

Village of Sugar Grove, Illinois

Comprehensive Annual Financial Report
Year Ended April 30, 2009

Issued by the Finance Department

Justin E. VanVooren
Finance Director

Village of Sugar Grove, Illinois

Comprehensive Annual Financial Report

Year Ended April 30, 2009

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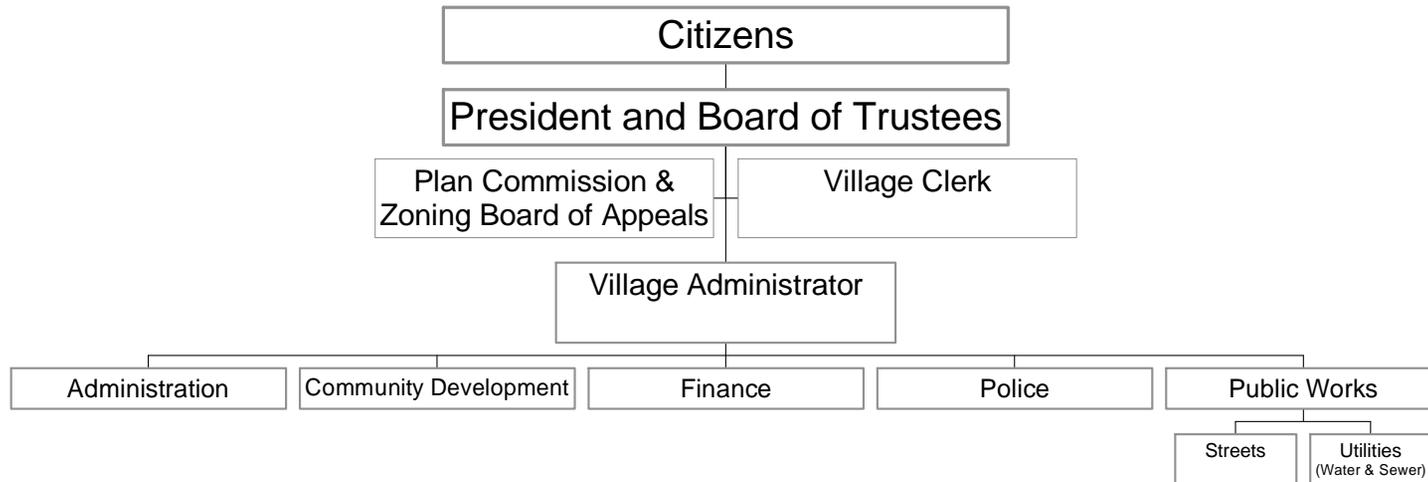
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Organizational Chart



Village of Sugar Grove

Principal Officials

April 30, 2009

Village President

P. Sean Michels

Village Board of Trustees

Robert E. Bohler

Rick L. Montalto

Kevin M. Geary

Thomas F. Renk

Mari J. Johnson

Melisa A. Taylor

Appointed

Brent M. Eichelberger

Village Administrator

Cynthia L. Welsch

Village Clerk

Richard J. Young

Community Development Director

Justin E. VanVooren

Finance Director/Treasurer

Bradley A. Sauer

Police Chief

Anthony J. Speciale

Public Works Director

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

August 31, 2009

The Honorable Village President
Members of the Board of Trustees
Village of Sugar Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Grove, as of and for the year ended April 30, 2009, which collectively comprise the Village of Sugar Grove's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Sugar Grove, Illinois' management. Our responsibility is to express an opinion on these basic 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Sugar Grove, Illinois as of April 30, 2009, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules, as well as the information listed as supplemental and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Sugar Grove, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis and other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily 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 thereon.

The introductory and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

LAUTERBACH & AMEN, LLP

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies

A. Reporting Entity

The Village of Sugar Grove (Village) is a municipal corporation governed by an elected Village president and six-trustee Village Board. As required by generally accepted accounting principles, these financial statements present the Village and its component units, legally separate entities for which the Village is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Village's operations and, therefore, data from these units are combined with data of the primary government.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board, and either a) the ability to impose the will of the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Blended Component Units

The Village's financial statements include the following pension trust fund:

Police Pension Fund: The Village's police employees participate in the Police Pension Fund, a Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one pension beneficiary elected by the membership, and two police employees elected by the membership constitute the pension board. The Village and the PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels. Although it possesses many characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees and because of the fiduciary nature of such activities.

PPERS is reported as a pension trust fund. No separate annual financial report is issued for the PPERS.

B. Government-wide and fund financial statements

Government-wide Financial Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the Village. The financial activities of the Village consist of governmental activities, which are primarily supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for services.

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Net Assets presents the Village's nonfiduciary assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

The Statement of Activities, which presents the Village's nonfiduciary revenues and expenses, demonstrates the degree to which the direct expenses of a given function (i.e. general government, public safety etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village has the following major governmental funds – General Fund, Debt Service Fund, General Capital Projects Fund, and Infrastructure Capital Projects Fund. The Village has the following major enterprise funds – Waterworks and Sewerage Fund and Refuse Fund.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Property taxes are recognized as revenues in the year for which they are levied. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, State shared revenues and various State, Federal and local grants. On an accrual basis, revenues from taxes are recognized when the Village has a legal claim to the resources. Grants, entitlements, State shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants, charges for services, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due (e.g. upon employee retirement or termination or debt payment). General capital asset acquisitions are reported as expenditures in governmental funds.

The Village administers the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Village and accounted for in the general fund include general government, public safety and highways and streets.

The Debt Service Fund is used to accumulate monies for the Village's general obligation alternate revenue source bonds. Activities are financed from property taxes and transfers from other funds.

The General Capital Projects Fund accounts for the acquisition, construction and improvement of governmental capital assets other than infrastructure. Activities are financed from developer contributions and transfers from other funds.

The Infrastructure Capital Projects Fund accounts for the acquisition, construction and improvement of governmental infrastructure assets. Activities are financed from developer contributions and motor fuel taxes.

The Village administers the following major proprietary funds:

The Waterworks and Sewerage Fund accounts for the provision of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection.

The Refuse Fund is used to account for refuse services contracted by the Village for the benefit of its citizens, but performed by a private entity. This fund is financed by fees charged to residents on their monthly utility bill.

Additionally, the Village administers fiduciary (pension trust and agency) funds for assets held by the Village in a fiduciary capacity on behalf of certain public safety employees, bondholders and other governments.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this general rule is charges between the Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and programs revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the Waterworks and Sewerage Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value. Fair value is based on quoted market prices. The Illinois Funds operates in accordance with appropriate state laws and regulations. The reported value of the Illinois Funds investment pool is the same as the fair value of the pool shares.

3. Property Taxes

The Village annually establishes a legal right to the property tax assessments upon the enactment of a tax levy ordinance by the Village Board. These tax assessments are levied in December and attach as an enforceable lien on the previous January 1. Tax bills are prepared by the County and issued on or about May and August, and are payable in two installments which are due on or about June 15 and September 1.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets or equity (continued)

3. Property Taxes (continued)

Property taxes are billed, collected and remitted periodically by the County Treasurer of Kane County, Illinois. A reduction for collection losses, based on historical collection experience, has been provided to reduce the taxes receivable to the estimated amount to be collected. That portion of the property taxes receivable which is not expected to be collected within sixty (60) days after year end is not considered to pay current liabilities and is, therefore, shown as deferred revenue.

4. Prepaid Items

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

5. Interfund Receivables/Payables

The Village has the following types of transactions between funds:

Loans and Advances—amounts provided with a requirement for repayment. In the fund financial statements, interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds. Any residual balances outstanding between the governmental activities and business-type activities are reported as internal balances in the government-wide statement of net assets.

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as due to/from other funds in the fund balance sheets or fund statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers in/out are reported as a separate category after nonoperating revenues and expenses.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. water and sewer system), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost in at or above of the following, and an estimated useful life of greater than one year.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets or equity (continued)

6. Capital Assets (continued)

Asset Class	Capitalization Threshold
Land	\$ 1
Improvements other than buildings	25,000
Buildings	50,000
Building improvements	50,000
Vehicles	10,000
Equipment	25,000
Computers	10,000
Furniture and fixtures	15,000
Infrastructure	250,000

As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Village values these capital assets at the estimated fair value of the item at the date of donation.

Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed.

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvements other than buildings	15 - 20
Buildings	45
Building improvements	10 - 30
Vehicles	3 - 10
Equipment	5 - 30
Computers	4
Furniture and fixtures	5 - 20
Infrastructure	20 - 50

7. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Village does not have a policy to pay any amounts when employees separate from service within the Village. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 1. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets or equity (continued)

8. Unearned Revenue

The Village defers revenue recognition in connection with resources that have been received, but not yet earned.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose.

11. Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from these estimates.

Note 2. Stewardship, compliance and accountability

A. Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP except for the Waterworks and Sewerage Fund in that gains/losses on the sales of capital assets and depreciation are not budgeted, and capital outlay and debt principal retirements are budgeted. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at the fiscal year end.

All departments of the Village submit requests for appropriations so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past two years, current year estimates and requested budget for the next fiscal year.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 2. Stewardship, compliance and accountability (continued)

A. Budgetary Information (continued)

The proposed budget is then 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. Management may transfer budget amounts between functions and activities. However, transfers between funds and increases in total funds must be approved by the governing board. Expenditures may not legally exceed appropriations at the fund level. There were no supplemental budget amendments approved during the year.

B. Excess of expenditures over appropriations

For the year ended April 30, 2009, expenditures/expenses/deductions exceeded appropriations in the Debt Service Fund, Refuse Fund, and Police Pension Fund by \$62,882, \$6,853, and \$2,445, respectively. The excess of expenditures in the Debt Service Fund were funded by bond proceeds. The excess of expenses in the Refuse Fund were funded by an increase in the rate charged to residents for refuse service. The excess of deductions in the Police Pension Fund were funded by existing net assets.

Note 3. Deposits and investments

The Village maintains a cash and investment pool that is available for use by all funds except the pension trust fund. Each fund type's portion of this pool is displayed on the financial statements as "cash and cash equivalents" and "investments". In addition, cash and cash equivalents and investments are separately held by several of the Village's funds. The deposits and investments of the pension trust fund is held separately from those of other funds.

Illinois statutes authorize the Village to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds. Pension funds may also invest in certain non-U.S. obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, and certain equities, subject to limitations.

Illinois Funds is an external investment pool implemented by the State of Illinois General Assembly and managed by the State of Illinois Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price the investment could be sold for.

A. Village credit risk, custodial credit risk, and concentration risk

Deposits. At year-end, the carrying amount of Village's deposits totaled \$17,151,683 and the bank balances totaled \$17,600,815.

Investments. At year-end, the carrying amount and fair value of the Village's investments totaled \$703. The investments consisted of \$703 in Illinois Funds. Such investments are not subject to categorization.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 3. Deposits and investments (continued)

A. Village credit risk, custodial credit risk, and concentration risk (continued)

Reconciliation. Total Village deposits and investments at year-end are as follows:

Carrying amount of deposits	\$ 17,151,683
Carrying amount of investments	703
Total pooled deposits and investments	<u>\$ 17,152,386</u>
Cash and cash equivalents - governmental and business-type activities	\$ 17,136,866
Investments - governmental and business-type activities	703
Cash and cash equivalents - agency funds	14,817
Total pooled deposits and investments	<u>\$ 17,152,386</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected liabilities.

Credit risk. Credit risk is the risk that an issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk by investing only in the Illinois Funds investment pool. The Village's investment policy limits authorized investments in the following:

- 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;
- Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act;
- Illinois Funds Investment Pool.

The Village's investment policy also prescribes to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived. At April 30, 2009, the Village's investments in the Illinois Funds have earned Standard & Poor's highest rating (AAAm).

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 to it. At April 30, 2009, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Village's investment policy further limits the custodial credit risk for deposits as follows: The Village requires that each of its depositories pledge collateral, or an equivalent thereof, for all deposits in excess of \$250,000. This collateral is to be held by the Village or a third party in the Village's name and may not be released or modified without Village approval. The value of the collateral shall be determined by the Village or by the third party custodian. The necessary amount (at least 102% of excess FDIC insured deposits) of collateral is determined under the Village's custodial agreement with its depository institutions.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 3. Deposits and investments (continued)

A. Village credit risk, custodial credit risk, and concentration risk (continued)

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. At April 30, 2009, the Village has invested only in the Illinois Funds investment pool which is not subject to custodial credit risk.

Concentration of credit risk. This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. With the exception of U.S. Treasury and U.S. Agency securities and authorized State treasurer pools, no more than 90% of the Village's total investment portfolio will be invested in a single security type and no more than 50% of the Village of Sugar Grove's total investment portfolio will be invested with a single financial institution. At April 30, 2009, the Village has no investment in any single issuer over 5% of total cash and cash equivalents and investments.

B. Police pension credit risk, custodial credit risk, and concentration risk

Deposits. At year-end, the carrying amount of the Police Pension Fund's deposits totaled \$33,505 and the bank balances totaled \$33,505.

Investments. The following table presents the investments and maturities of the Police Pension Fund. Categorized investments are insured or registered for which the securities are held by the Police Pension Fund or its agent in the Fund's name. Uncategorized investments are not subject to categorization because they are not securities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Categorized investments:					
U.S. Treasury obligations:					
U.S. Treasury notes	\$ 261,886	\$ -	\$ 174,783	\$ 87,103	\$ -
U.S. government agencies:					
FFCB	189,478	-	106,820	82,658	-
FHLMC	65,911	-	65,911	-	-
FHLB	515,379	-	364,356	151,023	-
FNMA	69,890	-	47,586	22,304	-
Municipal bonds	20,699	-	10,098	10,601	-
Uncategorized investments:					
Mutual funds	138,976	138,976	-	-	-
Money market	41,969	41,969	-	-	-
	<u>\$ 1,304,188</u>	<u>\$ 180,945</u>	<u>\$ 769,554</u>	<u>\$ 353,689</u>	<u>\$ -</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected liabilities. The investment policy does not limit the maximum maturity length of investments.

Note 3. Deposits and investments (continued)

B. Police pension credit risk, custodial credit risk, and concentration risk (continued)

Credit risk. Credit risk is the risk that an issuer of a debt security will not pay its par value upon maturity. The Fund limits its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The investments in securities of the U.S. government, agency obligations, and municipal bonds were rated AAA by Standard & Poor's and/or Aaa by Moody's Investors Service.

The Fund's investment policy also prescribes to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived

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 to it. The Fund's investment policy does not limit custodial credit risk for deposits. At April 30, 2009, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

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. To limit its exposure, the Fund's investment policy requires the use of an independent, third party institution, selected by the Police Pension Board, to act as custodian for its securities.

Concentration of credit risk. The Fund's investment policy defines the strategy in which the Police Pension Board follows for investments.

The Police Pension Board allocates its fixed income investments as follows:

- Cash/money market – a range of 0% to 40% with a target of 0%.
- U.S. Treasury obligations – a range of 20 to 40% with a target of 30%.
- U.S. government agencies (non-mortgage backed securities) – a range of 30 to 80% with a target of 55%.
- U.S. government agencies (mortgage backed securities) – a range of 0 to 10% with a target of 5%.
- Taxable municipal securities – a range of 0 to 20% with a target of 10%.
- Certificates of deposit – a range of 0 to 20% with a target of 0%.

The Police Pension Board allocates its equity investments in mutual funds as follows:

- U.S. large company stocks – a range of 40 to 100% with a target of 70%.
- U.S. small company stocks – a range of 0 to 40% with a target of 20%.
- International stocks – a range of 0 to 20% with a target of 10%.

At April 30, 2009, the Fund has no investment (other than U.S. Government guaranteed obligations) in any single issuer over 5% of total cash and cash equivalents and investments.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 4. Capital assets

A. Governmental activities

A summary of changes in capital assets for governmental activities of the Village is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,054,785	\$ 1,877,801	\$ -	\$ 9,932,586
Construction in progress	964,715	5,474,656	8,287	6,431,084
Total capital assets not being depreciated	<u>9,019,500</u>	<u>7,352,457</u>	<u>8,287</u>	<u>16,363,670</u>
Capital assets being depreciated:				
Infrastructure	6,675,145	1,034,582	-	7,709,727
Buildings	2,217,441	-	-	2,217,441
Improvements other than buildings	134,399	122,344	-	256,743
Vehicles and equipment	1,616,454	27,488	46,600	1,597,342
	<u>10,643,439</u>	<u>1,184,414</u>	<u>46,600</u>	<u>11,781,253</u>
Less accumulated depreciation for:				
Infrastructure	608,220	373,656	-	981,876
Buildings	413,067	49,277	-	462,344
Improvements other than buildings	45,226	11,818	-	57,044
Vehicles and equipment	733,768	209,464	46,600	896,632
	<u>1,800,281</u>	<u>644,215</u>	<u>46,600</u>	<u>2,397,896</u>
Total capital assets being depreciated, net	<u>8,843,158</u>	<u>540,199</u>	<u>-</u>	<u>9,383,357</u>
Governmental activities capital assets, net	<u>\$ 17,862,658</u>	<u>\$ 7,892,656</u>	<u>\$ 8,287</u>	<u>\$ 25,747,027</u>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 4. Capital assets (continued)

B. Business-type activities

A summary of changes in capital assets for business-type activities of the Village is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 231,723	\$ 100,000	\$ -	\$ 331,723
Construction in progress	138,833	2,012,822	115,842	2,035,813
Total capital assets not being depreciated	<u>370,556</u>	<u>2,112,822</u>	<u>115,842</u>	<u>2,367,536</u>
Capital assets being depreciated:				
Infrastructure	22,070,093	1,046,529	-	23,116,622
Buildings	1,510,211	-	-	1,510,211
Improvements other than buildings	459,432	7,842	-	467,274
Vehicles and equipment	1,243,220	165,430	-	1,408,650
	<u>25,282,956</u>	<u>1,219,801</u>	<u>-</u>	<u>26,502,757</u>
Less accumulated depreciation for:				
Infrastructure	4,291,000	518,292	-	4,809,292
Buildings	173,395	33,560	-	206,955
Improvements other than buildings	112,167	26,334	-	138,501
Vehicles and equipment	384,867	137,446	-	522,313
	<u>4,961,429</u>	<u>715,632</u>	<u>-</u>	<u>5,677,061</u>
Total capital assets being depreciated, net	<u>20,321,527</u>	<u>504,169</u>	<u>-</u>	<u>20,825,696</u>
Business-type activities capital assets, net	<u>\$ 20,692,083</u>	<u>\$ 2,616,991</u>	<u>\$ 115,842</u>	<u>\$ 23,193,232</u>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 4. Capital assets (continued)

C. Depreciation charged to functions/activities

Depreciation was charged to functions/activities as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 41,542	\$ -
Public safety	86,468	-
Highways and streets	516,205	-
Water and sewer	-	715,632
	<u>\$ 644,215</u>	<u>\$ 715,632</u>

Note 5. 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; natural disasters; and injuries to employees. These risks are provided for through participation in the Intergovernmental Risk Management Agency and private insurance coverage. The Village has purchase insurance from private insurance companies for its medical, dental and life insurance coverages. The Village has not had significant reductions in insurance coverage during the year nor did settlements exceed insurance coverage in any of the last three years.

The Village participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in Northeastern Illinois, which have formed an association under the Illinois Intergovernmental Cooperation Statute to pool its risk management needs. The agency administers a mix of coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; risk management/loss control consulting; training and education programs; and a risk information system and financial reporting service for its members.

The Intergovernmental Risk Management Agency was formed on January 1, 1979, with fourteen charter municipal members. As of December 31, 2008, IRMA had seventy-four members. Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of the agency beyond its representation on the Board of Directors.

The IRMA bylaws provide that all contributions to fund IRMA's operations are based on the individual member's revenue base, which serves as a measure of exposure. The revenue base is computed from the members' most current annual audited financial reports. Revenue base is defined as all total income with some specific exclusions and deductions. This amount is then multiplied by an experience modification factor based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations

A. General obligation bonds

The Village has issued general obligation alternate revenue source bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The alternate revenue source bonds pledge income derived from income, property and utility taxes and net water and sewer revenues. In addition, these bonds further pledge the full faith and credit of the Village should the alternate revenue source be insufficient. General obligation bonds currently outstanding are as follows:

Description	Fund Debt Retired By	Balances May 1	Additions	Retirements	Balances April 30
Governmental activities:					
\$ 925,000 General Obligation Alternate Revenue Source Bonds dated Sept. 15, 1991 due in annual installments of \$25,000 to \$90,000 plus interest of 7.0% to 9.0% through Jan. 1, 2011	Debt Service	\$ 250,000	\$ -	\$ 75,000	\$ 175,000
\$ 3,900,000 General Obligation Alternate Revenue Source Bonds dated Sept. 1, 2001 due in annual installments of \$60,000 to \$320,000 plus interest of 3.75% to 4.90% through Jan. 1, 2021	Debt Service	3,105,000	-	2,925,000	180,000
\$ 8,500,000 General Obligation Alternate Revenue Source Bonds dated June 28, 2006 due in annual installments of \$215,000 to \$650,000 plus interest of 4.000% to 4.125% through Dec. 15, 2025	Debt Service	8,285,000	-	410,000	7,875,000

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations (continued)

A. General obligation bonds (continued)

Description	Fund Debt Retired By	Balances May 1	Additions	Retirements	Balances April 30
Governmental activities:					
\$ 590,000 General Obligation Alternate Revenue Source Bonds dated July 15, 2008 due in annual installments of \$100,000 to \$130,000 plus interest of 3.00% to 3.60% through Jan. 1, 2014	Debt Service	\$ -	\$ 590,000	\$ -	\$ 590,000
\$ 2,930,000 General Obligation Alternate Revenue Source Bonds dated April 1, 2009 due in annual installments of \$50,000 to \$310,000 plus interest of 2.50% to 3.90% through Jan. 1, 2021	Debt Service	-	2,930,000	-	2,930,000
Total general obligation bonds - governmental activities		11,640,000	3,520,000	3,410,000	11,750,000
Business-type activities:					
\$ 1,415,000 General Obligation Alternate Revenue Refunding Bonds dated May 29, 2002 due in annual installments of \$125,000 to \$165,000 plus interest of 3.00% to 4.00% through May 1, 2012	Waterworks and Sewerage	745,000	-	150,000	595,000

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations (continued)

A. General obligation bonds (continued)

Description	Fund Debt Retired By	Balances May 1	Additions	Retirements	Balances April 30
Business-type activities:					
\$ 2,640,000 General Obligation Alternate Revenue Refunding Bonds dated May 17, 2006 due in annual installments of \$30,000 to \$325,000 plus interest of 4.00% to 4.50% through May 1, 2012	Waterworks and Sewerage	\$ 2,610,000	\$ -	\$ 30,000	\$ 2,580,000
\$ 2,585,000 General Obligation Alternate Revenue Source Bonds dated July 15, 2008 due in annual installments of \$45,000 to \$250,000 plus interest of 4.00% to 4.50% through May 1, 2028	Waterworks and Sewerage	-	2,585,000	-	2,585,000
Total general obligation bonds - business-type activities		3,355,000	2,585,000	180,000	5,760,000
Total general obligation bonds		\$ 14,995,000	\$ 6,105,000	\$ 3,590,000	\$ 17,510,000

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations (continued)

B. Illinois Environmental Protection Agency (IEPA) loans

The Village has entered into three loan agreements with the IEPA to provide low interest financing for waterworks and sewerage improvements. IEPA loans have been issued for business-type activities only. The IEPA loans pledge net water and sewer revenues. IEPA loans currently outstanding are as follows:

Description	Fund Debt Retired By	Balances May 1	Additions	Retirements	Balances April 30
Business-type activities:					
\$ 3,697,283 IEPA Loan Payable dated Sept. 29, 1998 due in semi-annual installments of \$119,812 with interest of 2.625% through September 28, 2019	Waterworks and Sewerage	\$ 2,365,356	\$ -	\$ 178,699	\$ 2,186,657
\$ 1,565,676 IEPA Loan Payable dated May 21, 2002 due in semi-annual installments of \$52,237 with interest of 2.675% through October 8, 2023	Waterworks and Sewerage	1,318,509	-	69,668	1,248,841
\$ 1,272,108 IEPA Loan Payable dated March 28, 2003 due in semi-annual installments of \$41,755 with interest of 2.570% through June 18, 2024	Waterworks and Sewerage	1,117,281	-	55,148	1,062,133
Total IEPA loans		\$ 4,801,146	\$ -	\$ 303,515	\$ 4,497,631

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations (continued)

C. Changes in long-term liabilities

	Balances			Balances	Due Within
	May 1	Additions	Reductions	April 30	One Year
Governmental activities:					
Bonds payable:					
General obligation alternate revenue bonds	\$ 11,640,000	\$ 3,520,000	\$ 3,410,000	\$ 11,750,000	\$ 840,000
Plus deferred amounts:					
For issuance premiums	39,985	10,342	3,855	46,472	-
Less deferred amounts:					
On refunding	-	(116,774)	-	(116,774)	-
Total bonds payable	11,679,985	3,413,568	3,413,855	11,679,698	840,000
Compensated absences	83,555	103,922	86,279	101,198	101,198
Total governmental activities long-term liabilities	\$ 11,763,540	\$ 3,517,490	\$ 3,500,134	\$ 11,780,896	\$ 941,198
Business-type activities:					
Bonds payable:					
General obligation alternate revenue bonds	\$ 3,355,000	\$ 2,585,000	\$ 180,000	\$ 5,760,000	\$ 180,000
Plus deferred amounts:					
For issuance premiums	66,006	19,568	7,491	78,083	-
Less deferred amounts:					
On refunding	(273,434)	-	(40,659)	(232,775)	-
Total bonds payable	3,147,572	2,604,568	146,832	5,605,308	180,000
Loans payable	4,801,146	-	303,515	4,497,631	311,540
Compensated absences	28,356	25,963	22,699	31,620	26,334
Total business-type activities long-term liabilities	\$ 7,977,074	\$ 2,630,531	\$ 473,046	\$ 10,134,559	\$ 517,874

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 6. Long-term obligations (continued)

D. Debt service requirements to maturity

As of April 30, 2009, debt service requirements to maturity on the outstanding general obligation bonds, including interest are as follows:

Fiscal Year Ending April 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 840,000	\$ 437,223	\$ 1,277,223	\$ 180,000	\$ 278,823	\$ 458,823
2011	860,000	416,020	1,276,020	270,000	237,250	507,250
2012	705,000	382,452	1,087,452	280,000	226,250	506,250
2013	705,000	358,304	1,063,304	295,000	214,750	509,750
2014	735,000	334,145	1,069,145	315,000	201,913	516,913
2015 - 2019	3,420,000	1,305,351	4,725,351	1,810,000	780,912	2,590,912
2020 - 2024	3,235,000	622,993	3,857,993	1,535,000	380,860	1,915,860
2025 - 2029	1,250,000	78,224	1,328,224	1,075,000	124,497	1,199,497
	<u>\$ 11,750,000</u>	<u>\$ 3,934,712</u>	<u>\$ 15,684,712</u>	<u>\$ 5,760,000</u>	<u>\$ 2,445,255</u>	<u>\$ 8,205,255</u>

As of April 30, 2009, debt service requirements to maturity on the outstanding IEPA loans, including interest are as follows:

Fiscal Year Ending April 30	Business-Type Activities		
	Principal	Interest	Total
2010	\$ 311,540	\$ 116,071	\$ 427,611
2011	319,776	107,835	427,611
2012	328,230	99,381	427,611
2013	336,908	90,703	427,611
2014	345,814	81,797	427,611
2015 - 2019	1,871,145	266,910	2,138,055
2020 - 2024	942,992	64,509	1,007,501
2025 - 2029	41,226	529	41,755
	<u>\$ 4,497,631</u>	<u>\$ 827,735</u>	<u>\$ 5,325,366</u>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 7. Interfund receivables, payables and transfers

The composition of interfund balances as of April 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General Capital Projects	Infrastructure Capital Projects	\$ 20,000
Infrastructure Capital Projects	General Capital Projects	463,358
		<u>\$ 483,358</u>

The outstanding balance between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Individual interfund transfers for the Village at April 30, 2009 are shown as follows:

Transfers in	Transfers out	Amount	Reason
General	Refuse	\$ 25,000	Overhead reimbursement
General Capital Projects	General	288,126	Equipment replacement
Infrastructure Capital Projects	General Capital Projects	3,053,498	Municipal Drive costs
	Waterworks and Sewerage	38,916	Storm sewer costs
Debt Service	General Capital Projects	404,647	G.O. bonds debt service
	Infrastructure Capital Projects	339,603	G.O. bonds debt service
	Waterworks and Sewerage	312,003	G.O. bonds debt service
		<u>\$ 4,461,793</u>	

Note 8. Contingent liabilities

A. Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

B. Fox Metro Water Reclamation District

The Village entered into an intergovernmental agreement with Fox Metro Water Reclamation District (Fox Metro) on June 16, 1998. Section VI, paragraphs 3 and 4 of the agreement covers the purchase of approximately 100 acres of land by the Village. The Village would convey this land to Fox Metro for the location of a new wastewater treatment facility after receiving reimbursement for half the cost of the land. Fox Metro has since decided to expand their current facility and not build a new wastewater treatment plant. Therefore, Fox Metro expects some remedy of fair compensation. The Village has not estimated its liability under the intergovernmental agreement as of April 30, 2009.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 10. Employee retirement systems and plans

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; and the Police Pension Plan, a single-employer public employee retirement plan. Publicly available financial reports that include financial statements and required supplementary information (RSI) for the Police Pension Plan may be obtained by writing to the Village of Sugar Grove at 10 South Municipal Drive, Sugar Grove, Illinois 60554. IMRF issues a publicly available financial report that includes financial statements and supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or on-line at www.imrf.org.

A. Plan descriptions and provisions

Illinois Municipal Retirement Fund

IMRF is a defined benefit agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois.

IMRF provides retirement (including early retirement), disability and death benefits to plan members and beneficiaries. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of creditable service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of creditable service up to 15 years, and 2.00% for each year thereafter.

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. The Village accounts for the plan as a pension trust fund. The plan does not issue a stand-alone financial report.

At April 30, 2009, the Police Pension Plan membership consisted of:

Retirees, disabled participants and beneficiaries of	
deceased retirees currently receiving benefits	-
Terminated plan members entitled to but not yet	
receiving benefits	-
Current employees:	
Vested	5
Nonvested	12
	<hr/>
Total	17
	<hr/> <hr/>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 10. Employee retirement systems and plans (continued)

A. Plan descriptions and provisions (continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

B. Funding policies

Illinois Municipal Retirement Fund

As set by statute, the Village's IMRF plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 7.93% 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.

Police Pension Plan

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded. For the year ended April 30, 2009, the Village's contribution was 19.5% of annual covered payroll.

C. Summary of significant accounting policies and plan asset matters

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchanges are valued at the last reported sales price. Investments that do not have an established market, if any, are reported at estimated fair value.

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 10. Employee retirement systems and plans (continued)

C. Summary of significant accounting policies and plan asset matters (continued)

Significant investments

There are no investments (other than U.S. Government and U.S. Government – guaranteed obligations) in any one organization that represent 5% or more of net assets for the Police Pension Plan. Information for IMRF is not available.

Related party transactions

There are no securities of the employer or any other related parties in plan assets.

D. Annual pension cost and net pension obligation (asset)

For calendar year 2008, the Village's annual pension cost for the Illinois Municipal Retirement Fund of \$118,769 was equal to the Village's required and actual contributions.

For fiscal year 2009, the Village's annual pension cost for the Police Pension Plan was \$195,124. The Village's actual contribution was \$195,458.

The net pension obligation (asset) at April 30, 2009, was \$(17,587). It was comprised of the following:

Net pension obligation (asset):	
Annual required contribution	\$ 195,458
Interest on net pension obligation	(1,208)
Adjustment to annual required contribution	874
	<hr/>
Annual pension cost	195,124
Contributions made	195,458
	<hr/>
Increase (decrease) in net pension obligation (asset)	(334)
Net pension obligation (asset) at beginning of year	(17,253)
	<hr/>
Net pension obligation (asset) at end of year	<u>\$ (17,587)</u>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 10. Employee Retirement Systems and Plans (Continued)

E. Actuarial assumptions

The following actuarial assumptions were used in determining the pension contributions:

	Illinois Municipal Retirement	Police Pension
Actuarial valuation date	12/31/ 2008	4/30/ 2009
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	5 year smoothed market	Market
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	24 years, closed	28 years, closed
Significant actuarial assumptions		
a) Investment rate of return	7.5% compounded annually	7.0% compounded annually
b) Projected salary increase	0.4 to 11.6%	5.0%
c) Inflation rate included	4.0%	3.0%
d) Post-retirement increases	3.0%	3.0%

F. Trend Information

	For Calendar Year	Illinois Municipal Retirement	For Fiscal Year	Police Pension
Annual Pension Cost	2008	\$ 118,769	2009	\$ 195,124
	2007	113,495	2008	176,843
	2006	92,059	2007	157,750
Percent Contributed	2008	100.00 %	2009	100.17 %
	2007	100.00	2008	109.76
	2006	100.00	2007	100.00
Net Pension Obligation (Asset)	2008	\$ -	2009	\$ (17,587)
	2007	-	2008	(17,253)
	2006	-	2007	-

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 10. Employee Retirement Systems and Plans (Continued)

G. Funded status and funding progress

The Village's funded status for the current year and related information for each plan is as follows:

	Municipal Retirement	Police Pension
Actuarial Valuation Date	12/31/2008	4/30/2009
Actuarial Value of Assets	\$ 2,076,006	\$ 1,345,242
Actuarial Accrued Liability (AAL)	\$ 2,177,378	\$ 2,407,260
(Overfunded) Unfunded Actuarial Accrued Liability (UAAL)	\$ 101,372	\$ 1,062,018
Funded Ratio	95.34%	55.88%
Covered Payroll	\$ 1,497,720	\$ 1,002,435
UAAL as a Percentage of Covered Payroll	6.77%	105.94%

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

Note 11. Adjustments to equity

A. Prior period adjustments

The following table reflects the correction of errors in the Governmental and Business-Type Activities and General and Waterworks and Sewerage Funds:

	Governmental Activities	Business-Type Activities	General	Waterworks and Sewerage
April 30, 2008 balance as previously reported	\$ 19,389,431	\$ 18,006,913	\$ 1,571,514	\$ 17,949,533
Restatement for error in allocation of salaries	18,703	(18,703)	18,703	(18,703)
April 30, 2008 balance as restated	<u>\$ 19,408,134</u>	<u>\$ 17,988,210</u>	<u>\$ 1,590,217</u>	<u>\$ 17,930,830</u>

Village of Sugar Grove, Illinois

Notes to the Financial Statements

Note 12. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 45 – “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The Village is required to implement this Statement for the year ending April 30, 2010.

Statement No. 51 – “Accounting and Financial Reporting for Intangible Assets.” This Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The Village is required to implement this Statement for the year ending April 30, 2011.

Statement No. 52 – “Land and Other Real Estate Held as Investments by Endowments.” This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The Village is required to implement this Statement for the year ending April 30, 2010.

Statement No. 53 – “Accounting and Financial Reporting for Derivative Instruments.” This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Village is required to implement this Statement for the year ending April 30, 2011.

Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Village is required to implement this Statement for the year ending April 30, 2012.

Management has not currently determined what impact, if any, these Statements may have on its financial statements.

Village of Sugar Grove, Illinois

Note to Required Supplementary Information

Note 1. Budgetary basis of accounting

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles.