

VILLAGE OF DUNLAP, ILLINOIS

**Annual Financial Report
And Supplementary Data
For The Year Ended April 30, 2016
(With Independent Auditors' Report Thereon)**

VILLAGE OF DUNLAP, ILLINOIS

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Village President and Board of Trustees
Village of Dunlap, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Dunlap, Illinois, as of and for the year ended April 30, 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Village of Dunlap, Illinois, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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. Our opinion is not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis on pages 3 - 6, and the other information on pages 31 - 35 are presented to supplement the basic financial statements. We have applied certain limited procedures to the other 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 Information

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

The supplementary information, as listed in the table of contents, 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Gordon, Stockman & Waugh, P.C.

Peoria, Illinois
August 23, 2016

**Village of Dunlap
Management's Discussion and Analysis
For the Year Ended April 30, 2016**

Our discussion and analysis of the Village's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2016. Please read it in conjunction with the Village's financial statements, which begin on page 7.

Financial Highlights

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,284,928 (net position). Of this amount, \$2,354,298 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Village's fund designation and fiscal policies.

The Village's total net position increased by \$37,495 during the fiscal year ended April 30, 2016.

At the close of the current fiscal year, the Village's governmental activities reported combined ending net position of \$1,631,903 of which \$775,396 is unrestricted.

At the end of the current fiscal year, the Village did not have any bonded debt outstanding.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

As explained in Note 1, these financial statements have been prepared on the modified cash basis of accounting. Under that basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. However, fixed assets have been capitalized and depreciation has been recorded in the government-wide financial statements and in the fund level proprietary 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.

The Statement of net position presents information on all the Village's assets and liabilities on a modified cash basis, 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 fiscal year.

Both of the government-wide financial statements distinguish between functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration, public safety and culture and recreation. The business-type activities include water and sewer operations. The government-wide financial statements can be found on pages 7 and 8 of this report.

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 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 funds and proprietary funds.

**Village of Dunlap
Management's Discussion and Analysis
For the Year Ended April 30, 2016**

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable sources, as well as on balances of spendable resources available at the end of the fiscal year. The Village maintains two governmental funds, the General Fund and the Motor Fuel Tax Fund. Information is presented separately in the governmental funds statements for the each of these funds. The governmental fund financial statements can be found on pages 9 - 11.

Proprietary Funds - The Village has one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Village uses enterprise funds to account for the Water and Sewer Funds. The proprietary fund financial statements can be found on pages 12 - 15.

Notes to the 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. The notes to the financial statements can be found on pages 16 - 30.

Governmental-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Village, assets exceed liabilities by \$4,284,928 as of April 30, 2016.

A significant portion of the Village's net position (40%) reflects its investments in capital assets (e.g. land, buildings and improvements, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Dunlap's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,006,565	\$ 1,052,977	\$ 1,578,902	\$ 1,510,910	\$ 2,585,467	\$ 2,563,887
Capital assets	625,338	605,512	1,074,123	1,078,034	1,699,461	1,683,546
Total assets	<u>1,631,903</u>	<u>1,658,489</u>	<u>2,653,025</u>	<u>2,588,944</u>	<u>4,284,928</u>	<u>4,247,433</u>
Liabilities	-	-	-	-	-	-
Net Position:						
Net invested in capital assets	625,338	605,512	1,074,123	1,078,034	1,699,461	1,683,546
Restricted	231,169	287,852	-	-	231,169	287,852
Unrestricted	775,396	765,125	1,578,902	1,510,910	2,354,298	2,276,035
Total net position	<u>\$ 1,631,903</u>	<u>\$ 1,658,489</u>	<u>\$ 2,653,025</u>	<u>\$ 2,588,944</u>	<u>\$ 4,284,928</u>	<u>\$ 4,247,433</u>

As of April 30, 2016 and 2015, the Village had positive balances in all categories of net position.

**Village of Dunlap
Management's Discussion and Analysis
For the Year Ended April 30, 2016**

Analysis of the Village's Operations - Overall the Village had an increase in net position of \$37,495 and an increase in cash and investments of \$33,205.

Governmental Activities: Governmental activities net position decreased by \$26,586. Total revenues for governmental activities increased from the previous year by \$19,533 primarily as a result of an increase in Property and State Income Taxes. Total expenses increased by \$128,763 primarily from a \$92,612 blacktop project in the Motor Fuel Tax Fund.

Business-type Activities: Net position from business-type activities increased by \$64,081. Water and sewer revenue remained consistent from the previous year. Total expenses increased by \$32,851 primarily from an increase in salaries, depreciation and maintenance.

Village of Dunlap's Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 2,400	\$ 2,400	\$ 435,511	\$ 435,894	\$ 437,911	\$ 438,294
Operating grants and contributions	35,522	41,747	-	-	35,522	41,747
General revenues:						
Ad valorem taxes	96,328	83,006	-	-	96,328	83,006
Franchise fees	17,573	16,951	-	-	17,573	16,951
State income taxes	147,994	134,588	-	-	147,994	134,588
Sales tax	84,508	101,970	-	-	84,508	101,970
Use tax	31,896	26,690	-	-	31,896	26,690
Personal property tax	1,577	1,557	-	-	1,577	1,557
Interest	6,022	8,198	6,973	7,207	12,995	15,405
Miscellaneous	27,805	14,985	-	-	27,805	14,985
Total revenues	<u>451,625</u>	<u>432,092</u>	<u>442,484</u>	<u>443,101</u>	<u>894,109</u>	<u>875,193</u>
Expenses:						
General government and administration	229,400	184,318	-	-	229,400	184,318
Public safety	19,005	18,452	-	-	19,005	18,452
Public works and transportation	229,806	146,678	-	-	229,806	146,678
Water and sewer	-	-	378,403	345,552	378,403	345,552
Total expenses	<u>478,211</u>	<u>349,448</u>	<u>378,403</u>	<u>345,552</u>	<u>856,614</u>	<u>695,000</u>
Increase (decrease) in net position	(26,586)	82,644	64,081	97,549	37,495	180,193
Net position - beginning of year	<u>1,658,489</u>	<u>1,575,845</u>	<u>2,588,944</u>	<u>2,491,395</u>	<u>4,247,433</u>	<u>4,067,240</u>
Net position - end of year	<u>\$ 1,631,903</u>	<u>\$ 1,658,489</u>	<u>\$ 2,653,025</u>	<u>\$ 2,588,944</u>	<u>\$ 4,284,928</u>	<u>\$ 4,247,433</u>

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,006,565.

**Village of Dunlap
Management's Discussion and Analysis
For the Year Ended April 30, 2016**

Proprietary funds - The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Total net position of the respective proprietary funds are Water \$807,834 and Sewer \$1,845,191. Total changes in net position in 2016 is as follows: Water decreased by \$21,183 and Sewer increased by \$85,264.

Capital Assets

The Village of Dunlap's investment in capital assets for its governmental and business-type activities as of April 30, 2016, amounts to \$1,699,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 125,640	\$ 125,640	\$ 3,183	\$ 3,183	\$ 128,823	\$ 128,823
Construction in progress	-	-	-	252,727	-	252,727
Buildings and improvements	191,199	202,051	-	-	191,199	202,051
Northpark	79,325	66,884	-	-	79,325	66,884
Equipment	229,174	210,937	110,726	82,479	339,900	293,416
Water and sewer distribution systems	-	-	960,214	739,645	960,214	739,645
	<u>\$ 625,338</u>	<u>\$ 605,512</u>	<u>\$ 1,074,123</u>	<u>\$ 1,078,034</u>	<u>\$ 1,699,461</u>	<u>\$ 1,683,546</u>

Additional information on the Village's capital assets can be found in note 5 on pages 21 and 22 of this report.

Budget

For the year ended April 30, 2016, the Village's actual expenditures for the general fund were less than the amounts budgeted. A comparison of budget to actual can be found on page 33 of this report.

VILLAGE OF DUNLAP, ILLINOIS
 GOVERNMENT-WIDE - STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 April 30, 2016

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and cash equivalents	\$ 200,393	\$ 631,617	\$ 832,010
Investments	748,267	969,393	1,717,660
Other receivable	941	34,856	35,797
Internal balances	56,964	(56,964)	-
Capital assets (net of accumulated depreciation)	625,338	1,074,123	1,699,461
Total assets	<u>\$ 1,631,903</u>	<u>\$ 2,653,025</u>	<u>\$ 4,284,928</u>
Net Position			
Net investment in capital assets	\$ 625,338	\$ 1,074,123	\$ 1,699,461
Restricted	231,169	-	231,169
Unrestricted	775,396	1,578,902	2,354,298
Total net position	<u>1,631,903</u>	<u>2,653,025</u>	<u>4,284,928</u>
Total liabilities and net position	<u>\$ 1,631,903</u>	<u>\$ 2,653,025</u>	<u>\$ 4,284,928</u>

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

VILLAGE OF DUNLAP, ILLINOIS
 GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED APRIL 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental activities:						
General government	\$ 229,400	\$ -	\$ 2,400	\$ (227,000)	\$ -	\$ (227,000)
Public safety	19,005	-	-	(19,005)	-	(19,005)
Public works and transportation	229,806	35,522	-	(194,284)	-	(194,284)
Total governmental activities	478,211	35,522	2,400	(440,289)	-	(440,289)
Business-type activities:						
Waterworks Fund	251,647	-	229,019	-	(22,628)	(22,628)
Sewerage Fund	126,756	-	206,492	-	79,736	79,736
Total business-type activities	378,403	-	435,511	-	57,108	57,108
Total	\$ 856,614	\$ 35,522	\$ 437,911	(440,289)	57,108	(383,181)
General revenues:						
Local taxes and revenue				113,901	-	113,901
State income taxes				147,994	-	147,994
Sales tax				84,508	-	84,508
Use tax				31,896	-	31,896
Personal property tax				1,577	-	1,577
Miscellaneous				27,805	-	27,805
Investment earnings				6,022	6,973	12,995
Total general revenues				413,703	6,973	420,676
Change in net position				(26,586)	64,081	37,495
Net position - beginning				1,658,489	2,588,944	4,247,433
Net position - ending				\$ 1,631,903	\$ 2,653,025	\$ 4,284,928

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

VILLAGE OF DUNLAP, ILLINOIS
GOVERNMENTAL FUNDS
BALANCE SHEET - MODIFIED CASH BASIS
April 30, 2016

	<u>General</u>	<u>Special Revenue Motor Fuel Tax</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 200,393	\$ -	\$ 200,393
Investments	517,098	231,169	748,267
Receivable	941	-	941
Due from other funds	<u>56,964</u>	<u>-</u>	<u>56,964</u>
Total assets	<u>\$ 775,396</u>	<u>\$ 231,169</u>	<u>\$ 1,006,565</u>
Fund balances:			
Restricted	\$ -	\$ 231,169	\$ 231,169
Unassigned	<u>775,396</u>	<u>-</u>	<u>775,396</u>
Total fund balance	<u>775,396</u>	<u>231,169</u>	1,006,565
Total fund balance	<u>\$ 775,396</u>	<u>\$ 231,169</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

625,338

Net position of governmental activities

\$ 1,631,903

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

VILLAGE OF DUNLAP, ILLINOIS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	General	Special Revenue	Total Governmental Funds
		Motor Fuel Tax	
Revenues			
Local taxes	\$ 96,328	\$ -	\$ 96,328
State income taxes	147,994	-	147,994
Sales tax	84,508	-	84,508
Use tax	31,896	-	31,896
Personal property tax	1,577	-	1,577
Motor fuel tax	-	35,522	35,522
Licenses and permits	2,400	-	2,400
Franchise fees	17,573	-	17,573
Interest	5,614	408	6,022
Miscellaneous	27,805	-	27,805
Total revenues	415,695	35,930	451,625
Expenditures			
Current			
General government	216,852	-	216,852
Public safety	19,005	-	19,005
Public works and transportation	81,517	92,613	174,130
Capital outlay	88,050	-	88,050
Total expenditures	405,424	92,613	498,037
Net change in fund balance	10,271	(56,683)	(46,412)
Prior year fund balance	765,125	287,852	1,052,977
Current year ending fund balance	\$ 775,396	\$ 231,169	\$ 1,006,565

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

VILLAGE OF DUNLAP, ILLINOIS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

Net change in fund balance of Governmental Funds \$ (46,412)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period net of trade-ins.

19,826

Change in net position of governmental activities \$ (26,586)

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

VILLAGE OF DUNLAP, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 April 30, 2016

	Business-type Activities - Enterprise Funds		
	Waterworks	Sewerage	Totals
	Fund	Fund	
Assets			
Current assets			
Cash and cash equivalents	\$ 175,358	\$ 456,259	\$ 631,617
Investments	203,616	765,777	969,393
Other receivable	11,619	-	11,619
Total current assets	<u>390,593</u>	<u>1,222,036</u>	<u>1,612,629</u>
Other receivable, net of current portion	<u>23,237</u>	-	<u>23,237</u>
Capital assets			
Cost	877,719	1,377,637	2,255,356
Accumulated depreciation	(450,258)	(730,975)	(1,181,233)
	<u>427,461</u>	<u>646,662</u>	<u>1,074,123</u>
Total assets	<u>\$ 841,291</u>	<u>\$ 1,868,698</u>	<u>\$ 2,709,989</u>
Liabilities and Net Position			
Current liabilities			
Due to other funds	\$ 33,457	\$ 23,507	\$ 56,964
Total current liabilities	<u>33,457</u>	<u>23,507</u>	<u>56,964</u>
Net Position			
Investment in capital assets	427,461	646,662	1,074,123
Unrestricted	380,373	1,198,529	1,578,902
Total net position	<u>807,834</u>	<u>1,845,191</u>	<u>2,653,025</u>
Total liabilities and net position	<u>\$ 841,291</u>	<u>\$ 1,868,698</u>	<u>\$ 2,709,989</u>

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

VILLAGE OF DUNLAP, ILLINOIS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	Business-type Activities - Enterprise Funds		
	Waterworks	Sewerage	Totals
	Fund	Fund	
Operating revenues			
Charges for services	\$ 229,019	\$ 206,492	\$ 435,511
Total operating revenues	<u>229,019</u>	<u>206,492</u>	<u>435,511</u>
Operating expenses			
Personal services	47,017	45,912	92,929
Employee benefits	5,401	5,254	10,655
Contractual services	178,939	34,436	213,375
Commodities	6,508	3,108	9,616
Other	(20)	7,446	7,426
Depreciation	13,802	30,600	44,402
Total operating expenses	<u>251,647</u>	<u>126,756</u>	<u>378,403</u>
Operating income (loss)	(22,628)	79,736	57,108
Nonoperating revenues			
Interest income	1,445	5,528	6,973
Total nonoperating revenues	<u>1,445</u>	<u>5,528</u>	<u>6,973</u>
Increase (decrease) in net position	(21,183)	85,264	64,081
Net position at beginning of year	<u>829,017</u>	<u>1,759,927</u>	<u>2,588,944</u>
Net position at end of year	<u>\$ 807,834</u>	<u>\$ 1,845,191</u>	<u>\$ 2,653,025</u>

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

VILLAGE OF DUNLAP, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED APRIL 30, 2016

	Business-type Activities - Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Totals
Cash flows from operating activities			
Receipts from customers	\$ 229,019	\$ 206,492	\$ 435,511
Receipts from accounts receivable	11,619	-	11,619
Payments to suppliers	(185,427)	(44,990)	(230,417)
Payments to employees	(52,418)	(51,166)	(103,584)
Net cash provided by operating activities	<u>2,793</u>	<u>110,336</u>	<u>113,129</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(28,160)	(12,331)	(40,491)
Proceeds from (payments to) governmental funds	<u>31</u>	<u>(2,622)</u>	<u>(2,591)</u>
Net cash used by capital and related financing activities	<u>(28,129)</u>	<u>(14,953)</u>	<u>(43,082)</u>
Cash flows from investing activities			
Purchase of investments	-	(5,258)	(5,258)
Proceeds from sale investments	133,180	-	133,180
Interest received	<u>1,445</u>	<u>5,528</u>	<u>6,973</u>
Net cash provided by investing activities	<u>134,625</u>	<u>270</u>	<u>134,895</u>
Net change in cash and cash equivalents	109,289	95,653	204,942
Cash and cash equivalents			
Beginning of year	<u>66,069</u>	<u>360,606</u>	<u>426,675</u>
End of year	<u>\$ 175,358</u>	<u>\$ 456,259</u>	<u>\$ 631,617</u>

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

VILLAGE OF DUNLAP, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED APRIL 30, 2016

	Business-type Activities - Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Totals
Cash flows from operating activities			
Operating income (loss)	\$ (22,628)	\$ 79,736	\$ 57,108
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	<u>13,802</u>	<u>30,600</u>	<u>44,402</u>
Change in assets and liabilities			
Receivables	<u>11,619</u>	<u>-</u>	<u>11,619</u>
Total adjustment	<u>25,421</u>	<u>30,600</u>	<u>56,021</u>
Net cash provided by operating activities	<u>\$ 2,793</u>	<u>\$ 110,336</u>	<u>\$ 113,129</u>

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

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1. Summary of Significant Accounting Policies

The financial statements of the Village of Dunlap, Illinois (the "Village") have been prepared on the modified cash basis of accounting. Consequently, revenue is recognized when received rather than when susceptible to accrual or earned, and expenses are recognized when checks or cash are disbursed rather than when the obligation is incurred. 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.

Consequently, these financial statements omit recognition of taxes receivable, accounts payable and other accrued items. Generally accepted accounting principles require the accounting records to be maintained on the accrual basis which recognizes income when earned and expenses when incurred.

The more significant of the Village's accounting policies are described below.

A. Reporting Entity

In accordance with Governmental Accounting Standard Board (GASB), the accompanying financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Village (as distinct from legal relationship).

GASB defines the governmental financial reporting entity as being made up of two parts, the primary government and those component units for which the primary government is financially accountable. A primary government has an elected governing board; a legally separate status (i.e., must have its own name, must be able to sue or be sued and must be able to buy, sell or lease property); and is fiscally independent (i.e., must have final authority to approve or modify its budget, set its own tax rates and issue bonded debt). The primary government is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists; i.e., there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The following entities operate within the Village's boundaries; however, they are financially independent and have separately elected or appointed Boards of Trustees of which the Village exercises no oversight responsibility in management of financial matters.

Dunlap Fire Protection District
Dunlap Public Library District
Prospect Cemetery Association

Therefore, the above entities are not considered component units for which the primary government (the Village) is financially accountable. The Village has no component units (by definition) to be reported under its governmental financial reporting entity.

B. Government-wide and Fund Financial Statements

Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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 or segment 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 not properly included among program revenues are reported instead as general revenues.

Fund financial statements: Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are presented in separate columns.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the cash basis of accounting, as are the governmental and proprietary fund statements. Consequently, revenue and related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The Village reports the following government funds:

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

The *Special Revenue Funds* are utilized to account for revenues derived from specific sources (other than special assessments, expendable trusts or major capital projects) which are usually required by law or regulation to be accounted for in separate funds.

The Village reports the following proprietary fund type:

The *Enterprise Funds*, which consist of the Waterworks Fund and the Sewerage Fund, are used to account for the operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

In accordance with GASB, the Village has elected to apply to its Enterprise Fund activity all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Budgets and Budgetary Accounting

Budgets for the governmental funds and proprietary funds are prepared on the cash basis and adopted through the annual appropriation ordinance. Expenditures are controlled at the fund level. All appropriations lapse at year-end. The Appropriation Ordinance for the fiscal year ended April 30, 2016, was adopted on July 8, 2015. The Appropriation Ordinance was not amended. The Motor Fuel Tax Fund did not operate under an approved budget during the fiscal year.

The Village follows these procedures in adopting the appropriations ordinance reflected in the financial statements:

1. The Village Treasurer and Village Clerk submit to the Village Board a proposed appropriation ordinance for the fiscal year commencing the following May 1. The appropriation ordinance includes proposed expenditures and the means of financing them and must be adopted prior to July 31 of each year.
2. The tentative appropriation ordinance is made available for public inspection for at least thirty days prior to final action thereon.
3. A notice is published in a newspaper serving the Village stating the time and place the tentative appropriation ordinance can be inspected and also the time and place of the public hearing.
4. Public hearings are conducted to obtain taxpayer comments.
5. The tentative appropriation ordinance is then legally enacted through passage of the ordinance.
6. The Village Board is authorized to transfer between line items within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Board after a public hearing.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village's proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

F. Investments

Investments are comprised primarily of certificates of deposit and are stated at cost, which approximates market.

G. 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. Capital assets are defined as having a useful life greater than one year with an initial, individual cost of \$1,000 or more for all capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings and wells	15 - 40
Pumps and equipment	5 - 10

H. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expense initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expense in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers.

J. Subsequent Events

The Village has evaluated subsequent events and transactions for potential recognition or disclosure through August 25, 2016, which is the date the financial statements were available to be issued. No items requiring disclosures were present.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Equity and the Government-wide Statement of Activities

The government funds statement of revenues, expenditures and changes in fund equity includes a reconciliation between net changes in fund equity – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives and reported as depreciation expense."

The details of this \$19,826 difference are as follows:

Capital outlay net of trade-in	\$	88,050
Depreciation expense		(68,224)
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities		19,826

Note 3. Deposits and Investments

The Village maintains cash and investment accounts for each fund. Investment balances represent certificates of deposit with financial institutions and deposits in Illinois Funds. The Village is authorized by state statute and its own local ordinances to invest in obligations of the United States Treasury, agencies, instrumentalities, savings accounts and certificates of deposit. The following details the Village's cash and investments as of April 30, 2016:

Illinois Funds	\$	61,468
Demand Deposits, Certificates of Deposit, and Money Market Funds		2,488,202
Total cash and investments		\$ 2,549,670

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the Village's investment in the funds is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The Village's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the Village and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2016, none of the Village's bank deposits were uninsured or uncollateralized.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 3. Deposits and Investments (continued)

B. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

Note 4. Other Receivable

On October 22, 1979, the Village entered into an agreement with Peoria Water Company NKA Illinois-American Water Company. This contract allowed the Village to purchase water from Peoria Water Company on behalf of the Village's customers. As a condition to this water purchase contract, the Village was required to pay a connection fee to Peoria Water Company. Upon the completion of the connecting line and within one year of the Farmers Home Administration loan closing, Peoria Water Company agreed to repay to the Village of Dunlap "in cash and without interest, the full amount of the final and actual connection fee, in thirty-nine equal annual installments."

On November 10, 1982, this water purchase contract was amended to read "said final connection fee of Four Hundred Forty-one Thousand Five Hundred Eight and 13/100 Dollars (\$441,508.13) is to be repaid by Seller To Purchaser without interest in Thirty-eight (38) equal annual installments of Eleven Thousand Six Hundred Eighteen and 64/100 Dollars (\$11,618.64) beginning April 1, 1981."

As of April 30, 2016, three payments remain to be paid to the Village. These payments total \$34,856.

Note 5. Capital Assets

Capital asset activity for the year ended April 30, 2016, was as follows:

A. Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 125,640	\$ -	\$ -	\$ 125,640
Capital assets, being depreciated				
Buildings and improvements	381,867	-	-	381,867
Northpark	141,492	22,057	-	163,549
Capital equipment	574,173	65,993	-	640,166
Total capital assets being depreciated	1,097,532	88,050	-	1,185,582
Less accumulated depreciation for				
Buildings and improvements	179,816	10,852	-	190,668
Northpark	74,608	9,616	-	84,224
Capital equipment	363,236	47,756	-	410,992
Total accumulated depreciation	617,660	68,224	-	685,884
Total capital assets being depreciated, net	479,872	19,826	-	499,698
Governmental activities capital assets, net	\$ 605,512	\$ 19,826	\$ -	\$ 625,338

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 5. Capital Assets (Continued)

B. Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 3,183	\$ -	\$ -	\$ 3,183
Construction in progress	252,727	-	252,727	-
Total capital assets not being depreciated	255,910	-	252,727	3,183
Capital assets, being depreciated				
Distribution System	1,757,320	252,727	-	2,010,047
Capital equipment	201,635	40,491	-	242,126
Total capital assets being depreciated	1,958,955	293,218	-	2,252,173
Less accumulated depreciation for				
Distribution System	1,017,675	32,158	-	1,049,833
Capital equipment	119,156	12,244	-	131,400
Total accumulated depreciation	1,136,831	44,402	-	1,181,233
Total capital assets being depreciated, net	822,124	248,816	-	1,070,940
Business-type activities capital assets, net	\$ 1,078,034	\$ 248,816	\$ 252,727	\$ 1,074,123

C. Depreciation Expense

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

Governmental activities:

General government	\$ 12,548
Public works and transportation	55,676
Total depreciation expense - governmental activities	\$ 68,224

Business-type activities:

Waterworks Fund	\$ 13,802
Sewerage Fund	30,600
Total depreciation expense - business-type activities	\$ 44,402

D. Construction in Progress

Construction in progress represented cost incurred as of April 30, 2015 for a new water main. As of April 30, 2016 the project was completed. The Village is waiting for the final bill from the State of Illinois. The Village estimates the final bill will be \$330,000. This amount is not reflected in the April 30, 2016 financial statements as the Village reports on the modified cash basis.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 6. Property Taxes

The Village's property taxes are levied each calendar year on all taxable real property located in the Village. Property taxes attach as an enforceable lien on property as of January 1 of the levy year. The total amount of the levy was \$86,791. The levy was adopted on November 11, 2015. The Village reports on the modified cash basis of accounting; therefore, there has been no tax receivable calculation recognized on these financial statements. Installment due dates for collection of property taxes are June 1, 2016, and September 1, 2016. The Village receives the bulk of its property taxes from Peoria County during the months of June, July and September.

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

	Maximum		Extension
	Percent	Rate per	
	2015 Levy	\$100	
General corporate	0.3300	0.11183	\$ 43,111
Police protection	0.0750	0.03346	12,900
Audit	As needed	0.01168	4,500
IMRF	As needed	0.02335	9,000
Social security	As needed	0.01531	5,900
Workmen's compensation	As needed	0.02906	11,200
Unemployment insurance	As needed	0.00047	180
Totals		0.22516	\$ 86,791

Note 7. Retirement Commitments

IMRF Plan Description

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

Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 7. Retirement Commitments (continued)

service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48.

Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	2
Inactive Plan Members entitled to but not yet receiving benefits	2
Active Plan Members	4
Total	<u>8</u>

Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2015 was 13.61%. For the fiscal year ended April 30, 2016, the Village contributed \$20,106 to the plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was the Market Value of Assets.
- The Price Inflation Rate was 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%.
- The Investment Rate of Return was assumed to be 7.46%

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 7. Retirement Commitments (continued)

- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
- The IMRF-specific rates for mortality (for non-disabled retirees) was used with fully generational projection scale MP-2014 (base year 2014). 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 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equities	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement Fund annual actuarial valuation report.

Single Discount Rate

A Single Discount Rate of 7.46% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 7. Retirement Commitments (continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.46%.

Changes in the Net Pension Liability

	Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 464,766	\$ 371,998	\$ 92,768
Changes for the year:			
Service Cost	12,572	-	12,572
Interest on the Total Pension Liability	35,125	-	35,125
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(1,423)	-	(1,423)
Changes of Assumptions	1,709	-	1,709
Contributions - Employer	-	18,968	(18,968)
Contributions - Employees	-	6,272	(6,272)
Net Investment Income	-	1,916	(1,916)
Benefit Payments, including Refunds of Employee Contributions	(2,921)	(2,921)	-
Other (Net Transfer)		(21,848)	21,848
Net Changes	45,062	2,387	42,675
Balances at December 31, 2015	\$ 509,828	\$ 374,385	\$ 135,443

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease 6.46%	Current Single Discount Rate Assumption 7.46%	1% Increase 8.46%
Total Pension Liability	\$ 603,521	\$ 509,828	\$ 433,725
Plan Fiduciary Net Position	374,385	374,385	374,385
Net Pension Liability	\$ 229,136	\$ 135,443	\$ 59,340

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

For the year ended April 30, 2016, the Village recognized pension expense of \$20,106. Under GAAP at April 30, 2016, the Village would have reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 7. Retirement Commitments (continued)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences between expected and actual experience	\$ -	\$ 1,137	\$ (1,137)
Changes of assumptions	1,365	-	1,365
Net difference between projected and actual earnings on pension plan investments	20,802	-	20,802
Total Deferred Amounts to be recognized in pension expense in future periods	22,167	1,137	21,030
Pension Contributions made subsequent to the Measurement Date	-	-	-
Total Deferred Amounts Related to Pensions	\$ 22,167	\$ 1,137	\$ 21,030

These amounts are not recorded in the financial statements because the Village reports on the modified cash basis of accounting. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2016	\$ 5,258	\$ -
2017	5,258	-
2018	5,258	-
2019	5,256	-
2020	-	-
Thereafter	-	-
Total	\$ 21,030	\$ -

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 8. Interfund Receivable and Payable Balances

Interfund receivable and payable balances as of April 30, 2016, are detailed in the following table:

	Due From	Due To
General:		
Due from Waterworks Fund	\$ 44,041	\$ -
Due from Sewerage Fund	12,923	-
Proprietary:		
Waterworks due to General Fund	-	44,041
Sewerage due to General Fund	-	12,923
	\$ 56,964	\$ 56,964

The primary purpose of these interfund receivables and payables is for cash flow needs.

Note 9. Restricted Balances – Special Tax Levies

The Village Board levies, on an annual basis, for special taxes. These specific levies are collected and deposited into the General Fund even though they are restricted for specific purposes. The following monies were collected and lawfully disbursed during the fiscal year.

Restricted balances are as follows:

	Restricted Fund Balance May 1, 2015				Receipts			Disbursements			Restricted Fund Balance April 30, 2016	
Special Tax Levies:												
Police protection	\$ -	\$ 10,917	\$ 10,917	\$ -								
Audit	-	4,457	4,457	-								
IMRF	-	8,014	8,014	-								
Social security	-	4,910	4,910	-								
Worker's compensation and liability insurance	-	7,010	7,010	-								
Unemployment insurance	-	183	183	-								
Subtotal	\$ -	\$ 35,491	\$ 35,491	\$ -								

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 10. Intergovernmental Agreements

The Village contracts its police services with the County of Peoria. Under the agreement, the Village paid \$19,005 for police services.

The Village also contracts its animal impoundment service with the City of Peoria. No fee was paid for this service during the current fiscal year.

Note 11. Risk of Loss

The Village is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The Village purchases commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12. Deficit Fund Balance

As of April 30, 2016, no individual fund had a deficit fund balance.

Note 13. Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Fund balances of the Governmental Funds are classified as follows:

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the Village all such items are expensed at the time of purchase, so there is nothing to report for this classification. All other fund balances are spendable.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The Motor Fuel Tax Fund is the Village's only special revenue fund.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Village Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts. The Village Board has not committed any Fund Balances by Board action.

VILLAGE OF DUNLAP, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2016

Note 13. Fund Balance Reporting (continued)

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments may be made only by the governing board or official.

No amounts of Fund Balance have been assigned by the Village's administration to be used for a specific purpose.

E. Unassigned Fund Balance

This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The Village uses restricted amounts first when both restricted and unrestricted fund balances are available.

As of April 30, 2016, the Village's governmental fund balances were classified as follows:

Fund	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 775,396
Motor Fuel Tax	-	231,169	-	-	-
Total	\$ -	\$ 231,169	\$ -	\$ -	\$ 775,396

Note 14. Legal Debt Margin

Total 2015 assessed valuation	<u><u>\$ 38,553,252</u></u>
Statutory debt limitation (8.625%)	\$ 3,325,218
Outstanding long-term debt	<u>-</u>
Legal debt margin	<u><u>\$ 3,325,218</u></u>

VILLAGE OF DUNLAP, ILLINOIS
Other Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Illinois Municipal Retirement System
Year Ended December 31, 2015

Calendar Year Ended December 31,	2015
Total Pension Liability	
Service Cost	\$ 12,572
Interest on the Total Pension Liability	35,125
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(1,423)
Changes of Assumptions	1,709
Benefit Payments, including Refunds of Employee Contributions	(2,921)
Net Change in Total Pension Liability	45,062
Total Pension Liability - Beginning	464,766
Total Pension Liability - Ending	509,828
 Plan Fiduciary Net Position	
Contributions - Employer	18,968
Contributions - Employee	6,272
Net Investment Income	1,916
Benefit Payments, including Refunds of Employee Contributions	(2,921)
Other (Net Transfer)	(21,848)
Net Change in Plan Fiduciary Net Position	2,387
Plan Fiduciary Net Position - Beginning	371,998
Plan Fiduciary Net Position - Ending	374,385
Net Pension Liability - Ending	\$ 135,443
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.43%
Covered Valuation Payroll	\$ 139,367
Net Pension Liability as a percentage of Covered Valuation Payroll	97.18%

VILLAGE OF DUNLAP, ILLINOIS
 Other Information
 Schedule of Employer Contributions
 Illinois Municipal Retirement System
 Year Ended December 31, 2015

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2015	\$ 18,968	\$ 18,968	\$ -	\$ 139,367	13.61%

VILLAGE OF DUNLAP, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
ACTUAL AND BUDGET
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Actual</u>	<u>Original/Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Local taxes	\$ 96,328	\$ 95,000	\$ 1,328
State income taxes	147,994	134,442	13,552
Sales tax	84,508	105,000	(20,492)
Use tax	31,896	25,641	6,255
Personal property tax	1,577	1,200	377
Licenses and permits	2,400	1,800	600
Franchise fees	17,573	17,000	573
Interest	5,614	12,000	(6,386)
Miscellaneous	<u>27,805</u>	<u>10,500</u>	<u>17,305</u>
Total revenues	<u>415,695</u>	<u>402,583</u>	<u>13,112</u>
Expenditures			
General government			
Personal services	54,350	35,030	19,320
Employee benefits	9,451	6,900	2,551
Contractual services	147,796	172,500	(24,704)
Commodities	4,953	2,500	2,453
Other	<u>302</u>	<u>11,400</u>	<u>(11,098)</u>
Total general government	<u>216,852</u>	<u>228,330</u>	<u>(11,478)</u>
Capital outlay	<u>88,050</u>	<u>95,000</u>	<u>(6,950)</u>
Provision for contingencies	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Public safety			
Personal services	<u>19,005</u>	<u>20,000</u>	<u>(995)</u>
Total public safety	<u>19,005</u>	<u>20,000</u>	<u>(995)</u>
Public works and transportation			
Personal services	38,574	54,500	(15,926)
Contractual services	-	50,000	(50,000)
Commodities	<u>42,943</u>	<u>30,000</u>	<u>12,943</u>
Total public works and transportation	<u>81,517</u>	<u>134,500</u>	<u>(52,983)</u>
Total expenditures	<u>405,424</u>	<u>482,830</u>	<u>(77,406)</u>
Net change in fund balance	10,271	<u>\$ (80,247)</u>	<u>\$ 90,518</u>
Prior year fund balance	<u>765,125</u>		
Current year ending fund balance	<u>\$ 775,396</u>		

** The Village prepares the financial statements on the modified cash basis which is the same basis used for budgetary purposes.

**VILLAGE OF DUNLAP, ILLINOIS
NOTES TO OTHER INFORMATION
FOR THE YEAR ENDED APRIL 30, 2016**

Illinois Municipal Retirement Fund

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate*

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period until remaining period reaches 15 years (then 15-year rolling period).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, 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 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

**VILLAGE OF DUNLAP, ILLINOIS
NOTES TO OTHER INFORMATION
FOR THE YEAR ENDED APRIL 30, 2016**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis, Actual and Budget, General Fund

Note 1. Budgets and Budgetary Accounting

Budgets for the governmental funds and proprietary funds are prepared on the cash basis and adopted through the annual appropriation ordinance. Expenditures are controlled at the fund level. All appropriations lapse at year-end. The Appropriation Ordinance for the fiscal year ended April 30, 2016, was adopted on July 8, 2015. The Appropriation Ordinance was not amended. The Motor Fuel Tax Fund did not operate under an approved budget during the fiscal year.

The Village follows these procedures in adopting the appropriations ordinance reflected in the schedule:

1. The Village Treasurer and Village Clerk submit to the Village Board a proposed appropriation ordinance for the fiscal year commencing the following May 1. The appropriation ordinance includes proposed expenditures and the means of financing them and must be adopted prior to July 31 of each year.
2. The tentative appropriation ordinance is made available for public inspection for at least thirty days prior to final action thereon.
3. A notice is published in a newspaper serving the Village stating the time and place the tentative appropriation ordinance can be inspected and also the time and place of the public hearing.
4. Public hearings are conducted to obtain taxpayer comments.
5. The tentative appropriation ordinance is then legally enacted through passage of the ordinance.
6. The Village Board is authorized to transfer between line items within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Board after a public hearing.

VILLAGE OF DUNLAP, ILLINOIS
Schedule of Taxes
April 30, 2016

	2012 Levy	2013 Levy	2014 Levy	2015 Levy
Total assessed valuation	<u>\$ 33,285,728</u>	<u>\$ 34,398,517</u>	<u>\$ 37,022,961</u>	<u>\$ 38,553,252</u>
Tax levy:				
General corporate	\$ 30,411	\$ 30,411	\$ 39,111	\$ 43,111
Police protection	10,900	10,900	12,900	12,900
Audit	4,450	4,450	4,500	4,500
IMRF	8,000	8,000	9,000	9,000
Social Security	4,900	4,900	5,900	5,900
Workmen's compensation	7,000	10,200	11,200	11,200
Unemployment insurance	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
Total tax levy	<u>\$ 65,841</u>	<u>\$ 69,041</u>	<u>\$ 82,791</u>	<u>\$ 86,791</u>
Tax rates:				
General corporate	.09137	.08841	.10564	.11183
Police protection	.03275	.03169	.03485	.03346
Audit	.01337	.01294	.01216	.01168
IMRF	.02404	.02326	.02431	.02335
Social Security	.01473	.01425	.01594	.01531
Workmen's compensation	.02103	.02966	.03026	.02906
Unemployment insurance	<u>.00055</u>	<u>.00053</u>	<u>.00049</u>	<u>.00047</u>
Total tax rates	<u>.19784</u>	<u>.20074</u>	<u>.22365</u>	<u>.22516</u>
Taxes extended:				
General corporate	\$ 30,413	\$ 30,412	\$ 39,111	\$ 43,114
Police protection	10,901	10,901	12,903	12,900
Audit	4,450	4,451	4,502	4,503
IMRF	8,002	8,001	9,000	9,002
Social Security	4,903	4,902	5,902	5,903
Workmen's compensation	7,000	10,203	11,203	11,204
Unemployment insurance	<u>183</u>	<u>182</u>	<u>181</u>	<u>181</u>
Total taxes extended	<u>\$ 65,852</u>	<u>\$ 69,052</u>	<u>\$ 82,802</u>	<u>\$ 86,807</u>
Net taxes collected	\$ 66,069	\$ 68,629	\$ 82,332	\$ -
Road and bridge tax	<u>14,981</u>	<u>14,377</u>	<u>13,996</u>	<u>-</u>
Total taxes collected	<u>\$ 81,050</u>	<u>\$ 83,006</u>	<u>\$ 96,328</u>	<u>\$ -</u>