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& COMPANY, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**VILLAGE OF FREEBURG, ILLINOIS**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED  
MARCH 31, 2016

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# VILLAGE OF FREEBURG, ILLINOIS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Board  
of Trustees of the Village of  
Freeburg, Illinois:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Freeburg, Illinois as of and for the year ended March 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 the governmental funds financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the governmental fund financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the business-type and proprietary fund financial statements in accordance with accounting principles generally accepted in the United States of America. 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 error or fraud.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (accrual basis), each major fund and the aggregate remaining fund information of the Village of Freeburg, Illinois, as of March 31, 2016, and the respective changes in financial position and, where applicable, cash flows (Governmental activities - modified cash basis, Business-type activities – accrual basis) thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## **Change in Accounting Principle**

As discussed in Note 8 to the financial statements, in 2016 the Village of Freeburg adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## **Basis of Accounting**

We draw attention to Note 1 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, except for the Village's Proprietary Funds, which have been prepared on the accrual basis of accounting. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information/Other Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 12, the budgetary comparison information on page 42, and the schedules of pension funding information on pages 43-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Freeburg, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*C. J. Schuman & Co. LLC*  
Certified Public Accountants  
Alton, Illinois

August 24, 2016

## **VILLAGE OF FREEBURG, ILLINOIS** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Village of Freeburg, Illinois' (Village) annual audit presents a management's discussion and analysis of the Village's financial activity during the fiscal year ended March 31, 2016. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the Village.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to the Village's basic financial statements. There are three components to the basic financial statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information/other information in addition to the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude any fiduciary fund activities.

The government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, sanitation and development. The business-type activities include water, sewer, electric light and power, and swimming pool.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. Changes in net position are reported on the modified cash basis of accounting for the governmental activities and the accrual basis of accounting for the business-type activities.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and proprietary.

**Governmental Funds.** Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financial decisions. Both the governmental fund statement of assets, liabilities and fund balances arising from modified cash basis transactions and the governmental fund statement of revenues and expenditures arising from modified cash basis transactions provide a reconciliation to facilitate this comparison between the governmental funds and the government-wide governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental funds statement of assets, liabilities and fund balances arising from modified cash basis transactions and in the governmental fund statement of revenues and expenditures arising from modified cash basis transactions for the major fund: General Fund. Data for the other nonmajor governmental funds are combined in the supplementary information and reported in total in a separate column.

The Village adopts an annual budget for all governmental funds. A budgetary comparison schedule for the General Fund has been provided to demonstrate legal compliance with the adopted budget.

**Proprietary funds.** Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water, sewer, electric light and power, and swimming pool operations.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information/Other Information.** The Village reports budgetary comparison and retirement funding progress related to IMRF as required supplementary information/other information following the notes to the financial statements.

**Other supplementary information.** The combining fund statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Basis of accounting.** The Village presents its financial statements for the governmental funds on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Village's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense related to capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for unbilled or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements for the governmental funds. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Village has presented its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$10,304,639 at the close of the most recent fiscal year.

The largest portion of the Village's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The condensed statement of net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Current and other assets	\$ 1,711,086	\$ 1,753,479	\$ 3,877,341	\$ 4,014,581	\$ 5,588,427	\$ 5,768,060
Capital assets	1,095,680	790,266	11,109,418	11,516,659	12,205,098	12,306,925
Total assets	<u>2,806,766</u>	<u>2,543,745</u>	<u>14,986,759</u>	<u>15,531,240</u>	<u>17,793,525</u>	<u>18,074,985</u>
Long-term liabilities						
outstanding	1,630,000	1,813,885	5,355,201	5,285,116	6,985,201	7,099,001
Other liabilities	6,673	3,423	497,012	490,134	503,685	493,557
Total liabilities	<u>1,636,673</u>	<u>1,817,308</u>	<u>5,852,213</u>	<u>5,775,250</u>	<u>7,488,886</u>	<u>7,592,558</u>
Net position:						
Invested in capital assets, net of related debt	1,095,680	790,266	6,262,983	6,231,543	7,358,663	7,021,809
Restricted	620,339	706,997	-	-	620,339	706,997
Unrestricted	(545,926)	(770,826)	2,871,563	3,524,447	2,325,637	2,753,621
Total net position	<u>\$ 1,170,093</u>	<u>\$ 726,437</u>	<u>\$ 9,134,546</u>	<u>\$ 9,755,990</u>	<u>\$ 10,304,639</u>	<u>\$ 10,482,427</u>

Total net position decreased \$177,788 resulting in a balance of \$10,304,639 as of March 31, 2016. Current assets, which include cash, investments and accounts receivable, decreased \$179,633. Non-current assets decreased \$101,827, due to current year depreciation being in excess of additions. Total liabilities decreased \$103,672 resulting in a balance of \$7,488,886 as of March 31, 2016. Outstanding debt, including long-term and short-term portions, decreased \$116,800 due to principal payments on the outstanding bonds.

The change in net position is further examined in the Analysis of Net Position section of the MD&A.

**ANALYSIS OF NET POSITION**

<u>Analysis of Net Position</u>	2016		2015	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net invested in capital assets	71.4%	\$ 7,358,663	67.0%	\$ 7,021,809
Restricted	6.0%	620,339	6.7%	706,997
Committed	0.9%	94,997	0.3%	35,402
Unrestricted	<u>21.6%</u>	<u>2,230,640</u>	<u>25.9%</u>	<u>2,718,219</u>
Total net position	<u>100.0%</u>	<u>\$ 10,304,639</u>	<u>100.0%</u>	<u>\$ 10,482,427</u>

Total net position balances decreased by \$177,788 in fiscal year 2016 to a total ending balance of \$10,304,639. Capital net asset balances increased by \$336,854 in the current year due to capital asset additions exceeding debt reductions and depreciation expense. The unrestricted net position balances changed by the net income of operating activities.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The revenue and expenditure comparisons that comprise the current year increase follow.

**REVENUE COMPARISON BY TYPE**

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>
Property tax	\$ 656,980	\$ 665,670
Sales and use tax	483,486	452,053
State income tax	470,794	412,333
Replacement tax	6,258	5,658
Video gaming tax	21,312	14,662
Charges for services	290,417	297,210
Telecommunications tax	113,766	108,713
Motor fuel tax	107,374	107,544
Utility tax	241,897	240,515
Investment income	12,087	8,591
Operating grants	30,333	62,928
Capital grants	197,000	-
Gain on disposal of assets	53,989	360,781
Miscellaneous	31,850	12,100
Total revenues	<u>\$ 2,717,543</u>	<u>\$ 2,748,758</u>

Total revenues for the governmental activities decreased \$31,215 for the year ended March 31, 2016. The decrease is mainly due to the sale of several properties in the previous year.

<u>Business-type Activities</u>	<u>2016</u>	<u>2015</u>
Water charges	\$ 859,864	\$ 847,216
Sewer charges	481,591	475,692
Electric charges	4,943,588	4,966,783
Swimming pool charges	65,118	62,740
Property taxes	52,326	53,282
Investment income	88,154	88,635
Total revenues	<u>\$ 6,490,641</u>	<u>\$ 6,494,348</u>

Total revenues for the business-type activities decreased \$3,707 for the year ended March 31, 2016. The Village had the largest decrease in electric charges and the largest increases in water charges and in sewer charges in the current year.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**EXPENDITURES BY CATEGORY**

**Governmental Activities**

<u>Expenditures by category</u>	<u>2016</u>		<u>2015</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	10.6%	\$ 239,387	10.3%	\$ 271,833
Public safety	52.5%	1,188,959	41.5%	1,097,953
Highways and streets	26.0%	588,702	18.0%	476,846
Sanitation	9.2%	209,463	7.0%	186,281
Development	0.0%	-	17.9%	474,174
Interest on long-term debt	1.7%	38,775	5.1%	135,565
Total expenditures	<u>100.0%</u>	<u>\$ 2,265,286</u>	<u>100.0%</u>	<u>\$ 2,642,652</u>

The Village reported a decrease in expenses for governmental activities of \$377,366. The decrease was due to the Village paying off redevelopment agreement notes in the previous year, which was expensed in the development category. Public safety reported the highest expenditure category with 53% of all governmental expenditures.

The above expenditure categories include amounts for depreciation expense on assets purchased in the current and prior years. The breakdown by category is as follows:

	<u>2016</u>	<u>2015</u>
General government	\$ 23,879	\$ 19,324
Public safety	35,621	33,226
Highways and streets	34,033	24,333
Sanitation	1,335	1,335
Total depreciation	<u>\$ 94,868</u>	<u>\$ 78,218</u>

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled \$203,282.

**Business-type Activities**

<u>Operating Expenditures</u>	<u>2016</u>		<u>2015</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	22.9%	\$ 1,603,465	19.8%	\$ 1,252,421
Contractual services	10.1%	704,678	9.3%	588,071
Electricity and water purchased	48.4%	3,387,461	51.8%	3,283,124
Supplies and materials	3.3%	233,442	3.0%	187,320
Heat, light and power	0.5%	32,099	0.6%	36,493
Depreciation	14.8%	1,035,278	15.6%	991,539
Total expenditures	<u>100.0%</u>	<u>\$ 6,996,423</u>	<u>100.0%</u>	<u>\$ 6,338,968</u>

Expenses in the business-type activities increased in total by \$657,455. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased \$104,337 in the current year.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

FUNDS FINANCIAL ANALYSIS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2016, the Village's governmental funds reported combined ending fund balances of \$1,609,416, a decrease of \$105,238 in comparison with the prior year. A large portion of this balance constitutes unreserved, undesignated fund balance, which is available for spending at the Village's discretion. However, \$620,339 (TIF Fund and Special Revenue Funds) has been restricted for future debt payments and other restricted expenditures.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$989,077. This balance decreased \$18,580 during the current year.

The TIF Fund increased \$12,134 in the current year for a fund balance of \$393,038. The Motor Fuel Tax Fund reported a decrease of \$99,157 for an ending balance of \$199,355. The Impact Fees Fund reported an increase of \$365 in the current year for a fund balance of \$27,946.

**Proprietary fund.** The Village's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Waterworks, Sewer, Electric Light and Power, and Swimming Pool funds at the end of the year amounted to \$2,871,563, a decrease of \$613,622 in comparison with prior year. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's government-wide financial statements.

BUDGETARY HIGHLIGHTS

A comparison of budget and actual expenditures for the General Fund is as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 2,681,359	\$ 2,225,350

The budget was passed on April 6, 2015.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Land	\$ 83,840	\$ 83,840	\$ 305,539	\$ 305,539	\$ 389,379	\$ 389,379
Buildings and Improvements	638,862	610,983	7,365,738	7,290,939	8,004,600	7,901,922
Swimming Pool	-	-	1,072,020	1,064,420	1,072,020	1,064,420
Infrastructure	586,643	277,427	-	-	586,643	277,427
Distribution and Collection Systems	-	-	14,216,037	13,925,385	14,216,037	13,925,385
Vehicles and Equipment	695,421	685,967	2,384,756	2,267,509	3,080,177	2,953,476
	<u>\$ 2,004,766</u>	<u>\$ 1,658,217</u>	<u>\$ 25,344,090</u>	<u>\$ 24,853,792</u>	<u>\$ 27,348,856</u>	<u>\$ 26,512,009</u>

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2016, amounts to \$12,205,098, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total outlay for capital assets for the current year was \$1,028,319. The largest additions in the current year were water line additions, electrical line additions, sewer line additions, a cargo van, a brush chipper, a dump truck, and new pool pavilion and shower house. These additions were offset by current year depreciation expense of \$1,130,146, thereby resulting in a net decrease in net capital assets for the current year. Additional information related to capital assets can be found in Note 5 of the financial statements.

**Long-term Debt**

At the end of 2016, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of \$1,630,000 and \$4,846,435, respectively, compared to \$1,813,885 and \$5,285,116 at the end of 2015.

	Governmental Activities		Business-type Activities		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Loans Payable	\$ -	\$ -	\$ 690,100	\$ 748,668	\$ 690,100	\$ 748,668
Notes Payable	-	33,885	166,335	196,448	166,335	230,333
Bonds Payable	1,630,000	1,780,000	3,990,000	4,340,000	5,620,000	6,120,000
Total Debt	<u>\$ 1,630,000</u>	<u>\$ 1,813,885</u>	<u>\$ 4,846,435</u>	<u>\$ 5,285,116</u>	<u>\$ 6,476,435</u>	<u>\$ 7,099,001</u>

The governmental activities reported decreases in long-term debt of \$183,885. The business-type activities reported a decrease in long-term debt of \$438,681. All reductions were due to scheduled debt retirements. Additional information related to long-term debt can be found in Note 7 of the financial statements.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Freeburg's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's Office, 14 Southgate Center, Freeburg, IL 62243.

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF NET POSITION  
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)  
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)  
MARCH 31, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,525,999	\$ 1,223,036	\$ 2,749,035
Investments	184,838	2,131,535	2,316,373
Receivables (Net of allowance for uncollectible):	-	616,605	616,605
Prepaid Expenses	-	41,903	41,903
Internal Balances	249	(249)	-
Capital Assets:			
Land	83,840	305,539	389,379
Buildings and Improvements	638,862	7,365,738	8,004,600
Swimming Pool	-	1,072,020	1,072,020
Infrastructure	586,643	-	586,643
Distribution and Collection Systems	-	14,216,037	14,216,037
Vehicles and Equipment	695,421	2,384,756	3,080,177
Less: Accumulated Depreciation	<u>(909,086)</u>	<u>(14,234,672)</u>	<u>(15,143,758)</u>
Net Capital Assets	1,095,680	11,109,418	12,205,098
Total Assets	<u>\$ 2,806,766</u>	<u>\$ 15,122,248</u>	<u>\$ 17,929,014</u>
<u>Deferred Outflows of Resources</u>			
Future Pension Expense	<u>\$ -</u>	<u>\$ 225,597</u>	<u>\$ 225,597</u>
<u>Liabilities</u>			
Cash Deficit	\$ -	\$ 361,086	\$ 361,086
Accounts Payable	6,673	279,358	286,031
Accrued Salaries	-	29,606	29,606
Accrued Interest	-	32,450	32,450
Customer Deposits	-	155,598	155,598
Noncurrent Liabilities:			
Due Within One Year	150,000	451,094	601,094
Due In More Than One Year	<u>1,480,000</u>	<u>4,904,107</u>	<u>6,384,107</u>
Total Liabilities	<u>1,636,673</u>	<u>6,213,299</u>	<u>7,849,972</u>
<u>Net Position</u>			
Net Investment in Capital Assets	1,095,680	6,262,983	7,358,663
Restricted	620,339	-	620,339
Committed	94,997	-	94,997
Unrestricted	<u>(640,923)</u>	<u>2,871,563</u>	<u>2,230,640</u>
Total Net Position	<u>\$ 1,170,093</u>	<u>\$ 9,134,546</u>	<u>\$ 10,304,639</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF ACTIVITIES  
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)  
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)  
FOR THE YEAR ENDED MARCH 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 239,387	\$ 55,073	\$ 9,005	\$ -	\$ (175,309)		\$ (175,309)
Public Safety:							
Police	1,184,391	12,376	8,217	-	(1,163,798)		(1,163,798)
Civil Defense	3,540	-	-	-	(3,540)		(3,540)
Highways and Streets	588,702	-	13,111	197,000	(378,591)		(378,591)
Sanitation	209,463	222,968	-	-	13,505		13,505
Interest on Long-Term Debt	39,803	-	-	-	(39,803)		(39,803)
Total Governmental Activities	2,265,286	290,417	30,333	197,000	(1,747,536)		(1,747,536)
<b>Business-type Activities:</b>							
Electric Light and Power	5,255,724	4,943,588	-	-	\$ (312,136)	\$ (312,136)	\$ (312,136)
Waterworks	1,079,701	859,864	-	-	(219,837)		(219,837)
Sewer	611,693	481,591	-	-	(130,102)		(130,102)
Swimming Pool	173,568	65,118	-	-	(108,450)		(108,450)
Total Business-type Activities	7,120,686	6,350,161	-	-	(770,525)	(770,525)	(770,525)
Total Government	\$ 9,385,972	\$ 6,640,578	\$ 30,333	\$ 197,000	(1,747,536)	(770,525)	(2,518,061)
<b>General Revenues:</b>							
Property Tax, Levied for General Purposes					656,980	52,326	709,306
Sales and Use Tax					483,486	-	483,486
Replacement Tax					6,258	-	6,258
State Income Tax					470,794	-	470,794
Telecommunications Tax					113,766	-	113,766
Motor Fuel Tax					107,374	-	107,374
Video Gaming Tax					21,312	-	21,312
Utility Tax					241,897	-	241,897
Unrestricted Investment Earnings					12,087	88,154	100,241
Gain on Disposal of Assets					53,989	-	53,989
Miscellaneous					31,850	-	31,850
Transfers					(8,601)	8,601	-
Total General Revenues					2,191,192	149,081	2,340,273
Change in Net Position					443,656	(621,444)	(177,788)
Net Position - Beginning, As Restated					726,437	9,755,990	10,482,427
Net Position - Ending					\$ 1,170,093	\$ 9,134,546	\$ 10,304,639

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND  
FUND BALANCES ARISING FROM MODIFIED CASH BASIS TRANSACTIONS  
GOVERNMENTAL FUNDS  
MARCH 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 940,386	\$ 490,616	\$ 1,431,002
Investments	40,608	144,230	184,838
Due from Other Funds	14,756	-	14,756
Total Assets	\$ 995,750	\$ 634,846	\$ 1,630,596
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 6,673	\$ -	\$ 6,673
Due to Other Funds	-	14,507	14,507
Total Liabilities	6,673	14,507	21,180
Fund Equity:			
Fund Balance:			
Restricted	-	620,339	620,339
Unassigned	989,077	-	989,077
Total Fund Balance	989,077	620,339	1,609,416
Total Liabilities and Fund Equity	\$ 995,750	\$ 634,846	\$ 1,630,596

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF ASSETS,  
LIABILITIES AND FUND BALANCES ARISING FROM MODIFIED  
CASH BASIS TRANSACTIONS TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2016

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 1,609,416
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	1,095,680
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(1,630,000)
Internal service funds are included in the statement of net position in the government wide financial statements as these funds benefit the general government as a whole.	<u>94,997</u>
Net position of governmental activities	<u>\$ 1,170,093</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF REVENUES AND EXPENDITURES  
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property Tax	\$ 456,914	\$ 200,066	\$ 656,980
Utility Tax	241,897	-	241,897
<b>Intergovernmental:</b>			
Replacement Tax	6,258	-	6,258
Sales Tax	386,645	-	386,645
State Income Tax	470,794	-	470,794
Local Use Tax	96,841	-	96,841
Telecommunications Tax	113,766	-	113,766
Motor Fuel Tax	-	107,374	107,374
Video Gaming Tax	21,312	-	21,312
Grants	30,333	-	30,333
Franchise Fees	23,680	-	23,680
Licenses and Permits	31,393	-	31,393
Fines and Penalties	12,376	-	12,376
Garbage Collection	222,968	-	222,968
Investment Earnings	5,754	6,330	12,084
Miscellaneous	31,850	-	31,850
Total Revenues	<u>2,152,781</u>	<u>313,770</u>	<u>2,466,551</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	215,508	-	215,508
<b>Public Safety:</b>			
Police	1,148,770	-	1,148,770
Civil Defense	3,540	-	3,540
Highways and Streets	392,366	162,303	554,669
Sanitation	208,128	-	208,128
<b>Debt Service:</b>			
Principal	33,885	150,000	183,885
Interest and Charges	1,028	38,775	39,803
Capital Outlay	153,932	49,350	203,282
Total Expenditures	<u>2,157,157</u>	<u>400,428</u>	<u>2,557,585</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,376)</u>	<u>(86,658)</u>	<u>(91,034)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Fixed Asset Sales	53,989	-	53,989
Operating Transfers	(68,193)	-	(68,193)
Total Other Financing Sources (Uses)	<u>(14,204)</u>	<u>-</u>	<u>(14,204)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	<u>(18,580)</u>	<u>(86,658)</u>	<u>(105,238)</u>
Fund Balance, Beginning of Year	<u>1,007,657</u>	<u>706,997</u>	<u>1,714,654</u>
Fund Balance, End of Year	<u>\$ 989,077</u>	<u>\$ 620,339</u>	<u>\$ 1,609,416</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES AND  
EXPENDITURES ARISING FROM MODIFIED CASH BASIS  
TRANSACTIONS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (105,238)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This balance, in addition to contributed capital of \$197,000, represents the amount of these differences as reported in these financial statements.	305,414
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.	183,885
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Activity related to the internal service funds are included in the statement of net position in the government wide financial statements as these funds benefit the general government as a whole.	<u>59,595</u>
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Change in net position of governmental activities	<u>\$ 443,656</u>
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The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 MARCH 31, 2016

	Major Funds					Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total	
<u>Assets</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 571,752	\$ 378,538	\$ 272,746	\$ -	\$ 1,223,036	\$ 94,997
Investments	1,689,000	307,879	134,656	-	2,131,535	-
Receivables:						
Customers	255,421	47,933	27,636	-	330,990	-
Unbilled Revenue	213,204	41,837	24,278	-	279,319	-
Other	6,296	-	-	-	6,296	-
Due From Other Funds	(249)	-	-	-	(249)	-
Prepaid Insurance	35,296	3,297	3,310	-	41,903	-
Total Current Assets	<u>2,770,720</u>	<u>779,484</u>	<u>462,626</u>	<u>-</u>	<u>4,012,830</u>	<u>94,997</u>
Capital Assets:						
Land	211,375	50,094	37,820	6,250	305,539	-
Buildings and Improvements	6,220,376	-	961,101	184,261	7,365,738	-
Swimming Pool	-	-	-	1,072,020	1,072,020	-
Distribution and Collection Systems	8,050,631	4,048,342	2,117,064	-	14,216,037	-
Vehicles and Equipment	1,372,344	542,398	391,315	78,699	2,384,756	-
	15,854,726	4,640,834	3,507,300	1,341,230	25,344,090	-
Less - Accumulated Depreciation	8,999,524	3,196,612	1,630,521	408,015	14,234,672	-
Net Capital Assets	<u>6,855,202</u>	<u>1,444,222</u>	<u>1,876,779</u>	<u>933,215</u>	<u>11,109,418</u>	<u>-</u>
Total Assets	<u>\$ 9,625,922</u>	<u>\$ 2,223,706</u>	<u>\$ 2,339,405</u>	<u>\$ 933,215</u>	<u>\$ 15,122,248</u>	<u>\$ 94,997</u>
<u>Deferred Outflows of Resources</u>						
Future Pension Expense	\$ 134,168	\$ 51,275	\$ 40,154	\$ -	\$ 225,597	\$ -
<u>Liabilities</u>						
Current Liabilities:						
Cash Deficit	\$ -	\$ -	\$ -	\$ 361,086	\$ 361,086	\$ -
Accounts Payable	237,714	27,108	9,815	4,721	279,358	-
Accrued Salaries	16,982	6,633	5,991	-	29,606	-
Accrued Interest	25,803	-	-	6,647	32,450	-
Unearned Revenue	-	-	-	-	-	-
Current Portion of Long Term Debt	356,072	6,599	53,423	35,000	451,094	-
Customer Deposits	89,533	38,516	27,549	-	155,598	-
Total Current Liabilities	<u>726,104</u>	<u>78,856</u>	<u>96,778</u>	<u>407,454</u>	<u>1,309,192</u>	<u>-</u>
Noncurrent Liabilities:						
Net Pension Liability	302,576	115,635	90,555	-	508,766	-
Long Term Debt (Net of Current)	3,350,263	13,777	616,301	415,000	4,395,341	-
Total Noncurrent Liabilities	<u>3,652,839</u>	<u>129,412</u>	<u>706,856</u>	<u>415,000</u>	<u>4,904,107</u>	<u>-</u>
Total Liabilities	<u>4,378,943</u>	<u>208,268</u>	<u>803,634</u>	<u>822,454</u>	<u>6,213,299</u>	<u>-</u>
<u>Net Position</u>						
Net Investment in Capital Assets	3,148,867	1,423,846	1,207,055	483,215	6,262,983	-
Committed	-	-	-	-	-	94,997
Unreserved	2,232,280	642,867	368,870	(372,454)	2,871,563	-
Total Net Position	<u>5,381,147</u>	<u>2,066,713</u>	<u>1,575,925</u>	<u>110,761</u>	<u>9,134,546</u>	<u>94,997</u>
Total Liabilities and Net Position	<u>\$ 9,760,090</u>	<u>\$ 2,274,981</u>	<u>\$ 2,379,559</u>	<u>\$ 933,215</u>	<u>\$ 15,347,845</u>	<u>\$ 94,997</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	Major Funds				Total	Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool		
Operating Revenue:						
Charges for Services	\$ 4,834,009	\$ 844,080	\$ 477,006	\$ 49,246	\$ 6,204,341	\$ -
Connection Fees	7,850	5,160	4,585	-	17,595	-
Supplies Sold	40,356	9,558	-	15,872	65,786	-
Miscellaneous	61,373	1,066	-	-	62,439	-
Total Operating Revenue	<u>4,943,588</u>	<u>859,864</u>	<u>481,591</u>	<u>65,118</u>	<u>6,350,161</u>	<u>-</u>
Operating Expenses:						
Personal Services	878,814	355,416	316,441	52,794	1,603,465	-
Contractual Services and Other	485,216	83,209	131,144	5,109	704,678	-
Electricity and Water Purchased	3,012,679	374,782	-	-	3,387,461	-
Supplies and Materials	121,273	52,311	31,406	28,452	233,442	-
Heat, Light and Power	7,559	4,368	20,172	-	32,099	-
Depreciation	663,860	208,893	95,858	66,667	1,035,278	-
Total Operating Expenses	<u>5,169,401</u>	<u>1,078,979</u>	<u>595,021</u>	<u>153,022</u>	<u>6,996,423</u>	<u>-</u>
Operating Income (Loss)	<u>(225,813)</u>	<u>(219,115)</u>	<u>(113,430)</u>	<u>(87,904)</u>	<u>(646,262)</u>	<u>-</u>
Nonoperating Revenues (Expenses):						
Property Taxes	-	-	-	52,326	52,326	-
Interest Income	61,269	17,363	9,516	6	88,154	3
Interest Expense	(86,323)	(722)	(16,672)	(20,546)	(124,263)	-
Total Nonoperating Revenues (Expenses)	<u>(25,054)</u>	<u>16,641</u>	<u>(7,156)</u>	<u>31,786</u>	<u>16,217</u>	<u>3</u>
Operating Transfers	<u>(33,607)</u>	<u>(4,535)</u>	<u>(3,257)</u>	<u>50,000</u>	<u>8,601</u>	<u>59,592</u>
Change in Net Position	<u>(284,474)</u>	<u>(207,009)</u>	<u>(123,843)</u>	<u>(6,118)</u>	<u>(621,444)</u>	<u>59,595</u>
Net Position, Beginning of Year, as Restated	<u>5,665,621</u>	<u>2,273,722</u>	<u>1,699,768</u>	<u>116,879</u>	<u>9,755,990</u>	<u>35,402</u>
Net Position, End of Year	<u>\$ 5,381,147</u>	<u>\$ 2,066,713</u>	<u>\$ 1,575,925</u>	<u>\$ 110,761</u>	<u>\$ 9,134,546</u>	<u>\$ 94,997</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2016

	Major Funds					Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total	
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$ 4,959,060	\$ 854,846	\$ 480,078	\$ 65,118	\$ 6,359,102	\$ -
Cash Paid to Suppliers	(3,810,921)	(590,216)	(245,373)	(35,603)	(4,682,113)	-
Cash Payments to Employees for Services	(510,052)	(201,760)	(188,039)	(46,092)	(945,943)	-
Net Cash Provided (Used) By Operating Activities	<u>638,087</u>	<u>62,870</u>	<u>46,666</u>	<u>(16,577)</u>	<u>731,046</u>	<u>-</u>
<u>Cash Flows from Capital Financing Activities</u>						
Purchase of Fixed Assets	(72,719)	(391,700)	(61,796)	(101,821)	(628,036)	-
Principal Paid on Debt	(350,113)	(6,414)	(52,154)	(30,000)	(438,681)	-
Interest Paid on Debt	(87,493)	(722)	(16,672)	(20,820)	(125,707)	-
Net Cash Provided (Used) By Capital Financing Activities	<u>(510,325)</u>	<u>(398,836)</u>	<u>(130,622)</u>	<u>(152,641)</u>	<u>(1,192,424)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>						
Purchase of Certificate of Deposit	-	(6,261)	-	-	(6,261)	-
Interest Income	61,269	17,363	9,516	6	88,154	3
Net Cash Provided (Used) By Investing Activities	<u>61,269</u>	<u>11,102</u>	<u>9,516</u>	<u>6</u>	<u>81,893</u>	<u>3</u>
<u>Cash Flows from Non-Capital Financing Activities</u>						
Payments From (To) Other Funds	(33,315)	(4,535)	(3,257)	50,000	8,893	59,592
Property Tax	-	-	-	52,326	52,326	-
Customer Deposits	1,925	435	369	-	2,729	-
Net Cash Provided By Non-Capital Financing Activities	<u>(31,390)</u>	<u>(4,100)</u>	<u>(2,888)</u>	<u>102,326</u>	<u>63,948</u>	<u>59,592</u>
Net Increase (Decrease) in Cash and Cash Equivalents	157,641	(328,964)	(77,328)	(66,886)	(315,537)	59,595
Cash and Cash Equivalents, Beginning of Year	<u>414,111</u>	<u>707,502</u>	<u>350,074</u>	<u>(294,200)</u>	<u>1,177,487</u>	<u>35,402</u>
Cash and Cash Equivalents, End of Year	<u>\$ 571,752</u>	<u>\$ 378,538</u>	<u>\$ 272,746</u>	<u>\$ (361,086)</u>	<u>\$ 861,950</u>	<u>\$ 94,997</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
 CASH PROVIDED BY OPERATING ACTIVITIES  
 FOR THE YEAR ENDED MARCH 31, 2016

	Major Funds				Total	Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool		
Operating Income (Loss)	\$ (225,813)	\$ (219,115)	\$ (113,430)	\$ (87,904)	\$ (646,262)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	663,860	208,893	95,858	66,667	1,035,278	-
Decrease (Increase) in:						
Accounts Receivable	40,189	(513)	1,221	-	40,897	-
Other Receivables	(1,416)	-	-	-	(1,416)	-
Unbilled Revenue	(23,301)	(4,505)	(2,734)	-	(30,540)	-
Prepaid Insurance	1,316	1,768	1,982	-	5,066	-
Future Pension Expense	32,509	12,424	9,729	-	54,662	-
Increase (Decrease) in:						
Accounts Payable	(10,582)	1,145	5,259	4,660	482	-
Net Pension Liability	159,248	60,860	47,660	-	267,768	-
Accrued Salaries	2,077	1,913	1,121	-	5,111	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 638,087</u>	<u>\$ 62,870</u>	<u>\$ 46,666</u>	<u>\$ (16,577)</u>	<u>\$ 731,046</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF FREEBURG, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Freeburg, Illinois have been prepared in conformity with the modified cash basis of accounting for the Governmental Fund Types and the accrual basis of accounting for the Proprietary Fund Types as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Financial reporting entity

The Village's combined financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

The Village has determined that no other outside agency meets the above criteria and therefore, no other agency has been included as a component unit in the Village's financial statements. In addition, the Village is not aware of any entity that would exercise such oversight, which would result in the Village being considered a component unit of the entity.

(b) Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

nonfiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting and financial statement presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Accordingly, receipts are recorded when cash is received and disbursements are recorded when checks are written. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund. Property taxes are recognized as revenues in the year for which they are received.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The government-wide financial statements are reported using the same basis of accounting as used by the individual funds in the fund financial statements.

The government reports the following major governmental fund:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The Water Fund and the Sewer Fund accounts for all activities related to the billing, administration, distribution and collection processes of the water and sewer utilities. The Village operates the water distribution system as well as the sewage treatment plant, sewage pumping stations and collection systems.

The Electric Light and Power Fund accounts for all activities related to the billing, administration and distribution processes of the Village's electric and power operations.

The Swimming Pool Fund accounts for all activities related to administration and collection processes of the Village's swimming pool operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(d) Assets, liabilities and net assets or equity

Deposits and investments

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

The Village is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. Investment income is recognized as earned.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Unbilled electric, water, and sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to March 31 and prorating the applicable number of days to the current fiscal year.

The Village records accounts receivable in the Statement of Net Position for amounts that are due to the Village but have not been received at year-end. Accounts receivable are largely comprised of billed and unbilled amounts for utilities in the business-type activities. These balances are considered fully collectible at year-end.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Property and Equipment</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15 – 40 Years
Infrastructure	40 Years
Swimming Pool	20 Years
Distribution and Collection Systems	15 - 50 Years
Vehicles and Equipment	5 - 10 Years

Compensated absences

Sick leave is accrued for all employees at the rate of 1 day per month. On January 1<sup>st</sup> of the year an employee celebrates their fifth year employment anniversary, and all years thereafter, employees shall be granted twelve sick days. Sick leave can be carried forward, but not to exceed 65 work days. All full-time employees of the Village who have been employed for at least one (1) full year shall become eligible for vacation as indicated by the following table:

<u>Service</u>	<u>Vacation Allowed</u>
Having Completed 1 Year	5 Working Days
2-8 Years Continuous	10 Working Days
9-17 Years Continuous	15 Working Days
18 or More Years Continuous	20 Working Days
	1 day for each year over 18 years of service

An employee separated from the service of the Village shall be compensated for all unused vacation leave accumulated prior to his/her

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

effective date of separation but not for accumulated sick leave. Any liability at March 31, 2016 is immaterial.

Long-term obligations

In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund equity

In the fund financial statements, the Village classifies the governmental fund balances based upon the following criteria:

Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to remain intact.

Restricted – balances with constraints that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – balances that are to be only used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

Assigned – balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – the residual classification of the General Fund balance.

The following details the description and amount of all constraints recorded by the Village in the fund financial statements:

Governmental Funds

Restricted:

Tax Increment Financing District	\$ 393,038
Motor Fuel Tax Fund	199,355
Impact Fees Fund	27,946
Total Restricted	<u>\$ 620,339</u>

Committed:

Internal Service Fund	<u>\$ 94,997</u>
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**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(e) Budgetary Control

Budgets are adopted on a basis consistent with the modified cash basis of accounting. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end.

On April 6, 2015 the Village Board approved an ordinance adopting the appropriations which is the budgetary data reflected in these financial statements. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

(f) Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

(g) Estimates

The Village uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At March 31, 2016, the carrying amount of the Village's deposits was \$4,508,364 and the bank balance was \$4,648,233. The deposits were comprised of checking, interest checking, money market funds and certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2016, all cash deposit balances in excess of FDIC insurance were collateralized with investments by the financial institution.

Interest Rate Risk. The Village's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The Village only maintains investments in the Illinois Funds, which is an external investment pool.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The Illinois Funds are pooled investments that are operated by the State of Illinois as a not-for-profit common law trust and are not registered with the SEC. The funds are monitored regularly through the State by internal and external audits. The goals of the funds are to provide liquidity and to maintain balances that are equal to the par value of the invested shares with no loss to market fluctuations. The fair value of the Village's position in the pool is the same as the value of the pool shares.

At March 31, 2016, the Village had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	Daily	\$ 195,343
Petty Cash		615
Deposits as reported above		<u>4,508,364</u>
Total deposits and investments		<u>\$ 4,704,322</u>
As Reported in the Statement of Net Position:		
Cash and Cash Equivalents		\$ 2,749,035
Investments		2,316,373
Cash Deficit		<u>(361,086)</u>
		<u>\$ 4,704,322</u>

Credit Risk. As of March 31, 2016, the credit rating of the Village's investment was as follows:

<u>Investment</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--

Concentration of Credit Risk. As of March 31, 2016, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2016, the Village has no foreign currency risk.

**NOTE 3: PROPERTY TAXES**

The Village's property tax is levied each year on all taxable real property located in the Village on or before the second Tuesday in December. The Board passed the levy on December 7, 2015. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments. The County had not mailed tax bills as of March 31, 2016. Past mailing practices of the County have been subsequent to March 31 of each year. The Village begins to receive significant distributions of tax receipts in

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

June and July after the bills are mailed by the County. The Village budgets and records property tax revenue in the year the property taxes are received.

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

	Maximum <u>Levy</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rates:</u>				
General	\$ 0.2500	\$ 0.1967	\$ 0.1729	\$ 0.1554
Bonds and Interest	None	0.0695	0.0650	0.0667
IMRF	None	0.1849	0.1869	0.1793
Police Protection	0.0750	0.0729	0.0738	0.0739
Audit	None	0.0104	0.0105	0.0118
Civil Defense (ESDA)	0.0500	0.0031	0.0031	0.0026
Total		<u>\$ 0.5375</u>	<u>\$ 0.5122</u>	<u>\$ 0.4897</u>
Assessed Valuations		<u>\$ 81,631,984</u>	<u>\$ 80,714,939</u>	<u>\$ 79,921,537</u>
<u>Tax Extensions:</u>				
General		\$ 160,570	\$ 139,556	\$ 124,198
Bonds and Interest		56,734	52,465	53,308
IMRF		150,938	150,856	143,299
Police Protection		59,510	59,568	59,062
Audit		8,490	8,475	9,431
Civil Defense (ESDA)		2,530	2,502	2,078
Total		<u>\$ 438,772</u>	<u>\$ 413,422</u>	<u>\$ 391,376</u>
Tax Collections		<u>\$ -</u>	<u>\$ 412,311</u>	<u>\$ 391,180</u>
Percent Collected		<u>0.00%</u>	<u>99.73%</u>	<u>99.95%</u>

**NOTE 4: INTERFUND BALANCES**

The following funds have interfund balances as of March 31, 2016.

General Fund due from (to):	
Motor Fuel Tax Fund	\$ 14,507
Electric Light and Power Fund	249
Electric Light and Power Fund due from (to):	
General Fund	(249)
Motor Fuel Tax Fund due from (to):	
General Fund	(14,507)

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 83,840	\$ -	\$ -	\$ 83,840
Capital assets, being depreciated:				
Buildings and improvements	610,983	27,879	-	638,862
Infrastructure	277,427	309,216	-	586,643
Vehicles and equipment	<u>685,967</u>	<u>63,187</u>	<u>53,733</u>	<u>695,421</u>
Total capital assets being depreciated	<u>1,574,377</u>	<u>400,282</u>	<u>53,733</u>	<u>1,920,926</u>
Less accumulated depreciation for:				
Building and improvements	308,426	23,193	-	331,619
Infrastructure	34,920	14,572	-	49,492
Vehicles and equipment	<u>524,605</u>	<u>57,103</u>	<u>53,733</u>	<u>527,975</u>
Total accumulated depreciation	<u>867,951</u>	<u>94,868</u>	<u>53,733</u>	<u>909,086</u>
Total capital assets, being depreciated, net	<u>706,426</u>	<u>305,414</u>	<u>-</u>	<u>1,011,840</u>
Governmental activities capital assets, net	<u>\$ 790,266</u>	<u>\$ 305,414</u>	<u>\$ -</u>	<u>\$ 1,095,680</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 305,539	\$ -	\$ -	\$ 305,539
Capital assets, being depreciated:				
Buildings and improvements	7,334,119	31,619	-	7,365,738
Swimming pool	1,064,420	7,600	-	1,072,020
Distribution and collection system	13,882,205	368,082	34,250	14,216,037
Vehicles and equipment	<u>2,267,509</u>	<u>220,736</u>	<u>103,489</u>	<u>2,384,756</u>
Total capital assets, being depreciated	<u>24,548,253</u>	<u>628,037</u>	<u>137,739</u>	<u>25,038,551</u>
Less accumulated depreciation for:				
Buildings and improvements	4,362,952	167,149	-	4,530,101
Swimming pool	256,843	48,079	-	304,922
Distribution and collection system	7,373,899	634,042	34,250	7,973,691
Vehicles and equipment	<u>1,343,439</u>	<u>186,008</u>	<u>103,489</u>	<u>1,425,958</u>
Total accumulated depreciation	<u>13,337,133</u>	<u>1,035,278</u>	<u>137,739</u>	<u>14,234,672</u>
Total capital assets, being depreciated, net	<u>11,211,120</u>	<u>(407,241)</u>	<u>-</u>	<u>10,803,879</u>
Business-type activities capital assets, net	<u>\$ 11,516,659</u>	<u>\$ (407,241)</u>	<u>\$ -</u>	<u>\$ 11,109,418</u>

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

Governmental activities:	
General government	\$ 23,879
Public safety	35,621
Highways and streets	34,033
Sanitation	<u>1,335</u>
Total depreciation expense - governmental activities	<u>\$ 94,868</u>
Business-type activities:	
Electric light and power	\$ 663,860
Water	208,893
Sewer	95,858
Swimming pool	<u>66,667</u>
Total depreciation expense - business-type activities	<u>\$ 1,035,278</u>

**NOTE 6: RETIREMENT FUND COMMITMENTS**

(a) Illinois Municipal Retirement Fund

*Plan Description.* The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The 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 financial report that includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, 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 employer annual required contribution rate for calendar year 2015 was 10.88 percent. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*Covered Employees.* The following types of employees comprise the membership of the plan.

Retirees and Beneficiaries	22
Inactive, non-Retired Members	12
Active Members	<u>28</u>
Total	<u>62</u>

*Discount Rate.* GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. 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 Net 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, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR 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) 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 this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57%; and the resulting single discount rate is 7.48%.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Actuarial Valuation Date	12/31/15
Measurement Date of the Net Pension Liability	12/31/15
Fiscal Year End	03/31/16

Development of the Single Discount Rate as of December 31, 2015	
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate	3.57%
Last year ending December 31 in the 2016 to 2115 projection period	
for which projected benefit payments are fully funded	2089
Resulting Single Discount Rate based on the above development	7.48%
Single Discount Rate calculated using December 31, 2014 Measurement Date	7.50%

The Long-Term Municipal Bond Rate is based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of December 31, 2015.

*Actuarial Assumptions.* The following are the actuarial assumptions used in the calculation of the net pension liability.

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: 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.
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 Health 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.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*Net Pension Liability.* The following is a summary of the Net Pension Liability as shown as a liability in the financial statements.

<b>Total pension liability</b>	
Service Cost	\$ 166,984
Interest on the Total Pension Liability	466,844
Changes of benefit terms	-
Difference between expected and actual experience of the Total Pension Liability	96,660
Changes of assumptions	16,488
Benefit payments, including refunds of employee contributions	<u>(240,854)</u>
Net change in total pension liability	\$ 506,122
Total pension liability - beginning	<u>6,261,523</u>
Total pension liability - ending	<u>\$ 6,767,645</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 186,321
Contributions - employee	77,063
Net investment income	28,944
Benefit payments, including refunds of employee contributions	(240,854)
Other (Net Transfer)	<u>(83,002)</u>
Net change in plan fiduciary net position	\$ (31,528)
Plan fiduciary net position - beginning	<u>5,777,622</u>
Plan fiduciary net position - ending	<u>\$ 5,746,094</u>
<b>Net pension liability/(asset)</b>	<u>\$ 1,021,551</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	84.91%
<b>Covered valuation payroll</b>	\$ 1,712,505
<b>Net pension liability as a percentage of covered valuation payroll</b>	59.65%

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

To report the sensitivity of the net pension liability to the selected discount rate, the following table displays the variation given a 1% increase or decrease.

	<u>Current Single Discount</u>		
	<u>1% Decrease</u>	<u>Rate Assumption</u>	<u>1% Increase</u>
	<u>6.48%</u>	<u>7.48%</u>	<u>8.48%</u>
Total Pension Liability	\$ 7,659,377	\$ 6,767,645	\$ 6,029,684
Plan Fiduciary Net Position	<u>5,746,094</u>	<u>5,746,094</u>	<u>5,746,094</u>
Net Pension Liability/(Asset)	<u>\$ 1,913,283</u>	<u>\$ 1,021,551</u>	<u>\$ 283,590</u>

*Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses.* The following tables display the amount of deferred inflows and outflows related to the net pension liability and the future periods that these deferrals will affect the financial statements.

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 78,429
Changes in assumptions	13,378
Subsequent contributions to plan	39,480
Net difference between projected and actual earnings on pension plan investments	<u>321,688</u>
Total	<u>\$ 452,975</u>

<u>Year Ending</u> <u>December 31,</u>	<u>Net Deferred</u> <u>Outflows of</u> <u>Resources</u>
2016	\$ 141,243
2017	101,763
2018	101,763
2019	101,763
2020	<u>6,443</u>
	<u>\$ 452,975</u>

As a result of implementing GASB 68, beginning net position of the business-type activities increased by \$39,262 to record the net effect of recording the net pension liability and related deferred outflows of resources. GASB 68 became effective for years beginning after June 15, 2014.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(b) Social Security

All employees, including those qualifying for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security. The Village paid \$141,830, the required contribution for the current fiscal year.

**NOTE 7: LONG-TERM DEBT**

The Village has the following long-term debt as of March 31, 2016.

Bonds Payable

\$550,000 General Obligation Bonds, Series 2011 dated July 20, 2011, due in annual installments of \$35,000 to \$50,000 through December 1, 2026; interest at 3.00% to 5.25%. The amount of bonds outstanding as of March 31, 2016 is \$450,000. These bonds are being retired by the Swimming Pool Fund.

\$4,780,000 General Obligation Refunding Bonds, Series 2012 dated September 13, 2012, due in annual installments of \$325,000 to \$395,000 through December 1, 2025; interest at 1.20% to 2.85%. The amount of bonds outstanding as of March 31, 2016 is \$3,540,000. These bonds are being retired by the Electric Light and Power Fund. This issue refunded Series 2005 Bonds.

\$1,950,000 General Obligation Refunding Bonds, Series 2014 dated April 29, 2014, due in semi-annual installments of \$150,000 to \$185,000 through November 1, 2025; interest at 0.80% to 3.30%. The amount of bonds outstanding as of March 31, 2016 is \$1,630,000. These bonds are being retired by the TIF Fund. This issue refunded Series 2005 Tax Increment Revenue Bonds.

Annual debt service requirements to maturity for bonds are as follows:

Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 150,000	\$ 37,547	\$ 360,000	\$ 97,618
2018	150,000	36,348	365,000	92,667
2019	155,000	34,622	365,000	86,857
2020	155,000	32,220	375,000	80,099
2021	160,000	29,352	390,000	71,899
2022-2026	860,000	82,605	2,085,000	201,423
2027	-	-	50,000	2,625
	<u>\$ 1,630,000</u>	<u>\$ 252,694</u>	<u>\$ 3,990,000</u>	<u>\$ 633,188</u>

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

EPA Loans

\$104,816 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of \$3,568 through March 2019, including interest at 2.865%. The loan was used to assist the Water Fund in the construction of a waterline extension. The balance outstanding as of March 31, 2016 is \$20,376.

\$479,822 loan with the Illinois Environmental Protection Agency to be repaid with semi-annual installments of \$15,765, including interest at 2.535%. The loan was used to assist in the construction of sanitary sewer lines and an excess flow clarifier at the West Sewage Treatment Plant. The balance outstanding as of March 31, 2016 is \$147,190.

\$583,674 loan with the Illinois Environmental Protection Agency to be repaid with semi-annual installments of \$18,648, including interest at 2.925%. The loan was used to assist in the construction of sewer lines on North State Street. The balance outstanding as of March 31, 2016 is \$522,534.

Annual debt service requirements to maturity for EPA Loans are as follows:

Year Ended April 30,	EPA Loans	
	Principal	Interest
2017	\$ 60,022	\$ 15,939
2018	61,514	14,447
2019	63,044	12,915
2020	57,423	11,403
2021	58,821	10,005
2022-2026	149,363	37,118
2027-2031	167,413	19,067
2032-2033	72,500	2,092
	<u>\$ 690,100</u>	<u>\$ 122,986</u>

Notes Payable

\$225,618 loan with Citizens Community Bank to be repaid with annual payments of \$36,464 through July 2020, including interest at 3.182%. The loan was used to purchase a Bucket/Pole Truck for the Electric Light and Power Fund. The balance outstanding as of March 31, 2016 is \$166,335.

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended April 30,	Business-type Activities	
	Principal	Interest
2017	\$ 31,072	\$ 5,393
2018	32,091	4,373
2019	33,129	3,336
2020	34,200	2,264
2021	35,843	1,162
	<u>\$ 166,335</u>	<u>\$ 16,528</u>

The following is a summary of changes in long-term debt for the year ended March 31, 2016.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Bonds Payable	\$ 4,340,000	\$ -	\$ 350,000	\$ 3,990,000	\$ 360,000
Notes Payable	196,448	-	30,113	166,335	31,072
EPA Loans	748,668	-	58,568	690,100	60,022
Net Pension Liability	240,998	267,768	-	508,766	-
	<u>\$ 5,526,114</u>	<u>\$ 267,768</u>	<u>\$ 438,681</u>	<u>\$ 5,355,201</u>	<u>\$ 451,094</u>
<u>Governmental Activities:</u>					
Bonds Payable	\$ 1,780,000	\$ -	\$ 150,000	\$ 1,630,000	\$ 150,000
Notes Payable	33,885	-	33,885	-	-
	<u>\$ 1,813,885</u>	<u>\$ -</u>	<u>\$ 183,885</u>	<u>\$ 1,630,000</u>	<u>\$ 150,000</u>

**NOTE 8: RESTATEMENT OF NET POSITION**

The Village has restated the net position the Business-type Activities as a result of implementing GASB 68.

	Business-type Activities
Net Position as of March 31, 2015	\$ 9,716,728
Record Deferred Outflows for Pensions per GASB 68	280,259
Record Net Pension Liability per GASB 68	(240,997)
Restated Net Position as of March 31, 2015	<u>\$ 9,755,990</u>

**VILLAGE OF FREEBURG, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 9: SUBSEQUENT EVENT**

The Village has evaluated events occurring after the financial statement date through August 24, 2016 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

**VILLAGE OF FREEBURG, ILLINOIS**

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual (Budget Basis)
	Original	Final	
Revenues:			
Property Tax	\$ 675,971	\$ 675,971	\$ 456,914
Replacement Tax	5,800	5,800	6,258
Sales Tax	390,000	390,000	386,645
State Income Tax	446,000	446,000	470,794
Local Use Tax	75,000	75,000	96,841
Telecommunications Tax	108,000	108,000	113,766
Video Gaming Tax	12,500	12,500	21,312
Franchise Tax	22,950	22,950	23,680
Utility Tax	244,010	244,010	241,897
Licenses and Permits	34,390	34,390	31,393
Fines and Penalties	17,400	17,400	12,376
Garbage Collection	216,800	216,800	222,968
Rental/Lease Income	4,900	4,900	-
Investment Earnings	2,100	2,100	5,754
Grants	261,072	261,072	30,333
Miscellaneous	180,835	180,835	85,839
Total Revenues	<u>2,697,728</u>	<u>2,697,728</u>	<u>2,206,770</u>
Expenditures:			
Current:			
General Government	402,964	402,964	215,508
Public Safety:			
Police	1,165,608	1,165,608	1,148,770
Civil Defense	4,235	4,235	3,540
Highways and Streets	450,157	450,157	392,366
Sanitation	207,700	207,700	208,128
Capital Outlay	359,740	359,740	153,932
Debt Service	40,955	40,955	34,913
Transfers	50,000	50,000	68,193
Total Expenditures	<u>2,681,359</u>	<u>2,681,359</u>	<u>2,225,350</u>
Net Change in Fund Balances	<u>\$ 16,369</u>	<u>\$ 16,369</u>	(18,580)
No change for modified cash basis reporting			-
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			<u>\$ (18,580)</u>

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
MARCH 31, 2016

2015

Total Pension Liability:

Service Cost	\$ 166,984
Interest	466,844
Difference between expected and actual experience	96,660
Assumption changes	16,488
Benefit payments, including refunds	<u>(240,854)</u>
Net change in total pension liability	506,122
Total pension liability - beginning	<u>6,261,523</u>
Total pension liability - ending	<u>\$ 6,767,645</u>

Plan Fiduciary Net Position

Contributions - employer	186,321
Contributions - employee	77,063
Net investment income	28,944
Benefit payments, including refunds	(240,854)
Other	<u>(83,002)</u>
Net change in plan fiduciary net position	(31,528)
Plan fiduciary net position - beginning	<u>5,777,622</u>
Plan fiduciary net position - ending	<u>\$ 5,746,094</u>

Net Pension Liability \$ 1,021,551

Plan fiduciary net position as a percentage of  
the total pension liability 84.91%

Covered-employee Payroll \$ 1,712,505

Net position liability as a percentage of  
covered-employee payroll 59.65%

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
MARCH 31, 2016

Actuarial Determined Contribution	\$ 186,321
Contributions in relation to actuarial determined contribution	<u>186,321</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee Payroll	 <u>1,712,505</u>
 Contributions as a percentage of covered-employee payroll	 <u>10.88%</u>

Actuarial valuation date for above is December 31, 2015.

The actuarial valuations presented are prepared using the following parameters:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	28 years
Asset Valuation Method:	Gains and losses recognized over a five year period
Actuarial Assumptions:	
Interest Rate (current and prior)	7.50%
Payroll Growth	4.00%
Cost of Living	3.00%

VILLAGE OF FREEBURG, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
MARCH 31, 2016

	<u>Impact Fees</u>	<u>Motor Fuel Tax</u>	<u>TIF</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 7,716	\$ 89,862	\$ 393,038	\$ 490,616
Investments	<u>20,230</u>	<u>124,000</u>	<u>-</u>	<u>144,230</u>
Total Assets	<u>\$ 27,946</u>	<u>\$ 213,862</u>	<u>\$ 393,038</u>	<u>\$ 634,846</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Due to Other Funds	\$ -	\$ 14,507	\$ -	\$ 14,507
Total Liabilities	<u>-</u>	<u>14,507</u>	<u>-</u>	<u>14,507</u>
Fund Balance:				
Restricted	<u>27,946</u>	<u>199,355</u>	<u>393,038</u>	<u>620,339</u>
Total Fund Balance	<u>27,946</u>	<u>199,355</u>	<u>393,038</u>	<u>620,339</u>
Total Liabilities and Fund Balance	<u>\$ 27,946</u>	<u>\$ 213,862</u>	<u>\$ 393,038</u>	<u>\$ 634,846</u>

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH TAX INCREMENT FINANCING ACT**

To the Honorable Mayor and Board  
of Trustees of the Village of  
Freeburg, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Village of Freeburg, Illinois as of and for the year ended March 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 the financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village of Freeburg, Illinois' Tax Increment Financing District, as referred to in the first paragraph, as of March 31, 2016 and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

## Other Matters

The management of the Village of Freeburg, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

The results of our tests indicate that for the items tested, the Village of Freeburg, Illinois, complied with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act". Nothing came to our attention that caused us to believe that, for the items not tested, the Village of Freeburg, Illinois was not in compliance with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

*C. J. Schlosman & Company LLC*  
Certified Public Accountants  
Alton, Illinois

August 24, 2016