

Village of Rockton

Rockton, Illinois

Annual Financial Report

May 31, 2016

Village of Rockton, Illinois

Year Ended May 31, 2016

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Village of Rockton, Illinois

Year Ended May 31, 2016

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Independent Auditor's Report

To the Honorable Mayor and Village Trustees
Village of Rockton, Illinois

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of Rockton, Illinois ("Village") as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 summary of opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Wagon Wheel Fund	Unmodified
Chemtool TIF Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Police Pension Trust Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Pension Trust Fund

As discussed in Note 1 to the financial statements, the Pension Trust Fund has elected to report investments at market value, which differs from the modified cash basis of accounting. The effect on the financial statements is to report a higher value of assets in the amount of approximately \$420,246.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on the Pension Trust Fund” paragraph, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the Police Pension Trust Fund of the Village as of May 31, 2016, and the respective changes in financial position - modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, other than the Police Pension Trust Fund, of the Village as of May 31, 2016, and the respective changes in financial position - modified cash basis, and where applicable, cash flows thereof for the year then ended in accordance with the modified basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Except for the Pension Trust Funds as noted above, the financial statements are prepared on the modified cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

The Village adopted GASB Statement 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68" during the year ended May 31, 2016. Statements No. 68 and No. 71 changed the footnotes related to the retirement systems the Village participates in. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The additional schedules listed in the table of contents as other information, pages 48 through 61, all of which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wipfli LLP

Freeport, Illinois
October 26, 2016

Financial Statements

Village of Rockton, Illinois

Statement of Net Position - Modified Cash Basis

May 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 738,540	\$ 990,252	\$ 1,728,792
Restricted cash	256,137	40,559	296,696
Investments	218,137	78,564	296,701
Note receivable	8,774	-	8,774
Internal balances	(64,279)	64,279	-
Total current assets	1,157,309	1,173,654	2,330,963
Capital assets:			
Not depreciated	753,726	-	753,726
Depreciated (net of accumulated depreciation)	7,027,276	3,938,444	10,965,720
Total noncurrent assets	7,781,002	3,938,444	11,719,446
Total assets	8,938,311	5,112,098	14,050,409
Liabilities			
Current liabilities:			
Payroll taxes and credit union withholdings	11,899	-	11,899
Current portion-debt	373,756	163,748	537,504
Total current liabilities	385,655	163,748	549,403
Noncurrent liabilities:			
Notes payable	1,635,722	178,422	1,814,144
Capital lease payable	63,982	-	63,982
Bonds payable	2,195,124	1,255,000	3,450,124
Total noncurrent liabilities	3,894,828	1,433,422	5,328,250
Total liabilities	4,280,483	1,597,170	5,877,653
Net Position			
Net investment in capital assets	3,512,418	2,341,274	5,853,692
Restricted	880,500	40,559	921,059
Unrestricted	264,910	1,133,095	1,398,005
Total net position	\$ 4,657,828	\$ 3,514,928	\$ 8,172,756

See accompanying notes to financial statements.

Village of Rockton, Illinois

Statement of Activities - Modified Cash Basis

Year ended May 31, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,537,074	\$ 597,142	\$ 91,611	\$ -
Public safety	1,494,107	92,708	64,052	-
Judiciary and legal	101,865	-	-	-
Public works	750,684	6,010	208,221	-
Social services	13,494	-	-	-
Culture and recreation	470,262	65,090	-	-
Environment	460,303	446,416	-	-
Interest	151,741	-	-	-
Total governmental activities	\$ 4,979,530	\$ 1,207,366	\$ 363,884	\$ -
Business-type activities:				
Water	\$ 593,242	\$ 600,998	\$ -	\$ -
Sewer	425,063	597,056	-	-
Total business activities	\$ 1,018,305	\$ 1,198,054	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes				
State taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (848,321)	\$ -	\$ (848,321)
(1,337,347)	-	(1,337,347)
(101,865)	-	(101,865)
(536,453)	-	(536,453)
(13,494)	-	(13,494)
(405,172)	-	(405,172)
(13,887)	-	(13,887)
(151,741)	-	(151,741)
<hr/>		
(3,408,280)	-	(3,408,280)
<hr/>		
-	7,756	7,756
-	171,993	171,993
<hr/>		
-	179,749	179,749
<hr/>		
1,305,132	-	1,305,132
2,443,692	40,990	2,484,682
1,701	1,712	3,413
22,770	-	22,770
50,000	(50,000)	-
3,823,295	(7,298)	3,815,997
415,015	172,451	587,466
4,242,813	3,342,477	7,585,290
<u>\$ 4,657,828</u>	<u>\$ 3,514,928</u>	<u>\$ 8,172,756</u>

Village of Rockton, Illinois

Balance Sheet - Modified Cash Basis Governmental Funds

May 31, 2016

	General Fund	Wagon Wheel TIF Fund	Chemtool TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 198,735	\$ 1,457	\$ 339,459	\$ 198,889	\$ 738,540
Restricted cash	256,137	-	-	79,800	335,937
Investments	138,337	-	-	-	138,337
Loan Receivable	2,000	-	-	6,774	8,774
Due from other funds	-	-	-	219	219
Total assets	\$ 595,209	\$ 1,457	\$ 339,459	\$ 285,682	\$ 1,221,807
Liabilities					
Payroll taxes and credit union withholdings	\$ 11,899	\$ -	\$ -	\$ -	\$ 11,899
Due to other funds	26,879	36,500	-	1,119	64,498
Total liabilities	38,778	36,500	-	1,119	76,397
Fund Balance					
Fund balance:					
Restricted	256,478	-	339,459	284,563	880,500
Unassigned	299,953	(35,043)	-	-	264,910
Total fund balance	556,431	(35,043)	339,459	284,563	1,145,410
Total liabilities and fund balance	\$ 595,209	\$ 1,457	\$ 339,459	\$ 285,682	\$ 1,221,807

See accompanying notes to financial statements.

Village of Rockton, Illinois

Reconciliation of the Governmental Funds Balance Sheet - Modified Cash Basis to the Statement of Net Position - Modified Cash Basis

May 31, 2016

Total fund balances - governmental funds	\$ 1,145,410
Amounts reported for governmental activities in the statement of net position - modified cash basis are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$12,350,357 and the accumulated depreciation is \$4,569,355.	7,781,002
Long-term liabilities, including bonds payable and capital leases are not due and payable in the current period and therefore are not reported in the funds.	(4,268,584)
<hr/>	
Total net position - modified cash basis - governmental activities	<u>\$ 4,657,828</u>

Village of Rockton, Illinois

Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Governmental Funds

Year ended May 31, 2016

	General Fund
Revenues	
Taxes	\$ 3,316,830
Licenses, fees and permits	1,165,329
Intergovernmental	2,120
Other revenue	144,138
Total revenues	4,628,417
Expenditures	
Current:	
General government	1,479,233
Public safety	1,305,368
Judiciary and legal	101,865
Public works	362,801
Social services	13,494
Culture and recreation	315,687
Environment	460,303
Debt service	277,978
Capital outlay	52,827
Total expenditures	4,369,556
Excess (deficiency) of revenues over expenditures	258,861
Other financing sources (uses)	
Operating transfers in	50,000
Total other financing sources (uses)	50,000
Net change in fund balance	308,861
Fund balance, beginning of year	247,570
Fund balance, end of year	\$ 556,431

Wagon Wheel Fund	Chemtool TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 113,358	\$ 274,236	\$ 119,183	\$ 3,823,607
-	-	-	1,165,329
-	-	208,221	210,341
17	568	545	145,268
113,375	274,804	327,949	5,344,545
9,371	26,641	-	1,515,245
-	-	123,485	1,428,853
-	-	-	101,865
-	-	103,756	466,557
-	-	-	13,494
-	-	-	315,687
-	-	-	460,303
115,081	194,606	-	587,665
-	-	-	52,827
124,452	221,247	227,241	4,942,496
(11,077)	53,557	100,708	402,049
-	-	-	50,000
-	-	-	50,000
(11,077)	53,557	100,708	452,049
(23,966)	285,902	183,855	693,361
\$ (35,043)	\$ 339,459	\$ 284,563	\$ 1,145,410

Village of Rockton, Illinois

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis of Governmental Funds to the Statement of Activities - Modified Cash Basis

For the year ended May 31, 2016

Net change in fund balance - Governmental funds	\$ 452,049
Amounts reported for governmental activities in the statement of activities - modified cash basis - are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$525,785) exceeds capitalized fixed assets (\$52,827) in the period.	(472,958)
Debt payments are reported in governmental funds as expenditures. However, only the interest on bonds is recorded in the statement of activities. This is the amount of debt payments in the period.	435,924
<hr/>	
Change in net position - modified cash basis - of governmental activities	<hr/> <u>\$ 415,015</u>

Village of Rockton, Illinois

Statement of Net Position - Modified Cash Basis Proprietary Funds

May 31, 2016

	Water Fund	Sewer Fund	Total Proprietary Funds
Assets			
Cash and cash equivalents	\$ 440,855	\$ 549,397	\$ 990,252
Restricted cash	40,559	-	40,559
Investments	-	78,564	78,564
Due from other funds	-	73,676	73,676
Total current assets	481,414	701,637	1,183,051
Capital assets:			
Depreciated (net of accumulated depreciation)	3,115,369	823,075	3,938,444
Total noncurrent assets	3,115,369	823,075	3,938,444
Total assets	3,596,783	1,524,712	5,121,495
Liabilities			
Current liabilities			
Due to other funds	9,397	-	9,397
Current portion-debt	78,097	85,651	163,748
Total current liabilities	87,494	85,651	173,145
Noncurrent liabilities			
Capital lease payable	-	-	-
Notes payable	-	178,422	178,422
Bonds payable	1,255,000	-	1,255,000
Total noncurrent liabilities	1,255,000	178,422	1,433,422
Total liabilities	1,342,494	264,073	1,606,567
Net Position			
Net investment in capital assets	1,782,272	559,002	2,341,274
Restricted for:			
Restricted cash balances	40,559	-	40,559
Unrestricted	431,458	701,637	1,133,095
Total net position	\$ 2,254,289	\$ 1,260,639	\$ 3,514,928

Village of Rockton, Illinois

Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis Proprietary Funds

Year ended May 31, 2016

	Water	Sewer	Total Proprietary Funds
Operating revenues			
Charges for services	\$ 600,998	\$ 597,056	\$ 1,198,054
Operating expenses			
Operating	405,385	340,323	745,708
Depreciation	140,639	75,442	216,081
Total operating expenses	546,024	415,765	961,789
Operating income (loss)	54,974	181,291	236,265
Nonoperating revenues (expenses)			
Interest income	918	794	1,712
Replacement taxes	-	40,990	40,990
Interest expense	(47,218)	(9,298)	(56,516)
Total nonoperating revenues (expenses)	(46,300)	32,486	(13,814)
Income (loss) before operating transfers	8,674	213,777	222,451
Other financing sources			
Operating transfers out	(25,000)	(25,000)	(50,000)
Total other financing sources	(25,000)	(25,000)	(50,000)
Change in net position	(16,326)	188,777	172,451
Net position, beginning of year	2,270,615	1,071,862	3,342,477
Net position, end of year	\$ 2,254,289	\$ 1,260,639	\$ 3,514,928

Village of Rockton, Illinois

Statement of Cash Flows - Modified Cash Basis Proprietary Funds

Year ended May 31, 2016

	Water	Sewer	Total Proprietary Funds
Cash Flows from Operating Activities			
Cash received for services	\$ 600,998	\$ 597,056	\$ 1,198,054
Cash payments to suppliers	(278,754)	(145,931)	(424,685)
Cash payments to employees	(117,455)	(138,896)	(256,351)
Net cash provided by operations	204,789	312,229	517,018
Cash Flows from Non-Capital Financing Activities			
Replacement taxes	-	40,990	40,990
Operating transfers in (out)	(25,000)	(25,000)	(50,000)
Net cash provided by (used in) non-capital financing activities	(25,000)	15,990	(9,010)
Cash Flows from Capital Financing Activities			
Proceeds from long-term debt	24,578	24,578	49,156
Payment of long-term debt	(97,222)	(56,231)	(153,453)
Interest paid on long-term debt	(47,218)	(9,298)	(56,516)
Purchase of capital assets	(16,170)	(44,468)	(60,638)
Net cash provided by (used in) capital financing activities	(136,032)	(85,419)	(221,451)
Cash Flows from Investing Activities			
Interest received	918	794	1,712
Purchase of investments	(122,951)	(56,690)	(179,641)
Sale of investments	125,549	1,500	127,049
Net cash provided by (used in) investing activities	3,516	(54,396)	(50,880)
Net increase in cash and cash equivalents	47,273	188,404	235,677
Beginning cash and cash equivalents	434,141	360,993	795,134
Ending cash and cash equivalents	\$ 481,414	\$ 549,397	\$ 1,030,811

See accompanying notes to financial statements.

Village of Rockton, Illinois

Statement of Cash Flows - Modified Cash Basis (Continued) Proprietary Funds

Year ended May 31, 2016

	Water	Sewer	Total Proprietary Funds
<i>Reconciliation of operating income to net cash provided by (used in) operating activities</i>			
Operating income (loss)	\$ 54,974	\$ 181,291	\$ 236,265
Adjustments to reconcile operating income to net cash provided by operations			
Depreciation expense	140,639	75,442	216,081
Changes in assets and liabilities:			
Due from other funds	-	55,496	55,496
Due to other funds	9,176	-	9,176
Net cash provided by operations	\$ 204,789	\$ 312,229	\$ 517,018

Village of Rockton, Illinois

Statement of Net Position Pension Trust Fund

May 31, 2016

Assets

Cash and deposits	\$ 214,555
Investments	4,060,917
Interest Receivable	1,037
<hr/>	
Total assets	4,276,509

Liabilities

Due to others	-
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Net Position

Held in trust for pension benefits	\$ 4,276,509
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Village of Rockton, Illinois

Statement of Changes in Net Position Pension Trust Fund

Year ended May 31, 2016

Additions

Employer contributions	\$	220,029
Contributions-employees		105,325
Interest income		128,715
Realized gain/(loss)		2,167
Unrealized gain/(loss)		(34,063)
		<hr/>
Total additions		422,173

Deductions

Benefits and refunds		5,082
Other charges and services		26,153
		<hr/>
Total deductions		31,235

Net increase		390,938
Net position, beginning of year		3,885,571
		<hr/>
Net position, end of year	\$	4,276,509

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Introduction

The financial statements of the governmental and business-type activities of the Village of Rockton (the "Village") have been prepared in conformity with the modified cash basis method of accounting, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP) as applied to government units, except for the financial statements of the fiduciary funds, which report investments at market value. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below.

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary Village is financially accountable.

Financial Reporting Entity

The Village is a municipal corporation governed by an elected mayor and six-member board of trustees (board). The accompanying financial statements present the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials are financially accountable or whose exclusion would render the financial statements misleading because of nature and significance of their relationship. The Village has no entities that meet the definition of a component unit.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of presentation – fund financial statements

The fund financial statements provide information about the Village's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Under the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Village may report any governmental or enterprise fund (but not internal service funds or fiduciary funds) as a major fund if the Village's officials believe the fund is "particularly important to financial statement users". The District has chosen to include the Wagon Wheel TIF Fund as a major fund even though the fund calculations do not classify it as a major fund. The Village views this fund as particularly important to the financial users.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. It includes the receipt and use of the working cash fund which lends amounts to other funds.

The *Wagon Wheel TIF Fund* is used to account for the receipt of the Wagon Wheel TIF property taxes and the corresponding expenditures related to the TIF District.

The *Chemtool TIF Fund* is used to account for the receipt of the Chemtool TIF property taxes and the corresponding expenditures related to the TIF District.

The Village reports the following major enterprise funds:

The *Water Fund* accounts for the costs related to operation of the Village water services. Funding is provided by user fees.

The *Sewer Fund* accounts for the costs related to operation of the Village sewer services. Funding is provided by user fees.

The Village reports the following fiduciary fund:

The *Pension Trust Fund* accounts for the assets accumulated to pay the pension liabilities of the Village's police officers.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of presentation – fund financial statements (Continued)

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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 indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary financial statements are reported using the *modified cash basis of accounting*, except for the fiduciary financial statements reporting investments at market value. Revenues are recorded when received and expenses are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting.

The appropriated budget is prepared by fund, function, and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Cash and cash equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Statutes authorize the Village to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Compiled Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved November 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation.

Investments for the fiduciary funds are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC. Investments for the governmental and business-type activities consist entirely of the Pool and therefore are valued using the amortized cost method.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could be material in amount.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 for equipment, \$10,000 for buildings and improvements, \$50,000 for infrastructure and an estimated useful life in excess of two years.

The Village has elected to report only prospective infrastructure assets. Infrastructure includes only those assets put in place after May 1, 2004. As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	40
Equipment & Vehicles	5-7
Infrastructure	10-40

Net position flow assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fund balance flow assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as *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) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Revenues and expenditures/expenses (Continued)

Property taxes

Property tax receipts represent the receipts primarily generated by the 2014 property tax levy.

The 2014 and 2015 levies were passed by the Board on December 2, 2014 and December 22, 2015, respectively. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September. The Village receives significant distributions of tax receipts within one month of these due dates.

Compensated absences

Vacation - The Village's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service.

Sick Leave - The Village follows the policy of allowing unused sick days to accumulate. Upon leaving the employment of the Village, the employee shall, upon nonarbitrary termination, receive compensation of one half of his/her accumulated sick days pay.

The Village estimates a liability for accrued compensated absences as of May 31, 2016 to be \$107,798. Since the Village follows a modified cash basis presentation, this amount is not recorded on the financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *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 proprietary are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. These amounts are not recorded on the financial statements since the Village reports on the modified cash basis.

Village of Rockton, Illinois

Notes to Financial Statements

Note 2 Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

For the year ended May 31, 2016, the Police Pension fund's expenditures exceeded appropriations by \$7,135.

Deficit fund equity

At May 31, 2016, the Wagon Wheel TIF Fund had a deficit fund balance of (\$35,043).

Note 3 Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of May 31, 2016, the Village's bank balance was \$2,276,226 and \$0- of that amount was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging or financial institution's trust department or agent in the Village's name.

Note 4 Investments

As of May 31, 2016, the Village's investments were as follows:

	<u>Cost</u>
<i>Governmental Activities</i>	
External investment pool	<u>\$296,701</u>
Total	<u>\$296,701</u>
	<u>Fair Value</u>
<i>Pension Trust Fund</i>	
External investment pool	\$ 1,002
Municipal Bonds	565,546
U.S. Government Obligations	2,011,266
Equity Mutual Funds	<u>1,483,103</u>
Total	<u>\$4,060,917</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village has no specific policy on the interest rate risk at year-end.

Village of Rockton, Illinois

Notes to Financial Statements

Note 4 Investments (Continued)

Information about the sensitivity of the fair values of the Village investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

	Remaining Maturity (in Months)			Total
	12 Months or Less	13-60 Months	60+	
External investment pool	\$297,703	\$ -	\$ -	\$ 297,703
Municipal Bonds	-	31,800	533,746	565,546
U.S. Government Obligations	<u>100,217</u>	<u>552,065</u>	<u>1,358,984</u>	<u>2,011,266</u>
Total	<u>\$397,920</u>	<u>\$583,865</u>	<u>\$1,892,730</u>	<u>\$2,874,515</u>

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the actual rating as of year-end for each investment type:

	Total as of <u>May 31, 2016</u>	<u>Aaa</u>	See Table <u>Below</u>
External investment pool	\$297,703	\$297,703	\$ -
Municipal Bonds	<u>565,546</u>	-	<u>565,546</u>
Totals	<u>\$863,249</u>	<u>\$297,703</u>	<u>\$565,546</u>

<i>Rating</i>	
A2	\$47,411
Aa1	95,017
Aa2	126,140
Aa3	292,083
Not rated	<u>4,895</u>
Total	<u>\$565,546</u>

Concentration of Credit Risk:

The Village has no investments, other than mutual funds that are exempted from this requirement, in any one issuer that represent 5% or more of total Village's investments.

Village of Rockton, Illinois

Notes to Financial Statements

Note 4 Investments (Continued)

Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of May 31, 2016 there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk:

The Village has no foreign currency risk for investments at year end.

For financial statement purposes, the Village shows Illinois funds as cash and cash equivalents.

Note 5 Capital Assets

The governmental activities capital asset activity for the year ended May 31, 2016 is as follows:

	<u>Balance</u> <u>June 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>May 31, 2016</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$ 753,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,726</u>
Capital assets being depreciated:				
Infrastructure	8,000,414	-	-	8,000,414
Buildings and improvements	1,776,480	-	-	1,776,480
Equipment and vehicles	<u>1,766,910</u>	<u>52,827</u>	<u>-</u>	<u>1,819,737</u>
Total capital assets being depreciated	<u>11,543,804</u>	<u>52,827</u>	<u>-</u>	<u>11,596,631</u>
Less accumulated depreciation for:				
Infrastructure	2,017,667	362,939	-	2,380,606
Buildings and improvements	761,021	44,302	-	805,323
Equipment and vehicles	<u>1,264,882</u>	<u>118,544</u>	<u>-</u>	<u>1,383,426</u>
Total accumulated depreciation	<u>4,043,570</u>	<u>525,785</u>	<u>-</u>	<u>4,569,355</u>
Total capital assets being depreciated, net:	<u>7,500,234</u>	<u>(472,958)</u>	<u>-</u>	<u>7,027,276</u>
Governmental activities capital assets, net	<u>\$8,253,960</u>	<u>\$(472,958)</u>	<u>\$ -</u>	<u>\$ 7,781,002</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 5 Capital Assets (Continued)

The business-type activities capital asset activity for the year ended May 31, 2016 is as follows:

	<u>Balance June 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance May 31, 2016</u>
Capital assets being depreciated:				
Infrastructure	\$5,495,993	\$ -	\$ -	\$5,495,993
Buildings and improvements	2,721,511	-	-	2,721,511
Equipment and vehicles	<u>1,037,868</u>	<u>60,638</u>	<u>-</u>	<u>1,098,506</u>
 Total capital assets being depreciated	 <u>9,255,372</u>	 <u>60,638</u>	 <u>-</u>	 <u>9,316,010</u>
Less accumulated depreciation for:				
Infrastructure	2,130,406	118,695	-	2,249,101
Buildings and improvements	2,264,720	19,759	-	2,284,479
Equipment and Vehicles	<u>766,359</u>	<u>77,627</u>	<u>-</u>	<u>843,986</u>
 Total accumulated depreciation	 <u>5,161,485</u>	 <u>216,081</u>	 <u>-</u>	 <u>5,377,566</u>
 Business-type activities capital assets, net	 <u>\$4,093,887</u>	 <u>\$(155,443)</u>	 <u>\$ -</u>	 <u>\$3,938,444</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 21,829
Public safety	65,254
Public works	284,127
Culture and recreation	<u>154,575</u>
 Total depreciation expense, governmental activities	 <u>\$525,785</u>
Business-type activities:	
Water	\$140,639
Sewer	<u>75,442</u>
 Total depreciation expense, business-type activities	 <u>\$216,081</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt

Business-type Activities:

On August 25, 2009, the Village signed a Note Payable for \$560,000. The purpose of this Note is to pay off the existing Alternative Revenue Bonds which were originally held by the Rockton Sanitary District and to provide additional funds for up-grades to the sanitary treatment plant and lift stations. Repayment began on February 25, 2010 and is due semi-annually at a rate of 4.06%. Payment amount is \$34,447 where part of it reduces the outstanding principal and the remaining amount is for interest. Final payment is due on August 25, 2019.

On March 21, 2016, the Village signed a Note Payable for \$34,493. The purpose of this Note is to acquire a truck. The Village agreed to pay 2 annual payments of \$17,945 with interest at 2.65% with final payment due March 21, 2018.

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$1,585,000 for the purpose of refunding the 2003 General Obligation bonds and funding improvements to the water distribution system. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2032. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$65,000 to \$10,000 per year with interest at 3.35%.

On October 22, 2014, the Village entered a lease agreement for the purchase of 2 GMC Sierra trucks. The Village financed the trucks at a value of \$49,156. The lease is payable in annual installments of \$17,157 at an interest rate of 6.0% due October 22, 2016. The trucks had a book value of \$44,240 at year end.

Changes in Business-Type Long-Term Debt:

	Balance at <u>June 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance at <u>May 31, 2016</u>	Due within <u>One Year</u>
Note Payable	\$ 279,985	\$ 34,493	\$ 58,502	\$ 255,976	\$ 77,554
Capitalized leases	31,482	-	15,288	16,194	16,194
General Obligation Bonds	<u>1,390,000</u>	<u>-</u>	<u>65,000</u>	<u>1,325,000</u>	<u>70,000</u>
Total	<u>\$1,701,467</u>	<u>\$ 34,493</u>	<u>\$138,790</u>	<u>\$1,597,170</u>	<u>\$163,748</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt (Continued)

Business-type Activities (Continued):

The debt service requirements to maturity are as follows:

Fiscal Year Ended 5/31	Capitalized Leases		General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$16,194	\$963	\$ 70,000	\$ 44,388	\$ 77,554	\$ 9,285
2018	-	-	70,000	42,042	80,492	6,347
2019	-	-	75,000	39,698	65,615	3,279
2020	-	-	80,000	37,185	32,315	1,884
2021	-	-	75,000	34,505	-	-
2022 – 2026	-	-	410,000	132,157	-	-
2027 – 2031	-	-	445,000	62,310	-	-
2032 – 2036	-	-	100,000	3,350	-	-
Total	<u>\$16,194</u>	<u>\$963</u>	<u>\$1,325,000</u>	<u>\$395,635</u>	<u>\$255,976</u>	<u>\$20,795</u>

Governmental Activities Long-Term Debt:

On August 11, 2006, the Village signed a Note Payable for \$500,000. The purpose of this Note was to finance a feasibility study for the acquisition of Alliant Energy. The acquisition never did happen. The Village refinanced this Note Payable at a different bank on February 10, 2012. Twenty quarterly payments of \$19,908 are due beginning May 10, 2012 at a rate of 3.65% with final payment due May 10, 2016.

On June 28, 2012, the Village signed a Note Payable for \$138,000. The purpose of this Note is to acquire land. The Village agreed to pay 6 annual payments of \$23,000 without interest with final payment due June 28, 2018.

On August 23, 2012, the Village signed a Note Payable for \$60,000. The purpose of this Note is to finance the reconstruction/repaving of the Village Hall Parking Lot. The Village agreed to pay 6 annual payments of \$10,000 without interest with final payment due August 1, 2018.

On June 1, 2012, the Village signed a Note Payable for \$796,634. The purpose of this Note was to refinance the 2008 General Obligation Debt Certificates Series A. One annual payment of \$51,460 was due on October 1, 2012, with 4 annual payments of \$58,439 due beginning on October 1, 2013 with a final payment of \$616,787 due on October 1, 2017 at a rate of 2.85%.

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt (Continued)

Governmental Activities Long-Term Debt (Continued):

On June 1, 2012, the Village signed a Note Payable for \$178,374. The purpose of this Note was to refinance the 2008 General Obligation Debt Certificates Series B. One annual payment of \$12,365 was due on October 1, 2012, with 4 annual payments of \$14,177 due beginning on October 1, 2013 with a final payment of \$140,097 due on October 1, 2017 at a rate of 3.70%.

On June 1, 2012, the Village signed a Note Payable for \$521,700. The purpose of this Note was to refinance the August 25, 2009 note payable for the Wagon Wheel TIF District area. One annual payment of \$36,175 was due on October 1, 2012, with 4 annual payments of \$41,465 due beginning on October 1, 2013 with a final payment of \$409,740 due on October 1, 2017 at a rate of 3.70%.

On April 30, 2014, the Village signed a Note Payable for \$650,000. The purpose of this Note was to finance athletic field improvements. The Village agreed to pay 6 annual payments of \$120,120 which are due beginning June 30, 2015 at a rate of 2.85% with final payment due June 30, 2020.

On September 20, 2011, the Village entered a 4 year lease agreement for the purchase of a new police vehicle. The Village agreed to pay \$14,341 over the life of the lease. The lease is payable in semi-annual installments of \$1,954 at an interest rate of 3.9% due September 20, 2015. The book value of the vehicle is \$2,530.

On August 16, 2012, the Village entered a 5 year lease agreement for the purchase of two police vehicles. The Village agreed to pay \$49,333 over the life of the lease. The lease is payable in semi-annual installments of \$5,557 at an interest rate of 5.5% due August 16, 2017. The book value of the vehicles is \$14,800.

On October 21, 2013, the Village entered a 5 year lease agreement for the purchase of a new police vehicle. The Village agreed to pay \$30,456 over the life of the lease. The lease is payable in semi-annual installments of \$3,046 at an interest rate of 5.575% due December 31, 2018. The book value of the vehicles is \$13,519.

On December 31, 2013, the Village entered a 5 year lease agreement for the purchase of a new police vehicle. The Village agreed to pay \$29,710 over the life of the lease. The lease is payable in semi-annual installments of \$2,971 at an interest rate of 5.575% due December 31, 2018. The book value of the vehicles is \$13,189.

On October 22, 2014, the Village entered a 3 year lease agreement for the purchase of two new trucks. The Village agreed to finance \$56,319 over the life of the leases. The leases are payable in annual installments of \$19,683 at an interest rate of 5.94% due October 22, 2016. The book value of the vehicles is \$39,423.

On December 5, 2014, the Village entered a 5 year lease agreement for the purchase of three new police vehicles. The Village agreed to finance \$78,598 over the life of the leases. The leases are payable in annual installments of \$18,174 at an interest rate of 5% due July 1, 2020. The book value of the vehicles is \$55,018.

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt (Continued)

Governmental Activities Long-Term Debt (Continued):

On February 17, 2009, the Village issued General Obligation Debt Certificates with a principal amount of \$1,000,000 and a Second Lien Tax Increment Allocation Revenue Note with a principal amount of \$1,000,000. Both amounts were issued for the purpose of financing the acquisition, construction and equipping of certain infrastructure improvements and related costs and expenses in connection with the Redevelopment Project and Plan for the Former Beloit Corporation Redevelopment Project Area. The Bonds will be retired through property tax revenue in the Chemtool TIF fund. Principal and interest payments are to be made every December 1 until 2028. Principal and interest payments are \$101,852 for the TIF Note and \$87,185 for the Debt Certificates. Interest rates are 8.0% for the TIF Note and 6.0% for the Debt Certificates.

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$300,000 for the purpose of funding improvements to the athletic parks. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2024. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$25,000 to \$30,000 per year with interest at 2.91%.

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$470,000 for the purpose of refinancing the 2003 GO Bonds. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2024. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$35,000 to \$45,000 per year with interest at 2.91%.

Changes in Governmental Activities Long-Term Debt:

	<u>Balance at June 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at May 31, 2016</u>	<u>Due within One Year</u>
Note Payable	\$2,127,602	\$ -	\$280,100	\$1,847,502	\$211,780
Capitalized leases	174,785	-	55,850	118,935	54,953
General Obligation Bonds	<u>2,402,121</u>	<u>-</u>	<u>99,974</u>	<u>2,302,147</u>	<u>107,023</u>
Total	<u>\$4,704,508</u>	<u>\$ -</u>	<u>\$435,924</u>	<u>\$4,268,584</u>	<u>\$373,756</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt (Continued)

The debt service requirements to maturity are as follows:

Fiscal Year Ended <u>5/31</u>	Capitalized <u>Leases</u>		General Obligation <u>Bonds</u>		Notes <u>Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$54,953	\$6,027	\$ 107,023	\$ 171,014	\$ 211,780	\$ 55,421
2018	27,262	2,954	149,369	168,636	1,266,764	49,997
2019	19,411	1,656	132,255	129,149	143,435	9,685
2020	17,309	803	147,091	122,567	113,583	6,537
2021	-	-	152,258	115,364	111,940	3,300
2022 – 2026	-	-	727,045	456,234	-	-
2027 – 2031	-	-	465,133	259,347	-	-
2032 – 2036	-	-	399,482	109,778	-	-
2037 – 2041	-	-	<u>22,491</u>	<u>1,799</u>	-	-
Total	<u>\$118,935</u>	<u>\$11,440</u>	<u>\$2,302,147</u>	<u>\$1,533,888</u>	<u>\$1,847,502</u>	<u>\$124,940</u>

The Village is subject to a debt limitation of 8.625% of its assessed valuation of \$140,521,631. As of May 31, 2016 the Village had \$7,579,237 of remaining legal debt margin. The series 2012A alternative revenue bonds are intended to be repaid by water revenue. Therefore these bonds have not been included in the legal debt margin calculation. The pledged revenue is required to cover 125% of the debt service payments due in the year. The water revenue of \$600,998 covers the required amount of \$139,456.

Note 7 Debt Defeasance

In a prior year, the Village defeased the 2003 and 2008 General Obligation bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Village's government-wide financial statements. As of May 31, 2016, the amount of defeased debt from various issues outstanding but removed from the Village's financial statements amounted to \$1,632,100.

Village of Rockton, Illinois

Notes to Financial Statements

Note 8 Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the how these balances are reported.

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The Village has no balances that are nonspendable at year end.

Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Examples of these restrictions could be those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has the following balances that are restricted at year end.

a. Unemployment (tax levy)	\$ 341
b. Greenspace	152,030
c. Dare, drug enforcement & DUI	16,961
d. Our town park	442
e. Police agency vehicle	1,133
f. Maintenance of bridge lookout	11,846
g. Bond reserve	73,725
h. Chemtool TIF	339,459
i. Police Protection	18,662
j. Motor Fuel Tax	247,577
k. Revolving Loan	<u>18,324</u>
Total	<u>\$880,500</u>

Committed Fund Balance

The Village Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The Village Board has no balances that are committed at year end.

Village of Rockton, Illinois

Notes to Financial Statements

Note 8 Fund Balance Reporting (Continued)

Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the Village's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Village Board to assign amounts to be used for specific purposes. The Village Board has no balances that are assigned at year end.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund totaling \$299,953. It also includes negative fund balances in other funds, which includes the Wagon Wheel TIF balance of (\$35,043).

Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

Note 9 Restricted Net Position

Reservations of net position represent amounts that are not appropriable or are legally segregated for a specific purpose. Restricted net position is limited to outside third-party restrictions. The following restricted net position existed as of May 31, 2016:

a. Unemployment (tax levy)	\$ 341
b. Greenspace	152,030
c. Dare, drug enforcement & DUI	16,961
d. Our town park	442
e. Police agency vehicle	1,133
f. Maintenance of bridge lookout	11,846
g. Bond reserve	73,725
h. Chemtool TIF	339,459
i. Police Protection	18,662
j. Motor Fuel Tax	247,577
k. Revolving Loan	<u>18,324</u>
Total	<u>\$880,500</u>

The following funds accounted for in the Water Fund have been restricted by bond requirements as follows:

Bond & Interest	<u>\$40,559</u>
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Village of Rockton, Illinois

Notes to Financial Statements

Note 10 Interfund Balances

Below are the interfund balances as of May 31, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ -	\$(26,879)
Wagon Wheel Fund	-	(36,500)
Nonmajor Governmental Funds	219	(1,119)
Proprietary funds:		
Water Fund	-	(9,397)
Sewer Fund	<u>73,676</u>	<u>-</u>
Total	<u>\$73,895</u>	<u>\$(73,895)</u>

The purpose of the interfund balances is to fund short term cash shortfalls in the General Fund, Police Protection Fund, and Water Fund.

Note 11 Transfers

Below are the interfund transfers as of May 31, 2016:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Governmental funds:		
General Fund	\$50,000	\$ -
Proprietary funds:		
Water Fund	-	(25,000)
Sewer Fund	<u>-</u>	<u>(25,000)</u>
Total all funds	<u>\$50,000</u>	<u>\$(50,000)</u>

The purpose of this transfer was to transfer amounts from the water and sewer funds to the general fund to reimburse administrative costs.

Note 12 Tort Insurance Expenditures

The Village charged the following amounts towards the tort insurance levy for the year ended May 31, 2016, which resulted in no restricted fund balance.

Insurance	<u>\$40,264</u>
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Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan

Illinois Municipal Retirement Fund

Plan description – The employer’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 employer’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a 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. The report is available for download at www.imrf.org.

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
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees Covered by the Benefit Terms - At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	11
Active employees	16
<hr/>	
Total	35

Contributions – As set by statute, the employer’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 employer’s annual contribution rate for calendar year 2015 was 9.44%. For the fiscal year ended May 31, 2016, the employer contributed \$59,923 to the plan. The employer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability - The employer’s Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.49%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Illinois Municipal Retirement Fund (Continued)

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 contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.49%.

Due to the Village preparing its financial statements on the modified cash basis of the financial reporting, pension liabilities and deferred inflows and outflows referred to throughout the note disclosure are not recognized in the actual financial statements.

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances, January 1, 2015	\$2,261,420	\$2,167,349	\$94,071
Service costs	68,154	-	68,154
Interest on total pension liability	169,076	-	169,076
Difference between expected and actual experience	(16,091)	-	(16,091)
Changes in assumptions	2,926	-	2,926
Employer contributions	-	58,775	(58,775)
Employee contributions	-	39,158	(39,158)
Net investment income	-	10,876	(10,876)
Benefit payments – net of refunds	(82,288)	(82,288)	-
Administrative expense	-	-	-
Other changes	-	(19,770)	19,770
Net changes	141,777	6,751	135,026
Balances, December 31, 2015	\$2,403,197	\$2,174,100	\$229,097

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Illinois Municipal Retirement Fund (Continued)

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate - The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.49 percent, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.49 percent) or 1-percentage-point higher (8.49 percent) than the current rate:

	1% Decrease (6.49%)	Current Rate (7.49%)	1% Increase (8.49%)
Village's proportionate share of the net Pension liability	\$545,442	\$229,097	\$(32,115)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended May 31, 2016, the Village recognized pension expense of \$59,923. At May 31, 2016, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, which are not reported due to a modified cash basis of accounting:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ -	\$ 12,668
Changes in assumptions	2,304	-
Net difference between projected and actual earnings	121,216	-
Employer contributions subsequent to the measurement date	26,012	-
Total	\$149,532	\$ 12,668

The Village reported \$26,012 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, which are not reported due to modified cash basis reporting:

Year ended May 31:	Net Deferred Outflows of Resources
2017	\$27,503
2018	27,503
2019	27,503
2020	28,343

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension

Plan description - Sworn police personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

Benefits provided - The following is a summary of the Police Pension Plan as provided for in the Illinois Compiled Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits under two different "Tiers". "Tier 1" (hired before 01/01/11) employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 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 percent of the original pension and 3 percent of the amount of pension payable at the time of the increase annually thereafter.

"Tier 2" (hired on or after 01/01/11) employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank based on the highest consecutive 96 months of the final 120 months of service. Pensionable salary is capped at \$106,800. The pension shall be increased 2.5% of such salary for each additional year of service over 20 up to a maximum of 75 percent of such salary.

COLA increases begin at age 60 or on the first anniversary of the pension start date whichever is later. COLA increases will be based on the lesser of one half of the CPI-U (certified by the Illinois Department of Insurance) or 3 percent of the originally granted pension.

Employees Covered by the Benefit Terms - At the June 1, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	15
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Total	16
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Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

Contributions - Covered employees are required to contribute 9.91 percent 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. Municipalities are required to fund the pension fund to 90 percent of the total actuarial liabilities by 2040.

The Statutes also contain a Portability Ruling that may impact the police pension fund. If a police officer transfers to another fund, that officer's former fund may be required to transfer monies to the officer's current fund if one of two requirements are met. The police officer must have either actively served in the police department for two years or the officer was involuntarily terminated for reasons other than fault of the officer. In these cases, the former fund will be required to transfer to the current fund amounts equal to twice the amounts of employee contributions to the plan plus interest at the rate of 6 percent per year, compounded annually.

Actuarial assumptions - The Total Pension Liability (TPL) in the June 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	5.90%
Long-Term Expected Rate of Return of Plan Assets	6.25%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.26%
Projected Individual Salary Increases	3.50% - 10.00%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

All rates shown above are assumed to be annual rates compounded on an annual basis.

Actuarial Assumptions (Demographic)

Mortality Table	L&A 2016 Illinois Police
Retirement Rates	L&A 2016 Illinois Police 100% Capped at age 65
Disability Rates	L&A 2016 Illinois Police 100%
Termination Rates	L&A 2016 Illinois Police 100%
Percent Married	80.0%

The actuarial assumptions used in the June 1, 2016 valuation were based on the results of an actuarial experience study dated September 21, 2016 for the year ending May 31, 2016.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

Assumption Changes – The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.73% to 3.26% for the current year. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 67 and Statement 68.

The discount rate used in the determination of the Total Pension Liability was changed from 5.87% to 5.90%. The discount rate is impacted by a couple of metrics. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate.

In addition, changes made that impact the projection of the Net Position of the fund. For example, changes in the formal or informal funding policy can impact the discount rate. Actual changes in the net position from one year to the next can impact the projections as well.

The demographic assumptions were changed to the tables shown on the prior page. The changes were made based on a study of Police Officers and police pension funds in Illinois. The changes were made to better reflect the future anticipated experience of the fund. The assumptions impacted include:

- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Disability Rates
- Termination Rates

Illinois Compiled Statutes ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return shown below have been provided by the investment professionals that work with the pension fund. Future real rates of return are weighted based on the target asset allocation within the Investment Policy Statement. Expected inflation is added back in. A summary of the best estimate of future real rates of returns (annual arithmetic average) are included in the table below. The Investment Policy Statement will provide more detail regarding the Fund's policies on asset allocation targets and acceptable ranges.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	24.50%	6.90%
Small Cap Domestic Equity	7.00%	9.00%
International Equity	3.50%	7.10%
Fixed Income	65.00%	2.10%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on the quoted market prices as of May 31, 2016 for debt securities, equity securities and mutual funds and contract values for insurance contracts.

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures.

The expected inflation rate is 3.20% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report.

Long-term rates of return may exhibit geometric properties. Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

Municipal Bond Rate - The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the May 28, 2016 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

Discount Rate - The discount rate used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

The plan's projected net position is expected to cover future benefit payments in full for the current employees through 2061.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan.

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances, June 1, 2015	\$5,644,882	\$3,885,571	\$1,759,311
Service costs	276,424	-	276,424
Interest on total pension liability	332,898	-	332,898
Difference between expected and actual experience	89,104	-	89,104
Changes in assumptions	72,411	-	72,411
Employer contributions	-	220,029	(220,029)
Employee contributions	-	105,326	(105,326)
Net investment income	-	84,623	(84,623)
Benefit payments – net of refunds	(5,082)	(5,082)	-
Administrative expense	-	(13,957)	13,957
Other changes	-	-	-
Net changes	765,755	390,939	374,816
Balances, May 31, 2016	\$6,410,637	\$4,276,510	\$2,134,127

Sensitivity of the Village’s net pension liability to changes in the discount rate - The following presents the Village’s net pension liability calculated using the discount rate listed in the assumption section, as well as what the Village’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.90%)	Current Rate (5.90%)	1% Increase (6.90%)
Net Pension Liability	\$3,543,358	\$2,134,127	\$1,032,162

Village of Rockton, Illinois

Notes to Financial Statements

Note 13 Pension Plan (Continued)

Police Pension (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended May 31, 2016, the Village recognized pension expense of \$220,029. At May 31, 2016, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, which are not reported due to a modified cash basis of accounting:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 80,682	\$ -
Changes in assumptions	65,566	-
Net difference between projected and actual earnings	134,238	-
Employer contributions subsequent to the measurement date	-	-
Total	\$280,486	\$ -

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, which are not reported due to modified cash basis reporting:

Year ended May 31:	Net Deferred Outflows of Resources
2017	\$48,827
2018	48,827
2019	48,827
2020	48,825
2021	15,267
Thereafter	69,913

Note 14 Contingencies

From time to time, the Village is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

Note 15 Commitments

During the year, the Village board approved a water project for design engineering and construction engineering not to exceed \$260,000. It also approved a proposal to engineer the grit chamber at the sewer plant at a cost of \$46,000. It is anticipated that these projects will be paid for in the subsequent fiscal year.

Village of Rockton, Illinois

Notes to Financial Statements

Note 16 Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to handle such risks of loss, the Village purchases insurance coverage through Illinois Municipal League Risk Management Association. The deductibles in effect through these policies as of May 31, 2016 vary with the type of coverage and risk involved. The Village may incur additional expense in the future to cover the liabilities of the Association based on claim experience. The amounts of settlements have not exceeded insurance coverage for any of the past three years.

Note 17 Development Agreements

The Village established a Former Wagon Wheel Site Redevelopment Project Area, as defined by the Tax Increment Allocation Redevelopment Act. The Village has signed two agreements for commercial developments within this area. The Village signed a note for \$80,000 with one developer to be paid back from property tax increments assessed on his parcel. The Village signed a note with another developer for \$524,246 plus interest, to be paid back from property tax increments assessed on his parcel. The Village agreed to pay off the note in full if the developer completed his project by December 31, 2007. The developer did meet this deadline. In September, 2008, the Village issued general obligation debt certificates for \$1,000,000 to pay the note plus interest, plus reimburse the Village for costs incurred to establish the Tax Increment Redevelopment area and provide for capital improvements within the redevelopment area.

In agreements dated October 21, 2008, the Village established a Former Beloit Corporation Redevelopment Project Area, as defined by the Tax Increment Allocation Redevelopment Act. The Village has signed two agreements for commercial developments within this area. The Village signed a note for \$1,000,000 with one developer to be paid back from property tax increments assessed on this parcel. The Village signed a note with another developer for \$1,000,000 plus interest, to be paid back from property tax increments assessed on this parcel.

Note 18 Post-Employment Benefits

The Village has evaluated its potential other postemployment benefits liability. The Village provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes. Former employees who choose to retain their rights to health insurance through the Village are required to pay 100% of the current premium, which creates an implicit subsidy of retiree health insurance. However, no former employees have chosen to stay in the Village's health insurance plan. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Village has no former employees for which the Village was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Therefore, the Village has not recorded any postemployment benefit liability as of May 31, 2016.

Village of Rockton, Illinois

Notes to Financial Statements

Note 19 Accounting Changes

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” The Village implemented this standard for the fiscal year ending May 31, 2016.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68” The Village implemented this standard for the fiscal year ending May 31, 2016.

Note 20 Pending Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Village has not determined the effect of this Statement.

GASB Statement No. 77, *Tax Abatement Disclosures* requires governments that enter into tax abatement agreements to disclose the certain information about the agreements to allow readers of the financial statements to better access the revenue-generating capacity of the government. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The Village has not determined the effect of this Statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Village has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses issues regarding the presentation of payroll related measures in requirement supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Village has not determined the effect of this Statement.

Other Information

Village of Rockton, Illinois

Other Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios - Police Pension Fund

Last 10 Fiscal Years

(schedule to be built prospectively from 2015)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fiscal year ending May 31,										
Total pension liability:										
Service cost	\$276,424	\$290,278								
Interest on the total pension liability	332,898	297,537								
Benefit changes	0	0								
Difference between expected and actual experience	89,104	0								
Assumption changes	72,411	0								
Benefit payments and refunds	(5,082)	(23,412)								
Net change in total pension liability	765,755	564,403								
Total pension liability - beginning	5,644,882	5,080,479								
Total pension liability - ending (a)	\$6,410,637	\$5,644,882								
Plan fiduciary net position:										
Employer contributions	\$220,029	\$255,621								
Employee contributions	105,326	101,979								
Pension plan net investment income	84,623	186,693								
Benefit payments and refunds	(5,082)	(23,412)								
Administrative Expense	(13,957)	(9,101)								
Net change in plan fiduciary net position	390,939	511,780								
Plan fiduciary net position - beginning	3,885,571	3,373,791								
Plan fiduciary net position - ending (b)	\$4,276,510	\$3,885,571								
Net pension liability(asset) - Ending (a) - (b)	2,134,127	1,759,311								
Plan fiduciary net position as a percentage of total pension liability	66.71%	68.83%								
Covered valuation payroll	1,049,824	994,789								
Net pension liability as a percentage of covered valuation payroll	203.28%	176.85%								

The Village implemented GASB Statement No. 67 in May 2015.

Village of Rockton, Illinois

Other Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios - Illinois Municipal Retirement

Last 10 Calendar Years

(schedule to be built prospectively from 2015)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Calendar year ending December 31,										
Total pension liability:										
Service cost	\$68,154									
Interest on the total pension liability	169,076									
Benefit changes	0									
Difference between expected and actual experience	(16,091)									
Assumption changes	2,926									
Benefit payments and refunds	(82,288)									
Net change in total pension liability	141,777									
Total pension liability - beginning	2,261,420									
Total pension liability - ending (a)	\$2,403,197									
Plan fiduciary net position:										
Employer contributions	\$58,775									
Employee contributions	39,158									
Pension plan net investment income	10,876									
Benefit payments and refunds	(82,288)									
Administrative Expense	(19,770)									
Net change in plan fiduciary net position	6,751									
Plan fiduciary net position - beginning	2,167,349									
Plan fiduciary net position - ending (b)	\$2,174,100									
Net pension liability(asset) - Ending (a) - (b)	229,097									
Plan fiduciary net position as a percentage of total pension liability	90.47%									
Covered valuation payroll	622,611									
Net pension liability as a percentage of covered valuation payroll	36.80%									

The Village implemented GASB Statement No. 68 in May 2016.

Village of Rockton, Illinois

Other Information

Police Pension Fund Multiyear Schedule of Contributions Last 10 Fiscal Years

Fiscal Year Ending May 31,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a % of Covered Valuation Payroll
2016	\$223,068	\$220,029	\$3,039	\$1,049,824	21.0%
2015	245,078	255,621	(10,543)	994,789	25.7%

The Village implemented GASB Statement No. 67 in May 2015.

Illinois Municipal Retirement Fund (IMRF) Multiyear Schedule of Contributions Last 10 Calendar Years

Calendar Year Ending December 31,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a % of Covered Valuation Payroll
2015	\$58,774	\$58,775	\$ (1)	\$622,611	9.44%

* Estimated based on contribution rate of 9.44% and covered valuation payroll of \$622,611.

The Village implemented GASB Statement No. 68 in May 2016.

Village of Rockton, Illinois

Notes to Other Information

Note 1 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate for IMRF *

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 2015 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): 28-year closed period until remaining period reaches 15 years (then 15-year rolling 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 23 years for most employers (two employers were financed over 32 years)>
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year

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

Village of Rockton, Illinois

General Fund Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Revenues			
Taxes:			
Property taxes:			
Corporate	\$ 310,720	\$ 324,185	\$ (13,465)
Streets & bridges	48,590	52,725	(4,135)
Sanitation & garbage	9,866	10,349	(483)
IMRF	37,340	39,020	(1,680)
Social security	116,638	121,814	(5,176)
Tort liability	40,264	42,096	(1,832)
Audit	10,869	11,328	(459)
Police pension fund	220,029	228,384	(8,355)
Crossing guards	2,968	3,077	(109)
Unemployment tax	1,071	1,119	(48)
Township taxes	21,337	22,300	(963)
Municipal retailers occupational tax	1,211,864	1,220,000	(8,136)
Replacement tax	51,381	56,900	(5,519)
State income tax	781,064	760,815	20,249
Charitable games tax	42,107	52,500	(10,393)
State use and photo processing	223,188	149,089	74,099
Telecommunications tax	187,534	201,400	(13,866)
Total taxes	3,316,830	3,297,101	19,729
Licenses, fees, and permits:			
Public utility franchises	78,873	80,100	(1,227)
Licenses and permits:			
Retail liquor licenses	35,660	50,000	(14,340)
Tobacco licenses	450	375	75
Other licenses and permits	124,575	54,450	70,125
Charges for services -			
Garbage collection fee	438,399	456,750	(18,351)
Electric infrastructure fee	279,582	251,200	28,382
Swimming pool	54,041	56,500	(2,459)
Garbage penalty	8,017	6,650	1,367

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Revenues (Continued)			
Licenses, fees, and permits (continued):			
Fines and forfeitures	98,687	124,900	(26,213)
DUI revenue	100	1,000	(900)
Sporting event security	11,049	4,300	6,749
Employee dental and health insurance	35,896	-	35,896
Total licenses, fees, and permits	1,165,329	1,086,225	79,104
Intergovernmental:			
State and Federal Grants	2,120	4,100	(1,980)
Total intergovernmental	2,120	4,100	(1,980)
Other revenue:			
Rental income	19,720	18,360	1,360
Donations and reimbursements	113,828	63,500	50,328
Drug forfeitures/seizures	3,719	6,200	(2,481)
Interest	571	500	71
Miscellaneous	6,300	42,605	(36,305)
Total other revenue	144,138	131,165	12,973
Total revenues	4,628,417	4,518,591	109,826

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures			
General government:			
Administrative:			
Salaries	163,591	165,000	(1,409)
Insurance	365,209	345,000	20,209
Engineering	20,523	15,000	5,523
Zoning expense	4,068	3,900	168
Telephone	4,509	4,500	9
Professional organization	5,958	5,700	258
Training and Travel	13,820	13,500	320
Illinois municipal league conference	10,091	8,000	2,091
Supplies	8,323	9,000	(677)
Office equipment	15,013	10,000	5,013
Stateline bus service	25,000	25,000	-
Codification of ordinance	2,463	1,500	963
Miscellaneous	39,921	36,500	3,421
Total administrative	678,489	642,600	35,889
Payroll tax and tort liability:			
Unemployment insurance tax	10,099	10,750	(651)
Social security contribution	143,096	146,700	(3,604)
IMRF contributions	59,923	63,050	(3,127)
Police pension expense	220,029	228,384	(8,355)
Liability insurance	119,116	120,650	(1,534)
Total payroll tax and tort liability	552,263	569,534	(17,271)
Economic Development:			
Council of 100/Downtown development	64,349	57,500	6,849
Special events	13,612	10,000	3,612
Advertising	4,925	10,000	(5,075)
Total economic development	82,886	77,500	5,386
Audit	12,500	12,750	(250)

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
General government (continued):			
Treasurer:			
Village treasurer retainer	32,300	34,000	(1,700)
Buildings and grounds:			
Salaries	57,893	55,000	2,893
Telephone	14,418	10,000	4,418
Utilities	18,012	18,000	12
Maintenance equipment and supplies	33,001	28,500	4,501
Miscellaneous	1,088	34,500	(33,412)
Total buildings and grounds	124,412	146,000	(21,588)
Total general government	1,482,850	1,482,384	466
Public safety:			
Police Department:			
Salaries	1,099,089	1,055,475	43,614
Uniforms, badges and patches	18,190	20,650	(2,460)
Uniform cleaning	2,966	3,500	(534)
Equipment & vehicle maintenance	32,358	43,500	(11,142)
Postage and supplies	6,365	8,000	(1,635)
Telephone	1,946	3,300	(1,354)
Wireless communications	15,470	15,200	270
Forms and printing	7,627	8,500	(873)
Professional memberships	10,786	7,000	3,786
Travel, training and supplies	24,761	15,300	9,461
Gas, oil and car washes	29,384	45,600	(16,216)
Drug expenditures	2,159	4,000	(1,841)
Capital expenditures	30,697	8,000	22,697
DARE	700	600	100
DUI Expenditures	849	4,000	(3,151)
Lease/purchase	49,572	60,563	(10,991)
Miscellaneous	7,604	7,000	604
Total police department	1,340,523	1,310,188	30,335

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Public safety (continued):			
Police commission:			
Salaries	1,800	1,800	-
Testing expenses	2,310	5,100	(2,790)
Legal fees	2,028	5,000	(2,972)
Training and travel	2,379	1,500	879
Publication	375	1,400	(1,025)
Total police commission	8,892	14,800	(5,908)
School crossing guards:			
Salaries and equipment	5,163	5,767	(604)
Total public safety	1,354,578	1,330,755	23,823
Judiciary and legal:			
Legal:			
Village attorney	92,257	85,000	7,257
Litigation expenses	9,608	20,000	(10,392)
Total legal	101,865	105,000	(3,135)
Public works:			
Streets and Sidewalks:			
Salaries	92,714	105,059	(12,345)
Uniform allowances	1,144	1,600	(456)
Equipment maintenance	30,682	25,000	5,682
Traffic light maintenance	1,824	4,000	(2,176)
Contract snow removal	611	4,000	(3,389)
Landscaping and restoration	1,502	1,500	2
Engineering	20,376	60,000	(39,624)
Avery storage rental	1,400	1,200	200
Supplies	1,129	1,250	(121)
Tools and equipment	1,286	5,000	(3,714)
Gas and oil	18,456	25,000	(6,544)
Traffic signs	3,322	7,000	(3,678)

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Public works (continued)			
Streets and Sidewalks:			
Street maintenance	8,177	25,000	(16,823)
Capital expenditures	134,778	174,800	(40,022)
Electricity/pole rental	43,182	45,000	(1,818)
Wireless communication	1,218	1,500	(282)
Miscellaneous	1,000	1,000	-
Total public works	362,801	487,909	(125,108)
Social services:			
Health department:			
Animal control	13,494	13,000	494
Total social services	13,494	13,000	494
Culture and recreation:			
Public Parks:			
Salaries	56,337	65,000	(8,663)
Hut program	5,024	4,000	1,024
Christmas walk	6,207	6,000	207
Uniforms	673	750	(77)
Equipment maintenance	1,349	5,000	(3,651)
Landscaping	9,492	10,000	(508)
Professional memberships	284	500	(216)
Utilities	16,097	9,000	7,097
Supplies	6,065	5,000	1,065
Tools and equipment	13,099	15,000	(1,901)
Training & travel	722	1,000	(278)
Gas and oil	264	500	(236)
Banner advertising	1,345	1,000	345
Rockton athletic field	109,646	226,895	(117,249)
System repair and maintenance	2,131	6,000	(3,869)
Dog Park	664	3,000	(2,336)
Total public parks	229,399	358,645	(129,246)

Village of Rockton, Illinois

General Fund (Continued) Schedule of Revenues and Expenditures Compared with Budget - Modified Cash Basis

Year ended May 31, 2016

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Culture and recreation (Continued):			
Swimming Pool:			
Amenities	127	-	127
Maintenance	56,283	67,500	(11,217)
Telephone	412	300	112
Utilities	8,651	10,000	(1,349)
Water treatment testing and supplies	11,487	16,000	(4,513)
Miscellaneous supplies	9,328	10,000	(672)
Total swimming pool	86,288	103,800	(17,512)
Total culture and recreation	315,687	462,445	(146,758)
Environment:			
Garage collection:			
Residential pickup fees	460,303	456,750	3,553
Total environment	460,303	456,750	3,553
Debt service:			
Principal	266,992	-	266,992
Interest	10,986	119,025	(108,039)
Total debt service	277,978	119,025	158,953
Total expenditures	4,369,556	4,457,268	(87,712)
Other Financing Sources (Uses)			
Operating transfers in	50,000	50,000	-
Sale of fixed assets	-	20,000	(20,000)
Total other financing sources (uses)	50,000	70,000	(20,000)
Net change in fund balance	\$ 308,861	\$ 131,323	\$ 177,538

Village of Rockton, Illinois

Combining Balance Sheet - Modified Cash Basis Nonmajor Governmental Funds

May 31, 2016

	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
Assets				
Cash and deposits	\$ 19,781	\$ 167,777	\$ 11,331	\$ 198,889
Investments	-	79,800	-	79,800
Loan Receivable	-	-	6,774	6,774
Due from other funds	-	-	219	219
<hr/>				
Total assets	\$ 19,781	\$ 247,577	\$ 18,324	\$ 285,682
<hr/>				
Liabilities				
Due to other funds	\$ 1,119	\$ -	\$ -	\$ 1,119
<hr/>				
Fund Balance				
Restricted	18,662	247,577	18,324	284,563
<hr/>				
Total liabilities and fund balance	\$ 19,781	\$ 247,577	\$ 18,324	\$ 285,682

Village of Rockton, Illinois

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis Nonmajor Governmental Funds

Year ended May 31, 2016

	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 119,183	\$ -	\$ -	\$ 119,183
Intergovernmental	-	208,221	-	208,221
Other income	51	287	207	545
Total revenues	119,234	208,508	207	327,949
Expenditures				
Public safety	123,485	-	-	123,485
Public works	-	103,756	-	103,756
Total expenditures	123,485	103,756	-	227,241
Net change in fund balance	(4,251)	104,752	207	100,708
Fund balances, beginning of year	22,913	142,825	18,117	183,855
Fund balances, end of year	\$ 18,662	\$ 247,577	\$ 18,324	\$ 284,563

Village of Rockton, Illinois

Schedule of Assessed Valuations, Rates, and Extensions

May 31, 2016

	2015	2014	2013
Assessed valuations	\$ 140,521,631	\$ 136,630,544	\$ 136,935,839
Tax rates:			
Corporate	0.2259	0.2318	0.2228
Street and bridge	0.0228	0.0389	0.0375
Garbage collection	0.0072	0.0074	0.0074
IMRF	0.0278	0.0279	0.0263
Social Security	0.0871	0.0871	0.0848
Tort liability insurance	0.0299	0.0301	0.0293
Audit	0.0082	0.0081	0.0077
Unemployment	0.0008	0.0008	0.0022
School crossing guard	0.0023	0.0022	0.0008
Police protection fund	0.0890	0.0890	0.0862
Police pension	0.1695	0.1633	0.1790
Totals	0.6705	0.6866	0.6840
Tax extensions:			
Corporate	\$ 317,438	\$ 316,710	\$ 305,093
Street and bridge	32,039	53,149	51,350
Garbage collection	10,118	10,111	10,133
IMRF	39,065	38,120	36,014
Social Security	122,394	119,005	116,122
Tort liability insurance	42,016	41,126	40,122
Audit	11,523	11,067	10,544
Unemployment	1,124	1,093	3,013
School crossing guard	3,232	3,006	1,095
Police protection fund	125,064	121,601	118,039
Police pension	238,184	223,118	245,115
Totals	\$ 942,197	\$ 938,106	\$ 936,640
Collections (Including back tax)	\$ -	\$ 932,751	\$ 937,147
Percentage Collected	0.00%	99.43%	100.05%



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

To the Honorable Mayor and Village Trustees
Village of Rockton, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Rockton, Illinois ("Village") as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 26, 2016, which expressed a qualified opinion due to the fiduciary funds reporting investments at market value.

Our report on the financial statements includes an emphasis-of-matter paragraph describing how the Village adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB 68, during the year ended May 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which are described in the accompanying schedule of findings and responses as item 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Freeport, Illinois
October 26, 2016



Independent Accountant's Report

To the Honorable Mayor and Village Trustees
Village of Rockton, Illinois

We have examined the Village of Rockton, Illinois' (the "Village") compliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended May 31, 2016. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village of Rockton, Illinois, complied, in all material respects, with the aforementioned requirements for the year ended May 31, 2016.

This report is intended solely for the information and use of management, the Village Board, others within the Village, the Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Freeport, Illinois
October 26, 2016

Village of Rockton, Illinois

Schedule of Findings and Responses

Finding #2016-001

Criteria – The Village lacks proper segregation of duties.

Condition and Cause – Village has limited number of personnel to permit adequate segregation of duties.

Effects or Potential Effects – Inadequate segregation of duties.

Auditor's Recommendation - The Village will continue to have a finding for segregation of duties due to the small size of the organization.

View of responsible officials – Agree with the auditor recommendation. The Village is not able to hire the appropriate amount of personnel to eliminate segregation of duties.