

**VILLAGE OF POPLAR GROVE,
ILLINOIS**

ANNUAL FINANCIAL REPORT

April 30, 2011

VILLAGE OF POPLAR GROVE, ILLINOIS

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS	1 - 2
Management's Discussion and Analysis	3 - 8
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	9
Statement of Activities	10
Statement of Assets, Liabilities and Fund Balances - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17 - 18

VILLAGE OF POPLAR GROVE, ILLINOIS

TABLE OF CONTENTS

	<u>Page Numbers</u>
BASIC FINANCIAL STATEMENTS (CONTINUED)	
Notes to Financial Statements	19 - 41
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	42
General Fund:	
Schedule of Revenues and Expenditures Compared with Budget	43 - 45
Motor Fuel Tax Fund:	
Schedule of Revenues and Expenses Compared with Budget	46
Social Security Fund:	
Schedule of Revenues and Expenses Compared with Budget	47
Debt Service Fund:	
Schedule of Revenues and Expenses Compared with Budget	48
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Assessed Valuations, Tax Levies, Rates and Extensions	49
Schedule of Bonds Payable	50 - 51

**INDEPENDENT AUDITOR'S REPORT ON THE
BASIC FINANCIAL STATEMENTS**

The Honorable Mayor
Members of the Village Council
Village of Poplar Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Poplar Grove, Illinois as of and for the year ended April 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Poplar Grove, Illinois' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note M to the financial statements, the Village did not adopt the provisions of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for during the year ended April 30, 2011. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the matter discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Poplar Grove, Illinois as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis that precedes the financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund and the Schedule of Revenues and Expenditures/Expenses Compared with Budget, all of which are listed in the table of contents as required supplementary information, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Village of Poplar Grove, Illinois taken as a whole. The schedules listed in the table of contents as "Other Supplementary Information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rockford, Illinois
October 22, 2011

VILLAGE OF POPLAR GROVE, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

As management of Village of Poplar Grove, Illinois, we offer the readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Poplar Grove, Illinois for the year ended April 30, 2011.

The MD&A is provided at the beginning of the report to provide an overview of the Village's financial position at April 30, 2011 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

USING THIS FINANCIAL REPORT

The financial section of this annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

Government -Wide Financial Statements

The first two statements are government-wide financial statements that provide both short term and long term information about the Village's overall financial status, similar to a private sector business. In the government-wide financial statements the Village's activities are shown in two categories - governmental activities and business-type activities. The Village's governmental activities are general government and motor fuel. These activities are largely financed with sales taxes, income taxes, property taxes, and user fees. The Village's business-type activities include water and sewer. These activities are largely financed with user fees.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as the condition of the Village's buildings and facilities.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned regardless of when the cash is received and expenditures/expenses and liabilities are recognized when incurred, regardless of when payment is made.

VILLAGE OF POPLAR GROVE, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that the Village is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and the changes in fund balances for all these funds. All of these funds are considered major funds of the Village. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

The Village maintains individual business-type funds. Information is presented separately in the proprietary statement of net assets and in the proprietary statement of revenues, expenses, and the changes in net assets for all these funds. The fund is considered a major fund of the Village. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

The Village adopts annual budgets for all funds. A budgetary comparison statement has been provided for the major funds, which is in compliance with GASB Statement No.34.

VILLAGE OF POPLAR GROVE, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2011 and 2010

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current Assets	\$ 1,033,212	\$ 962,888	\$ 403,321	\$ 342,235	\$ 1,436,533	\$ 1,305,123
Non-current Assets	<u>4,203,173</u>	<u>4,314,080</u>	<u>16,713,966</u>	<u>17,371,961</u>	<u>20,917,139</u>	<u>21,686,041</u>
Total Assets	<u>5,236,385</u>	<u>5,276,968</u>	<u>17,117,287</u>	<u>17,714,196</u>	<u>22,353,672</u>	<u>22,991,164</u>
Liabilities:						
Current Liabilities	458,751	565,933	338,510	241,785	797,261	807,718
Non-current Liabilities	<u>2,535,796</u>	<u>2,655,795</u>	<u>8,320,887</u>	<u>8,509,359</u>	<u>10,856,683</u>	<u>11,165,154</u>
Total liabilities	<u>2,994,547</u>	<u>3,221,728</u>	<u>8,659,397</u>	<u>8,751,144</u>	<u>11,653,944</u>	<u>11,972,872</u>
Net Assets:						
Investments in capital assets, net of debt	1,547,377	1,499,564	8,204,607	8,708,142	9,751,984	10,207,706
Restricted for streets	337,314	320,911	-	-	337,314	320,911
Restricted for social security taxes	-	-	-	-	-	-
Restricted for debt	27,063	26,970	-	-	27,063	26,970
Unrestricted	<u>330,084</u>	<u>207,795</u>	<u>253,283</u>	<u>254,910</u>	<u>583,367</u>	<u>462,705</u>
Total net assets	<u>\$2,241,838</u>	<u>\$2,055,240</u>	<u>\$ 8,457,890</u>	<u>\$ 8,963,052</u>	<u>\$10,699,728</u>	<u>\$11,018,292</u>

Current assets consist of cash, investments, receivables, and prepaid items.

The Village's largest asset group is its capital assets. This includes buildings, equipment, vehicles, and infrastructure.

Current liabilities consist mainly of accounts payable, deferred revenue, and the current portion of long-term debt.

Notes Payable, General Obligation Bonds, and debt certificates payable constitute the Village's long-term debt.

VILLAGE OF POPLAR GROVE, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

Condensed Financial Information (Continued)

The Village's net assets consist of capital assets net of related debt, restricted and unrestricted net assets.

Revenues, expenses, and changes in net assets are summarized in the table below.

**Condensed Statement of Activities
For Fiscal Years Ending April 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program:						
Charges for services	\$ 38,051	\$ 66,159	\$ 1,128,646	\$ 913,574	\$ 1,166,697	\$ 979,733
Capital grants & contributions	-	-	-	7,677,636	-	7,677,636
General:						
Property & other taxes	1,194,831	883,194	30,030	29,603	1,224,861	912,797
Other	<u>22,944</u>	<u>17,239</u>	<u>178</u>	<u>382</u>	<u>23,122</u>	<u>17,621</u>
Total revenue received	<u>1,255,826</u>	<u>966,592</u>	<u>1,158,854</u>	<u>8,621,195</u>	<u>2,414,680</u>	<u>9,587,787</u>
Expenses:						
General government	417,433	454,540	-	-	417,433	454,540
Public safety	76,317	127,074	-	-	76,317	127,074
Public works	358,153	223,523	-	-	358,153	223,523
Culture and recreation	22,465	19,609	-	-	22,465	19,609
Interest expense	194,860	206,141	-	-	194,860	206,141
Water and Sewer	<u>-</u>	<u>-</u>	<u>1,664,661</u>	<u>1,535,063</u>	<u>1,664,661</u>	<u>1,535,063</u>
Total expenditures						
Disbursed	<u>1,069,228</u>	<u>1,030,887</u>	<u>1,664,661</u>	<u>1,535,063</u>	<u>2,733,889</u>	<u>2,565,950</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	186,598	(64,295)	(535,370)	7,086,132	(318,564)	7,021,837
Net assets – beginning	2,055,240	3,592,795	8,963,052	357,097	11,018,292	3,949,892
Prior period adjustment	<u>-</u>	<u>(1,473,260)</u>	<u>-</u>	<u>1,519,823</u>	<u>-</u>	<u>46,563</u>
Net assets – ending	<u>\$2,241,838</u>	<u>\$2,055,240</u>	<u>\$8,457,890</u>	<u>\$8,963,052</u>	<u>\$10,699,728</u>	<u>\$11,018,292</u>

Major sources of operating revenues for the Village include: Property and state taxes and charges for services.

VILLAGE OF POPLAR GROVE, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

Management's Analysis of the Village's Overall Financial Position and Results of Operations

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$10,699,728 as of April 30, 2011. This is a decrease of \$318,564 from the previous year. The General Fund is the main operating fund of the Village. The fund balance of the General Fund as of April 30, 2011 was \$334,730. Of this total, \$243,420 was cash and cash equivalents available for future spending. This is an increase of \$152,013 in fund balance from the previous year.

General Fund Budgetary Comparison

The Village adopted the budget in April 2010. The budget for all funds is prepared on the modified accrual basis of accounting. This is the same basis used in budgetary comparisons. This allows for comparability between budget and actual amounts.

In total the General Fund revenues were \$98,149 more than budgeted. General Fund expenses were \$22,469 under budget. Not including Inter-Fund Transfers, the General Fund had an increase of fund balance of \$347,036 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in fund balance of \$152,013.

Capital Assets/Long term Debt

During the year ended April 30, 2011, the Village purchased equipment in the amount of \$70,045. See the notes to financial statements for additional information on Capital Assets and for information on Long-Term Debt.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the Village's strategic plan and operational needs. The Village's financial outlook is influenced by factors such as: the economy, employment, and commercial and residential growth.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Village of Poplar Grove at P.O. Box 1, Poplar Grove, IL 61065.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

A. Summary of Significant Accounting Policies:

REPORTING ENTITY

The Village of Poplar Grove, Illinois was organized shortly after 1895 under the provisions of the State of Illinois. The Village operates under a President/Trustee form of government and provides services to the public such as general administrative services, water and sewer system, and streets. The population of the Village is approximately 2,940 and there are no municipalities within it. The Village covers an area of 7 square miles.

The accounting policies of the Village conform to accounting principles generally accepted in the United State of America as applicable to governmental units. Village of Poplar Grove's basic financial statements include the accounts of all Village operations that are controlled by or dependent on the Village. Control or dependence is determined by financial interdependency, selection of governing board, designation of management, accountability for fiscal matters and ability to significantly influence operations.

In evaluating how to define the government, for financial reporting purposes, the Village has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities.

The Village is considered to be a primary government pursuant to GASB Statement 14 as amended by GASB Statement 39 since it is legally separate and financially independent. This report includes all of the funds and account groups of the Village. It includes all activities considered to be part of (controlled by or dependent on) the Village as set forth under the GAAP criteria.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING

The government wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Earnings on investments, not properly included among program revenues are reported instead as general revenue.

The government wide 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 the eligibility requirements imposed by the provider have been met.

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The following is a description of the governmental funds of the Village:

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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a particular purpose.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business type/proprietary funds).

Proprietary Fund

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Standards Board Statement No. 20.

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on pricing policy designed to recover similar costs.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

Proprietary Fund (Continued)

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources when they are needed.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts at April 30, 2011 is \$0.

Prepaid Items

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

Deferred Revenue

Deferred revenues are reported in the governmental fund financial statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise in both government-wide and fund financial statements when resources are received by the Village before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Total Column

Government-wide financial statements - The total column presented in the government-wide financial statements represents consolidated financial information.

Fund financial statements - the total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

Support from Governmental Units

The Village receives a substantial amount of support from tax levies. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Village's programs and activities.

Comparative Data

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations.

The Village reports the following major funds:

Governmental Funds:

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

Motor Fuel Tax Fund - This fund records the receipts of the Village's share of state gasoline taxes. These funds are then expended for the maintenance of roads and bridges. State of Illinois law requires separate accounting for such revenues and expenditures.

Social Security Fund - This fund records the property taxes of the social security levy. These funds are then expended for the Village's share of social security taxes.

Debt Service Fund - This fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Enterprise Funds:

Waterworks and Sewerage Fund - To account for the costs related to the operation of the Village's water and sewer system. Funding is provided by user fees.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

BUDGETS

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the Village's annual appropriation ordinance adopted for the fiscal year ended April 30, 2011. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

- a. At least 15 days prior to the enactment of the budget, the committee on Finance Procurement submits to the Village Trustees a proposed means of financing expenditure appropriations for the fiscal year commencing the following May 1.
- b. Normally on the last Wednesday in April, but no later than April 30, the budget is legally enacted through passage of the appropriation ordinance.
- c. Budgeted amounts are as originally reported or as amended by the Village Trustees. Individual amendments were not material in relation to the original appropriations.
- d. Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for each object and purpose, but management control is exercised at budgetary line item levels.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CASH AND INVESTMENTS

Cash consists of demand deposits and savings accounts, both being easily accessible and with short-term duration. Cash and cash equivalents for the statement of cash flows include all unrestricted highly liquid investments. Investments as of April 30, 2011 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

Statutes authorize the Village to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

CASH AND INVESTMENTS (CONTINUED)

Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts. For purposes of the statement of cash flows, cash equivalents include money market accounts and any highly liquid instruments purchased with a maturity of less than three months.

PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1st on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Such taxes are payable by taxpayers in two installments on approximately June 1 and September 1 subsequent to the year of levy. The property tax levy passed in December 2010 was set up as a receivable and deferred until fiscal year 2011.

Property tax revenue in the current year relates to the 2009 levy. Property taxes related to the 2010 levy are collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

Effective in December 2010, the Village levied its 2010 taxes which will be recognized as revenue in 2011. The amounts of taxes levied are:

General Fund	\$217,020
Special Revenue Funds:	
Social Security	15,004
Water and Sewer Fund	<u>31,570</u>
	<u>\$263,594</u>

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

FUND BALANCE

Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources when they are needed.

COMPENSATED ABSENCES

It is the Village's policy to permit employees to accumulate earned but unused vacation time. All vacation pay time is due in the event of termination and is accrued when incurred in the government-wide and proprietary fund financial statements, in accordance with the Village's policies. Sick time accrues based on days of employment. Upon termination, accumulated sick pay will convert into severance pay with the amounts depending on length of service. The amount recorded for compensated absences at April 30, 2011 is \$14,405.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Legal Compliance and Accountability:

BUDGETS

All departments of the Village submit requests for appropriation to the Village's administrator so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

The budget may be amended by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

B. Legal Compliance and Accountability Continued):

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended April 30, 2011, all funds expended less than the amount of appropriations except for the Motor Fuel Tax Fund and Social Security Fund. The Motor Fuel Tax Fund and Social Security Fund expended \$26,614 and \$3,832 more than the amount of appropriations, respectively.

DEFICIT FUND BALANCES/RETAINED EARNINGS OF INDIVIDUALS FUNDS

The Social Security Fund had a deficit in fund balance of \$4,646 as of April 30, 2011.

C. Deposits and Investments:

The Village maintains a cash and investment pool that is mainly used by the Water and Sewer Fund.

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Village Trustees. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of April 30, 2011, the Social Security Fund had a cash overdraft balance of \$4,175 that was offset as a payable to the general fund.

Deposits. At year-end, the carrying amount of the Village's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$609,280 and the bank balance was \$708,711. Of the bank balance, \$708,711 was covered by Federal Depository Insurance or by collateral held by pledging bank's trust department or by its agent in the Village's name.

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be recovered. As of April 30, 2011, \$0 of the Village's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The Village has no foreign currency risk for deposits at year end.

For financial statement purposes, the Village shows long-term certificates of deposits, U.S. Govt. obligations, and equity mutual funds as investments.

VILLAGE OF POPLAR GROVE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2011

C. Deposits and Investments (Continued):

Investments. As of April 30, 2011, the Village's investments were as follows:

	<u>Fair Value</u>
Investment in State Investment Pool	<u>\$1,727</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	
External investment pool	<u>\$1,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,727</u>

Credit Risk:

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

	<u>Total as of April 30, 2011</u>	<u>AAAm</u>	<u>Unrated</u>
External investment pool	<u>\$1,727</u>	<u>\$1,727</u>	<u>\$ -</u>

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

C. Deposits and Investments (Continued):

Concentration of Credit Risk:

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

Custodial Credit Risk:

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

As of April 30, 2011 there are no investments with custodial credit risk in that all of its investments are insured.

D. Reserved Fund Balances:

The following reservations of fund balances existed as of April 30, 2011:

Special Revenue:

Motor Fuel Tax Fund:	
Reserved for streets	<u>\$337,314</u>
Social Security Fund:	
Reserved for social security taxes	<u>\$(4,646)</u>
Debt Service Fund:	
Reserved for debt	<u>\$27,063</u>

E. Property, Plant and Equipment:

Capital assets, which include buildings and improvements, equipment and vehicles are reported in the government-wide financial statements. The Village defines capital assets as assets with an initial individual cost of more than \$5,000 for equipment and vehicles, \$10,000 for building and improvements and infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. For those assets for which historical cost is not available, the Village has estimated historical cost by using current costs and adjusting for inflation. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except construction in progress, are being depreciated using the straight line method over the following useful lives:

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

E. Property, Plant and Equipment (Continued):

Buildings & Improvements	40 years
Infrastructure	40 years
Equipment & Vehicles	5 - 7 years

The Village has elected to record infrastructure assets on a prospective basis.

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

The governmental activities capital asset activity for the year ended April 30, 2011 is as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Cost:				
Land (non-depreciable)	\$ 315,479	\$ -	\$ -	\$ 315,479
Buildings	1,218,074	-	-	1,218,074
Park building/equipment	233,293	-	-	233,293
Equipment	280,871	25,025	-	305,896
Vehicles	119,169	15,000	-	134,169
Streets	<u>2,802,904</u>	<u>30,020</u>	<u>-</u>	<u>2,832,924</u>
Total capital assets	<u>\$4,969,790</u>	<u>\$ 70,045</u>	<u>\$ -</u>	<u>\$5,039,835</u>
Balance				
	<u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2011</u>
Accumulated Depreciation:				
Buildings	\$ 117,450	\$ 34,263	\$ -	\$151,713
Park building/equipment	89,589	16,749	-	106,338
Equipment	174,373	40,344	-	214,717
Vehicles	49,560	18,810	-	68,370
Streets	<u>224,738</u>	<u>70,786</u>	<u>-</u>	<u>295,524</u>
Total accumulated depreciation	<u>\$655,710</u>	<u>\$180,952</u>	<u>\$ -</u>	<u>\$836,662</u>
Governmental activities capital assets, net	<u>\$4,314,080</u>	<u>\$(110,907)</u>	<u>\$ -</u>	<u>\$4,203,173</u>

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

E. Property, Plant and Equipment (Continued):

The business-type activities capital asset activity for the year ended April 30, 2011 is as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Cost:				
Water/sewer utility system	\$ 8,019,674	\$ -	\$ -	\$ 8,019,674
Streets	66,551	-	-	66,551
Village water system	<u>12,511,274</u>	<u>-</u>	<u>-</u>	<u>12,511,274</u>
Total capital assets being depreciated	<u>\$20,597,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,597,499</u>
Accumulated Depreciation:				
Water/sewer utility system	\$2,521,095	\$376,070	\$ -	\$2,897,165
Streets	7,487	1,664	-	9,151
Village water system	<u>696,956</u>	<u>280,261</u>	<u>-</u>	<u>977,217</u>
Total accumulated depreciation	<u>\$3,225,538</u>	<u>\$657,995</u>	<u>\$ -</u>	<u>\$3,883,533</u>
Business-type activities capital assets, net	<u>\$17,371,961</u>	<u>\$657,995</u>	<u>\$ -</u>	<u>\$16,713,966</u>

Depreciation expense was charged to the General, Motor Fuel Tax and the Water and Sewer Funds to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 93,417
Public works	70,786
Culture and recreation	<u>16,749</u>
Total depreciation expense, governmental activities	<u>\$180,952</u>
Business-type activities:	
Water and Sewer	<u>\$657,995</u>

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

F. Risk Management:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past five fiscal years.

G. Long-Term Debt:

General obligation bonds and notes payable are direct obligations and pledge the full faith and credit of the Village. Long term debt currently outstanding is as follows:

<u>Issue</u>	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>
<u>Governmental Activities</u>				
Tax Anticipation Notes for \$150,000, dated April, 2010, paid upon collection of taxes with interest at 2.5%.	\$ 150,000	-	\$150,000	-
Note payable to bank for \$8,000 for tractor, dated August, 2008, due in annual payments plus interest of 5.0%, paid off during the current year.	4,009	-	4,009	-
Note payable to Eugene Simerl for \$80,000 for land, dated December, 2004, due in annual installments of \$8,000 plus interest at 7.5% through December, 2015.	63,503	-	3,237	60,266
Note payable to Eugene Simerl for \$160,000 for land, dated September, 2004, due in annual installments of \$16,000 plus interest at 7.5% through September, 2015.	127,004	-	6,475	120,529
Note payable to bank for \$80,000 for truck, date June, 2007, due in annual installments of \$30,000 plus interest of 5.1%, paid off during the current year.	30,000	-	30,000	-

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

<u>Issue</u>	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>
\$3,000,000 General Obligation (Alternate Revenue Source) Series 2005B, due in annual installments of \$95,000 to \$215,000 plus interest at 3.75% to 4.50% through December, 2025	<u>2,590,000</u>	<u>-</u>	<u>115,000</u>	<u>2,475,000</u>
	<u>\$2,964,516</u>	<u>\$ -</u>	<u>\$308,721</u>	<u>\$2,655,795</u>

2007 Debt Certificate Requirements

The 2007 Debt Certificates are a limited recourse special revenue obligation payable solely from a pledge of the collection of water tap-on fees from properties within the specified territory. The Village collected \$-0- in tap on fees in fiscal year 2011 in relation to this agreement.

On November 1, 2012, if any payment on the Certificates, whether arrears interest, regular installments of interest, or principal, shall as yet then be unpaid, the entire payment obligation on the Certificates so unpaid shall be calculated and determined (the “*Unpaid Maturity Amount*”). The Unpaid Maturity Amount shall then no longer bear interest, but shall be payable from time to time when funds are available without any distinction as to principal or interest or arrears interest and as due on the Certificates then outstanding, each pro rata as to Unpaid Maturity Amount.

On November 1, 2017, after application of all then available Tap-On Fees, any unpaid maturity amount on the Certificates shall forever terminate. All liability, obligation or recourse on this Certificate shall forever terminate, and the registered owner of this Certificate shall tender this Certificate to the Village for cancellation without payment, it being the intent hereof that the registered owners of the Certificates at such date will no longer be entitled to the Tap-On Fees whether or not the debt is fully paid.

2001 Series Revenue Bond Debt Service Requirements

In April 2001, the Village of Poplar Grove issued \$3,730,000 General Obligation Bond (Alternative Revenue Source) Series 2001.

The proceeds of the bond issue is to be used for construction of a new sewer plant. The construction was delayed until spring of 2003 pending approval of the Illinois Environmental Protection Agency. Approval was received April 1, 2004.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

2001 Series Revenue Bond Debt Service Requirements (Continued)

The term “Alternative Revenue Source” refers to the security on the bonds. The bonds are payable, both principal and interest, from net revenues of the combined water works and sewerage system of the Village (the “Pledged Revenues”) and ad valorem taxes levied upon all taxable property in the Village without limitation as to rate or amount (the “Pledged Taxes”).

A portion of the 2001 Series Bonds was advanced refunded in 2005. During fiscal year 2011, the defeased amount was paid out of escrow. The Village defeased a portion of this bond issue by creating separate irrevocable trust funds. New debt was issued and the proceeds used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Villages financial statements.

To help pay for the bond issue, the Village, on February 26, 2001, adopted Ordinance #534 raising water and sewer rates which began May 1, 2001.

2004 Series Revenue Bond Debt Service Requirements

In February 2004, the Village of Poplar Grove issued \$1,955,000 General Obligation Refunding Bonds (Alternative Revenue Source) Series 2004.

The proceeds of the bond issue is to be used for expansion of the water and sewer system, including a new water tower and sewerage treatment plant.

The term “Alternative Revenue Source” refers to the security on the bonds. The bonds are payable, both principal and interest, from net revenues of the combined water works and sewerage system of the Village (the “Pledged Revenues”) and ad valorem taxes levied upon all taxable property in the Village without limitation as to rate or amount (the “Pledged Taxes”).

2005 Series Revenue Bond Debt Service Requirements

In November 2005, the Village of Poplar Grove issued \$3,525,000 General Obligation Refunding Bonds (Alternative Revenue Source) Series 2005A and \$3,000,000 General Obligation Refunding Bonds (Alternative Revenue Source) Series B.

The proceeds of the Series 2005A Bonds were used for improvements and paid off a portion of the Series 2001 Bonds. The 2005B Bonds were used for street improvements, new street construction and a new Village Hall.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

2005 Series Revenue Bond Debt Service Requirements (Continued)

The term “Alternative Revenue Source” refers to the security on the bonds. The 2005A Bonds are payable, both principal and interest, from net revenues of the combined water works and sewerage system of the Village (the “Pledged Revenues”) and ad valorem taxes levied upon all taxable property in the Village without limitation as to rate or amount (the “Pledged Taxes”). The 2005B Bonds are payable from the General Fund.

2008 Series Revenue Bond Debt Service Requirements

In February 2008, the Village of Poplar Grove issued \$780,000 General Obligation Bonds (Alternative Revenue Source) Series 2008.

In October 2008, the Village of Poplar Grove issued \$535,000 General Obligation Bonds (Alternate Revenue Source) Series 2008A.

The proceeds of these bond issues are to be used to finance various improvements to the Village’s water and sewer system and pay certain costs of issuance.

The term “Alternative Revenue Source” refers to the security on the bonds. The bonds are payable, both principal and interest, from net revenues of the combined Water works and Sewerage Fund of the Village as and to the extent provided in the bond ordinance by which the bonds have been authorized, and subject to certain prior lien costs and obligations as provided therein, and ad valorem taxes levied upon all taxable property in the Village without limitation as to rate or amount (the “Pledged Taxes”).

2009 Series Revenue Bond Debt Service Requirements

In October 2009, the Village of Poplar Grove issued \$350,000 General Obligation Notes (Limited Tax) Series 2009.

In April 2010, the Village of Poplar Grove issued \$150,000 General Obligation Notes (Limited Tax) Series 2009A.

The proceeds of these bond issues are to be used to finance various improvements to the Village’s water and sewer system and pay certain costs of issuance.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

2009 Series Revenue Bond Debt Service Requirements (Continued)

The term "Limited Tax" refers to the security on the bonds. The bonds are payable, both principal and interest, from net revenues of the combined Water works and Sewerage Fund of the Village as and to the extent provided in the bond ordinance by which the bonds have been authorized, and subject to certain prior lien costs and obligations as provided therein, and ad valorem taxes levied upon all taxable property in the Village without limitation as to rate or amount (the "Pledged Taxes").

Debt Limitation

2010 Assessed Valuation	<u>\$108,412,477</u>
Statutory debt limitation (8.62% of assessed valuation)	\$9,345,156
Debt outstanding as of April 30, 2011 (excluding W&S alternative revenues source issues)	<u>4,300,154</u>
Available bond debt limit	<u>\$ 5,045,002</u>

<u>Issue</u>	<u>Balances</u>	<u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u>
					<u>April 30</u>

Business-Type Activities

\$3,730,000 W&S Alternate Revenue Source Bonds Series 2001, due in annual installments of \$5,000 to \$70,000 interest at 4.80% to 5.80% through May 1, 2029	W&S	\$ 225,000	\$ -	\$ 5,000	\$ 220,000
\$1,955,000 W&S Alternate Revenue Source Bonds Series 2004, due in annual installments of \$0 to \$555,000 plus interest at 4.625% through May 1, 2027	W&S	1,955,000	-		1,955,000

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

\$3,525,000 W&S Alternate Revenue Source Series 2005A, due in annual installments of \$10,000 to \$435,000 plus interest at 3.30% to 4.75% through May, 2023	W&S	3,485,000	-	110,000	3,375,000
\$780,000 W&S Alternate Revenue Source Bonds Series 2008, due in annual installments of \$0 to \$390,000 plus interest at 4.85% to 4.90% through May 1, 2028	W&S	780,000	-	-	780,000
\$535,000 W&S Alternate Revenue Source Bonds Series 2008A, due in annual installments of \$0 to \$400,000 plus interest at 6.00% through May 1, 2029	W&S	535,000	-	-	535,000
\$350,000 General Obligation Notes Series 2009, due in monthly installments of \$2,000 to \$3,700 plus interest at 4.75% through October 6, 2019	W&S	333,819	-	26,349	307,470
\$150,000 General Obligation Notes Series 2009, due in monthly installments of \$1,000 to \$1,650 plus interest at 4.75% through October 6, 2019	W&S	150,000	-	13,111	136,889
2007 Debt Certificate (limited recourse) for \$1,200,000 dated October, 2007, interest of 6.0% and payable annually in November each year.		<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Total		<u>\$8,663,819</u>	<u>\$ -</u>	<u>\$154,460</u>	<u>\$8,509,359</u>

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

G. Long-Term Debt (Continued):

Annual debt service requirements to maturity for the Village's long-term debt are as follows:

Year Ending April 30	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 130,440	\$ 182,666	\$ 188,472	\$ 327,385
2013	136,223	176,744	205,583	319,384
2014	147,065	98,558	237,796	310,621
2015	152,970	93,650	265,117	300,550
2016	279,097	150,226	268,717	292,575
2017 - 2021	815,000	297,107	2,743,674	1,264,688
2022 - 2026	995,000	122,400	2,365,000	841,668
2027 - 2029	-	-	<u>2,235,000</u>	<u>202,655</u>
Total	<u>\$2,655,795</u>	<u>\$1,121,351</u>	<u>\$8,509,359</u>	<u>\$3,859,526</u>

CHANGES IN LONG-TERM LIABILITIES

During the fiscal year the following changes occurred in long-term debt:

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>
Governmental activities:				
Notes payable	\$ 374,516	\$ -	\$ 193,721	\$ 180,795
Bonds payable	2,590,000	-	115,000	2,475,000
Business-type activities:				
Debt certificates payable	1,200,000	-	-	1,200,000
Bonds payable	<u>7,463,819</u>	-	<u>154,460</u>	<u>7,309,359</u>
Total	<u>\$11,628,335</u>	<u>\$ -</u>	<u>\$463,181</u>	<u>\$11,165,154</u>

H. Letters of Credit

The Village frequently enters into agreements with developers referred to as documentary letters of credit. The developers deposit funds into the financial institutions and as the Village fulfills their part of the contract they withdraw the funds to pay the bills associated with the contract. The typical contracts are for sewer hook-up, expansion of the sanitary sewer plants and construction of an off-site water main.

VILLAGE OF POPLAR GROVE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2011

I. Interfund Assets/Liabilities:

TRANSFERS

Below are the interfund transfers as of April 30, 2011:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Debt Service Fund	\$ -	\$(221,801)
Debt Service Fund:		
General Fund	<u>221,801</u>	<u>-</u>
Total all funds	<u>\$221,801</u>	<u>\$(221,801)</u>

The purpose of this transfer was for debt payments.

J. Pension Plan:

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 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. That report may be obtained on-line at www.imrf.org.

FUNDING POLICY

As set by statute, the Village's Regular plan members are required to contribute 4.5 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 Village's contribution rate for calendar year 2010 was 10.35 percent of annual covered payroll. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

VILLAGE OF POPLAR GROVE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2011

J. Pension Plan (Continued):

ANNUAL PENSION COST

For the fiscal year ending December 31, 2010, the Village's annual pension cost of \$27,246 for the Regular plan was equal to the Village's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/10	\$27,246	100%	\$-0-
12/31/09	28,819	100%	-0-
12/31/08	33,096	100%	-0-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30 year basis.

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 31.40 percent funded. The actuarial accrued liability for benefits was \$119,559 and the actuarial value of assets was \$37,536 resulting in an underfunded actuarial accrued liability (UAAL) of \$82,023. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$263,251 and the ratio of the UAAL to the covered payroll was 31 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

VILLAGE OF POPLAR GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

K. Contingency:

The Village is a defendant in a claim relating to matters arising in the ordinary course of their business. Part of the claim may be insured but subject to varying deductibles and some of the claim may be uninsured. The amount of liability, if any, from the claim cannot be determined with certainty; however, management is of the opinion that the outcome of the claim will not have a material adverse impact on the financial position. Due to uncertainties in the settlement process, it is at least reasonably possible that management's estimate of the outcome will change within the next year.

L. Pending GASB Statements:

Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" will be effective for the fiscal year ending April 30, 2012. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Management has not yet completed their assessment of this statement and its impact on the financial statements.

M. Other Postemployment Benefits:

In July 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires a systematic, accrual basis measurement and recognition of other postemployment benefit (OPEB) expense over a period that approximates employees' years of service. The Statement also requires the information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The Village elected not to adopt the new standards related to other postemployment benefits.

VILLAGE OF POPLAR GROVE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2011

**Illinois Municipal Retirement Fund
 Schedule of Funding Progress**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio (a)/(b)	Unfunded Actuarial Accrued Liability (b)-(a)	(c) Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll (b-a)/c)
12/31/10	\$ 37,536	\$ 119,559	31.40%	\$82,023	\$263,251	31.16%
12/31/09	(6,055)	87,049	0.00%	93,104	285,623	32.60%
12/31/08	(43,454)	54,691	0.00%	98,145	300,330	32.68%

MANAGEMENT DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

OTHER SUPPLEMENTARY INFORMATION