

VILLAGE OF CARBON CLIFF, ILLINOIS

ANNUAL FINANCIAL REPORT

December 31, 2016

VILLAGE OF CARBON CLIFF, ILLINOIS

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the President and Board of Trustees
Village of Carbon Cliff, Illinois
Carbon Cliff, Illinois

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

The management's discussion and analysis which is required by U.S. generally accepted accounting principles has not been presented as part of this report.

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 Village'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 Village'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 modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carbon Cliff, Illinois, as of December 31, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. 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 opinions are not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carbon Cliff, Illinois' basic financial statements. The budgetary comparison information on pages 30-34 and the pension plan schedule of funding progress on page 35, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The combining and individual nonmajor fund financial statements, and property tax tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 36-39 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The property tax tables on pages 40-41 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Carpentier, Mitchell, Gaddard & Company, L.L.C.

Moline, Illinois
July 18, 2017

BASIC FINANCIAL STATEMENTS

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 519,983	\$ 649,541	\$ 1,169,524
Restricted cash	-	34,559	34,559
Other asset	-	-	-
Internal balances	(5,326)	5,326	-
Capital assets, net of accumulated depreciation:			
Land	169,406	-	169,406
Buildings and systems	815,101	1,652,602	2,467,703
Equipment and vehicles	100,394	6,687	107,081
Improvements other than buildings	44,470	-	44,470
Infrastructure	2,917,902	-	2,917,902
Total assets	<u>\$ 4,561,930</u>	<u>\$ 2,348,715</u>	<u>\$ 6,910,645</u>
LIABILITIES			
Current liabilities			
Other	<u>\$ 3,092</u>	<u>-</u>	<u>\$ 3,092</u>
Total current liabilities	<u>\$ 3,092</u>	<u>\$ -</u>	<u>\$ 3,092</u>
Noncurrent liabilities			
Due within one year	<u>\$ 63,386</u>	<u>\$ 45,000</u>	<u>\$ 108,386</u>
Due in more than one year	<u>640,646</u>	<u>-</u>	<u>640,646</u>
Total noncurrent liabilities	<u>\$ 704,032</u>	<u>\$ 45,000</u>	<u>\$ 749,032</u>
Total liabilities	<u>\$ 707,124</u>	<u>\$ 45,000</u>	<u>\$ 752,124</u>
NET POSITION			
Net investment in capital assets	\$ 3,343,241	\$ 1,614,289	\$ 4,957,530
Restricted for:			
Debt service	-	34,559	34,559
Tourism/infrastructure	94,428	-	94,428
Streets and alley projects	68,041	-	68,041
Drainage improvements	39,214	-	39,214
Unrestricted	<u>309,882</u>	<u>654,867</u>	<u>964,749</u>
Total net position	<u>\$ 3,854,806</u>	<u>\$ 2,303,715</u>	<u>\$ 6,158,521</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2016

FUNCTION/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 278,738	\$ 16,687	\$ -	\$ -
Public safety	171,192	3,499	-	-
Public works	290,341	-	-	-
Recreation and culture	74,650	-	-	-
Economic development	-	-	-	-
Interest on long-term debt	28,742	-	-	-
Total governmental activities	<u>\$ 843,663</u>	<u>\$ 20,186</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 217,162	\$ 290,117	\$ -	\$ -
Sewer	635,876	493,850	-	-
Garbage	93,162	88,697	1,601	-
Total business-type activities	<u>\$ 946,200</u>	<u>\$ 872,664</u>	<u>\$ 1,601</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 1,789,863</u></u>	<u><u>\$ 892,850</u></u>	<u><u>\$ 1,601</u></u>	<u><u>\$ -</u></u>

General revenues
Property taxes
Other taxes
Investment earnings
Miscellaneous
Intergovernmental
Rental/lease
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (262,051)	\$ -	\$ (262,051)
(167,693)	-	(167,693)
(290,341)	-	(290,341)
(74,650)	-	(74,650)
-	-	-
(28,742)	-	(28,742)
<u>\$ (823,477)</u>	<u>\$ -</u>	<u>\$ (823,477)</u>
\$ -	\$ 72,955	\$ 72,955
-	(142,026)	(142,026)
-	(2,864)	(2,864)
<u>\$ -</u>	<u>\$ (71,935)</u>	<u>\$ (71,935)</u>
<u>\$ (823,477)</u>	<u>\$ (71,935)</u>	<u>\$ (895,412)</u>
\$ 172,002	\$ 35,337	\$ 207,339
603,230	-	603,230
29	1,185	1,214
589	8,792	9,381
72,702	-	72,702
157,885	-	157,885
-	200	200
(18,992)	18,992	-
<u>\$ 987,445</u>	<u>\$ 64,506</u>	<u>\$ 1,051,951</u>
\$ 163,968	\$ (7,429)	\$ 156,539
<u>3,690,838</u>	<u>2,311,144</u>	<u>6,001,982</u>
<u>\$ 3,854,806</u>	<u>\$ 2,303,715</u>	<u>\$ 6,158,521</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General Fund</u>	<u>Hotel Tax Fund</u>
ASSETS		
Cash	\$ 318,309	\$ 94,428
Advances to other funds	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 318,309</u>	<u>\$ 94,428</u>
LIABILITIES		
Other	3,092	-
Advances from other funds	5,335	-
	<hr/>	<hr/>
Total liabilities	<u>\$ 8,427</u>	<u>\$ -</u>
FUND BALANCES		
Restricted for:		
Tourism/infrastructure	\$ -	\$ 94,428
Street and alley projects	-	-
Drainage improvements	-	-
Assigned	104,744	-
Unassigned	205,138	-
	<hr/>	<hr/>
Total fund balances	<u>\$ 309,882</u>	<u>\$ 94,428</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 318,309</u>	<u>\$ 94,428</u>

Home Rule Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 39,205 9	\$ 68,041 -	\$ 519,983 9
\$ 39,214	\$ 68,041	\$ 519,992
-	-	3,092
-	-	5,335
\$ -	\$ -	\$ 8,427
\$ -	\$ -	\$ 94,428
-	68,041	68,041
39,214	-	39,214
-	-	104,744
-	-	205,138
\$ 39,214	\$ 68,041	\$ 511,565
\$ 39,214	\$ 68,041	\$ 519,992

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2016

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

Total fund balance - governmental funds	\$ 511,565
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,047,273
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(704,032)</u>
Net position of governmental activities	<u><u>\$ 3,854,806</u></u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Hotel Tax Fund</u>
REVENUES		
Property taxes	\$ 172,002	\$ -
Other taxes	467,714	76,154
Licenses and permits	16,687	-
Fines and fees	3,499	-
Intergovernmental agreement	1,487	-
Interest	28	-
Sale of property	589	-
Rental/lease	157,885	-
Other reimbursements	17,128	-
	<hr/>	<hr/>
Total revenues	\$ 837,019	\$ 76,154
	<hr/>	<hr/>
EXPENDITURES		
Current:		
Personnel	\$ 253,041	\$ -
Contractual services	225,636	23,026
Commodities	102,135	-
Other	5,857	5,983
Capital outlay	23,300	-
Debt service:		
Principal	149,948	40,700
Interest	18,717	250
	<hr/>	<hr/>
Total expenditures	\$ 778,634	\$ 69,959
	<hr/>	<hr/>
Deficiency of revenues under expenditures	\$ 58,385	\$ 6,195
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Loan proceeds	\$ -	\$ -
Transfer in	30,000	-
Transfer out	(7,090)	(41,902)
	<hr/>	<hr/>
Total other financing sources (uses)	\$ 22,910	\$ (41,902)
	<hr/>	<hr/>
Net change in fund balances	\$ 81,295	\$ (35,707)
	<hr/>	<hr/>
FUND BALANCES, Beginning	228,587	130,135
	<hr/>	<hr/>
FUND BALANCES, Ending	\$ 309,882	\$ 94,428
	<hr/>	<hr/>

Home Rule Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 172,002
45,749	13,613	603,230
-	-	16,687
-	-	3,499
-	54,087	55,574
-	1	29
-	-	589
-	-	157,885
-	-	17,128
<u>\$ 45,749</u>	<u>\$ 67,701</u>	<u>\$ 1,026,623</u>
 \$ -	 \$ -	 \$ 253,041
17,564	64,284	330,510
-	-	102,135
-	-	11,840
270,579	-	293,879
21,020	-	211,668
9,775	-	28,742
<u>\$ 318,938</u>	<u>\$ 64,284</u>	<u>\$ 1,231,815</u>
<u>\$ (273,189)</u>	<u>\$ 3,417</u>	<u>\$ (205,192)</u>
 \$ -	 \$ -	 \$ -
-	4,467	34,467
(4,467)	-	(53,459)
<u>\$ (4,467)</u>	<u>\$ 4,467</u>	<u>\$ (18,992)</u>
\$ (277,656)	\$ 7,884	\$ (224,184)
316,870	60,157	735,749
<u>\$ 39,214</u>	<u>\$ 68,041</u>	<u>\$ 511,565</u>

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

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

Net change in fund balances - total governmental funds	\$ (224,184)
--	--------------

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital outlay
exceeded depreciation expense in the current period.

176,484

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transaction, however, has any effect on net position. Also,
governmental funds report the effect of issuance costs,
premiums, discounts, and similar items when debt is first
issued, in the statement of activities. This amount is the
net effect of these differences in the treatment of long-term
debt and related items.

211,668

Change in net position of governmental activities

\$ 163,968

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2016

	<u>Business-Type Activities Enterprise Funds</u>			<u>Total Business-Type Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 352,953	\$ 241,613	\$ 54,975	\$ 649,541
Advances to other funds	31,186	-	-	31,186
Total current assets	<u>\$ 384,139</u>	<u>\$ 241,613</u>	<u>\$ 54,975</u>	<u>\$ 680,727</u>
Noncurrent assets:				
Restricted cash and investments:				
Bond covenant accounts:				
Cash	\$ 34,559	\$ -	\$ -	\$ 34,559
Total noncurrent assets	<u>\$ 34,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,559</u>
Capital assets:				
Buildings and systems	\$ 2,177,545	\$ 1,514,731	\$ -	\$ 3,692,276
Equipment and vehicles	29,576	29,575	-	59,151
Less accumulated depreciation	<u>(828,673)</u>	<u>(1,263,465)</u>	<u>-</u>	<u>(2,092,138)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 1,378,448</u>	<u>\$ 280,841</u>	<u>\$ -</u>	<u>\$ 1,659,289</u>
Total assets	<u>\$ 1,797,146</u>	<u>\$ 522,454</u>	<u>\$ 54,975</u>	<u>\$ 2,374,575</u>
LIABILITIES				
Current liabilities:				
Advances from other funds	\$ -	\$ 25,860	\$ -	\$ 25,860
Total current liabilities	<u>\$ -</u>	<u>\$ 25,860</u>	<u>\$ -</u>	<u>\$ 25,860</u>
Noncurrent liabilities				
Due within one year	\$ 45,000	\$ -	\$ -	\$ 45,000
Total noncurrent liabilities	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,000</u>
Total liabilities	<u>\$ 45,000</u>	<u>\$ 25,860</u>	<u>\$ -</u>	<u>\$ 70,860</u>
NET POSITION				
Net investment in capital assets	\$ 1,333,448	\$ 280,841	\$ -	\$ 1,614,289
Restricted for:				
Debt service	34,559	-	-	34,559
Unrestricted	<u>384,139</u>	<u>215,753</u>	<u>54,975</u>	<u>654,867</u>
Total net position	<u>\$ 1,752,146</u>	<u>\$ 496,594</u>	<u>\$ 54,975</u>	<u>\$ 2,303,715</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	<u>Business-type Activities Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total Business-Type Activities</u>
OPERATING REVENUES				
Charges for services	\$ 290,117	\$ 493,850	\$ 88,697	\$ 872,664
Other reimbursements	8,262	512	18	8,792
Total operating revenues	<u>\$ 298,379</u>	<u>\$ 494,362</u>	<u>\$ 88,715</u>	<u>\$ 881,456</u>
OPERATING EXPENSES				
Personnel	\$ 65,215	\$ 51,947	\$ 14,867	\$ 132,029
Contractual services	43,538	527,279	73,296	644,113
Commodities	2,745	24,618	4,999	32,362
Other	56,902	-	-	56,902
Depreciation	45,512	32,032	-	77,544
Total operating expenses	<u>\$ 213,912</u>	<u>\$ 635,876</u>	<u>\$ 93,162</u>	<u>\$ 942,950</u>
OPERATING INCOME (LOSS)	<u>\$ 84,467</u>	<u>\$ (141,514)</u>	<u>\$ (4,447)</u>	<u>\$ (61,494)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	\$ 376	\$ 800	\$ 9	\$ 1,185
Interest expense	(3,250)	-	-	(3,250)
Gain on sale of capital assets	100	100	-	200
Property taxes	35,337	-	-	35,337
Grant income	-	-	1,601	1,601
Total non-operating revenues	<u>\$ 32,563</u>	<u>\$ 900</u>	<u>\$ 1,610</u>	<u>\$ 35,073</u>
Income (loss) before contributions and transfers	\$ 117,030	\$ (140,614)	\$ (2,837)	\$ (26,421)
TRANSFERS IN	11,902	-	7,090	18,992
CHANGE IN NET POSITION	\$ 128,932	\$ (140,614)	\$ 4,253	\$ (7,429)
TOTAL NET POSITION, Beginning	<u>1,623,214</u>	<u>637,208</u>	<u>50,722</u>	<u>2,311,144</u>
TOTAL NET POSITION, Ending	<u>\$ 1,752,146</u>	<u>\$ 496,594</u>	<u>\$ 54,975</u>	<u>\$ 2,303,715</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	<u>Business-Type Activities Enterprise Funds</u>			<u>Total Business-Type Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 290,117	\$ 493,850	\$ 88,697	\$ 872,664
Other receipts	8,262	512	18	8,792
Payments to suppliers	(103,185)	(551,897)	(78,295)	(733,377)
Payments to employees	(65,215)	(51,947)	(14,867)	(132,029)
Net cash provided (used) by operating activities	<u>\$ 129,979</u>	<u>\$ (109,482)</u>	<u>\$ (4,447)</u>	<u>\$ 16,050</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from property tax	\$ 35,337	\$ -	\$ -	\$ 35,337
Advances (to) from other funds	6,873	-	-	6,873
Transfers from other funds	11,902	-	7,090	18,992
Receipts from grant	-	-	1,601	1,601
Net cash provided (used) by noncapital financing activities	<u>\$ 54,112</u>	<u>\$ -</u>	<u>\$ 8,691</u>	<u>\$ 62,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	\$ (40,000)	\$ -	\$ -	\$ (40,000)
Interest paid on long-term debt	(3,250)	-	-	(3,250)
Cash used in purchase of capital assets	(167,173)	-	-	(167,173)
Cash on sale of capital assets	100	100	-	200
Net cash provided (used) by capital and related financing activities	<u>\$ (210,323)</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (210,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	\$ 376	\$ 800	\$ 9	\$ 1,185
Proceeds from investments	141,100	89,797	27,821	258,718
Net cash provided by investing activities	<u>\$ 141,476</u>	<u>\$ 90,597</u>	<u>\$ 27,830</u>	<u>\$ 259,903</u>

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	<u>Business-Type Activities Enterprise Funds</u>			Total Business-Type Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 115,244	\$ (18,785)	\$ 32,074	\$ 128,533
CASH AND CASH EQUIVALENTS - Beginning	<u>272,268</u>	<u>260,398</u>	<u>22,901</u>	<u>555,567</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 387,512</u>	<u>\$ 241,613</u>	<u>\$ 54,975</u>	<u>\$ 684,100</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 84,467	\$ (141,514)	\$ (4,447)	\$ (61,494)
Depreciation expense	<u>45,512</u>	<u>32,032</u>	<u>-</u>	<u>77,544</u>
Net cash provided (used) by operating activities	<u>\$ 129,979</u>	<u>\$ (109,482)</u>	<u>\$ (4,447)</u>	<u>\$ 16,050</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further under Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from U.S. generally accepted accounting principles (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The Village of Carbon Cliff, Illinois provides a broad range of services to citizens, including general government, public safety, streets, sanitation, and park facilities. It also operates the water and sewer utilities.

The reporting entity is to include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village of Carbon Cliff, Illinois is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The Village has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the Village is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these combined statements.

The Village became a home rule government in November 2006.

Basis of Presentation

Government-Wide Financial Statements –

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements –

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Village presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of that individual government or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual government or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds –

The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds –

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Village. The Village reports the following special revenue funds as major:

The hotel tax fund accounts for expenditures related to tourism.

The home rule sales tax fund accounts for expenditures related to drainage improvements financed by sales tax as collected and distributed by the State of Illinois.

Proprietary Fund Types –

Enterprise Funds –

Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Village reports the following enterprise funds as major:

The water fund accounts for the revenue and expenses of the department responsible for providing water service to the general public.

The sewer fund accounts for the revenue and expenses of the department responsible for providing sewer service to the general public.

The garbage fund accounts for the revenue and expenses of the department responsible for providing garbage service to the general public.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus –

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis.

In the fund financial statements, the “current financial resources” measurement focus, as applied to the modified cash basis of accounting, is used, as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and deferred outflows of resources and liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources and liabilities deferred inflows of resources (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting –

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position/fund equity, revenues, and expenditures when they result from cash transactions with a provision for depreciation and long-term debt in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

If the Village utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents –

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments –

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Village categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets –

The Village’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements –

Capital assets are reported in the government-wide financial statements as assets in the Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Prior to January 1, 2004, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since January 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and systems	20-50 years
Improvements other than buildings	20 years
Equipment and vehicles	5-20 years
Infrastructure	40 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

Fund Financial Statements –

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt –

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Fund Balance/Net Position –

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances by the Village with intent to use them for a specific purpose. Assigned fund balance are amounts constrained by the Village's intent to use them for a specific purpose. The Board of Trustees authorizes assignments of fund balance. Any residual fund balance of the General Fund and a deficit in other funds, if any, is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

Equity Classification –

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

- b. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Village's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements –

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Property taxes –

Property taxes are levied in December and attached as an enforceable lien on the property as of the preceding January 1 and are collectible in June, August, September, and November of the year following the December tax levy.

Budgetary Data –

The Board of Trustees annually adopts a budget on the cash basis for all funds following the required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Internal and Interfund Balances and Activities –

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- 1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- 2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

3. Interfund reimbursements – Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Use of Estimates –

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Deferred Inflows/Deferred Outflows –

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village does not have items that qualify for reporting in this category.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The Village implemented the provisions of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended December 31, 2012. In the governmental funds financial statements, the Village first utilizes restricted resources to finance qualifying activities, then committed, assigned and unassigned fund balance, as applicable.

Committed Fund Balance. The Village Board of Trustees has not committed any funds at December 31, 2016.

Assigned Fund Balance. The Village Board of Trustees and management have assigned \$44,744 for Capital projects and \$60,000 for Building projects at December 31, 2016.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position –

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *Net Position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$704,032 difference are as follows:

Note payable	<u>\$704,032</u>
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Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities –

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – 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 their estimated useful lives and reported as depreciation expense.” The details of this \$176,484 difference are as follows:

Capital outlay	\$ 293,879
Depreciation expense	<u>(117,395)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in Net Position of governmental activities</i>	<u>\$ 176,484</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – (Continued)

Another element of that reconciliation states that the “issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$211,668 difference are as follows:

Notes payable:	
Issuance of debt	\$ - -
Principal repayments	<u>(211,668)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in Net Position of governmental activities</i>	<u><u>\$(211,668)</u></u>

NOTE 4 – DEPOSITS AND INVESTMENTS

As of December 31, 2016, the Village did not have any investments:

The investment and deposit of Village monies is governed by the provisions of the Illinois Compiled Statutes. In accordance with these provisions, all Village monies must be invested in one or more of the following:

- a. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of the Illinois Compiled Statutes and as shall have complied with the requirements thereof;
- b. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Savings and Loan Insurance Corporation;
- c. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- d. Short-term discount obligations of the Federal National Mortgage Association.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

During the year ended December 31, 2016, the Village complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made.

Interest rate risk. The highest interest rate available will always be the objective of the investment policy combined with safety of principal, which is left to the discretion of the Village President. As of December 31, 2016 the Village did not have any investments subject to interest rate risk.

Credit risk. 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. As of December 31, 2016 the Village did not have any investments subject to credit risk.

Concentration of credit risk. In accordance with its investment policy, the Village President will have the sole responsibility to select which financial institutions will be depositories for Village funds. The Village President will take into consideration security, size, location, condition, service, fees, and the community relations involvement of the financial institutions when choosing a financial institution.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned. At all times in order to meet the objective of safety of capital, the Village President will require deposits in excess of federally insured amount to be collateralized and evidenced by an approved written agreement. Investments requiring collateralization will not be made prior to Board approval.

As of December 31, 2016, the carrying amount of the Village's deposits with financial institutions totaled \$1,169,524 with the bank balances totaling \$1,200,482. The bank balances of \$1,200,482 are entirely insured or collateralized with securities held by the Village or its agent in the Village's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016, there was no investment custodial risk for the Village.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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 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 (RSI). That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the Village Regular Plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2016 was 15.72%. 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.

Annual Pension Cost

The required contribution for calendar year 2016 was \$33,795.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/16	\$ 33,795	100%	\$ - - -
12/31/15	34,232	100	- - -
12/31/14	30,080	100	- - -

The required contribution for 2016 was determined as part of the December 31, 2014 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 3.50% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% 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 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 Regular Plan's unfunded actuarial accrued liability at December 31, 2014 is being amortized as a level percentage of projected payroll on an open 27-year basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – (Continued)

Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the Regular plan was 56.93% funded. The actuarial accrued liability for benefits was \$693,468 and the actuarial value of assets was \$394,758, resulting in an underfunded actuarial accrued liability (UAAL) of \$298,710. The covered payroll for calendar year 2016 (annual payroll of employees covered by the plan) was \$214,981 and the ratio of the UAAL to the covered payroll was 139.00%.

The schedule of funding progress, presented as required supplemental information (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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 169,406	\$ - - -	\$ - - -	\$ 169,406
Total capital assets, not being depreciated	<u>\$ 169,406</u>	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$ 169,406</u>
Capital assets, being depreciated:				
Buildings	\$ 850,990	\$ 23,300	\$ - - -	\$ 874,290
Equipment and vehicles	299,985	- - -	- - -	299,985
Improvements other than buildings	97,669	- - -	- - -	97,669
Infrastructure	<u>2,964,040</u>	<u>270,579</u>	<u>- - -</u>	<u>3,234,619</u>
Total capital assets, being depreciated	<u>\$ 4,212,684</u>	<u>\$ 293,879</u>	<u>\$ - - -</u>	<u>\$ 4,506,563</u>
Less accumulated depreciation for:				
Buildings	\$ 40,386	\$ 18,803	\$ - - -	\$ 59,189
Equipment and vehicles	181,640	17,951	- - -	199,591
Improvements other than buildings	47,221	5,978	- - -	53,199
Infrastructure	<u>242,054</u>	<u>74,663</u>	<u>- - -</u>	<u>316,717</u>
Total accumulated depreciation	<u>\$ 511,301</u>	<u>\$ 117,395</u>	<u>\$ - - -</u>	<u>\$ 628,696</u>
Total capital assets, being depreciated, net	<u>\$ 3,701,383</u>	<u>\$ 176,484</u>	<u>\$ - - -</u>	<u>\$ 3,877,867</u>
Governmental activities capital assets, net	<u>\$ 3,870,789</u>	<u>\$ 176,484</u>	<u>\$ - - -</u>	<u>\$4,047,273</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Buildings and systems	\$ 3,525,103	\$ 167,173	\$ - - -	\$ 3,692,276
Equipment and vehicles	59,151	- - -	- - -	59,151
Total capital assets, being depreciated	<u>\$ 3,584,254</u>	<u>\$ 167,173</u>	<u>\$ - - -</u>	<u>\$ 3,751,427</u>
Less accumulated depreciation for:				
Buildings and systems	\$ 1,965,214	\$ 74,460	\$ - - -	\$ 2,039,674
Equipment and vehicles	49,380	3,084	- - -	52,464
Total accumulated depreciation	<u>\$ 2,014,594</u>	<u>\$ 77,544</u>	<u>\$ - - -</u>	<u>\$ 2,092,138</u>
Total capital assets, being depreciated, net	<u>\$ 1,569,660</u>	<u>\$ 89,629</u>	<u>\$ - - -</u>	<u>\$ 1,659,289</u>
Business-type activities capital assets, net	<u>\$ 1,569,660</u>	<u>\$ 89,629</u>	<u>\$ - - -</u>	<u>\$ 1,659,289</u>

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

Governmental activities:

General government	\$ 20,990
Public works	82,597
Recreation and culture	<u>13,808</u>
Total depreciation expense – governmental activities	<u>\$ 117,395</u>

Business-type activities:

Waterworks and sewerage systems	<u>\$ 77,544</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

As of December 31, 2016, the outstanding long-term debt of the Village was as follows:

On July 1, 2001, the Village issued \$450,000 of 2001 General Obligation Special Service Area bonds with interest of 5.00% payable semiannually on March 30 and September 30 of each year. Principal is due in annual amounts on March 30 of each year through 2017. The annual debt service requirements on these bonds are as follows:

Year Ending December 31	Interest Rate	Principal	Interest	Total
2017	5.00	\$ 45,000	\$ 1,125	\$ 46,125
Total		\$ 45,000	\$ 1,125	\$ 46,125

Notes

On September 27, 2013, the Village obtained a \$75,000 loan from a bank. The loan had an interest rate of 3.25% and was payable in semi-annual installments of \$12,521 through 2016. The loan was obtained to repair the Greenwood Avenue sinkhole and was repaid from the Hotel Tax Fund. The \$15,700 prior year balance on this loan was paid in full during 2016.

On December 15, 2015, the Village obtained a \$640,000 loan from a bank. The loan has a variable interest rate based on the weekly average yield on U.S. Treasury securities plus 1.75%, currently at 3.25%. Under no circumstances will the interest rate on this note be less than 3.25%. The note is payable in installments of \$4,512 through December 2030. The loan was obtained to purchase a building and is secured by a mortgage on 1001 Mansur Avenue, Carbon Cliff, Illinois. Payments are to be paid from the General Fund. The annual debt service requirements on this loan are as follows:

Year Ending December 31	Interest Rate	Principal	Interest	Total
2017	3.25	\$ 40,103	\$ 14,040	\$ 54,143
2018	3.25	40,939	13,204	54,143
2019	3.25	42,289	11,854	54,143
2020	3.25	43,684	10,459	54,143
2021	3.25	45,125	9,018	54,143
2022-2027	3.25	252,912	22,316	275,228
Total		\$ 465,052	\$ 80,891	\$ 545,943

On August 25, 2015, the Village obtained a \$260,000 loan from a bank. The loan has a variable interest rate based on the weekly average yield on US Treasury securities plus 1.75% currently, at 3.25%. Under no circumstances will the interest rate on this note be less than 3.25%. The note is payable in quarterly installments of \$7,699 from January 25, 2016 through October 25, 2020, \$7,713 from January 25, 2021 through July 25, 2025 and

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – (Continued)

\$7,670 on August 25, 2025. The loan is unsecured and was obtained to do Orchard Court roadway improvements and water main replacement and will be repaid from the Fund. The annual debt service requirements on this loan are as follows:

Year Ending December 31	Interest Rate	Principal	Interest	Total
2017	3.25	\$ 23,283	\$ 7,513	\$ 30,796
2018	3.25	24,053	6,743	30,796
2019	3.25	24,847	5,949	30,796
2020	3.25	25,653	5,143	30,796
2021	3.25	26,571	4,280	30,851
2022-2025	3.25	114,573	8,014	122,587
Total		<u>\$ 238,980</u>	<u>\$ 37,642</u>	<u>\$ 276,622</u>

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities: Note payable	<u>\$ 915,700</u>	<u>\$ - - -</u>	<u>\$ (211,668)</u>	<u>\$ 704,032</u>	<u>\$ 63,386</u>
Business-type activities: Bonds payable:					
General obligation bonds	<u>\$ 85,000</u>	<u>\$ - - -</u>	<u>\$ (40,000)</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>

Legal Debt Margin

As of December 31, 2015, the Village was a home-rule unit and the legal debt margin did not apply. If the Village were subject to the legal debt margin, the computation shown below indicates that the general obligation debt of the Village would not have exceeded the limit. The general obligation debt of the Village did not exceed its legal debt margin, as shown by the computation that follows:

Assessed valuation	<u>\$ 23,026,218</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 1,986,011
General obligation bonds (Special Service)	(45,000)
Note payable	(704,032)
General obligation bonds, not subject to debt limit	<u>45,000</u>
Unused legal debt capacity based on 8.625%	<u>\$ 1,281,979</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2016 is as follows:

	Payable Fund:		
	General Fund	Sewer Fund	Total
Receivable Fund:			
Home Rule	\$ 9	\$ - - -	\$ 9
Sales Tax Fund			
Water Fund	5,326	25,860	\$ 31,186
Totals	<u>\$ 5,335</u>	<u>\$ 25,860</u>	<u>\$ 31,195</u>

The composition of interfund transfers as of December 31, 2016 is as follows:

	Transfer out:			
	General Fund	Sewer Fund	Home Rule Sales Tax Fund	Total
Transfer In:				
Home Rule Roadway				
Tax Fund	\$ - - -	\$ - - -	\$ 4,467	\$ 4,467
General Fund	- - -	30,000	- - -	30,000
Garbage Fund	7,090	- - -	- - -	7,090
Water Fund	- - -	11,902	- - -	11,902
Total	<u>\$ 7,090</u>	<u>\$ 41,902</u>	<u>\$ 4,467</u>	<u>\$ 53,459</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules for the following:

General Fund

Hotel Tax Fund

Home Rule Sales Tax Fund

Notes to the Supplementary Information

Schedules of Funding Progress – Defined Benefit Retirement Plan

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Property taxes	\$ 170,714	\$ 170,714	\$ 172,002
Other taxes	487,171	487,171	467,714
Licenses and permits	20,000	20,000	16,687
Fines and fees	4,150	4,150	3,499
Intergovernmental agreement	1,000	1,000	1,487
Interest	70	70	28
Sale of property	100	100	589
Rental/lease	145,740	145,740	157,885
Other reimbursements	24,000	24,000	17,128
Total revenues	<u>\$ 852,945</u>	<u>\$ 852,945</u>	<u>\$ 837,019</u>
EXPENDITURES			
Current:			
Personnel:			
Salaries	\$ 183,734	\$ 168,045	\$ 159,930
Health insurance	56,130	62,357	62,357
Retirement	31,525	31,504	30,754
Total personnel	<u>\$ 271,389</u>	<u>\$ 261,906</u>	<u>\$ 253,041</u>
Contractual Services:			
Intergovernmental agreement	\$ 167,450	\$ 166,450	\$ 166,446
Engineering	30,090	46,019	44,993
Legal and professional	40,648	32,409	14,197
Total contractual services	<u>\$ 238,188</u>	<u>\$ 244,878</u>	<u>\$ 225,636</u>
Commodities:			
Postage	\$ 790	\$ 888	\$ 888
Publishing and printing	1,210	1,377	1,377
Telephone	4,035	3,698	3,698
Dues and publications	2,325	2,157	2,157
Travel	10,525	6,272	6,272
Training	5,300	3,731	3,731
Utilities	31,640	28,870	28,870
Insurance	27,120	26,549	26,549
Maintenance	42,730	12,498	12,380
Supplies	23,640	14,701	16,213
Total commodities	<u>\$ 149,315</u>	<u>\$ 100,741</u>	<u>\$ 102,135</u>

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
EXPENDITURES - (Continued)			
Other:			
Equipment	\$ 8,500	\$ 708	\$ 707
Improvements	2,500	266	266
Community relations	6,845	5,484	4,884
	<u>17,845</u>	<u>6,458</u>	<u>5,857</u>
Total other	\$ 17,845	\$ 6,458	\$ 5,857
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,300</u>
Debt Service:			
Principal	\$ 175,000	\$ 194,318	\$ 149,948
Interest	15,740	19,348	18,717
	<u>190,740</u>	<u>213,666</u>	<u>168,665</u>
Total debt service	190,740	213,666	168,665
Total expenditures	<u>\$ 867,477</u>	<u>\$ 827,649</u>	<u>\$ 778,634</u>
Deficiency of revenues under expenditures	\$ (14,532)	\$ 25,296	\$ 58,385
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	30,000
Transfer out	(70,524)	(64,210)	(7,090)
	<u>(70,524)</u>	<u>(64,210)</u>	<u>22,910</u>
Total other financing sources (uses)	\$ (70,524)	\$ (64,210)	\$ 22,910
Net change in fund balance	<u>\$ (85,056)</u>	<u>\$ (38,914)</u>	\$ 81,295
FUND BALANCE, Beginning			<u>228,587</u>
FUND BALANCE, Ending			<u>\$ 309,882</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HOTEL TAX FUND

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Hotel tax	\$ 71,135	\$ 71,135	\$ 76,154
Total revenues	<u>\$ 71,135</u>	<u>\$ 71,135</u>	<u>\$ 76,154</u>
EXPENDITURES			
Current:			
Contractual services:			
Professional services	\$ 5,180	\$ 5,180	\$ 2,893
Engineering services	2,753	2,753	285
Intergovernmental agreement	26,902	26,902	10,000
Improvements	27,000	27,000	-
Abatement of dangerous buildings	20,000	20,000	9,848
Other:			
Postage/Printing	25	25	45
Dues	5,000	5,000	5,000
Utilities	900	950	938
Community relations	2,600	2,600	-
Supplies	500	-	-
Debt Service:			
Principal	40,805	40,805	40,700
Interest	281	471	250
Total expenditures	<u>\$ 131,946</u>	<u>\$ 131,686</u>	<u>\$ 69,959</u>
Excess of revenues over expenditures	\$ (60,811)	\$ (60,551)	\$ 6,195
OTHER FINANCING SOURCES (USES)			
Transfer in	55,085	55,085	-
Transfer out	(40,085)	(40,085)	(41,902)
Proceeds from sale of fixed assets	4,000	4,000	-
Net change in fund balance	<u>\$ (41,811)</u>	<u>\$ (41,551)</u>	<u>\$ (35,707)</u>
FUND BALANCE, Beginning			<u>130,135</u>
FUND BALANCE, Ending			<u>\$ 94,428</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HOME RULE SALES TAX FUND
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Local sales tax	\$ 46,915	\$ 46,915	\$ 45,749
Total revenues	<u>\$ 46,915</u>	<u>\$ 46,915</u>	<u>\$ 45,749</u>
EXPENDITURES			
Current:			
Contractual services:			
Maintenance services - streets	\$ 322,830	\$ 253,033	\$ -
Professional services	1,175	12,070	12,070
Engineering services	15,700	23,039	5,494
Total contractual services	<u>\$ 339,705</u>	<u>\$ 288,142</u>	<u>\$ 17,564</u>
Commodities:			
Postage	\$ 25	\$ -	\$ -
Total commodities	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service			
Principal Payment	21,015	21,025	21,020
Interest Expense	9,785	9,775	9,775
Capital Outlay	-	-	270,579
Total expenditures	<u>\$ 370,530</u>	<u>\$ 318,942</u>	<u>\$ 318,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (323,615)</u>	<u>\$ (272,027)</u>	<u>\$ (273,189)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	\$ 15,700	\$ 15,700	\$ -
Transfer out	-	-	(4,467)
Total other financing sources (uses)	<u>\$ 15,700</u>	<u>\$ 15,700</u>	<u>\$ (4,467)</u>
Net change in fund balance	<u><u>\$ (307,915)</u></u>	<u><u>\$ (256,327)</u></u>	<u>\$ (277,656)</u>
FUND BALANCE, Beginning			<u>316,870</u>
FUND BALANCE, Ending			<u><u>\$ 39,214</u></u>

VILLAGE OF CARBON CLIFF, ILLINOIS
NOTES TO THE SUPPLEMENTARY INFORMATION –
BUDGET COMPARISONS
December 31, 2016

I. BUDGETARY INFORMATION

The Board of Trustees annually adopts a budget on the cash basis for all funds following the required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

VILLAGE OF CARBON CLIFF, ILLINOIS
SUPPLEMENTARY INFORMATION ON
PENSION PLAN FUNDING PROGRESS
December 31, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/16	\$ 394,758	\$ 693,468	\$ 298,710	56.93%	\$ 214,981	138.95%
12/31/15	357,080	662,403	305,323	53.91	226,704	134.68
12/31/14	418,558	748,865	330,307	55.89	207,306	159.33

On a market value basis, the actuarial value of assets as of December 31, 2016 is \$387,144. On a market basis, the funded ratio would be 55.83%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Carbon Cliff, Illinois. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Motor Fuel Tax Fund – Accounts for expenditures related to projects financed by the state gasoline tax as collected and distributed by the State of Illinois.

Home Rule Roadway Tax Fund – Accounts for expenditures related to street projects financed by the local gasoline tax as collected and distributed by the Village.

VILLAGE OF CARBON CLIFF, ILLINOIS
COMBINING BALANCE SHEET
MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016

	Special Revenue Funds		
	Motor Fuel Tax Fund	Home Rule Roadway Tax Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 38,487	\$ 29,554	\$ 68,041
Total assets	<u>\$ 38,487</u>	<u>\$ 29,554</u>	<u>\$ 68,041</u>
FUND BALANCES			
Restricted for:			
Street and alley projects	\$ 38,487	\$ 29,554	\$ 68,041
Total fund balances	<u>\$ 38,487</u>	<u>\$ 29,554</u>	<u>\$ 68,041</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds		
	Motor Fuel Tax Fund	Home Rule Roadway Tax Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 54,087	\$ -	\$ 54,087
Roadway tax	-	13,613	13,613
Interest	1	-	1
Total revenues	<u>\$ 54,088</u>	<u>\$ 13,613</u>	<u>\$ 67,701</u>
EXPENDITURES			
Current:			
Contractual services	<u>\$ 62,484</u>	<u>\$ 1,800</u>	<u>\$ 64,284</u>
Total expenditures	<u>\$ 62,484</u>	<u>\$ 1,800</u>	<u>\$ 64,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,396)</u>	<u>\$ 11,813</u>	<u>\$ 3,417</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	<u>\$ -</u>	<u>\$ 4,467</u>	<u>\$ 4,467</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 4,467</u>	<u>\$ 4,467</u>
Net change in fund balance	\$ (8,396)	\$ 16,280	\$ 7,884
FUND BALANCE, Beginning	<u>46,883</u>	<u>13,274</u>	<u>60,157</u>
FUND BALANCE, Ending	<u><u>\$ 38,487</u></u>	<u><u>\$ 29,554</u></u>	<u><u>\$ 68,041</u></u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Intergovernmental	\$ 52,862	\$ 52,862	\$ 54,087
Interest	-	-	1
Total revenues	<u>\$ 52,862</u>	<u>\$ 52,862</u>	<u>\$ 54,088</u>
EXPENDITURES			
Current:			
Maintenance	\$ 28,870	\$ 61,683	\$ 61,683
Engineering	6,000	801	801
Total expenditures	<u>\$ 34,870</u>	<u>\$ 62,484</u>	<u>\$ 62,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 17,992</u>	<u>\$ (9,622)</u>	<u>\$ (8,396)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	\$ 3,000	\$ 3,000	\$ -
Loan payment	(3,000)	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ 17,992</u></u>	<u><u>\$ (6,622)</u></u>	<u>\$ (8,396)</u>
FUND BALANCE, Beginning			<u>46,883</u>
FUND BALANCE, Ending			<u><u>\$ 38,487</u></u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HOME-RULE ROADWAY TAX

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Roadway tax	\$ 11,815	\$ 11,815	\$ 13,613
Interest income	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 11,815	\$ 11,815	\$ 13,613
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
Contractual services:			
Maintenance service/streets	\$ 4,000	\$ -	\$ -
Professional services	570	670	632
Engineering	1,500	1,500	1,168
	<u> </u>	<u> </u>	<u> </u>
Total contractual services	\$ 6,070	\$ 2,170	\$ 1,800
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 6,070	\$ 2,170	\$ 1,800
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	\$ 5,745	\$ 9,645	\$ 11,813
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ -	\$ -	\$ 4,467
Transfer out	(15,700)	-	-
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	\$ (15,700)	\$ -	\$ 4,467
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ (9,955)	\$ 9,645	\$ 16,280
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, Beginning			13,274
			<u> </u>
FUND BALANCE, Ending			\$ 29,554
			<u> </u>

VILLAGE OF CARBON CLIFF, ILLINOIS
ASSESSED VALUATIONS AND PROPERTY TAX RATES
For the Last Ten Calendar Years

<u>Calendar Year</u>	<u>Assessed Value</u>	<u>Property Tax Rates</u>
2017	\$ 24,039,231	0.7464%
2016	23,026,218	0.7420
2015	23,142,182	0.7378
2014	22,796,559	0.7132
2013	24,331,072	0.6362
2012	18,470,242	0.8182
2011	18,702,743	0.7692
2010	14,706,762	0.8158
2009	14,431,428	0.8146
2008	14,108,858	0.7532

VILLAGE OF CARBON CLIFF, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL AND ENTERPRISE FUNDS
For the Last Ten Calendar Years

<u>Calendar Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>
2017	\$ 179,429	\$ - - -
2016	206,206	207,339
2015	206,096	203,967
2014	197,935	197,466
2013	190,143	188,345
2012	186,379	184,816
2011	155,214	155,574
2010	129,515	128,562
2009	127,189	127,203
2008	116,126	113,541