) before transfers	(76,484)
Transfers in	<u>51,397</u>
Change in net position	(25,087)
Net position, beginning of year	<u>6,332,324</u>
Net position, end of year	<u><u>\$ 6,307,237</u></u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Cash Flows
Proprietary Fund
Water, Sewer and Refuse Fund
For the year ended March 31, 2018

Exhibit I

Cash flows from operating activities:	
Customer receipts	\$ 1,094,016
Payments to suppliers	(650,070)
Payments to employees	(261,674)
Net cash provided (used) by operating activities	<u>182,272</u>
Cash flows from noncapital financing activities:	
Miscellaneous income	<u>14,087</u>
Net cash provided (used) by noncapital financing activities	<u>14,087</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt payable	(22,830)
Interest payments on long-term debt payable	(672)
Transfers in	51,397
Payments related to the acquisition of capital assets	(78,066)
Net cash provided (used) by capital and related financing activities	<u>(50,171)</u>
Cash flows from investing activities:	
Increase in health insurance escrow	3,740
Interest payments received	<u>1,970</u>
Net cash provided (used) by investing activities	<u>5,710</u>
Net increase (decrease) in cash and cash equivalents	151,898
Cash and cash equivalents, beginning of year	<u>376,858</u>
Cash and cash equivalents, end of year	<u>\$ 528,756</u>
Cash per Statement of Fund Net Position-Proprietary Fund	\$ 366,358
Investments per Statement of Fund Net Position-Proprietary Fund	<u>162,398</u>
Total cash and cash equivalents, end of year	<u>\$ 528,756</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (91,869)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	249,478
Changes in assets, deferred outflows/inflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(2,715)
(Increase) decrease in prepaid expenses	(273)
(Increase) decrease in net pension asset	(84,313)
(Increase) decrease in deferred outflows of resources related to pensions	12,360
Increase (decrease) in accounts payable and accrued expenses	(3,233)
Increase (decrease) in due to other funds	(835)
Increase (decrease) in customer deposits	(1,100)
Increase (decrease) in net pension liabilities	(129,690)
Increase (decrease) in deferred inflows of resources related to pensions	234,462
Net cash provided (used) by operating activities	<u>\$ 182,272</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2018

Exhibit J

	Police Pension Fund
Assets	
Cash and certificates of deposit	\$ 1,206,317
Mutual funds	186,639
Other assets	947
Total assets	<u>1,393,903</u>
Net Position	
Held in trust for pension benefits	<u>\$ 1,393,903</u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended March 31, 2018

Exhibit K

	<u>Police Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 163,970
Plan members	47,724
Total contributions	<u>211,694</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	19,430
Interest	18,542
Dividends	10,340
Total investment earnings	<u>48,312</u>
Total additions	<u>260,006</u>
Deductions:	
Benefits	172,436
Accounting services	1,825
Legal services	1,000
Administrative expenses	<u>5,287</u>
Total deductions	<u>180,548</u>
Change in net position	79,458
Net position, beginning of year	<u>1,314,445</u>
Net position, end of year	<u><u>\$ 1,393,903</u></u>

The accompanying notes are an integral part of the financial statements.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies

General

The Village of Peotone is a municipal corporation governed by an elected board. The Village operates under a Trustee-Village form of government and provides the following services: public safety, public works/transportation, administration, and water, sewer and garbage.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the Village of Peotone and any component units. The criteria used to determine if a legally separate organization's financial statements should be included and the manner in which they should be displayed center on the nature of financial accountability. Among factors determining this financial accountability include the degree to which the governing body is controlled by the Village as manifested by the ability to appoint a majority of its voting board and approval of its budget, the degree to which it provides a financial benefit or burden to the Village or the extent to which it is fiscally dependent. A description of the blended component unit is as follows:

Police Pension Fund – The Fund is a single-employer pension plan that is funded by the Village and the participants of the plan. The Fund is governed by a five member board which includes two members appointed by the Village. The activity is reported as a fiduciary fund.

Basis of Presentation

Government-wide Financial Statements – The government-wide statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities displays the direct expenses of a given function or segment and the associated program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary, and fiduciary activities.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

General Fund – This is the primary operating fund of the Village. It accounts for and reports all financial resources not accounted for and reported in another fund.

Capital Improvement Fund – This fund is used to account for developer fees intended to fund major capital improvements and for certain other monies received that are related to capital asset purchases.

Motor Fuel Tax Fund – This fund receives and accounts for the Village’s share of motor fuel taxes from the State of Illinois.

Proprietary funds are used to account for those Village activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The Village has presented the following major proprietary fund:

Water, Sewer, and Refuse Fund – The fund is used to account for water, sewer and garbage services to residents of the Village and other commercial users.

The Fiduciary Fund is used to account for the activities of the police pension fund which accumulates resources for pension benefit payments on a defined benefit basis.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village receives value without directly giving equal value in exchange, include property tax revenues, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility, matching and expenditure requirements imposed by the provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Village enterprise fund are charges to customers for water, sewer, and garbage services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Financial Statements (Police Pension Fund) – The Fiduciary Fund’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year for the year they are intended to finance.

Replacement taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Issuance of long-term debt is reported as an other financing source.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village considers all highly liquid assets (including restricted assets) with original maturities of three months or less to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Money market mutual funds and Illinois Funds are carried at the net asset value (NAV) per share provided by the Fund. The NAV per share is calculated using the amortized cost method which approximates fair value.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the Village as assets with an initial, individual cost of more than its capitalization threshold and an estimated useful life in excess of one year. Categories of capital assets and associated capitalization thresholds are as follows: land – \$5,000; buildings and improvements - \$2,000; infrastructure assets (streets and bridges) - \$100,000; equipment - \$2,000. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

The Village depreciates assets on a straight-line basis using the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Equipment, vehicles, furniture and fixtures	5 to 15 years
Buildings, structures and improvements	30 to 50 years
Improvements other than buildings	30 to 50 years
Water and sewer plant	20 to 50 years
Infrastructure assets	10 to 40 years

Accounts Receivable

Receivables as of year-end for the government's individual major funds and fiduciary funds, including applicable allowances for uncollectible accounts, of which there were none, are as follows:

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Water and Sewer Fund</u>
Taxes receivable:			
State use	\$ 16,004	\$ -	\$ -
Income	35,831	-	-
Sales	126,399	-	-
Telecom	11,024	-	-
Replacement	5,314	-	-
Utility	13,152	-	-
Property	571,450	-	-
Motor fuel tax	-	8,047	-
	<u>\$779,174</u>	<u>\$ 8,047</u>	<u>\$ -</u>
Accounts receivable:			
Franchise tax	\$ 15,527	\$ -	\$ -
Circuit court fines	5,057	-	-
Customers	-	-	265,079
Reimbursements from State	-	5,856	-
	<u>\$ 20,584</u>	<u>\$ 5,856</u>	<u>\$265,079</u>

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as expenses in the period incurred.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Interfund Transactions

During the normal course of operations, the Village has transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenses if they involved organizations external to the Village are treated similarly when involving other funds of the Village.

Activity between funds that is referred to as “due to/from other funds” represents transactions when one fund incurs expenses for the benefit of another fund and expects repayment from it. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government entity-wide financial statements as “internal balances”.

Compensated Absences

Accumulated unpaid vacation, sick-time, compensatory time and other employee benefit amounts are accrued in the year in which the related liability is incurred on the entity-wide financial statements.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. The Village recognizes deferred outflows of resources related to pensions.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The Village recognizes deferred inflows of resources related to pensions and property taxes levied for a future period.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenue represents resources that have been received, but not yet earned, consisting primarily of fees collected for the vehicle licenses which are valid for a two-year period.

Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of the portion of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Village's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of the portion of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Village Board. The Village Board is the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Village Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Assignments may be established by the Village Board.

Unassigned — all other spendable amounts. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted or committed to those purposes.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Village's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Property Tax Revenues

Property taxes are levied on the basis of a calendar year with a January 1 lien date. The certificate of tax levy is filed annually on or before the last Tuesday in December based on the assessed valuation as of April 1 of the same year. Taxes are due in the following year in two equal installments, one in June and the other in September, with distribution to the Village coming shortly thereafter and continuing through January of the ensuing year. Property taxes levied in 2016 and collected in 2017 are recorded as revenues for the fiscal year ended March 31, 2018.

Use of Estimates

The Village prepares its financial statements in accordance with generally accepted accounting principles which require the use of estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

The Village is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS235/2 and 6). The institutions in which investments are made must be approved by the Village Board.

At year-end, the Village’s investments were comprised of the following:

	<u>% of Portfolio</u>	<u>Carrying Value</u>
Money Market Mutual Funds	94.3%	\$1,496,074
Illinois Funds Money Market	5.7%	<u>217,252</u>
		<u>\$1,713,326</u>

Police Pension Fund – Fiduciary Funds:

	<u>Cost</u>	<u>Market Value</u>	<u>Percentage</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value Measurement</u>
Mutual funds – American Funds:					
Capital Income Builder Fund Class A-unrated	\$ 84,459	\$ 93,644	50%	\$ 9,185	Level 1
Growth Fund of America – Class A-unrated	<u>56,165</u>	<u>92,995</u>	<u>50%</u>	<u>36,830</u>	Level 1
Total investment in mutual funds	<u>\$140,624</u>	<u>\$186,639</u>	<u>100%</u>	<u>\$46,015</u>	

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 2 – Deposits and Investments (Continued)

The following describes the hierarchy of inputs used to measure fair value and the primary value methodologies used for financial instruments measured at fair value on a recurring basis. Level 1 includes investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. Level 2 includes investments with inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The Illinois Funds Money Market Fund is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds Money Market Fund uses amortized cost, which is the share price, to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. Illinois Funds Money Market Fund does not place any limitations or restrictions on withdrawals. Illinois Funds Money Market Fund has a credit rating of AAAM from Standard & Poor's (S&P). Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. Illinois Funds Money Market Fund invests in a high quality portfolio of debt securities, money market funds and commercial paper rated in one of the two highest rating categories by S&P with a maximum of final maturity of 270 days. These investments are legally permissible for local governments in the state. Audited financial statements for the Illinois Funds are available at www.illinoistreasurer.gov.

Interest Rate Risk – The Village's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law requires public funds to be invested within the guidelines set forth in Public Funds Investment Act (30 ILCS/235). The Village's investment policy does not further limit its investment choices.

Concentration of Credit Risk – The Village's investment policy limits time deposits to no more than 10% of any single financial institution's total deposits. It also limits any investment category to no more than 40% of the Village's portfolio with the exception of cash equivalents and treasury securities.

Custodial Credit Risk – Custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Village's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateral pledged by the applicable financial institution to the extent of 110% of the value of the deposit in excess of the FDIC insured amount. As of March 31, 2018, the Village's deposits were insured or collateralized.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 3 – Capital Assets

Capital asset activity for the year ended March 31, 2018 was as follows:

	Balances March 31, 2017	Additions	Dispositions	Balances March 31, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,100	\$ -	\$ 5,000	\$ 19,100
Construction in Progress	-	<u>389,100</u>	-	<u>389,100</u>
	<u>\$ 24,100</u>	<u>\$389,100</u>	<u>\$ 5,000</u>	<u>\$ 408,200</u>
Capital assets being depreciated:				
Transportation network	\$ 5,868,593	\$ 9,600	\$ -	\$ 5,878,193
Buildings and improvements	72,771	4,100	38,869	38,002
Equipment	687,662	4,850	122,703	569,809
Vehicles	<u>437,316</u>	<u>82,863</u>	<u>27,589</u>	<u>492,590</u>
Total capital assets being depreciated	<u>7,066,342</u>	<u>101,413</u>	<u>189,161</u>	<u>6,978,594</u>
Less accumulated depreciation for:				
Transportation network	(2,863,814)	(162,548)	-	(3,026,362)
Buildings and improvements	(23,988)	(2,158)	(16,195)	(9,951)
Equipment	(552,732)	(28,084)	(111,171)	(469,645)
Vehicles	<u>(289,727)</u>	<u>(26,775)</u>	<u>(18,868)</u>	<u>(297,634)</u>
Total accumulated depreciation	<u>(3,730,261)</u>	<u>(219,565)</u>	<u>(146,234)</u>	<u>(3,803,592)</u>
Capital assets, net of accumulated depreciation	<u>\$ 3,336,081</u>	<u>\$(118,152)</u>	<u>\$ 42,927</u>	<u>\$ 3,175,002</u>
Business-type activities:				
Capital assets not being depreciated – land	<u>\$ 133,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,351</u>
Capital assets being depreciated:				
Plant and equipment	\$10,871,010	\$ 78,066	\$ 3,800	\$10,945,276
Less: accumulated depreciation	<u>(5,283,910)</u>	<u>(249,478)</u>	<u>(3,800)</u>	<u>(5,529,588)</u>
Capital assets, net of accumulated depreciation	<u>\$ 5,587,100</u>	<u>\$(171,412)</u>	<u>\$ -</u>	<u>\$ 5,415,688</u>

Depreciation for the year ended March 31, 2018, was charged as follows to the following functions:

Utilities	\$249,478
Administration	3,673
Public Safety	23,562
Public Works	<u>192,330</u>
Total	<u>\$469,043</u>

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 4 – Long-Term Liabilities

A summary of the changes in long-term liabilities is as follows:

	Balances 3/31/2017	Additions	Reductions	Balances 3/31/2018	Due Within One Year
Governmental activities:					
Debt certificates	\$ 308,000	\$ -	\$(100,000)	\$ 208,000	\$103,000
Notes payable	-	350,000	-	350,000	29,152
Capital leases	22,835	-	(22,835)	-	-
Net pension liability	4,196,243	661,228	-	4,857,471	-
Compensated absences	106,999	-	(7,411)	99,588	-
Total governmental activities	<u>\$4,634,077</u>	<u>\$1,011,228</u>	<u>\$(130,246)</u>	<u>\$5,515,059</u>	<u>\$132,152</u>
Business-type activities:					
Capital leases	\$ 22,830	\$ -	\$ (22,830)	\$ -	\$ -
Net pension liability	129,690	-	(129,690)	-	-
Total business-type activities	<u>\$ 152,520</u>	<u>\$ -</u>	<u>\$(152,520)</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term debt is comprised of the following:

Debt Certificates

Governmental Activities

\$600,000 Series 2013 Debt Certificates dated August 5, 2013 due in annual installments on December 1 from \$96,000 to \$105,000 through 2019, plus interest paid on June 1 and December 1 at rates from 2.1% to 2.89% for street improvements - \$208,000

Notes Payable:

Governmental Activities

\$350,000 note payable dated May 15, 2017 due in annual installments on May 15 in amounts ranging from \$29,152 to \$41,492 through 2027 plus interest at 4.00% for a public works building - \$350,000

The annual requirements to amortize the outstanding long-term debt are as follows:

Year Ending March 31,	Notes Payable			Debt Certificates			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 29,152	\$14,000	\$ 43,152	\$103,000	\$ 5,795	\$108,795	\$132,152	\$19,795	\$151,947
2020	30,318	12,834	43,152	105,000	3,034	108,034	135,318	15,868	151,186
2021	31,531	11,621	43,152	-	-	-	31,531	11,621	43,152
2022	32,792	10,360	43,152	-	-	-	32,792	10,360	43,152
2023	34,103	9,049	43,152	-	-	-	34,103	9,049	43,152
2024-2028	192,104	23,656	215,760	-	-	-	192,104	23,656	215,760
	<u>\$350,000</u>	<u>\$81,520</u>	<u>\$431,520</u>	<u>\$208,000</u>	<u>\$8,829</u>	<u>\$216,829</u>	<u>\$558,000</u>	<u>\$90,349</u>	<u>\$648,349</u>

Compensated absences are recorded in governmental activities and liquidated by the General Fund.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 5 – Sales Tax Rebate Agreements

The Village is authorized by the State of Illinois under 65 ILCS 5/8-11-20 to enter into economic incentive agreements in order to encourage the development or redevelopment of land within their corporate limits. The Village has entered into sales tax rebate agreements with Bult Motors, Inc., Dralle Chevrolet, and Terry's Lincoln Ford Mercury of Peotone.

The agreement with James A. and Pearl F. Bult (the developer) was entered into March 12, 2007, and runs for a period of 20 years. Under the agreement, the Village rebates a percentage of the sales tax generated by Bult Motors, Inc. d/b/a Pearl Chrysler, Dodge and Jeep. The percentage rebated ranges from 90% in the first year of the agreement to 50% in years five to twenty. The total rebate amount is not to exceed the lesser of \$2,000,000 or the actual cost of the project. Sales tax rebate expense for 2018 totaled \$40,437 for an accumulated rebate of \$290,502.

The agreement with Dralle Chevrolet was entered into on September 10, 2012, and runs for a period of 10 years. Under the agreement, the Village rebates 50% of the sales tax generated over an incentive base of \$100,000 for the first year of the agreement. The incentive base increases by the consumer price index each year. The total rebate is not to exceed the lesser of \$1,200,000 or the actual cost of the project. Sales tax rebate expense for 2018 totaled \$44,090 for an accumulated rebate of \$187,894.

The agreement with Terry's Lincoln Ford Mercury of Peotone (Terry's) was entered into on February 24, 2014, and runs for a period of 10 years. Under the agreement, the Village rebates a percentage of the sales tax generated by Terry's over an incentive base of \$167,200 for the first year of the agreement. The percentage rebated ranges from 90% in the first year of the agreement to 50% in years' five to ten. The total rebate is not to exceed the lesser of \$750,000 or the actual cost of the project. Sales tax rebate expense for 2018 totaled \$40,771 for an accumulated rebate of \$109,874.

Note 6 – Restricted Fund Balance and Net Position

On March 31, 2018, restricted fund balance and net position consists of the following:

Restricted for:	<u>Fund Balance</u>	<u>Net Position</u>
Street improvements - Motor Fuel taxes	\$ 617,199	\$ 617,199
Capital improvements - developer fees	570,320	570,320
Law enforcement – drug seizure funds	62,411	62,411
Retirement	<u>84,313</u>	<u>219,642</u>
	<u>\$1,334,243</u>	<u>\$1,469,572</u>

Note 7 – Pension Plans

IMRF Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

Benefits Provided

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

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

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	27
Inactive, non-retired members	11
Active plan members	<u>11</u>
Total	<u>49</u>

Contributions

As set by statute, the Village's Regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2017 was 10.05%. For the fiscal year ended March 31, 2018, the Village contributed \$51,441 to the plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

Net Pension Liability

The Village’s net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions-Total Pension Liability

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

The Actuarial Cost Method	Entry Age Normal
The Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.
Mortality	For non-disabled retirees, the IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projections scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	37%	6.85%
International equity	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternative investments	7%	2.65%-7.35%
Cash equivalents	1%	2.25%
Total	100%	

Other Information:

Notes There were no benefit changes during the year.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2017 Illinois Municipal Retirement Fund annual actuarial valuation report.

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability (Asset) <u>(A)-(B)</u>
Balances at December 31, 2016	<u>\$5,365,172</u>	<u>\$5,087,476</u>	<u>\$277,696</u>
Changes for the year:			
Service cost	55,401	-	55,401
Interest on the total pension liability	391,649	-	391,649
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	154,736	-	154,736
Changes of assumptions	(181,655)	-	(181,655)
Contributions – employer	-	51,260	(51,260)
Contributions – employees	-	25,764	(25,764)
Net investment income	-	923,940	(923,940)
Benefit payments, including refunds of employee contributions	(341,775)	(341,775)	-
Other (net transfer)	-	(83,495)	83,495
Net changes	<u>78,356</u>	<u>575,694</u>	<u>(497,338)</u>
Balances at December 31, 2017	<u>\$5,443,528</u>	<u>\$5,663,170</u>	<u>\$(219,642)</u>

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

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

	1% Lower <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Higher <u>(8.50%)</u>
Net Pension Liability	<u>\$385,148</u>	<u>\$(219,642)</u>	<u>\$(724,896)</u>

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

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

For the year ended March 31, 2018, the Village recognized pension expense of \$131,513. At March 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflow (Inflow)</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$102,832	\$ -	\$ 102,832
Changes of assumptions	-	104,363	(104,363)
Net difference between projected and actual earnings on pension plan investments	<u>155,964</u>	<u>444,351</u>	<u>(288,387)</u>
Total deferred amounts to be recognized in pension expense in future periods	258,796	548,714	(289,918)
Pension contributions made subsequent to the measurement date	<u>14,345</u>	<u>-</u>	<u>14,345</u>
Total deferred amounts related to pensions	<u>\$273,141</u>	<u>\$548,714</u>	<u>\$(275,573)</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows (Inflows of Resources)</u>
2018	\$ (34,132)
2019	(39,835)
2020	(104,864)
2021	(111,087)
2022	-
Thereafter	-
Total	<u>\$(289,918)</u>

Police Pension Fund

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years of service though 30 years of service, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1997 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

For employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee’s Accrued Benefit is based on the Employee’s final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse’s Benefits are 66 2/3% of the Employee’s benefit at the time of death.

Employees Covered by Benefit Terms

Sworn police personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. This component unit of the Village is reported in the fund financial statements as a pension trust fund. At March 31, 2018, the Police Pension Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	0
Active vested plan members	4
Active nonvested plan members	<u>4</u>
Total	<u>13</u>

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. For the year ended March 31, 2018, the Village’s contribution was 35.34% of covered payroll.

Net Pension Liability

The Village’s net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at March 31, 2018:

- The Actuarial Cost Method used was Entry Age Normal.
- The Amortization Method used was level percentage of pay.
- The Remaining Amortization Period used was 28 years.
- The Asset Valuation Method used was Market Value.
- The Inflation Rate was assumed to be 2.5%.
- Salary Increases were expected to be 4.0%.
- The Investment Rate of Return was assumed to be 5.0%.
- Projected Retirement Age was from 50-70.
- The Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017. The other non-economic actuarial assumptions used in the March 31, 2018 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance in 2017.

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

Single Discount Rate

A Single Discount Rate of 4.5% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability (Asset) <u>(A)-(B)</u>
Balances at March 31, 2017	<u>\$5,362,684</u>	<u>\$1,314,447</u>	<u>\$4,048,237</u>
Changes for the year:			
Service cost	169,918	-	169,918
Interest on the total pension liability	237,441	-	237,441
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	410,077	-	410,077
Changes of assumptions	379,020	-	379,020
Contributions – employer	-	163,970	(163,970)
Contributions – employees	-	47,724	(47,724)
Net investment income	-	48,312	(48,312)
Benefit payments, including refunds of employee contributions	(172,436)	(172,436)	-
Other (net transfer)	-	(8,113)	8,113
Net changes	<u>1,024,020</u>	<u>79,457</u>	<u>944,563</u>
Balances at March 31, 2018	<u>\$6,386,704</u>	<u>\$1,393,904</u>	<u>\$4,992,800</u>

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 4.5%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher.

	1% Lower <u>(3.5%)</u>	Current Discount <u>(4.5%)</u>	1% Higher <u>(5.5%)</u>
Net Pension Liability	\$6,036,317	\$4,992,800	\$4,151,856

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 7 – Pension Plans (Continued)

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

For the year ended March 31, 2018, the Village recognized pension expense of \$462,709. At March 31, 2018, the Village reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflow (Inflow)</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$350,818	\$(285,335)	\$ 65,483
Changes of assumptions	563,288	(154,038)	409,250
Net difference between projected and actual earnings on pension plan investments	<u>56,540</u>	<u>-</u>	<u>56,540</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>\$970,646</u>	<u>\$(439,373)</u>	<u>\$531,273</u>

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

<u>Year Ending March 31</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$143,273
2020	143,273
2021	84,052
2022	27,399
2023	72,579
2024	<u>60,697</u>
Total	<u>\$531,273</u>

Pension-related amounts for all pension plans are shown below in the aggregate.

	<u>IMRF Regular Plan</u>	<u>Police Pension Plan</u>	<u>Total</u>
Employer fiduciary net position	\$5,663,170	\$1,393,904	\$ 7,057,074
Deferred outflows of resources	273,141	970,646	1,243,787
Deferred inflows of resources	548,714	439,373	988,087
Employer total pension liability	5,443,528	6,386,704	11,830,232
Employer net pension liability (asset)	(219,642)	4,992,800	4,773,158
Pension expense	131,513	462,709	594,222

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 8 – Other Post-Employment Benefits

Under Public Act 06-1444, the Village, an IMRF employer, is required to offer the same health insurance to disabled members, retirees, and surviving spouses eligible for IMRF benefits at the same premium rate as active employees. The Village does not subsidize retirees’ premiums. The amounts related to the disclosures required under GASB Statement No. 45 have not been determined.

Note 9 – Interfund Balances and Transfers

Interfund balances are as follows:

<i>Governmental funds:</i>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Due from Motor Fuel Tax Fund	\$7,882	
Due from Water, Sewer and Refuse Fund	<u>1,120</u>	
	<u>\$9,002</u>	
Motor Fuel Tax Fund:		
Due to General Fund		<u>\$ 7,882</u>
Water, Sewer and Refuse Fund:		
Due to General Fund		<u>\$ 1,120</u>

The interfund balances arose from receipts deposited in incorrect funds and from expenses paid by one fund on behalf of another.

The interfund transfer of \$51,397 from the Capital Improvement Fund to the Water, Sewer and Refuse Fund was to fund the installation of a lift station emergency generator.

Note 10 – Risk Management

The Village is exposed to various risks related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance for these risks.

The Village, as a member of an organization of municipalities forming the Eastern Will Benefits Council (EWBC), participates in the Intergovernmental Personnel Benefits Cooperative (IPBC), a cooperative formed for the purpose of administering personnel health benefit programs for its member units’ employees. The EWBC Board of Directors is represented by a delegate from each of the members.

EWBC members’ costs of the IPBC Administrative Fund and Benefit Pool, as calculated by IPBC, are shared by each member in the same proportion as its participating employees bear to the total participating employees of EWBC. Responsibility for the Benefit Pool Costs are calculated as follows:

	<u>PPO</u>	<u>HMO</u>
Member responsible	Claims under \$30,000	Claims under \$75,000
Shared among members of IPBC	Claims between \$30,000 and \$125,000	
Reinsured	Claims over \$125,000	Claims over \$75,000

Village of Peotone, Illinois
Notes to Financial Statements
As of and for the year ended March 31, 2018

Note 10 – Risk Management (Continued)

As of March 31, 2018, the Village's account balance in the cooperative is \$137,636 which is available to pay future claims. This amount has been recorded as the health insurance escrow in the general fund and as a prepaid expense in the proprietary fund.

The Village's payments are recorded in the financial statements as expenditures/expenses in the appropriate funds, and reflect its share of premium payments and any deficits of EWBC. Dividends declared by IPBC allocable to EWBC are available to reduce future premium payments.

In September 2014, the police personnel began health insurance coverage under a separate health and welfare policy with the Teamsters Local 727.

Note 11 – Intergovernment Public Safety Agreement

The Village entered into an agreement in February 2017 with various governmental entities within Will County for maintenance and operations of a centralized public safety communications system for a minimum duration of twenty years. The Village paid \$8,510 to EASTCOM and \$86,299 to Laraway Communications during the year.

Note 12 – Subsequent Events

In June 2017, the Village Board approved the sale of the Village's water and wastewater systems to Aqua Illinois for \$12,300,000, which is expected to close in October 2018.

Village of Peotone, Illinois
 Schedule of Revenues, Expenditures, and Changes in Fund Balances-
 Budget to Actual
 General Fund
 For the year ended March 31, 2018

Schedule 1

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
General property taxes	\$ 398,342	\$ 398,342	\$ 510,046	\$ 111,704
State replacement taxes	28,000	28,000	25,450	(2,550)
State income taxes	414,200	414,200	375,604	(38,596)
State sales tax	901,550	901,550	919,985	18,435
Video gaming tax	36,000	36,000	39,318	3,318
Road and bridge tax	35,000	35,000	45,053	10,053
Auto rental tax	50	50	-	(50)
Utility tax	250,000	250,000	245,658	(4,342)
Licenses and permits	149,250	149,250	156,273	7,023
Police collections	6,000	6,000	6,456	456
Franchise agreements	65,000	65,000	69,724	4,724
Fines	70,000	70,000	63,711	(6,289)
Peg/U-Verse Landscape	15,000	15,000	-	(15,000)
Interest income	530	530	1,216	686
Grant income	37,500	37,500	48,443	10,943
Miscellaneous income	12,000	12,000	9,426	(2,574)
Total revenues	<u>2,418,422</u>	<u>2,418,422</u>	<u>2,516,363</u>	<u>97,941</u>
Expenditures:				
Administration department (Schedule 2A)	529,889	529,889	441,330	(88,559)
Police and ESDA departments (Schedule 2B)	1,249,254	1,249,254	1,285,037	35,783
Street and alley department (Schedule 2C)	1,178,742	1,178,742	1,342,323	163,581
Communications department (Schedule 2D)	106,500	106,500	105,014	(1,486)
Economic development department (Schedule 2D)	85,300	85,300	63,033	(22,267)
Building department (Schedule 2E)	66,970	66,970	48,088	(18,882)
Total expenditures	<u>3,216,655</u>	<u>3,216,655</u>	<u>3,284,825</u>	<u>68,170</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(798,233)</u>	<u>(798,233)</u>	<u>(768,462)</u>	<u>29,771</u>
Other financing sources (uses):				
Proceeds from long-term debt	-	-	350,000	350,000
Transfers in	22,500	22,500	-	(22,500)
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	<u>12,500</u>	<u>12,500</u>	<u>350,000</u>	<u>337,500</u>
Net change in fund balance	<u>\$ (785,733)</u>	<u>\$ (785,733)</u>	(418,462)	<u>\$ 367,271</u>
Fund balance, beginning of the year			<u>1,019,769</u>	
Fund balance, end of year			<u>\$ 601,307</u>	

Village of Peotone, Illinois
Notes to Budgetary Schedule
March 31, 2018

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Board receives a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of the annual appropriation ordinance. Responsibility for control of and amendments to the budget rests with the Village Board. The Village Budget was adopted on May 22, 2017.

The Village is not required to adopt an operating budget as part of the appropriation ordinance for the Motor Fuel Tax Fund.

The budget has been adopted on the modified accrual basis of accounting.

For the year ended March 31, 2018, expenditures exceeded appropriations in the General Fund by \$68,170.

Village of Peotone, Illinois
Required Supplementary Information
As of and for the year ended March 31, 2018

Schedule of Changes in the Net Pension Liability and Related Ratios
Most Recent Calendar Years - IMRF

Calendar Year Ended December 31	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 55,401	\$ 59,336	\$ 57,086
Interest on the total pension liability	391,649	378,750	363,687
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	154,736	69,125	77,144
Changes of assumptions	(181,655)	(6,126)	6,048
Benefit payments, including refunds of employee contributions	<u>(341,775)</u>	<u>(325,968)</u>	<u>(269,056)</u>
Net change in Total Pension Liability	78,356	175,117	234,909
Total Pension Liability – Beginning	<u>5,365,172</u>	<u>5,190,055</u>	<u>4,955,146</u>
Total Pension Liability – Ending (A)	<u>\$5,443,528</u>	<u>\$5,365,172</u>	<u>\$5,190,055</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 51,260	\$ 55,350	\$ 47,269
Contributions – employees	25,764	26,564	26,549
Net investment income	923,940	329,255	24,394
Benefit payments, including refunds of employee contributions	(341,775)	(325,968)	(269,056)
Other (net transfer)	<u>(83,495)</u>	<u>150,714</u>	<u>46,005</u>
Net change in Plan Fiduciary Net Position	575,694	235,915	(124,839)
Plan Fiduciary Net Position – Beginning	<u>5,087,476</u>	<u>4,851,561</u>	<u>4,976,400</u>
Plan Fiduciary Net Position – Ending (B)	<u>\$5,663,170</u>	<u>\$5,087,476</u>	<u>\$4,851,561</u>
Net Pension Liability – Ending (A) – (B)	\$ <u>(219,642)</u>	\$ <u>227,696</u>	\$ <u>338,494</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.03%	94.82%	93.48%
Covered Employee Payroll	\$510,052	\$541,588	\$532,300
Net Pension Liability as a Percentage of Covered Employee Payroll	(43.06)%	42.04%	63.59%

Notes to Schedule:

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

Village of Peotone, Illinois
Required Supplementary Information
As of and for the year ended March 31, 2018

Schedule of Employer Contributions
Most Recent Fiscal Years – IMRF

Fiscal Year Ended March 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a Percentage of Covered Employee Payroll
2016	\$48,228	\$48,228	\$ -	\$523,629	9.21%
2017	\$56,357	\$56,357	\$ -	\$553,792	10.18%
2018	\$51,411	\$51,411	\$ -	\$517,774	9.93%

Notes to Schedule:

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate**

Valuation Date:

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method: Aggregate entry age normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period.
Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period
Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI
SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 30 years).
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 3.50%
Price Inflation: 2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

Village of Peotone, Illinois
Required Supplementary Information
As of and for the year ended March 31, 2018

Schedule of Changes in the Net Pension Liability and Related Ratios
Most Recent Fiscal Years – Police Pension

Fiscal Year Ended March 31	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 169,918	\$ 194,947	\$ 169,872
Interest on the total pension liability	237,441	280,291	240,898
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	410,077	(412,151)	8,423
Changes of assumptions	379,020	(222,498)	533,675
Benefit payments, including refunds of employee contributions	<u>(172,436)</u>	<u>(167,446)</u>	<u>(162,576)</u>
Net change in Total Pension Liability	1,024,020	(326,857)	790,292
Total Pension Liability – Beginning	<u>5,362,684</u>	<u>5,689,541</u>	<u>4,899,249</u>
Total Pension Liability – Ending (A)	<u>\$6,386,704</u>	<u>\$5,362,684</u>	<u>\$5,689,541</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 163,970	\$ 186,247	\$ 171,034
Contributions – employees	47,724	46,794	43,775
Net investment income	48,312	26,093	10,089
Benefit payments, including refunds of employee contributions	(172,436)	(167,446)	(162,576)
Other (net transfer)	<u>(8,113)</u>	<u>(6,335)</u>	<u>(6,013)</u>
Net change in Plan Fiduciary Net Position	79,457	85,353	56,309
Plan Fiduciary Net Position – Beginning	<u>1,314,447</u>	<u>1,229,094</u>	<u>1,172,785</u>
Plan Fiduciary Net Position – Ending (B)	<u>\$1,393,904</u>	<u>\$1,314,447</u>	<u>\$1,229,094</u>
Net Pension Liability – Ending (A) – (B)	<u>\$4,992,800</u>	<u>\$4,048,237</u>	<u>\$4,460,447</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.83%	24.51%	21.60%
Covered Employee Payroll	\$ 464,014	\$ 445,706	\$ 462,998
Net Pension Liability as a Percentage of Covered Employee Payroll	1,076.00%	908.28%	963.38%

Notes to Schedule:

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

Village of Peotone, Illinois
Required Supplementary Information
As of and for the year ended March 31, 2018

Schedule of Employer Contributions
Most Recent Fiscal Years – Police Pension

<u>Fiscal Year Ended</u> <u>March 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Actual Contribution as a Percentage of Covered Employee Payroll</u>
2018	\$311,138	\$163,970	\$147,168	\$464,014	35.34%
2017	\$256,039	\$186,247	\$ 69,792	\$445,706	41.79%
2016	\$159,091	\$171,034	\$(11,943)	\$462,998	36.94%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate

Methods and Assumptions Used to Determine 2018 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll
<i>Remaining Amortization Period:</i>	27-year closed period
<i>Asset Valuation Method:</i>	Market Value
<i>Price Inflation:</i>	2.5%
<i>Salary Increases:</i>	3.5%-11.0%
<i>Investment Rate of Return:</i>	4.5%
<i>Retirement Age:</i>	50-70
<i>Mortality:</i>	RP-2014 Mortality Table (BCHA) projected to 2018

Other Information:

Notes: Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017. The other non-economic actuarial assumptions used in the March 31, 2018 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance in 2017.

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

Village of Peotone, Illinois
Schedule of Expenditures-Budget and Actual
General Fund - Administration Department
For the year ended March 31, 2018

Schedule 2A

	Original Budget	Final Budget	Actual
Administration Department			
Salaries	\$ 118,405	\$ 118,405	\$ 111,579
Social Security and Medicare	9,100	9,100	8,554
Illinois Municipal Retirement fund	8,100	8,100	7,717
Unemployment tax	350	350	242
Employee's health insurance	54,660	54,660	49,988
Maintenance - buildings	10,000	10,000	1,646
Maintenance - equipment	7,200	7,200	2,507
General insurance	13,400	13,400	11,851
Telephone/fax	6,700	6,700	5,439
Utilities	1,400	1,400	1,092
Rental	900	900	-
Travel	9,000	9,000	2,511
Postage	4,000	4,000	2,505
Printing/publishing	13,500	13,500	5,297
Legal fees	30,000	30,000	47,961
Auditing services	8,000	8,000	7,200
Public educational and governmental services	3,500	3,500	-
Engineering	16,000	16,000	14,772
Other professional services	33,400	33,400	10,133
Training	7,000	7,000	1,050
Dues/subscriptions	11,800	11,800	7,796
Office supplies	5,000	5,000	3,569
Other supplies	4,000	4,000	44
Sundry expense	3,000	3,000	54
Sales tax rebate	129,474	129,474	125,298
Gas and oil	1,000	1,000	-
Capital outlay	8,000	8,000	4,100
Community relations	3,000	3,000	-
Christmas in the Village	10,000	10,000	8,425
	<u>529,889</u>	<u>529,889</u>	<u>441,330</u>
Total Administration Department	<u>\$ 529,889</u>	<u>\$ 529,889</u>	<u>\$ 441,330</u>

Village of Peotone, Illinois
Schedule of Expenditures-Budget and Actual
General Fund - Police and ESDA Departments
For the year ended March 31, 2018

Schedule 2B

	Original Budget	Final Budget	Actual
Police Department			
Salaries	\$ 696,500	\$ 696,500	\$ 711,464
Social Security and Medicare	53,500	53,500	54,339
Illinois Municipal Retirement fund	4,100	4,100	4,372
Pension expense	79,304	79,304	163,970
Unemployment tax	1,000	1,000	878
Employee's health insurance	171,000	171,000	167,461
Maintenance - buildings	3,500	3,500	3,406
Maintenance - equipment	30,000	30,000	30,752
General insurance	45,550	45,550	37,917
Telephone/fax	4,500	4,500	6,766
Utilities	600	600	522
Rental	1,700	1,700	1,278
Travel	1,000	1,000	200
Postage	1,500	1,500	1,043
Printing/publishing	2,200	2,200	1,515
Legal fees	16,000	16,000	19,200
Other professional services	17,500	17,500	20,172
Animal control	500	500	595
Training	10,000	10,000	3,975
Dues/subscriptions	4,950	4,950	5,187
Office supplies	5,000	5,000	2,929
Other supplies	10,000	10,000	10,474
Uniforms and maintenance	10,000	10,000	5,538
Food/prisoners	50	50	-
Gas and oil	20,000	20,000	19,567
Sundry expense	2,000	2,000	131
Capital outlay	54,500	54,500	11,386
Total Police Department	1,246,454	1,246,454	1,285,037
ESDA Department			
Maintenance - buildings	500	500	-
Maintenance - equipment	1,800	1,800	-
Sundry expense	500	500	-
Total ESDA Department	2,800	2,800	-
Total Public Safety	\$ 1,249,254	\$ 1,249,254	\$ 1,285,037

Village of Peotone, Illinois
Schedule of Expenditures-Budget and Actual
General Fund - Street and Alley Department
For the year ended March 31, 2018

Schedule 2C

	Original Budget	Final Budget	Actual
Street and Alley Department			
Salaries	\$ 169,950	\$ 169,950	\$ 184,187
Social Security and Medicare	13,000	13,000	14,038
Illinois Municipal Retirement fund	15,900	15,900	16,901
Unemployment tax	350	350	300
Employee's health insurance	66,100	66,100	64,685
Maintenance - street lights	8,000	8,000	643
Maintenance - building	4,000	4,000	2,940
Maintenance - equipment	25,000	25,000	12,368
Maintenance - streets	210,000	210,000	143,598
Maintenance - sidewalks	62,529	62,529	57,847
Snow/leaf removal	30,000	30,000	29,574
Ground upkeep	16,000	16,000	-
General insurance	24,715	24,715	20,916
Telephone/fax	3,900	3,900	3,396
Utilities	500	500	-
Street lighting	65,000	65,000	75,052
Rental	6,700	6,700	-
Travel	1,500	1,500	-
Printing/publishing	1,200	1,200	1,651
Legal fees	1,000	1,000	-
Engineering fees	55,000	55,000	47,364
Other professional services	80,500	80,500	45,194
Training	2,500	2,500	-
Dues/Subscriptions	1,900	1,900	285
Other supplies	13,000	13,000	5,124
Uniforms	4,000	4,000	3,162
Gas and oil	15,000	15,000	11,560
Sundry expense	1,000	1,000	193
Drainage assessment fees	6,100	6,100	3,500
Debt retirement-principal	168,501	123,501	122,835
Debt retirement-interest	13,897	13,897	8,896
Buildings and permanent improvements	3,000	48,000	383,251
Improvements other than buildings	4,000	4,000	-
Equipment	85,000	85,000	82,863
Total Street and Alley Department	\$ 1,178,742	\$ 1,178,742	\$ 1,342,323

Village of Peotone, Illinois
 Schedule of Expenditures-Budget and Actual
 General Fund - Communications and Economic Development Departments
 For the year ended March 31, 2018

Schedule 2D

	Original Budget	Final Budget	Actual
Communications Department			
Maintenance - buildings	\$ 500	\$ 500	\$ -
Maintenance - equipment	1,000	1,000	1,695
Other professional services	105,000	105,000	103,319
Total Communications Department	<u>\$ 106,500</u>	<u>\$ 106,500</u>	<u>\$ 105,014</u>
Economic Development Department			
Telephone/fax	\$ 400	\$ 400	\$ 157
Travel	4,500	4,500	-
Postage	300	300	-
Printing/publishing	13,000	13,000	5,653
Legal fees	7,500	7,500	11,636
Engineering	1,500	1,500	-
Other professional services	15,500	15,500	20,239
Training	2,000	2,000	-
Dues/subscriptions	5,600	5,600	1,250
Other supplies	27,000	27,000	15,598
TIF services	8,000	8,000	8,500
Total Economic Development Department	<u>\$ 85,300</u>	<u>\$ 85,300</u>	<u>\$ 63,033</u>

Village of Peotone, Illinois
 Schedule of Expenditures-Budget and Actual
 General Fund - Building Department
 For the year ended March 31, 2018

Schedule 2E

	Original Budget	Final Budget	Actual
Building Department			
Salaries	\$ 10,000	\$ 10,000	\$ 8,614
Social Security and Medicare	800	800	665
Illinois Municipal Retirement fund	310	310	299
Unemployment tax	100	100	21
Maintenance - equipment	1,500	1,500	1,603
Maintenance - building	1,000	1,000	-
General insurance	610	610	307
Telephone/fax	300	300	286
Travel	200	200	-
Postage	700	700	14
Printing/publishing	2,700	2,700	222
Legal fees	4,000	4,000	480
Other professional services	41,700	41,700	35,083
Training	1,000	1,000	-
Dues/subscriptions	700	700	-
Office supplies	300	300	81
Other supplies	300	300	12
Gas and oil	750	750	401
	<u>66,970</u>	<u>66,970</u>	<u>48,088</u>
Total Building Department	<u>\$ 66,970</u>	<u>\$ 66,970</u>	<u>\$ 48,088</u>

Village of Peotone, Illinois
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Improvement Fund
For the year ended March 31, 2018

Schedule 3

	Original and Final Budget	Actual	Over (Under) Budget
Revenues:			
Building permit development and recapture fees	\$ 60,000	\$ -	\$ (60,000)
Interest	300	838	538
Total revenues received	60,300	838	(59,462)
Expenditures:			
Improvements and equipment- administrative	20,000	835	(19,165)
Improvements and equipment - police	2,000	-	(2,000)
Improvements and equipment - water	80,000	-	(80,000)
Improvements and equipment - sewer	80,000	-	(80,000)
Total expenditures paid	182,000	835	(181,165)
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(121,700)	3	121,703
Other financing sources (uses):			
Transfers out	-	(51,397)	(51,397)
Net change in fund balance	\$ (121,700)	(51,394)	\$ 121,703
Fund balance, beginning of year		621,714	
Fund balance, end of year		\$ 570,320	

Village of Peotone, Illinois
Schedule of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the year ended March 31, 2018

Schedule 4

	Water	Sewer	Garbage	Totals
Operating revenues:				
Fees for services	\$ 412,552	\$ 409,994	\$ 255,592	\$ 1,078,138
Meter sales and tap-on fees	12,493	7,200	-	19,693
Total operating revenue	425,045	417,194	255,592	1,097,831
Operating expenses (Schedule 4A)	323,160	363,753	253,309	940,222
Operating income (loss) before depreciation	101,885	53,441	2,283	157,609
Depreciation	(100,834)	(148,644)	-	(249,478)
Operating income (loss)	1,051	(95,203)	2,283	(91,869)
Nonoperating revenue (expense):				
Interest expense				(672)
Interest income				1,970
Other income				14,087
Total nonoperating revenue (expense)				15,385
Income (loss) before transfers				(76,484)
Transfers in				51,397
Change in net position				\$ (25,087)

Village of Peotone, Illinois
 Schedule of Operating Expenses
 Proprietary Fund
 For the year ended March 31, 2018

Schedule 4A

	Water	Sewer	Garbage	Totals
Operating expenses:				
Salaries	\$ 110,541	\$ 109,740	\$ -	\$ 220,281
Social Security and Medicare	8,531	8,494	-	17,025
Pension expense	27,532	27,409	-	54,941
Unemployment tax	96	96	-	192
Employees' health insurance	36,020	36,020	-	72,040
Maintenance - buildings	145	1,427	-	1,572
Maintenance - equipment	6,380	3,226	-	9,606
Maintenance - utility system	19,181	41,742	-	60,923
General insurance	8,885	17,098	-	25,983
Telephone/fax	1,819	2,647	-	4,466
Utilities	25,873	47,369	-	73,242
Travel	24	-	-	24
Postage	1,605	1,596	-	3,201
Printing/publications	890	-	-	890
Legal services	-	434	-	434
Accounting services	3,600	3,600	-	7,200
Engineering services	10,252	13,134	-	23,386
Other professional services	26,315	32,832	-	59,147
Dues/subscriptions	462	236	-	698
Other supplies	20,509	3,644	-	24,153
Uniforms	1,105	1,105	-	2,210
Gas and oil	1,629	2,304	-	3,933
Drainage district assessment	-	9,600	-	9,600
Equipment/improvements	11,766	-	-	11,766
Garbage pickup	-	-	253,309	253,309
	<u>323,160</u>	<u>363,753</u>	<u>253,309</u>	<u>940,222</u>
Total operating expenses	<u>\$ 323,160</u>	<u>\$ 363,753</u>	<u>\$ 253,309</u>	<u>\$ 940,222</u>

Village of Peotone, Illinois
Legal Debt Margin
For the year ended March 31, 2018

Schedule 5

Assessed Valuation - 2018	<u>\$ 87,789,258</u>
Statutory debt limit - 8.625% of assessed valuation	<u>\$ 7,571,824</u>
Total debt:	
Mortgage	350,000
Debt certificates	<u>208,000</u>
	<u>558,000</u>
Legal debt margin	<u>\$ 7,013,824</u>

Village of Peotone, Illinois
Other Supplementary Information
Disclosure of Tort Expenditures under PA-91-0628
March 31, 2018

Liability and workmen's compensation insurance	<u>\$96,974</u>
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