TOWN OF VERNON, ILLINOIS

ANNUAL FINANCIAL REPORT
MARCH 31, 2017

TOWN OF VERNON
TABLE OF CONTENTS
MARCH 31, 2017

DAM, SNELL & TAVEIRNE, LTD.

CERTIFIED • PUBLIC • ACCOUNTANTS

MATTHEW DABROWSKI, CPA
HUGH (SKIP) MCCANN, CPA
BARBARA HARPOLD, CPA
SCOTT LANNERS, CPA

INDEPENDENT AUDITORS' REPORT

Town Supervisor and Board of Trustees
Town of Vernon
Buffalo Grove, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Illinois (the Town) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 as described in Note A; 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

21 ROLLINS ROAD, FOX LAKE, ILLINOIS 60020 Phone: 847.587.3022 • Fax: 847.587.4351
1512 ARTAIUS PARKWAY, SUITE 100, LIBERTYVILLE, ILLINOIS 60048 Phone: 847.367.4448 • Fax: 847.367.2606

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Illinois as of March 31, 2017, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note L of the financial statements, the Town implemented *GASB Statement No.72, Fair Value Measurement and Application.* Our opinions were not modified with respect to this matter.

Other Matters

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Vernon, Illinois basic financial statements. The management's discussion and analysis, budgetary comparisons and supplemental information presented on pages 3 through 7, 27 through 35, and 38, 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 by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Supplemental Information

The supplemental information presented on pages 36 and 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 36 and 37 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dam, Snell & Taveirne, Ltd.

DAM, SNELL & TAVEIRNE, LTD.
Certified Public Accountants
Fox Lake, Illinois
October 31, 2017

Our discussion and analysis of the Vernon Township's financial performance provides an overview of the Town's financial activities for the fiscal year ended March 31, 2017. Please read it in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The Town's net position, which equals total assets less total liabilities, is $8,404,539 at the end of the 2017 fiscal year, a 0.5% decrease from last year. Unrestricted assets, assets that may be used to meet the Town's ongoing obligations to residents and creditors, were $1,412,068 at the end of the 2017 fiscal year.

- Total Town revenues were $3,981,553, a 4.5% decrease from last year. Total expenses were $4,025,106, an increase of 3.3% from last year.

- The fund balance for the General Fund is $1,412,068 an increase of $164,147 from the beginning balance of $1,247,921. The General Fund balance is unreserved and can be used to meet the Town's ongoing obligations to residents and creditors.

A BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Government-wide Statement of Net Position and the Government-wide Statement of Activities provide information about the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The notes to financial statements and supplemental information provide additional information that is essential to a full understanding of the data provided in the financial statements.

Reporting on the Town as a Whole – Government-wide Statements

One of the most important questions asked about the Town's finances is, "Is the Town as whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. All of the current year's revenues and expenses are taken into account when cash is received or paid. The method is modified to capitalize fixed assets and to record depreciation on those fixed assets.

These two statements report the Town's net position and change in it. You can think of the Town's net position—the difference between assets and deferred inflows of resources and liabilities and deferred outflow of resources—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

Fund Financial Statements

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

Governmental Funds

All of the Town's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the cash basis method of accounting. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following tables present the financial position and results of operations of the Town.

Table 1
Net Position (Modified Cash Basis)

	2016	2017
Current assets	$ 3,223,661	$ 3,346,343
Capital assets	5,255,431	5,100,196
Total assets	8,479,092	8,446,539
Current liabilities	31,000	42,000
Long term liabilities	-	-
Total liabilities	31,000	42,000
Net position		
Net investment in capital assets	5,255,431	5,100,196
Restricted	1,944,740	1,892,275
Unrestricted	1,247,921	1,412,068
Total net position	$ 8,448,092	$ 8,404,539

The Town's net position is composed of capital assets, restricted and unrestricted categories. Capital assets comprise 61% of net position and reflect the Town's investments in capital assets and infrastructure (for example, land, streets, buildings, machinery and equipment) less any related debt used to acquire those assets that remain outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted portion of the Town's net position, 23%, represents resources that are subject to external restrictions on how they may be used. The remaining 16% of assets represent the unrestricted category and may be used to meet the government's ongoing obligations to citizens and creditors.

An intergovernmental agreement between Vernon Township and Metra requires the Township to set aside revenues in a sinking fund to be used for future repairs and improvements to the train station; $328,240 has been committed for these expenses.

Table 2
Changes in Net Position (Modified Cash Basis)

	2016	2017
Taxes and other general revenue	$ 3,451,027	$ 3,486,703
Operating grants and contributions	10,015	10,096
Capital grants and contributions	210,568	-
Charges for services	499,366	484,754
Total revenue	4,170,976	3,981,553
Expenses	3,896,467	4,025,106
Increase (decrease) in net assets	274,509	(43,553)
Net position, beginning of year	8,173,583	8,448,092
Net position, end of year	$ 8,448,092	$ 8,404,539

Total Town revenues were $3,981,553 and the total cost of all programs and services was $4,025,106. Expenses of all programs exceeded the revenues, which decreased the Town's Net Position from $8,448,092 to $8,404,539.

Governmental Activities

The following table depicts the major revenue sources for the Town.

Table 3
Governmental Revenues (Modified Cash Basis)

	2016	2017
Property taxes	$ 3,358,856	$ 3,410,518
State replacement taxes	27,934	26,254
Interest	4,436	9,572
Intergovernmental agreement	26,844	25,724
Rentals	20,901	21,575
Passport revenue	89,923	64,239
Operating grants and contributions	10,015	10,096
Capital grants and contributions	210,568	-
Park fees	163,671	165,829
Parking fees	121,804	126,146
Taxi	13,495	14,841
Proceeds from sale of capital assets	-	3,690
Other	122,529	103,069
	$ 4,170,976	$ 3,981,553

In the prior year the Town received $190,000 grant reimbursement for a stream bank project and the Town received no grant revenue in the current year creating the decrease.

The table below identifies the various governmental expenses by function.

Table 4
Governmental Activities Expenses (Modified Cash Basis)

	2016	2017
General governmental services	$1,543,613	$1,542,074
Assessor	476,532	497,832
Road maintenance	1,344,177	1,327,775
Park operations	329,018	373,588
Home relief	26,819	15,730
Cemetery	27,443	60,301
Metra station maintenance	148,865	207,806
	$3,896,467	$4,025,106

The Park Maintenance Fund revenue will continue to supplement the cost of maintenance of the pool and grounds. The roads will continually need maintenance due to heavy traffic and element damage. The Metra Station Fund had expenses relating to light replacement and crack sealing on the parking lot creating the increase in the current year.

ANALYSIS OF BALANCES AND TRANSACTIONS IN INDIVIDUAL FUNDS

Governmental Funds

The fund balance for the Road and Bridge Fund is $312,630 a decrease of $26,640 from the beginning balance of $339,270.

The fund balance for the Permanent Road Fund is $248,449 an increase of $76,463 from the beginning balance of $171,986.

The Road and Bridge and Permanent Road Funds had significant expenditures for the River Oaks Meadows road project.

The fund balance for the Park Maintenance Fund is $459,202 an increase of $8,333 from the beginning balance of $450,869.

The fund balance for the Metra Station Fund is $577,465 a decrease of $113,438 from the beginning balance of $690,903. The Fund had significant expenditures for the parking lot resurface project.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

The General, Road and Bridge, Permanent Road, Park Maintenance, and Metra Station Fund's maintenance and capital outlay expenditures were significantly below budgeted amounts. In addition, General Fund salaries and benefits were significantly below budgeted amounts.

CAPITAL ASSETS AND DEBT ACTIVITY

Capital Assets

Table 5
Capital Assets (net of depreciation) - Governmental Activities

	2016	2017
Land	$ 983,909	$ 983,909
Construction in progress	-	-
Land improvements	398,737	380,941
Buildings and improvements	1,512,231	1,457,053
Machinery and equipment	399,840	356,604
Infrastructure	1,960,714	1,921,689
Totals	$ 5,255,431	$ 5,100,196

The Town's investment in capital assets for its governmental activities was $5,100,196, (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, streets and related infrastructure, sidewalks and bridges.

The Town's investment in capital assets increased by acquisitions during the year of $455,415, and decreased by depreciation of $610,650. Current year additions include, a vehicle, lightning alert system, parking lot resurfacing, and River Oaks Meadows road project. See additional information in footnote D.

Debt

The Town has no outstanding long-term debt.

SIGNIFICANT CHANGES IN CONDITION AND ESTIMATED MAINTENANCE EXPENSES FOR INFRASTRUCTURE ASSETS

The highway department anticipates continual improvements including: repaving, culvert installation, drainage installation, etc.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2017-2018 budget and the associated property tax rates and charges for services.

In preparing the budget, the Town Board, Supervisor, and Highway Commissioner take into consideration long term goals of the Town along with any unforeseen expenses which may occur.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 847-634-4600.

TOWN OF VERNON
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
MARCH 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	$ 3,346,343
Capital assets	
Land	983,909
Depreciable buildings and equipment, net	4,116,287
Total assets	$ 8,446,539
LIABILITIES	
Current liabilities	
Road bonds	$ 42,000
Total liabilities	42,000
NET POSITION	
Net investment in capital assets	5,100,196
Restricted	
Special revenues	1,892,275
Unrestricted	1,412,068
Total net position	8,404,539
Total liabilities and net position	$ 8,446,539

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

TOWN OF VERNON
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED MARCH 31, 2017

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
General governmental services	$ 1,542,074	$ 92,836	$ 10,096	$ -	$ (1,439,142)
Assessor	497,832	-	-	-	(497,832)
Road and bridge maintenance	1,327,775	25,724	-	-	(1,302,051)
Park operations	373,588	173,648	-	-	(199,940)
Home relief	15,730	-	-	-	(15,730)
Cemetery	60,301	66,400	-	-	6,099
Metra station maintenance	207,806	126,146	-	-	(81,660)
Total governmental activities	$ 4,025,106	$ 484,754	$ 10,096	$ -	(3,530,256)
General revenues					
Property taxes					3,410,518
State replacement taxes					26,254
Interest					9,572
Miscellaneous					36,669
Gain (loss) on sale of capital asset					3,690
Total general revenues					3,486,703
Change in net position					(43,553)
Beginning of year					8,448,092
End of year					$ 8,404,539

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

EXHIBIT C

TOWN OF VERNON
STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)
GOVERNMENTAL FUNDS
MARCH 31, 2017

ASSETS	General	Road and Bridge	Permanent Road	Park Maintenance	Metra Station	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	$ 1,392,068	$ 354,630	$ 248,449	$ 459,202	$ 597,465	$ 294,529	$ 3,346,343
Due from other funds	20,000	-	-	-	-	-	20,000
Total assets	$ 1,412,068	$ 354,630	$ 248,449	$ 459,202	$ 597,465	$ 294,529	$ 3,366,343
LIABILITIES AND FUND BALANCE							
Liabilities							
Road bonds	$ -	$ 42,000	$ -	$ -	$ -	$ -	$ 42,000
Due to other funds	-	-	-	-	20,000	-	20,000
Total liabilities	-	42,000	-	-	20,000	-	62,000
Fund Balance							
Restricted							
Special revenues	-	312,630	248,449	459,202	249,225	294,529	1,564,035
Committed - maintenance	-	-	-	-	328,240	-	328,240
Unassigned	1,412,068	-	-	-	-	-	1,412,068
Total fund balance	1,412,068	312,630	248,449	459,202	577,465	294,529	3,304,343
Total liabilities and fund balance	$ 1,412,068	$ 354,630	$ 248,449	$ 459,202	$ 597,465	$ 294,529	$ 3,366,343

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

TOWN OF VERNON
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS) TO THE STATEMENT OF NET POSITION
MARCH 31, 2017

Total fund balance - governmental funds		$ 3,304,343
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
The cost of capital assets (land, buildings, equipment and infastructure) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of the Town as a whole.		
Capital outlay:		
General fund	$ 1,921,331	
Cemetery fund	350,703	
Road and bridge fund	1,400,762	
Permanent road fund	4,681,606	
Park maintenance fund	2,637,166	
Metra station fund	1,341,205	
		12,332,773
Accumulated depreciation:		
General fund	715,339	
Cemetery fund	59,854	
Road and bridge fund	776,874	
Permanent road fund	3,085,835	
Park maintenance fund	1,553,695	
Metra station fund	1,040,980	
		(7,232,577)
Net position of the governmental activities		$ 8,404,539

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

TOWN OF VERNON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2017

	General	Road and Bridge	Permanent Road	Park Maintenance	Metra Station	Nonmajor Governmental Funds	Total Governmental Funds
CASH RECEIPTS							
Property taxes	$ 2,065,267	$ 472,465	$ 693,184	$ 179,602	$ -	$ -	$ 3,410,518
State replacement tax	9,537	16,717	-	-	-	-	26,254
Interest	3,613	1,487	515	587	2,521	849	9,572
Intergovernmental agreement	-	25,724	-	-	-	-	25,724
Rentals	13,756	-	-	7,819	-	-	21,575
Passport revenue	64,239	-	-	-	-	-	64,239
Park fees	-	-	-	165,829	-	-	165,829
Parking fees	-	-	-	-	126,146	-	126,146
Taxi	14,841	-	-	-	-	-	14,841
Cemetery lot sales	-	-	-	-	-	47,500	47,500
Grave opening fees	-	-	-	-	-	18,900	18,900
Miscellaneous	22,749	1,461	19,846	359	-	2,350	46,765
Total cash receipts	2,194,002	517,854	713,545	354,196	128,667	69,599	3,977,863
DISBURSEMENTS							
Current							
General governmental services	1,507,596	276,554	-	-	-	-	1,784,150
Assessor	497,832	-	-	-	-	-	497,832
Road maintenance	-	214,146	367,702	-	-	-	581,848
Park operations	-	-	-	335,706	-	-	335,706
Home relief	-	-	-	-	-	15,730	15,730
Cemetery	-	-	-	-	-	51,052	51,052
Metra station maintenance	-	-	-	-	148,138	-	148,138
Capital acquisitions	28,117	53,794	269,380	10,157	93,967	-	455,415
Total disbursements	2,033,545	544,494	637,082	345,863	242,105	66,782	3,869,871
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	160,457	(26,640)	76,463	8,333	(113,438)	2,817	107,992
OTHER SOURCES (USES)							
Proceeds from sale of equipment	3,690	-	-	-	-	-	3,690
Interfund transfer	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	164,147	(26,640)	76,463	8,333	(113,438)	2,817	111,682
FUND BALANCE							
Beginning of year	1,247,921	339,270	171,986	450,869	690,903	291,712	3,192,661
End of year	$ 1,412,068	$ 312,630	$ 248,449	$ 459,202	$ 577,465	$ 294,529	$ 3,304,343

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

TOWN OF VERNON
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CASH BASIS) TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017

Net change in fund balances - total governmental funds		$ 111,682
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which outlays for assets capitalized exceeds depreciation expense in the current period.		
Capital outlay:		
General fund	$ 28,117	
Cemetery fund	-	
Road and bridge fund	53,794	
Permanent road fund	269,380	
Park maintenance fund	10,157	
Metra station fund	93,967	
		455,415
Depreciation expense:		
General fund	34,478	
Cemetery fund	9,249	
Road and bridge fund	92,114	
Permanent road fund	377,259	
Park maintenance fund	37,882	
Metra station fund	59,668	
		(610,650)
Gains and losses on the sale and trade-in of capital assets are not reported in governmental funds, however, they are a component of the general revenues in the Statement of Activities.		
Capital asset deletions	24,219	
Related accumulated depreciation	(24,219)	
		-
Change in net position of governmental activites		$ (43,553)

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

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Principles Used to Determine Scope of Entity

The Town is a primary government as defined by Governmental Accounting Standards Board Statement 14. The Town's Road District is governed by the same Board as the Town. For financial reporting purposes the Town's Road District is reported as if it were part of the Town's operations because its purpose is to construct and maintain roads within the Town.

2. Basis of Presentation

Government-Wide Statements -The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. All of the Town's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The Town has no operating activities that would be considered "business activities".

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements- The accounts of the Town in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues collected, and expenditures paid. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements. The emphasis in fund financial statements is on the major funds. Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The following fund types are used by the Town:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. The Town maintains six special revenue funds. The Road and Bridge and Permanent Hard Road Funds, both major funds, account for expenditures relating to road projects, which are funded mainly by property taxes. The Park Maintenance Fund, a major fund, accounts for revenue and expenditures related to recreation programs funded mainly by property taxes and user fees. The Metra Station Fund, a major fund, accounts for revenue and expenditures relating to the upkeep of the Prairie View Metra Station which is funded by parking fees.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are presented using the modified cash basis of accounting. The Town maintains its accounting records for all funds on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. The cash basis of accounting is modified by reflecting accumulated depreciation and depreciation expense related to capital assets on the government-wide financial statements.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

4. Assets and Liabilities

Cash and Cash Equivalents - 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 - Investments are reported at cost, which approximates fair value. Gains or losses on the sale of investments are recognized upon realization.

Inventories - It is the Town's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

Capital Assets - Capital assets, which include land, land improvements, buildings, infrastructure, machinery and equipment, and construction in progress are reported in the government – wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than $10,000 ($25,000 for infrastructure assets) and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Under GASB 34, the Town elected to begin capitalizing infrastructure assets on April 1, 2004.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight line method over the following estimated useful lives: land improvements – 10 years, buildings – 20 to 50 years, infrastructure – 10 to 50 years, machinery and equipment – 5 to10 years.

Compensated Absences - Under the cash basis of accounting, the Town does not accrue accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. Vacations and the associated employee-related costs are recorded when paid.

Eliminations and Reclassifications - In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

5. Net Position/Fund Balance Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.

b. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted – All other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, the Town implemented in 2012 GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in a nonspendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the Town takes the same highest level of action to remove or change the constraint.
- Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained the authority to assign fund balances.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget.

6. Budgets and Budgetary Accounting

The budget for all funds is prepared on the cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts.

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

a. The Town Supervisor and Road District Commissioner submit to the Town's Board of Trustees a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. The budget is legally enacted through passage of an ordinance. The ordinance was passed on April 16, 2016. No budgets were amended during the current year.

d. The Town's Supervisor and Road District Commissioner are authorized to transfer budgeted amounts of up to 10% of amount budgeted between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town's Board of Trustees. There were no revisions to the budget.

e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

f. Budgets for all funds are adopted on the cash basis. Budgetary comparisons presented in this report are on the cash basis of accounting.

7. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits and Investments - Statutes authorize the Town to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool. The Illinois Funds Investment Pool is an external investment pool regulated by State statutes, and values participant's shares on a fair value basis. The fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Custodial Credit Risk. For an investment, custodial credit is risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments, if any, are registered in the Town's name. Town policy requires that bank deposits in excess of FDIC limits are collateralized with securities held by the financial institution's agents in the Town's name.

The carrying amount of deposit accounts at March 31, 2017 was $2,214,201 and the bank balance was $2,313,545. The deposits are categorized in accordance with risk factors established by governmental reporting standards.

Amount insured by FDIC	$	1,404,097
Amount collateralized with securities held by the pledging financial institution's agent in the Town's name		908,994
Uncollateralized balance		454
Total bank balance	$	2,313,545

In addition, the Town had $200 of cash on hand has of March 31, 2017.

Interest Rate Risk. Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The Town's investment policy does not limit the maturities of investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

		Maturity in years	
	Total	Less than one year	More than one year
Petty cash	$ 200	$ 200	$ -
Investments:			
Illinois Funds	1,131,942	1,131,942	-
Total investments	1,131,942	1,131,942	-
Deposit accounts:			
Certificates of deposit	721,387	721,387	-
Other deposit accounts	1,492,814	1,492,814	-
Total deposit accounts	2,214,201	2,214,201	-
Total cash and investments	$ 3,346,343	$ 3,346,343	$ -

Credit Risk. The Town invests in certificates of deposit and Illinois Funds. Among others, the Town is allowed to invest in banks insured by the Federal Deposit Insurance Corporation, obligations of the Treasury and U.S. Agencies and the Illinois Funds. The Town's investment in Illinois Funds was rated AAAm by Standard and Poor's.

Investments

Fair Value Measurements. GASB Statement No.72, Fair Value Measurement and Application establishes a fair value hierarchy for investments that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities in active markets; Level 2 inputs consist of other than quoted market prices included in Level 1 that are either directly or indirectly observable for the asset, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The Town's investments in certificates of deposit do not require separate reporting under *GASB Statement No.72.*

The following table summarizes investments measured at fair value based on NAV per share:

March 31, 2017	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Illinois Funds	$1,131,942	n/a	Daily	n/a

NOTE C - PROPERTY TAXES

The Town's property tax is levied each year on all taxable real property located in the Town and is extended by the county clerk on or before the last Tuesday in December of the year of levy. The lien date is January 1 of the year of the levy. Taxes are due to the County in two equal installments on June 1 and September 1 of the year following the levy year. Distributions are made to the Town by the County shortly after collection by the County. The 2015 levy was adopted by the Town on December 12, 2015 and the 2016 levy was adopted on November 12, 2016. The 2015 levy is included in the current year's cash receipts and was allocated as follows:

Fund	2015 Levy
Town	$ 2,065,267
Road and bridge	472,465
Permanent road	693,184
Park maintenance	179,602
General assistance	-
	$ 3,410,518

NOTE D - CAPITAL ASSETS

A summary of changes in the Town's capital assets is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Land, not depreciated	$ 983,909	$ -	$ -	$ 983,909
Construction in progress	-	-	-	-
Land improvements	2,012,523	-	-	2,012,523
Building and improvements	2,661,035	-	-	2,661,035
Machinery and equipment	1,190,550	38,274	(24,219)	1,204,605
Infrastructure	5,053,560	417,141	-	5,470,701
Totals	11,901,577	455,415	(24,219)	12,332,773
Accumulated depreciation	6,646,146	610,650	(24,219)	7,232,577
Net totals	$ 5,255,431	$ (155,235)	$ -	$ 5,100,196

Depreciation expense was charged to governmental activities as follows:

General government	$ 34,478
Road and bridge maintenance	469,373
Park operations	37,882
Cemetery	9,249
Metra maintenance	59,668
	$ 610,650

NOTE E – INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at March 31, 2017 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 20,000	$ -
Metra Station	-	20,000
	$ 20,000	$ 20,000

The interfund balances resulted from the time lag between the dates that: (1) transactions are recorded in the accounting system, and (2) payments between funds are made.

NOTE F - DEFERRED COMPENSATION PLAN

Employees of the Town may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation plans with Respect to Service for State and Local Governments.)

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. The Town has an obligation of due care in selecting this third party administrator.

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description

The Town'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 Town's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available comprehensive financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.imrf.org.

Benefits Provided

IMRF provides retirement, disability, post retirement increases, and death benefits. Your "Tier" determines your IMRF benefits. Your tier is determined by the first date you began participating in IMRF or certain Illinois reciprocal systems. Most IMRF members participate in the Regular plan. Regular plan members work for local units of government that participate in IMRF. Government types include school districts, cities, villages, townships, counties (except Cook), fire protection districts, library districts, and park districts.

If you first participated in IMRF or reciprocal system (except Judges or General Assembly retirement systems):

- Before January 1, 2011, you are in Tier 1
- On or after January 1, 2011, you are in Tier 2

To begin receiving an IMRF Tier 1 Regular Plan pension, you:

- Must have at least eight years of service credit (can include reciprocal retirement system service credit)
- Cannot be working in any position which qualifies for IMRF participation.
- Must be at least age 55.

Although you can retire as early as age 55, age 60 is your full retirement age. Your pension may be reduced if you retire before age 60, depending upon the amount of service credit you have.

Under Tier 1, your pension is increased by 3% of the original amount on January 1 every year after you retire. Your first annual increase is based upon the number of months you are retired in your first year. If your pension effective date is January 1, your first year increase will also be 3%. Otherwise, your first year increase will be less than 3%.

Under Tier 2, your pension is increased by the lower of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding year of the original amount. Annual increases begin the January following the year you reach age 67 or after you receive one year of pension payments, whichever is later. If the CPI decreases or is zero, no increase is paid.

For additional benefit information, please see pages B-1 - B-5 of the December 31, 2016 Annual Actuarial Valuation report dated March 22, 2017 or Article 7 of the Illinois Pension Code.

Employees Covered by Benefit Terms.

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries	15
Inactive, non-retired members	8
Active members	21
	44

Contributions

As set by statute, the Town's Regular plan members are required to contribute 4.50 percent 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 Town's annual required contribution rate for calendar year 2016 was 9.41 percent. The Town also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

The Town's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	2.75 percent
Salary Increases	3.75 percent to 14.50 percent including inflation
Investment Rate of Return	7.50 percent

Projected retirement age was from the experience-based table of rates that are specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

For non-disabled retirees, an IMRF specific mortality tables was used with fully generational projection scale MP-2014 (based year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table, with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

Asset Class	Target	Long-term Expected Real Rate of Return
Domestic Equity	38.0%	6.9%
International Equity	17.0%	6.8%
Fixed Income	27.0%	3.0%
Real Estate	8.0%	5.8%
Alternative Investments	9.0%	2.65-7.35%
Cash Equivalents	1.0%	2.25%

Single Discount Rate

The 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 the actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; municipal bond rate is 3.78% (based on weekly rate closest to but not later than the measurement date of the "20-Bond Go Index" and the resulting single discount rate is 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Pension Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used.

In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required.

Changes in Net Pension Liability – Calendar Year Ended December 31, 2016

Total pension liability		
Service cost	$	147,861
Interest on the total pension liability		601,450
Changes of benefit terms		-
Difference between expected and actual experience		(83,230)
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(306,117)
Net change in total pension liability	$	359,964
Total pension liability - beginning		8,098,464
Total pension liability - ending	$	8,458,428
Plan fiduciary net position		
Contributions - employer	$	125,666
Contributions - employee		60,095
Net investment income		545,248
Benefit payments, including refunds of employee contributions		(306,117)
Other (net transfer)		92,749
Net change in plan fiduciary net position	$	517,641
Plan fiduciary net position - beginning		7,875,638
Plan fiduciary net position - ending	$	8,393,279
Net pension liabillity/(asset)	$	65,149
Plan fiduciary net position as a percentage of the total pension liability		99.23%
Covered valuation payroll	$	1,335,448
Net pension liability as a perecentage of covered payroll		4.88%

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Town calculated using the Single Discount Rate of 7.50% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	$ 1,045,872	$ 65,149	$ (752,603)

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

For the year ended December 31, 2016, the Town recognized pension expense of $36,823 and calculated net future deferred outflows of resources in the amount of $151,407 related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 217,610
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	369,017	-
Total deferred future amounts	$ 369,017	$ 217,610

Amounts reported as net future deferred outflows of resources related to pensions will be recognized as pension expense in the following periods:

Year ended December 31:	
2017	$ 29,994
2018	29,994
2019	84,939
2020	6,480
2121	-
Thereafter	-
Total	$ 151,407

NOTE H – POST-EMPLOYMENT BENEFITS

The Town has evaluated its potential other post-employment benefits liability. The Town offers continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Town are required to pay 100% of the premium. No former employees have chosen to stay in the Town's health insurance plan. There has been 0% utilization and there is 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 Town has no former employees for whom the Town was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. The Town has no postemployment liability as of March 31, 2017.

NOTE I – FUND BALANCES

As of March 31, 2017, restricted fund balances are composed of the following:

Activity	Amount
Road and bridge maintenance	$ 312,630
Permanent road	248,449
Park operations	459,202
Metra station	249,225
General assistance	31,495
Cemetery	263,034
Total restricted net assets	$ 1,564,035
Committed Net Assets	
Metra Station - maintenance	$ 328,240

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned balances are available, the Town considers amounts to have been spent first from committed funds, next from assigned funds, and lastly from unassigned funds, unless the Board of Trustees has provided for otherwise in its commitment or assignment actions.

NOTE J - RISK MANAGEMENT

The Township 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.

The Town participates in the Township Officials of Illinois Risk Management Association (TOIRMA). TOIRMA is an organization of townships and road districts in Illinois, which have formed an association under the Illinois Intergovernmental Cooperation Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages, property, casualty and workers compensation claim administration/litigation management services, unemployment claim administration, risk management/loss control consulting and training programs and a risk information system and financial reporting service for its members.

The Association is governed by a Board of Trustees which, at a minimum, shall be comprised of five individuals who are elected or appointed officials of member townships and/or road districts. The Chairman of the Board of Trustees is elected by majority vote of the Board.

The government's payments to TOIRMA are included in the financial statements as expenditures in the appropriate funds.

The relationship between the Township and TOIRMA is governed by a contract and by-laws that have been adopted by resolution at each unit's governing body. The Town is contractually obligated to make all annual and supplementary contributions for TOIRMA, to report claims on a timely basis, cooperate with TOIRMA, its claims administrator, and attorneys in claims investigation and settlement, and to follow risk management procedures outline by TOIRMA. Members have a contractual obligation to fund any deficit of TOIRMA attributable to a membership during which they were a member.

TOIRMA is responsible for administering the self-insurance program and purchasing excess insurance according to direction of the Board of Directors. TOIRMA also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended March 31, 2017, there were no significant reductions in insurance coverage. The Town has not paid any settlements in excess of insurance coverage in the past three fiscal years.

The Town carries commercial insurance for risks of loss for employee health coverage.

NOTE K – MOTOR FUEL TAX ALLOTMENTS

The Town Highway Department has accumulated motor fuel tax funds from the State of Illinois Department of Transportation. In accordance with state statutes, this money is deposited with the County and recorded by the County in a Trust and Agency Fund. During the fiscal year, the Town was allocated $7,989 of motor fuel tax funds. The Town can use these funds to finance repairs and maintenance of Town roads. When motor fuel tax funds are spent, they are recorded as revenues and expenses in the Permanent Road Fund. The Town had an available balance of $4,695 at the end of the fiscal year and $19,846 was disbursed during the fiscal year.

NOTE L – CHANGE IN ACCOUNTING PRINCIPLE

Effective for the year ended March 31, 2017, the Town has implemented *GASB Statement No.72, Fair Value Measurement and Application* which establishes new requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

NOTE M – SUBSEQUENT EVENTS

The Town has evaluated subsequent events through October 31, 2017, the date on which the financial statements were available to be issued.

SCHEDULE 1

TOWN OF VERNON
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

	2016		2015	
TOTAL PENSION LIABILITY				
Service cost	$ 147,861		$ 153,832	
Interest on the total pension liability	601,450		589,517	
Changes in benefit terms	-		-	
Difference between expected and actual experience	(83,230)		(294,278)	
Changes of assumptions	-		-	
Benefit payments	(306,117)		(267,825)	
Net change in total pension liability	359,964		181,246	
Total pension liability - beginning	8,098,464		7,917,218	
Total pension liability - ending		$ 8,458,428		$ 8,098,464
PLAN FIDUCIARY NET PENSION				
Employer contributions	125,666		135,587	
Employee contributions	60,095		60,953	
Net investment income	545,248		40,104	
Benefit payments	(306,117)		(267,825)	
Other (net transfer)	92,749		(149,564)	
Net change in plan fiduciary net position	517,641		(180,745)	
Plan fiduciary net position - beginning	7,875,638		8,056,383	
Plan fiduciary net position - ending		8,393,279		7,875,638
NET PENSION LIABILITY (ASSET)		$ 65,149		$ 222,826
Plan fiduciary net position as a percentage of the total pension liability	99.23%		97.25%	
Covered valuation payroll	$ 1,335,448		$ 1,354,523	
Net pension liability as a percentage of covered valuation payroll	4.88%		16.45%	

Note: The Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans, An Amendment to GASB Statement No. 27*. The Statement requires the last ten fiscal years of information to be presented. Information prior to 2015 was unavailable.

SCHEDULE 2

TOWN OF VERNON
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Valuation Payroll (c)	Actual Contribution as a % of Covered Valuation Payroll (b/c)
December 31,					
2015	$ 135,588	$ 135,588	$ -	$ 1,354,523	10.01%
2016	125,666	125,666	-	1,335,448	9.41%

Note: The Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans, An Amendment to GASB Statement No. 27*. The Statement requires the last ten fiscal years of information to be presented. Information prior to 2015 was unavailable.

TOWN OF VERNON
ILLINOIS MUNICIPAL RETIREMENT FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate
Based on Valuation Assumptions used in the December 31, 2014 Actuarial Valuation

Valuation Date

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

Methods and Assumptions Used to Determine 2016 Contribution Rates

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level of Percentage of Payroll, Closed
Remaining Amortization Period:	27-year closed period until remaining period reaches 15 years.
Asset Valuation Method:	5-Year smoothed market: 20% corridor
Wage Growth:	3.5%
Price Inflation:	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50% including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same 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 2012). The IMRF specific rates were developed from the RP-2014Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Notes: There were no benefit changes during the year.

TOWN OF VERNON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	$ 2,070,000	$ 2,065,267	$ (4,733)
State replacement tax	10,000	9,537	(463)
Interest	3,000	3,613	613
Rentals	12,000	13,756	1,756
Passport revenue	70,000	64,239	(5,761)
Grants	-	-	-
Taxi	15,000	14,841	(159)
Miscellaneous	22,500	22,749	249
Total cash receipts	2,202,500	2,194,002	$ (8,498)
DISBURSEMENTS			
General governmental services	2,104,600	1,507,596	$ (597,004)
Assessor	542,825	497,832	(44,993)
Capital acquisitions	329,000	28,117	(300,883)
Total disbursements	2,976,425	2,033,545	$ (942,880)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(773,925)	160,457	
OTHER SOURCES (USES)			
Proceeds from sale of assets	-	3,690	
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(773,925)	164,147	
FUND BALANCE - Beginning of year	1,247,921	1,247,921	
FUND BALANCE - End of year	$ 473,996	$ 1,412,068	

TOWN OF VERNON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	$ 477,000	$ 472,465	$ (4,535)
State replacement tax	16,000	16,717	717
Interest	500	1,487	987
Intergovernmental agreement	25,000	25,724	724
Fines	200	-	(200)
Miscellaneous	20,000	1,461	(18,539)
Total receipts	538,700	517,854	$ (20,846)
DISBURSEMENTS			
General governmental services	343,650	276,554	(67,096)
Maintenance	463,655	214,146	(249,509)
Capital acquisitions	101,000	53,794	(47,206)
Total disbursements	908,305	544,494	$ (363,811)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(369,605)	(26,640)	
OTHER SOURCES (USES)			
Proceeds from sale of assets	-	-	
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(369,605)	(26,640)	
FUND BALANCE - Beginning of year	339,270	339,270	
FUND BALANCE - End of year	$ (30,335)	$ 312,630	

TOWN OF VERNON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PERMANENT ROAD FUND
YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	$ 694,000	$ 693,184	$ (816)
Interest	500	515	15
Miscellaneous	19,500	19,846	346
Total cash receipts	714,000	713,545	$ (455)
DISBURSEMENTS			
Maintenance	885,578	637,082	$ (248,496)
Capital acquisitions	-	-	-
Total disbursements	885,578	637,082	$ (248,496)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(171,578)	76,463	
OTHER SOURCES (USES)			
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(171,578)	76,463	
FUND BALANCE - Beginning of year	171,986	171,986	
FUND BALANCE - End of year	$ 408	$ 248,449	

TOWN OF VERNON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PARK MAINTENANCE FUND
YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	$ 180,000	$ 179,602	$ (398)
Interest	100	587	487
Rentals	7,400	7,819	419
Park fees	153,500	165,829	12,329
Grants	-	-	-
Miscellaneous	500	359	(141)
Total cash receipts	341,500	354,196	$ 12,696
DISBURSEMENTS			
Capital acquisitions	145,000	10,157	$ (134,843)
Operations	335,800	335,706	(94)
Total disbursements	480,800	345,863	$ (134,937)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(139,300)	8,333	
OTHER SOURCES (USES)			
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(139,300)	8,333	
FUND BALANCE - Beginning of year	450,869	450,869	
FUND BALANCE - End of year	$ 311,569	$ 459,202	

TOWN OF VERNON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - METRA STATION FUND
YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Parking fees	$ 110,000	$ 126,146	$ 16,146
Interest	1,000	2,521	1,521
Miscellaneous	500	-	(500)
Total cash receipts	111,500	128,667	$ 17,167
DISBURSEMENTS			
Capital acquisitions	10,000	93,967	$ 83,967
Metra station maintenance	354,400	148,138	(206,262)
Total disbursements	364,400	242,105	$ (122,295)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(252,900)	(113,438)	
OTHER SOURCES (USES)			
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(252,900)	(113,438)	
FUND BALANCE - Beginning of year	690,903	690,903	
FUND BALANCE - End of year	$ 438,003	$ 577,465	

Note 1 - Budgetary Basis of Accounting

Budgets are adopted on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Note 2 - Over Expenditure of Budget

None of the funds had total expenditures which exceeded their total budget.

TOWN OF VERNON
COMBINING STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2017

	General Assistance	Cemetery	Total
ASSETS			
Cash	$ 31,495	$ 263,034	$ 294,529
Due from other funds	-	-	-
Total assets	$ 31,495	$ 263,034	$ 294,529
LIABILITIES AND FUND BALANCES			
Liabilities	$ -	$ -	$ -
Fund balances			
Reserved			
Special revenues	31,495	263,034	294,529
Unassigned	-	-	-
Total fund balances	31,495	263,034	294,529
Total liabilities and fund balances	$ 31,495	$ 263,034	$ 294,529

TOWN OF VERNON
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2017

	General Assistance	Cemetery	Total
CASH RECEIPTS			
Property taxes	$ -	$ -	$ -
Interest	142	707	849
Cemetery lot sales	-	47,500	47,500
Grave opening fees	-	18,900	18,900
Miscellaneous	250	2,100	2,350
Total cash receipts	392	69,207	69,599
DISBURSEMENTS			
Home relief	15,730	-	15,730
Cemetery	-	51,052	51,052
Capital acquisitions	-	-	-
Maintenance	-	-	-
Total disbursements	15,730	51,052	66,782
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,338)	18,155	2,817
OTHER SOURCES (USES)			
Interfund transfer	-	-	-
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(15,338)	18,155	2,817
FUND BALANCES - Beginning of year	46,833	244,879	291,712
FUND BALANCES - End of year	$ 31,495	$ 263,034	$ 294,529

TOWN OF VERNON
COMPARATIVE TAX DATA
MARCH 31, 2017

YEAR OF LEVY	2016	2015	2014	2013	2012	2011
TAX EXTENSION						
Corporate	$ 2,186,370	$ 2,068,956	$ 1,983,427	$ 1,943,767	$ 1,885,818	$ 1,883,205
General assistance	29,782	-	-	-	34,923	75,328
Cemetery	-	-	-	-	-	-
Road and bridge (net)	475,526	473,320	476,068	477,112	479,100	477,433
Permanent road	708,774	694,363	670,779	435,672	698,451	414,305
Park maintenance	59,527	179,924	238,596	234,593	174,613	188,321
	$ 3,459,979	$ 3,416,563	$ 3,368,870	$ 3,091,144	$ 3,272,905	$ 3,038,592
TAX RATES						
Corporate	0.0587	0.0593	0.059	0.058	0.054	0.050
General assistance	0.0008	-	-	-	0.001	0.002
Cemetery	-	-	-	-	-	-
Road and bridge	0.0243	0.0257	0.026	0.027	0.026	0.024
Permanent road	0.0190	0.0199	0.020	0.013	0.020	0.011
Park maintenance	0.0016	0.0052	0.007	0.007	0.005	0.005
	0.1044	0.1101	0.112	0.105	0.106	0.092
ASSESSED VALUATION	$ 3,722,747,704	$ 3,489,611,822	$ 3,353,895,158	$ 3,351,323,189	$ 3,492,255,942	$ 3,766,410,622
COLLECTIONS		$ 3,409,811	$ 3,358,856	$ 3,085,501	$ 3,269,871	$ 3,036,311
Ratio of collections to extensions		99.80%	99.70%	99.82%	99.91%	99.92%

Tax extensions above reflect only the Town's portion of the Road and Bridge Levy.
Tax rates reflect the gross used for extension purposes by the County.