

**CITY OF FARMER CITY, ILLINOIS**

**Annual Financial Report**

**For the Fiscal Year Ended April 30, 2017**

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### **Independent Auditor's Report**

The Honorable Mayor and Board of Aldermen  
City of Farmer City, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Farmer City, Illinois ("City"), as of and for the year ended April 30, 2017, which collectively comprise the City'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, as of April 30, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund – Schedule of Changes in the City’s Net Position Liability and Related Ratios on page 45, Schedule of Employer Contributions on page 46 and budgetary comparison information on pages 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 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 introductory and statistical sections 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of the City of Farmer City’s internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Farmer City’s internal control over financial reporting and compliance.

*Striegel Knobloch & Company LLC*

Bloomington, Illinois  
October 10, 2017

## **BASIC FINANCIAL STATEMENTS**

# CITY OF FARMER CITY, ILLINOIS

## Statement of Net Position

April 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Notes 1 and 2)	\$ 2,837,532	\$ 3,417,322	\$ 6,254,854
Receivables (net) (Note 1):			
Property taxes (Note 5)	731,018	22,014	753,032
Intergovernmental	140,955	-	140,955
Accounts	3,184	302,864	306,048
Prepaid expenses	28,989	52,159	81,148
Restricted assets – cash and cash equivalents	-	139,775	139,775
Internal balances	3,505	(3,505)	-
Capital assets, net of accumulated depreciation (Notes 1 and 3)	1,854,328	4,175,553	6,029,881
Total assets	5,599,511	8,106,182	13,705,693
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension obligations	149,262	123,862	273,124
Total assets and deferred outflows of resources	\$ 5,748,773	\$ 8,230,044	\$ 13,978,817
<b>Liabilities</b>			
Accounts payable	\$ 15,235	\$ 3,130	\$ 18,365
Accrued expenses	34,907	42,171	77,078
Meter deposits	-	35,006	35,006
Accrued interest	8,442	23,623	32,065
Notes payable (Note 4):			
Due within one year	12,362	-	12,362
Due in more than one year	3,773	-	3,773
Bonds payable (Note 4):			
Due within one year	90,000	60,000	150,000
Due in more than one year	300,000	1,195,000	1,495,000
IMRF pension liability	698,173	579,361	1,277,534
Total liabilities	1,162,892	1,938,291	3,101,183
<b>Deferred Inflows of Resources</b>			
Deferred property tax (Note 5)	731,018	22,014	753,032
Deferred inflows related to pension obligations	11,515	9,556	21,071
Total deferred inflows of resources	742,533	31,570	774,103

- Continued -

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Net Position - Continued**

**April 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt (Note 1)	1,448,193	2,920,553	4,368,746
Restricted for (Note 1):			
Debt service	5,709	139,775	145,484
Public safety	21,486	-	21,486
Tax increment financing districts	873,117	-	873,117
Motor fuel tax	66,629	-	66,629
Hotel-Motel tax	5,832	-	5,832
Business district tax	69,151	-	69,151
ESDA	4,137	-	4,137
Audit	42,272	-	42,272
Insurance	349,547	-	349,547
IMRF	36,357	-	36,357
Social security	131,834	-	131,834
Working cash	99,732	-	99,732
School crossing guard	13,316	-	13,316
Library	44,739	-	44,739
Unrestricted (Note 1)	<u>631,297</u>	<u>3,199,855</u>	<u>3,831,152</u>
 Total net position	 <u>3,843,348</u>	 <u>6,260,183</u>	 <u>10,103,531</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 5,748,773</u>	 <u>\$ 8,230,044</u>	 <u>\$ 13,978,817</u>

The accompanying notes are an integral part of this statement.



**CITY OF FARMER CITY, ILLINOIS**

**Statement of Activities**

**For the Year Ended April 30, 2017**

		Program Revenues			
	Expenses	Fees, Licenses and Permits	Fines	User Charges	Operating Grants and Contributions
Governmental activities:					
General government	\$ 603,852	\$ 72,907	\$ 35,511	\$ 397,900	\$ -
Public safety	471,048	-	-	13,605	-
Public works	388,329	-	-	-	-
Streets and alleys	313,366	-	-	-	-
Recreation	155,906	-	1,887	28,874	6,570
Interest on long-term debt	36,365	-	-	-	-
Changes in pension obligations	<u>40,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,009,546</u>	<u>72,907</u>	<u>37,398</u>	<u>440,379</u>	<u>6,570</u>
Business-type activities:					
Electric	2,475,620	-	42,056	2,629,284	-
Water	419,188	-	5,506	336,239	-
Sewer	<u>476,564</u>	<u>-</u>	<u>4,818</u>	<u>332,934</u>	<u>-</u>
Total business- type activities	<u>3,371,372</u>	<u>-</u>	<u>52,380</u>	<u>3,298,457</u>	<u>-</u>
Total primary government	<u>\$ 5,380,918</u>	<u>\$ 72,907</u>	<u>\$ 89,778</u>	<u>\$ 3,738,836</u>	<u>\$ 6,570</u>

General revenues:

Taxes:

- Property taxes
- Income tax
- Motor fuel tax
- Replacement tax
- Sales tax
- Excise tax
- Use tax
- Video gaming tax
- Business district tax

Hotel-Motel tax

Miscellaneous income

Unrestricted investment earnings

Total general revenues

Change in net position

Net position – beginning

Net position – ending

- Continued -

<u>Program Revenues</u> Capital Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ -	\$ (97,534)	\$ -	\$ (97,534)
-	(457,443)	-	(457,443)
-	(388,329)	-	(388,329)
-	(313,366)	-	(313,366)
-	(118,575)	-	(118,575)
-	(36,365)	-	(36,365)
<u>-</u>	<u>(40,680)</u>	<u>-</u>	<u>(40,680)</u>
<u>-</u>	<u>(1,452,292)</u>	<u>-</u>	<u>(1,452,292)</u>
-	-	195,720	195,720
-	-	(77,443)	(77,443)
<u>-</u>	<u>-</u>	<u>(138,812)</u>	<u>(138,812)</u>
<u>-</u>	<u>-</u>	<u>(20,535)</u>	<u>(20,535)</u>
<u>\$ -</u>	<u>(1,452,292)</u>	<u>(20,535)</u>	<u>(1,472,827)</u>
	730,618	22,222	752,840
	192,903	-	192,903
	51,631	-	51,631
	19,526	-	19,526
	193,984	-	193,984
	23,080	-	23,080
	50,225	-	50,225
	41,958	-	41,958
	69,151	-	69,151
	14,372	-	14,372
	6,782	-	6,782
	<u>6,565</u>	<u>12,226</u>	<u>18,791</u>
	<u>1,400,795</u>	<u>34,448</u>	<u>1,435,243</u>
	(51,497)	13,913	(37,584)
	<u>3,894,845</u>	<u>6,246,270</u>	<u>10,141,115</u>
	<u>\$ 3,843,348</u>	<u>\$ 6,260,183</u>	<u>\$ 10,103,531</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Balance Sheet – Governmental Funds**

**April 30, 2017**

	<u>General Fund</u>	<u>Tax Increment Financing Fund II</u>	<u>Insurance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 1,101,860	\$ 873,117	\$ 349,547	\$ 513,008	2,837,532
Property tax receivable (Note 5)	108,314	331,254	108,314	183,136	731,018
Intergovernmental tax receivable	121,992	-	-	18,963	140,955
Accounts receivable, net	1,429	-	-	1,755	3,184
Due from other funds (Note 6)	<u>7,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,090</u>
Total assets	<u>\$ 1,340,685</u>	<u>\$ 1,204,371</u>	<u>\$ 457,861</u>	<u>\$ 716,862</u>	<u>\$ 3,719,779</u>
<b>Liabilities</b>					
Accounts payable	\$ 11,444	\$ -	\$ -	\$ 3,791	15,235
Accrued expenses	28,265	-	-	6,642	34,907
Due to other funds (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,585</u>	<u>3,585</u>
Total liabilities	<u>39,709</u>	<u>-</u>	<u>-</u>	<u>14,018</u>	<u>53,727</u>
<b>Deferred Inflows of Resources</b>					
Deferred property tax (Note 5)	<u>108,314</u>	<u>331,254</u>	<u>108,314</u>	<u>183,136</u>	<u>731,018</u>
<b>Fund Balance</b>					
Restricted for:					
Tax increment financing district	-	873,117	-	-	873,117
Motor fuel tax	-	-	-	66,629	66,629
Hotel-Motel tax	-	-	-	5,832	5,832
Business district tax	-	-	-	69,151	69,151
ESDA	-	-	-	4,137	4,137
Audit	-	-	-	42,272	42,272
Insurance	-	-	349,547	-	349,547
IMRF	-	-	-	36,357	36,357
Social Security	-	-	-	131,834	131,834
Working cash	-	-	-	99,732	99,732
School crossing guard	-	-	-	13,316	13,316
Library	-	-	-	44,739	44,739
Committed:					
Debt service	-	-	-	5,709	5,709
Public safety	21,486	-	-	-	21,486
Unassigned	<u>1,171,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,171,176</u>
Total fund balance	<u>1,192,662</u>	<u>873,117</u>	<u>349,547</u>	<u>519,708</u>	<u>2,935,034</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,340,685</u>	<u>\$ 1,204,371</u>	<u>\$ 457,861</u>	<u>\$ 716,862</u>	<u>\$ 3,719,779</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Reconciliation of Fund Balance of Governmental Funds to the  
Statement of Net Position of Governmental Activities**

**April 30, 2017**

Fund balance of governmental funds	\$ 2,935,034
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$5,622,777 net of accumulated depreciation of \$3,768,449 are not current financial resources and, therefore, are not reported in the governmental fund.	1,854,328
Other assets not available to defray the cost of current expenses are not reported in the fund financial statements.	
Prepaid insurance	28,989
Net pension obligations are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position.	(560,426)
Long-term liabilities are not payable with current financial resources and are not reported in the governmental funds.	
Bonds payable	(390,000)
Notes payable	(16,135)
Accrued interest	<u>(8,442)</u>
Net position of governmental activities	\$ <u>3,843,348</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds**

**For the Year Ended April 30, 2017**

	<u>General Fund</u>	<u>Tax Increment Financing Fund II</u>	<u>Insurance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 127,339	\$ 326,276	\$ 107,010	\$ 169,993	\$ 730,618
Income tax	192,903	-	-	-	192,903
Motor fuel tax	-	-	-	51,631	51,631
Replacement tax	19,526	-	-	-	19,526
Sales tax	193,984	-	-	-	193,984
Excise tax	23,080	-	-	-	23,080
Use tax	50,225	-	-	-	50,225
Video gaming tax	41,958	-	-	-	41,958
Other taxes	-	-	-	83,523	83,523
Donations	-	-	-	6,570	6,570
Fines, fees, permits and licenses	150,897	-	-	1,887	152,784
Interest income	4,021	1,179	415	950	6,565
Office charges	<u>397,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,900</u>
Total revenue	<u>1,201,833</u>	<u>327,455</u>	<u>107,425</u>	<u>314,554</u>	<u>1,951,267</u>
Expenditures:					
Current:					
General government	356,591	-	48,757	134,300	539,648
Public safety	455,376	-	-	2,480	457,856
Public works	-	304,960	-	14,267	319,227
Streets and alleys	219,596	-	-	44,688	264,284
Recreation	107,544	-	-	41,454	148,998
Debt service:					
Principal	14,167	85,000	-	-	99,167
Interest	1,255	24,463	-	-	25,718
Capital outlay	<u>16,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,976</u>
Total expenditures	<u>1,171,505</u>	<u>414,423</u>	<u>48,757</u>	<u>237,189</u>	<u>1,871,874</u>
Excess (deficiency) of revenue over (under) expenditures	30,328	(86,968)	58,668	77,365	79,393
Other financing sources:					
Proceeds from sale of capital asset	6,782	-	-	-	6,782
Transfer in	8,540	-	-	-	8,540
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>	<u>(8,540)</u>
Total other financing sources	<u>15,322</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>	<u>6,782</u>
Net change in fund balance	45,650	(86,968)	58,668	68,825	86,175
Fund balance, beginning of year	<u>1,147,012</u>	<u>960,085</u>	<u>290,879</u>	<u>450,883</u>	<u>2,848,859</u>
Fund balance, end of year	<u>\$ 1,192,662</u>	<u>\$ 873,117</u>	<u>\$ 349,547</u>	<u>\$ 519,708</u>	<u>\$ 2,935,034</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Reconciliation of Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balance to the  
Governmental Activities in the Statement of Activities**

**For the Year Ended April 30, 2017**

Net change in fund balance – total governmental funds	\$ 86,175
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives; depreciation (\$199,690) for the year is less than capital outlays (\$16,063) reported in the governmental funds.	(183,627)
Repayment of loan principal is an expenditure in the governmental fund; however, the repayment reduces long-term liabilities in the statement of net position.	99,167
Net change in pension obligations is not recognized in the fund financial statements since it does not use current financial resources.	(40,680)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Prepaid insurance expense	(1,885)
Prepaid interest expense	<u>(10,647)</u>
Change in net position of governmental activities	<u>\$ (51,497)</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Net Position – Proprietary Funds**

**April 30, 2017**

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 2,210,106	\$ 939,818	\$ 267,398	\$ 3,417,322
Property taxes receivable (Note 5)	-	-	22,014	22,014
Accounts receivable, net	236,263	25,141	41,460	302,864
Prepaid expenses	38,790	6,376	6,993	52,159
Due from other funds (Note 6)	-	141,429	6,305	147,734
Restricted cash and cash equivalents (Note 2)	<u>-</u>	<u>139,775</u>	<u>-</u>	<u>139,775</u>
Total current assets	<u>2,485,159</u>	<u>1,252,539</u>	<u>344,170</u>	<u>4,081,868</u>
Capital assets (Note 3):				
Buildings	119,494	422,619	3,300,000	3,842,113
Electric, water and sewer systems	8,478,450	1,414,380	1,946,108	11,838,938
Equipment	148,455	756,278	166,955	1,071,688
Accumulated depreciation	<u>(5,711,220)</u>	<u>(2,124,856)</u>	<u>(4,741,110)</u>	<u>(12,577,186)</u>
Net capital assets	<u>3,035,179</u>	<u>468,421</u>	<u>671,953</u>	<u>4,175,553</u>
Total assets	<u>5,520,338</u>	<u>1,720,960</u>	<u>1,016,123</u>	<u>8,257,421</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension obligations	<u>84,832</u>	<u>28,733</u>	<u>10,297</u>	<u>123,862</u>
Total assets and deferred outflows of resources	<u>\$ 5,605,170</u>	<u>\$ 1,749,693</u>	<u>\$ 1,026,420</u>	<u>\$ 8,381,283</u>

- Continued -

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Net Position – Proprietary Funds – Continued**

**April 30, 2017**

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
<b>Liabilities</b>				
Current liabilities:				
Meter deposits	\$ -	\$ 35,006	\$ -	\$ 35,006
Accounts payable	1,765	633	732	3,130
Bonds payable, current (Note 4)	60,000	-	-	60,000
Accrued expenses	33,394	6,935	1,842	42,171
Accrued interest	23,623	-	-	23,623
Due to other funds (Note 6)	<u>144,934</u>	<u>6,305</u>	<u>-</u>	<u>151,239</u>
Total current liabilities	<u>263,716</u>	<u>48,879</u>	<u>2,574</u>	<u>315,169</u>
Noncurrent liabilities:				
IMRF pension liability	396,802	134,396	48,163	579,361
Bonds payable less current maturities (Note 4)	<u>1,195,000</u>	<u>-</u>	<u>-</u>	<u>1,195,000</u>
Total noncurrent liabilities	<u>1,591,802</u>	<u>134,396</u>	<u>48,163</u>	<u>1,774,361</u>
Total liabilities	<u>1,855,518</u>	<u>183,275</u>	<u>50,737</u>	<u>2,089,530</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to property tax (Note 5)	-	-	22,014	22,014
Deferred inflows related to pension obligations	<u>6,545</u>	<u>2,217</u>	<u>794</u>	<u>9,556</u>
Total deferred inflows of resources	<u>6,545</u>	<u>2,217</u>	<u>22,808</u>	<u>31,570</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,780,179	468,421	671,953	2,920,553
Restricted for debt service	-	139,775	-	139,775
Unrestricted	<u>1,962,928</u>	<u>956,005</u>	<u>280,922</u>	<u>3,199,855</u>
Total net position	<u>3,743,107</u>	<u>1,564,201</u>	<u>952,875</u>	<u>6,260,183</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,605,170</u>	<u>\$ 1,749,693</u>	<u>\$ 1,026,420</u>	<u>\$ 8,381,283</u>

The accompanying notes are an integral part of this statement.



**CITY OF FARMER CITY, ILLINOIS**

**Statement of Revenues, Expenses and Changes in  
Fund Net Position – Proprietary Funds**

**For the Year Ended April 30, 2017**

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Operating revenues:				
Charges for services	\$ 2,630,134	\$ 334,398	\$ 277,369	\$ 3,241,901
Other	<u>41,206</u>	<u>7,347</u>	<u>60,383</u>	<u>108,936</u>
Total operating revenues	<u>2,671,340</u>	<u>341,745</u>	<u>337,752</u>	<u>3,350,837</u>
Operating expenses:				
Personnel services	373,664	166,318	57,709	597,691
Operations and contractual services	1,800,508	106,130	162,510	2,069,148
Materials and supplies	33,517	40,206	70,750	144,473
Depreciation	<u>208,990</u>	<u>106,534</u>	<u>185,595</u>	<u>501,119</u>
Total operating expenses	<u>2,416,679</u>	<u>419,188</u>	<u>476,564</u>	<u>3,312,431</u>
Operating income (loss)	<u>254,661</u>	<u>(77,443)</u>	<u>(138,812)</u>	<u>38,406</u>
Non-operating revenue (expense):				
Sewer chlorination levy	-	-	22,222	22,222
Interest income	4,750	7,366	110	12,226
Interest expense	<u>(58,941)</u>	<u>-</u>	<u>-</u>	<u>(58,941)</u>
Total non-operating revenue (expense)	<u>(54,191)</u>	<u>7,366</u>	<u>22,332</u>	<u>(24,493)</u>
Income before transfers	<u>200,470</u>	<u>(70,077)</u>	<u>(116,480)</u>	<u>13,913</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	200,470	(70,077)	(116,480)	13,913
Net position, beginning of year	<u>3,542,637</u>	<u>1,634,278</u>	<u>1,069,355</u>	<u>6,246,270</u>
Net position, end of year	<u>\$ 3,743,107</u>	<u>\$ 1,564,201</u>	<u>\$ 952,875</u>	<u>\$ 6,260,183</u>

The accompanying notes are an integral part of this statement.

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Cash Flows – Proprietary Funds**

**For the Year Ended April 30, 2017**

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Cash flows from (used in) operating activities:				
Cash received from customers	\$ 2,621,811	\$ 345,807	\$ 339,480	\$ 3,307,098
Cash payments to employees for services	(358,623)	(160,158)	(52,129)	(570,910)
Cash payment to suppliers for goods and services	<u>(1,839,172)</u>	<u>(160,827)</u>	<u>(245,359)</u>	<u>(2,245,358)</u>
Net cash provided by (used in) operating activities	<u>424,016</u>	<u>24,822</u>	<u>41,992</u>	<u>490,830</u>
Cash flows from (used in) non-capital financing activities:				
Transfers (to) from other funds	-	-	-	-
Proceeds from sewer chlorination levy	<u>-</u>	<u>-</u>	<u>22,222</u>	<u>22,222</u>
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>22,222</u>	<u>22,222</u>
Cash flows from (used in) capital and related financing activities:				
Purchase of capital assets	(16,958)	(44,473)	(1,052)	(62,483)
Principal paid on revenue bonds and notes payable	(55,000)	-	-	(55,000)
Interest paid on revenue bonds and notes payable	<u>(35,318)</u>	<u>-</u>	<u>-</u>	<u>(35,318)</u>
Net cash provided by (used in) capital and related financing activities	<u>(107,276)</u>	<u>(44,473)</u>	<u>(1,052)</u>	<u>(152,801)</u>
Cash flows from (used in) investing activities:				
Interest from investments	<u>4,750</u>	<u>7,366</u>	<u>110</u>	<u>12,226</u>
Net cash provided by (used in) investing activities	<u>4,750</u>	<u>7,366</u>	<u>110</u>	<u>12,226</u>
Net increase (decrease) in cash and cash equivalents	321,490	(12,285)	63,272	372,477
Cash and cash equivalents, beginning of year	<u>1,888,616</u>	<u>952,103</u>	<u>204,126</u>	<u>3,044,845</u>
Cash and cash equivalents, end of year	<u>\$ 2,210,106</u>	<u>\$ 939,818</u>	<u>\$ 267,398</u>	<u>\$ 3,417,322</u>

- Continued -

**CITY OF FARMER CITY, ILLINOIS**

**Statement of Cash Flows – Proprietary Funds – Continued**

**For the Year Ended April 30, 2017**

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 254,661	\$ (77,443)	\$ (138,812)	\$ 38,406
Adjustments:				
Depreciation	208,990	106,534	185,595	501,119
Expenses related to pension obligations	15,002	8,175	5,680	28,857
Change in assets and liabilities:				
(Increase) decrease in:				
Restricted cash	-	(14)	-	(14)
Accounts receivable	(49,529)	4,162	1,728	(43,639)
Prepaid expenses	2,287	(155)	330	2,462
(Decrease) increase in:				
Accounts payable	(7,434)	(14,336)	(12,429)	(34,199)
Accrued expenses	39	(2,015)	(100)	(2,076)
Meter deposits	-	(86)	-	(86)
Net cash provided by (used in) operating activities	\$ <u>424,016</u>	\$ <u>24,822</u>	\$ <u>41,992</u>	\$ <u>490,830</u>

The accompanying notes are an integral part of this statement.

# CITY OF FARMER CITY, ILLINOIS

## Notes to Financial Statements

April 30, 2017

### Note 1 – Summary of Significant Accounting Policies:

#### Reporting Entity

The City is a municipal corporation governed by an elected Mayor and a Board of Aldermen. The accompanying financial statements present the operations of the primary government.

In evaluating how to define the government for financial reporting purposes, the City has considered all potential component units. Generally accepted accounting principles require that the financial statements present component units for which the City is considered to be financially accountable. The City has determined that it is not financially accountable for any component units and, therefore, no component units have been made a part of this statement.

#### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information for the City as a whole. For the most part, the effect of interfund activity has been removed from the statements. The statements report governmental activities of the City separately from those that are considered business-type activities. Taxes and intergovernmental revenues normally support governmental activities, whereas business-type activities rely, to a significant extent, on fees and charges to external customers.

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition or improvement of those assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for fees, licenses and permits, 2) fines, 3) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 4) operating grants and contributions. Taxes and other revenue sources not properly included among program revenues are reported as general revenues.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Fund Financial Statements

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenue, such as charges for services, generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, generally result from non-exchange transactions or ancillary activities.

Proprietary fund operating expenses include costs directly related to providing services and producing and delivering goods. All expenses not meeting this definition are reported as non-operating expenses.

The City reports the following major governmental funds:

**General Fund**

The General Corporate Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

**Tax Increment Financing Fund II**

The TIF Fund II accounts for all revenues and expenditures related to the City's TIF District II redevelopment project.

**Insurance Fund**

The Insurance Fund accounts for all revenues and expenditures related to the City's insurance activities.

**Tax Increment Financing Fund II**

The TIF Fund II accounts for all revenues and expenditures related to the City's TIF District II redevelopment project.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Fund Financial Statements – Continued

The City reports the following major proprietary funds:

**Electric Light Plant and System Fund**

The Electric Light Plant and System Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Water Fund**

The Water Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Sewer Fund**

The Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the City reports the following non-major governmental fund types:

- Special Revenue Funds account for resources obtained from specific revenue sources that are legally restricted for expenditures for specific purposes. Special Revenue Funds account for taxes levied with statutorily defined distributions and other resources restricted as to purpose.
- The Debt Service Fund accounts for governmental resources obtained and accumulated to pay interest and principal on general long-term debt.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus describes the type of transactions or events reported on the operating statements. Basis of accounting refers to when transactions are recorded in the accounts and reported in the financial statements. The government-wide financial statements and propriety fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when a liability is incurred. Fixed assets are not capitalized but instead are charged to current expenditures when purchased.

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

Assets, Liabilities, and Net Position or Equity

➤ Deposits and Investments

The City’s cash and cash equivalents consist of checking account balances, certificates of deposit, money market accounts, savings accounts and Illinois Funds and are stated at cost without provision for accrued interest. Reported amounts approximate market values.

Except where otherwise required, the City maintains all deposits in a bank account in the name of the City. These deposits are invested on a short-term basis with interest income being allocated to the funds based on their respective balance.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Assets, Liabilities, and Net Position or Equity – Continued

➤ Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are either due to/from other funds or advances to/from other funds. Other outstanding balances between funds are reported as due to/from other funds. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

➤ Capital Assets

Capital assets consisting of property, plant, equipment, and infrastructure assets are reported in either the governmental or business-type activities columns in the government-wide financial statements.

All capital assets and intangible assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their fair market value on the date donated.

Depreciation of all exhaustible capital assets and intangible assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation and amortization are reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Electric light plant and system	20 – 30 years
Waterworks and sewage system	20 – 30 years
Infrastructure	20 years
Machinery and equipment	5 – 10 years
Furniture and office equipment	5 – 10 years

Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems. The City has elected to report only those infrastructure fixed assets that were acquired or constructed after April 30, 2005.



**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Assets, Liabilities, and Net Position or Equity – Continued

➤ **Compensated Absences**

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred. Only the current portion of such amounts would be accrued in governmental funds. The long-term portion of such amounts is reported in the government-wide and proprietary fund financial statements. At April 30, 2016, the City was obligated for \$45,491 of accumulated vacation pay.

➤ **Restricted Assets**

Certain assets of the Water Fund and Tax Increment Financing Fund II are restricted as to use as described in Notes 4 and 5. There is also a specific deposit in the Water Fund that has been restricted. The money was received from water customers for meter deposits.

➤ **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

➤ **Fund Equity**

The City has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- **Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory, prepaid expenses, long-term receivables) or are required to be maintained intact;
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 1 – Summary of Significant Accounting Policies – Continued:**

Assets, Liabilities, and Net Position or Equity – Continued

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balances are established by the City through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

➤ City Services

City services include Public Safety (Police), Public Library, Recreation, Public Works Projects, Streets, Alleys and Sidewalks, Water Distribution, Electrical Power Distribution, Sewage Treatment, and General Administrative Services.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted to have been depleted before unrestricted is applied.

# CITY OF FARMER CITY, ILLINOIS

## Notes to Financial Statements - Continued

April 30, 2017

### Note 1 – Summary of Significant Accounting Policies – Continued:

#### Assets, Liabilities, and Net Position or Equity – Continued

##### Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

##### Budgets and Budgetary Accounting

The City is under the appropriations method as described in the Illinois Compiled Statutes. The Annual Appropriations Ordinance passed by the City is the legally binding document which restricts the City's maximum expenditure of funds.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

##### Private-Sector Standards

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. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 2 – Deposits and Investments:**

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statement as "cash and cash equivalents." The City'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. In addition, investments are separately held by several of the City's funds. The investments are governed by an investment policy.

Deposits

Custodial credit risk for deposits is the risk that in the event of failure of the financial institution holding the City's deposits, the City's deposits may not be returned to it. The City's investment policy indicates that the Finance Director, at his discretion, may require that collateralization of certain public deposits be performed through pledging of appropriate securities by the depository.

Deposits with Financial Institutions

The carrying amount of the City's deposits and investments with financial institutions was \$6,254,854, and the bank balance was \$6,473,167. The institutions' balances are categorized as follows:

Amount insured by FDIC	\$ 741,724
Uninsured and collateralized with securities held by the pledging financial institution but not in the name of the City	<u>5,731,443</u>
Total institutions' balances	<u>\$ 6,473,167</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 2 – Deposits and Investments – Continued:**

Deposits with Financial Institutions – Continued

The following securities were pledged as collateral for these deposits in excess of the maximum depository insurance:

<u>Security</u>	<u>CUSIP</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
FNA 2013-52 MG	3136AEJ32	1.25%	06/25/2043	\$ 1,642,265
FN AD1155	31418NH94	4.00%	04/01/2025	875,414
FHR 3988 NC	3137AKWJ6	2.00%	01/15/2040	740,541
FN 623009	31389EDN2	2.47%	10/01/2024	653,227
G2 MA0475	36179MQ45	2.50%	10/20/2042	547,000
G2 MA0673	36179MXA3	2.00%	01/20/2028	530,649
GNR 2013-43 B	38378KDB2	1.96%	04/16/2039	483,242
FG G13136	3128MBV53	4.50%	05/01/2023	229,072
FG G13093	3128MBUS4	4.50%	04/01/2023	143,317
Other Securities				<u>404,248</u>
				<u>\$ 6,248,975</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 3 – Capital Assets:**

Capital asset activity for the year ended April 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ <u>104,390</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>104,390</u>
Total capital assets not being depreciated	<u>104,390</u>	<u>-</u>	<u>-</u>	<u>104,390</u>
Capital assets being depreciated:				
Buildings	1,311,325	-	-	1,311,325
Equipment	1,186,606	16,063	-	1,202,669
Infrastructure	<u>3,004,393</u>	<u>-</u>	<u>-</u>	<u>3,004,393</u>
Total capital assets being depreciated	<u>5,502,324</u>	<u>16,063</u>	<u>-</u>	<u>5,518,387</u>
Less accumulated depreciation for:				
Building	(1,240,481)	(5,556)	-	(1,246,037)
Equipment	(1,082,447)	(31,936)	-	(1,114,383)
Infrastructure	<u>(1,245,831)</u>	<u>(162,198)</u>	<u>-</u>	<u>(1,408,029)</u>
Total accumulated depreciation	<u>(3,568,759)</u>	<u>(199,690)</u>	<u>-</u>	<u>(3,768,449)</u>
Total capital assets being depreciated, net	<u>1,933,565</u>	<u>(183,627)</u>	<u>-</u>	<u>1,749,938</u>
Governmental activities capital assets, net	\$ <u>2,037,955</u>	\$ <u>(183,627)</u>	\$ <u>-</u>	\$ <u>1,854,328</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 3 – Capital Assets – Continued:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Capital assets being depreciated:				
Buildings and system	15,641,051	-	-	15,641,051
Equipment	<u>1,009,205</u>	<u>62,483</u>	<u>-</u>	<u>1,071,688</u>
Total capital assets being depreciated	<u>16,650,256</u>	<u>62,483</u>	<u>-</u>	<u>16,712,739</u>
Less accumulated depreciation for:				
Buildings and system	(11,224,149)	(447,213)	-	(11,671,362)
Equipment	<u>(851,918)</u>	<u>(53,906)</u>	<u>-</u>	<u>(905,824)</u>
Total accumulated depreciation	<u>(12,076,067)</u>	<u>(501,119)</u>	<u>-</u>	<u>(12,577,186)</u>
Total capital assets being depreciated, net	<u>4,574,189</u>	<u>(438,636)</u>	<u>-</u>	<u>4,135,553</u>
Business-type activities capital assets, net	\$ <u>4,614,189</u>	\$ <u>(438,636)</u>	\$ <u>-</u>	\$ <u>4,175,553</u>

Depreciation expense was charged to functions/programs of the primary government in the following manner:

Governmental activities:	
General government	\$ 62,319
Public safety	11,226
Public works	69,102
Streets and alleys	50,135
Recreation	<u>6,908</u>
Total depreciation expense – governmental activities	\$ <u>199,690</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 3 – Capital Assets – Continued:**

Business-type activities:	
Electric light plant and system	\$ 208,990
Water	106,534
Sewer	<u>185,595</u>
 Total depreciation expense – business-type activities	 \$ <u><u>501,119</u></u>

**Note 4 – Long-Term Debt:**

Governmental Activities

Note payable to Heartland Bank and Trust, Farmer City, Illinois, for the purchase of a dump truck with monthly payments of \$647 including principal and interest at 4.75%.

The following summarizes the required payments of principal and interest due under the terms of the above note payable:

Year Ended April 30,

2018	6,445
2019	<u>661</u>
	7,106
Less amounts representing interest	<u>(138)</u>
Total principal due	\$ <u><u>6,968</u></u>

Note payable to Heartland Bank and Trust, Farmer City, Illinois, for the purchase of a truck with semi-annual payments of \$ 3,181 including principal and interest at 4.25%.

The following summarizes the required payments of principal and interest due under the terms of the above note payable:

Year Ended April 30,

2018	6,361
2019	<u>3,180</u>
	9,541
Less amounts representing interest	<u>(374)</u>
Total principal due	\$ <u><u>9,167</u></u>



**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 4 – Long-Term Debt – Continued:**

Governmental Activities – Continued

*Series 2007 General Obligation Bonds*

The ordinance authorizing the issuance of \$1,000,000 General Obligation Bonds, Series 2007, provides for the creation and continuance of separate accounts designated as the Proceeds Account, Debt Service Account, Depreciation Account, and the Surplus Account. Other than the Debt Service Account, no funds or accounts have been or are expected to be established. The Debt Service Account shall be funded as follows:

**Debt Service Account**

There shall be paid into the Debt Service Account on the last business day next preceding the first business day of each month, after the required payment has been determined, a fractional amount (not less than 1/6) of the interest becoming due on the next succeeding interest payment date on all outstanding Certificates authorized to be issued under the terms of this ordinance, and there shall be paid into the Debt Service Account on the first business day of each month not less than a fractional amount of the principal (not less than 1/12) and/or interest (not less than 1/6) becoming due on the next succeeding principal maturity or due date and/or interest due date of all of the Certificates issued under the terms of this ordinance until there shall have been accumulated in the Debt Service Account on or before the day preceding such current due date or maturity date of interest or principal, or both, an amount sufficient to pay such principal or interest, or both, of all Certificates heretofore issued or issued hereunder and including, as applicable, the maturing principal or interest, or both.

Remaining liabilities under the Series 2007 bond issue at April 30, 2017, were as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due for Year Payable Semi-Annually</u>	<u>Total Amount Due in Fiscal Year</u>
2018	5.15%	90,000	20,085	110,085
2019	5.15%	95,000	15,450	110,450
2020	5.15%	100,000	10,558	110,558
2021	5.15%	<u>105,000</u>	<u>5,405</u>	<u>110,405</u>
		<u>\$ 390,000</u>	<u>\$ 51,498</u>	<u>\$ 441,498</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 4 – Long-Term Debt – Continued:**

*Alternate Revenue Bonds*

During the 2012 fiscal year, the City issued \$1,500,000 of General Obligation Bonds (Alternate Revenue Source), Series 2011. Proceeds of this issue were used for improvements to the Electrical System.

Remaining liabilities under the Series 2011 Alternate Revenue Bond as of April 30, 2017, were as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due for Year Payable Semi-Annually</u>	<u>Total Amount Due in Fiscal Year</u>
2018	6.90%	60,000	56,695	116,695
2019	6.80%	60,000	52,555	112,555
2020	3.00%	65,000	48,475	113,475
2021	3.00%	70,000	46,525	116,525
2022	5.50%	75,000	44,425	119,425
2023	5.50%	80,000	40,300	120,300
2024	3.50%	80,000	35,900	115,900
2025	3.75%	85,000	33,100	118,100
2026	3.75%	85,000	29,913	114,913
2027	3.75%	90,000	26,725	116,725
2028	4.00%	95,000	23,350	118,350
2029	4.00%	95,000	19,550	114,550
2030	5.00%	100,000	15,750	115,750
2031	5.00%	105,000	10,750	115,750
2032	5.00%	<u>110,000</u>	<u>5,500</u>	<u>115,500</u>
		<u>\$ 1,255,000</u>	<u>\$ 489,513</u>	<u>\$ 1,744,513</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 4 – Long-Term Debt – Continued:**

Changes in general long-term liability activity for the year ended April 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligation					
bonds payable	\$ 475,000	\$ -	\$ 85,000	\$ 390,000	\$ 90,000
Notes payable:					
Truck	14,923	-	5,756	9,167	6,031
Dump truck	<u>15,378</u>	<u>-</u>	<u>8,410</u>	<u>6,968</u>	<u>6,331</u>
	<u>\$ 505,301</u>	<u>\$ -</u>	<u>\$ 99,166</u>	<u>\$ 406,135</u>	<u>\$ 102,362</u>
<b>Business-Type Activities</b>					
Alternate revenue					
bonds payable	<u>\$ 1,310,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 1,255,000</u>	<u>\$ 60,000</u>

**Note 5 – Property Taxes:**

The City’s tax levy ordinance related to the taxes collected in 2016 was adopted December 2015. Property taxes are assessed and attached as an enforceable lien on property as of January 1 of each year. Taxes normally are collected between May 1 and September 1 (the last day of payment without penalty or interest) of the following year. The DeWitt County Treasurer is responsible for collecting and disbursing the tax monies to the City.

In accordance with generally accepted accounting principles, property taxes are recognized as revenue in the budgetary year for which they are levied. Property taxes receivable are recorded as deferred revenue since they are budgeted to pay next year’s expenses.

Property taxes receivable as of April 30, 2017, consist of the following:

	<u>2016 Tax Levy Year</u>
General Fund	\$ 108,314
Tax Increment Financing Fund II	331,254
Insurance Fund	108,314
Non-Major Governmental Funds	183,136
Proprietary Funds	<u>22,014</u>
Total	<u>\$ 753,032</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 6 – Interfund Loans and Transfers:**

Generally accepted accounting principles require disclosure, as part of the financial statements, of certain information concerning individual funds. Such items not disclosed elsewhere include the following:

➤ Individual fund interfund loans at April 30, 2017, were as follows:

	<u>Receivable From</u>	<u>Payable To</u>
General Fund:		
Motor Fuel Tax Fund	\$ 3,585	\$ -
Electric Fund	3,505	-
Motor Fuel Tax Fund:		
General Fund	-	3,585
Electric Fund:		
General Fund	-	3,505
Water Fund	-	141,429
Water Fund:		
Electric Fund	141,429	-
Sewer Fund	-	6,305
Sewer Fund:		
Water Fund	6,305	-

Origin of Interfund Balances

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources, primarily to provide services. The interfund receivables/payables owed to the various funds reflect advances made and received that are still outstanding as of April 30, 2017. All interfund balances are expected to be repaid in a future fiscal year.

Interfund transfers consist of the following transactions:

	<u>Transfer From</u>	<u>Transfer To</u>
Hotel-Motel Tax Fund:		
General Fund	\$ -	\$ 8,540
General Fund:		
Hotel-Motel Tax Fund	8,540	-

Transfers are used to provide resources from unrestricted funds revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2017

**Note 7 – Defined Benefit Pension Plan:**

The City'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 City's plan is affiliated with the Illinois Municipal Retirement Fund ("IMRF"), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org](http://www.imrf.org).

Plan Description

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier of IMRF's Regular Plan. IMRF assigns a benefit tier to a member when they are enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member participated in IMRF before January 1, 2011, they participate in the *Regular Tier 1*. If the member participated in IMRF on or after January 1, 2011, they participate in *Regular Tier 2*.

For *Regular Tier 1*, pension benefits vest after eight years of qualifying service credit. Participating members who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to  $1\frac{2}{3}$  % of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings for each year of credited service up to 15 years and 2% for each year thereafter to a maximum of 75% of their final rate of earnings. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

For *Regular Tier 2*, pension benefits vest after ten years of service. Participating members who retire at age 62 (with reduced benefits) or after age 67 (with full benefits) with ten years of service, or age 62 with 35 years of service, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to  $1\frac{2}{3}$  % of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earning for each year of credited services up to 15 years and 2% for each year thereafter to a maximum of 75% of their final rate of earnings. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age of 67, by the lesser of 3% of the original pension amount or  $\frac{1}{2}$  of the increase in the Consumer Price Index of the original pension amount.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 7 – Defined Benefit Pension Plan – Continued:**

Plan Membership

At December 31, 2016, the measurement date, membership of the plan was as follows:

Retirees and beneficiaries	18
Inactive, non-retired members	13
Active members	<u>19</u>
Total	<u>50</u>

Contributions

As set by statute, City regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2016 was 14.84%. The City 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.

Net Pension Liability / (Asset)

The net pension liability / (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability / (asset) was determined by an annual actuarial valuation as of that date.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability / (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2017

Note 7 – Defined Benefit Pension Plan – Continued:

Actuarial Assumptions

Total pension liabilities for the Regular plan were determined by actuarial valuations performed as of December 31, 2016, using the following actuarial methods and assumptions:

	<u>Regular Plan</u>
Actuarial cost method	Entry age normal
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.50%
Inflation	3.50%
Salary increase	3.75% to 14.50%, including inflation
Price inflation	2.75%

Mortality

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projections scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Morality Table with the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 7 – Defined Benefit Pension Plan – Continued:**

Long-Term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Return 12/31/16</u>	<u>Projected Returns/Risk</u>	
			<u>One Year Arithmetic</u>	<u>Ten Year Geometric</u>
Equities	38%	7.77%	8.30%	6.85%
International equities	17%	3.54%	8.45%	6.75%
Fixed income	27%	4.85%	3.05%	3.00%
Real estate	8%	8.97%	6.90%	5.75%
Alternatives	9%			
Private equity		N/A	12.45%	7.35%
Hedge funds		N/A	5.35%	5.25%
Commodities		N/A	4.25%	2.65%
Cash equivalents	1%	N/A	2.25%	2.25%

Discount Rate

The discount rate used to measure the total pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2015, measurement date was 7.46%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rate equal to the differences between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.78% for tax-exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2016, to arrive at a discount rate of 7.50% used to determine the total pension liability. The year ending December 31, 2116, is the last year in the 2017 to 2116 projection period for which projected benefit payments are fully funded.



**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 7 – Defined Benefit Pension Plan – Continued:**

Discount Rate Sensitivity

The following is a sensitivity analysis of the net position liability / (asset) to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.50% as well as what the net position liability / (asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 5,980,680	\$ 5,316,510	\$ 4,765,357
Plan fiduciary net position	<u>4,038,976</u>	<u>4,038,976</u>	<u>4,038,976</u>
Net position liability / (asset)	\$ <u>1,941,704</u>	\$ <u>1,277,534</u>	\$ <u>726,381</u>

Change in Net Pension Liability / (Asset)

The City's change in net position liability / (asset) for the calendar year ended December 31, 2016, was as follows:

	<u>Increase / (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at December 31, 2015	\$ 4,899,111	\$ 3,736,161	\$ 1,162,950
Service cost	102,666	-	102,666
Interest on total pension liability	363,424	-	363,424
Differences between expected and actual experience of the total pension liability	133,614	-	133,614
Change of assumptions	(24,681)	-	(24,681)
Benefit payments, including refunds of employee contributions	(157,624)	(157,624)	-
Contributions – employer	-	139,281	(139,281)
Contributions – employee	-	42,859	(42,859)
Net investment income	-	262,995	(262,995)
Other (Net Transfer)	<u>-</u>	<u>15,304</u>	<u>(15,304)</u>
Balance at December 31, 2016	\$ <u>5,316,510</u>	\$ <u>4,038,976</u>	\$ <u>1,277,534</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 7 – Defined Benefit Pension Plan – Continued:**

Pension Expense and Deferred Inflows/Outflows of Resources

For the year ended December 31, 2016, the City recognized pension expense of \$208,819 for the Regular Plan. The City reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Regular:</u>		
Difference between expected and actual experience	\$ 99,943	\$ 2,610
Assumption changes	-	18,461
Net difference between projected and actual earnings on pension plan investments	<u>173,181</u>	<u>-</u>
Total	\$ <u>273,124</u>	\$ <u>21,071</u>

The amounts reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net position liabilities / (asset) for the year ending December 31, 2016. The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 82,598
2018	82,655
2019	83,056
2020	3,742
2021	-
Thereafter	<u>-</u>
Total	\$ <u>252,051</u>

**CITY OF FARMER CITY, ILLINOIS**

**Notes to Financial Statements - Continued**

**April 30, 2017**

**Note 8 – Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the State of Illinois to form the Illinois Municipal League Risk Management Association (IMLRMA), a public entity risk pool currently operating as a common risk management and insurance program for its member municipalities. The City pays an annual premium to IMLRMA for its general insurance coverage which includes workers' compensation, comprehensive general liability, inland marine, automobile physical damage, and property loss. Each area of coverage is subject to limitations that would be comparable to commercial insurance coverage. The agreement for formation of the IMLRMA provides that IMLRMA will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of \$15 million for each insured event. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**Note 9 – Subsequent Events:**

No events have occurred subsequent to April 30, 2017, that are required to be disclosed in these financial statements. This evaluation was made as of October 10, 2017, the date these financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FARMER CITY**  
Farmer City, Illinois

**Illinois Municipal Retirement Fund**  
**Schedule of Changes in the City's Net Pension**  
**Liability and Related Ratios**

**Last 10 Calendar Years**

	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>		
Service cost	\$ 102,665	\$ 100,734
Interest on the total pension liability	363,424	342,811
Changes in benefit terms	-	-
Differences between expected and actual experience on the total pension liability	133,614	(5,279)
Changes in assumptions	(24,681)	-
Benefit payments, including refunds of employee contributions	<u>(157,624)</u>	<u>(168,232)</u>
Net change in total pension liability	\$ 417,398	\$ 270,034
Total pension liability – beginning	<u>4,899,111</u>	<u>4,629,077</u>
Total pension liability – ending (a)	<u>\$ 5,316,509</u>	<u>\$ 4,899,111</u>
<b>Plan fiduciary net position:</b>		
Employer contributions	\$ 139,281	\$ 133,376
Employee contributions	42,859	39,590
Net investment income	262,995	19,137
Benefit payments, including refunds of member contributions	(157,624)	(168,232)
Other (net transfer)	<u>15,304</u>	<u>(112,719)</u>
Net change in plan fiduciary net position	302,815	(88,848)
Plan fiduciary net position – beginning	<u>3,736,161</u>	<u>3,825,009</u>
Plan fiduciary net position – ending (b)	<u>\$ 4,038,976</u>	<u>\$ 3,736,161</u>
Employer's net pension liability – ending – (a) - (b)	<u>\$ 1,277,533</u>	<u>\$ 1,162,950</u>
Plan fiduciary net position as a percentage of the total pension liability	75.97%	76.26%
Covered-employee payroll	938,554	879,782
Employer's net pension liability as a percentage of covered-employee payroll	136.12%	132.19%

**Note to schedule:**

The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

**CITY OF FARMER CITY**  
**Farmer City, Illinois**

**Illinois Municipal Retirement Fund**  
**Schedule of Employer Contributions**

**Last 10 Calendar Years**

Calendar Year Ending <u>December 31.</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Valuation <u>Payroll</u>	Actual Contribution as a % of Covered <u>Valuation Payroll</u>
2015	\$ 133,375	\$ 133,376	\$ (1)	\$ 879,782	15.16%
2016	139,281	139,281	-0-	938,554	14.84%

**Note to schedule:**

The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

**CITY OF FARMER CITY**  
**Farmer City, Illinois**

**Illinois Municipal Retirement Fund**  
**Summary of Actuarial Methods and Assumptions**

Valuation date

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years closed period until remaining period reaches 15 years (then 15 year rolling period). Early Retirement Incentive Plan Liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset valuation method	5-Year Smoothed Market, 20% Corridor
Wage growth	3.50%
Inflation	2.75%
Salary increases	3.75% to 14.50% including inflation
Investment rate of return	7.50%
Retirement age	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, fully generational projections scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.  For disabled retirees, fully generational projections scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Morality Table apply the same adjustment that were applied for non-disabled lives.  For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other information	There were no benefit changes during the year

**CITY OF FARMER CITY, ILLINOIS**

**Budgetary Comparison Schedule – General Fund**

**For the Year Ended April 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property	\$ 110,000	\$ 110,000	\$ 127,339	\$ 17,339
Income tax	220,000	220,000	193,949	(26,051)
Replacement tax	16,000	16,000	19,438	3,438
Sales tax	190,000	190,000	193,152	3,152
Excise tax	25,000	25,000	23,644	(1,356)
Use tax	35,000	35,000	49,769	14,769
Video gaming tax	40,000	40,000	42,185	2,185
Donations	40,000	40,000	-	(40,000)
Fines, fees, permits and licenses	107,850	107,850	151,978	44,128
Interest	1,200	1,200	4,021	2,821
Office charges	397,900	397,900	397,900	-
Total revenues	<u>1,182,950</u>	<u>1,182,950</u>	<u>1,203,375</u>	<u>20,425</u>
<b>Expenditures</b>				
General	376,450	376,450	361,919	(14,531)
Public safety	434,200	434,200	461,211	27,011
Streets and alleys	237,650	237,650	229,536	(8,114)
Recreation	96,700	96,700	116,231	19,531
Debt service:				
Principal	9,000	9,000	14,167	5,167
Interest	1,000	1,000	1,255	255
Capital outlay	<u>27,000</u>	<u>27,000</u>	<u>16,976</u>	<u>(10,024)</u>
Total expenditures	<u>1,182,000</u>	<u>1,182,000</u>	<u>1,201,295</u>	<u>19,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>950</u>	<u>950</u>	<u>2,080</u>	<u>1,130</u>
Other financing sources:				
Proceeds from sale of capital asset	-	-	6,782	6,782
Transfer in	<u>-</u>	<u>-</u>	<u>8,540</u>	<u>8,540</u>
Net change in fund balance	950	950	17,402	16,452
Fund balance – beginning of year	<u>1,147,012</u>	<u>1,147,012</u>	<u>1,147,012</u>	<u>-</u>
Fund balance – end of year	<u>\$ 1,147,962</u>	<u>\$ 1,147,962</u>	<u>\$ 1,164,414</u>	<u>\$ 16,452</u>



**CITY OF FARMER CITY, ILLINOIS**

**Reconciliation of Budgetary Basis Cash Receipts and Cash Disbursements to GAAP  
Revenues and Expenses – General Fund**

**For the Year Ended April 30, 2017**

Total revenue sources for general fund activities \$ 1,203,375

Differences – Budget to GAAP:

The accounts receivable are not recorded as revenue as a budgetary source but are revenue for financial reporting purposes:

Intergovernmental tax receivable	(461)	
Accounts receivable	<u>(1,081)</u>	<u>(1,542)</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances \$ 1,201,833

Total expenditures for general fund activities \$ 1,201,295

Differences – Budget to GAAP:

The accrued expenses are not recorded as expenses as a budgetary source but are expenses for financial reporting purposes:

Accounts payable	(24,115)	
Accrued expenses	<u>(5,675)</u>	<u>(29,790)</u>

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance \$ 1,171,505

**CITY OF FARMER CITY, ILLINOIS**

**Budgetary Comparison Schedule – TIF II Fund**

**For the Year Ended April 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 340,000	\$ 340,000	\$ 326,276	\$ (13,724)
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,179</u>	<u>179</u>
Total revenues	<u>341,000</u>	<u>341,000</u>	<u>327,455</u>	<u>(13,545)</u>
<b>Expenditures</b>				
Public works	631,900	631,900	310,432	(321,468)
Debt service:				
Principal	75,000	75,000	85,000	10,000
Interest	<u>28,000</u>	<u>28,000</u>	<u>24,463</u>	<u>(3,537)</u>
Total expenditures	<u>734,900</u>	<u>734,900</u>	<u>419,895</u>	<u>(315,005)</u>
Net change in fund balance	(393,900)	(393,900)	(92,440)	301,460
Fund balance – beginning of year	<u>960,085</u>	<u>960,085</u>	<u>960,085</u>	<u>-</u>
Fund balance – end of year	<u>\$ 566,185</u>	<u>\$ 566,185</u>	<u>\$ 867,645</u>	<u>\$ 301,460</u>

**Reconciliation of Budgetary Basis Cash Receipts and Cash Disbursements to GAAP  
Revenues and Expenses – TIF II Fund**

Total expenditures for general fund activities	\$ 419,895
Differences – Budget to GAAP:	
The accrued expenses are not recorded as expenses as a budgetary source but are expenses for financial reporting purposes:	
Accounts payable	<u>(5,472)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 414,423</u>

**CITY OF FARMER CITY, ILLINOIS**

**Budgetary Comparison Schedule – Insurance Fund**

**For the Year Ended April 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 100,000	\$ 100,000	\$ 107,010	\$ 7,010
Interest	<u>200</u>	<u>200</u>	<u>415</u>	<u>215</u>
Total revenues	<u>100,200</u>	<u>100,200</u>	<u>107,425</u>	<u>7,225</u>
<b>Expenditures</b>				
General government	<u>70,000</u>	<u>70,000</u>	<u>48,757</u>	<u>(21,243)</u>
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>48,757</u>	<u>(21,243)</u>
Net change in fund balance	30,200	30,200	58,668	28,468
Fund balance – beginning of year	<u>290,879</u>	<u>290,879</u>	<u>290,879</u>	<u>-</u>
Fund balance – end of year	<u>\$ 321,079</u>	<u>\$ 321,079</u>	<u>\$ 349,547</u>	<u>\$ 28,468</u>

**CITY OF FARMER CITY, ILLINOIS**

**Note to Required Supplementary Information**

**April 30, 2017**

**Note 1 – Budget Policy and Practice:**

The City operates under an Annual Appropriation Ordinance that sets a limit on what may be spent during the fiscal year. The City staff also develops an annual budget in greater detail than the appropriation ordinance. This budget is based on the City's goals of what programs are to be funded, capital projects and purchases desired, levels of taxation, types and amounts of user fees, estimates of state revenues, historical operating expenses and desired cash reserves and fund balance. The appropriation is based on the budget. The appropriation ordinance must be adopted by majority vote of the City Council before the end of the first quarter of the fiscal year. The City staff uses this budget to guide operations during the fiscal year.

**Note 2 – Expenditures in Excess of Budget and Deficit Fund Balances:**

Some funds had expenditures in excess of budgeted amounts for the year ended April 30, 2017. The following funds had expenditures in excess of budgeted amounts:

<u>Fund</u>	<u>Amount in excess</u>
General Fund	\$ 19,295

**OTHER SCHEDULES**

**CITY OF FARMER CITY, ILLINOIS**

**Combining Balance Sheet – Non-Major Governmental Funds**

**April 30, 2017**

	Special Revenue				
	Library	ESDA	Social Security	School Crossing Guard	Illinois Municipal Retirement Fund
<b>Assets</b>					
Cash and cash equivalents	\$ 44,739	\$ 4,137	\$ 134,079	\$ 17,107	\$ 40,754
Property taxes receivable	33,022	645	45,944	4,403	84,764
Intergovernmental tax receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 77,761</u></b>	<b><u>\$ 4,782</u></b>	<b><u>\$ 180,023</u></b>	<b><u>\$ 21,510</u></b>	<b><u>\$ 125,518</u></b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,791	\$ -
Accrued expenses	-	-	2,245	-	4,397
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,245</u></b>	<b><u>3,791</u></b>	<b><u>4,397</u></b>
<b>Deferred Inflow of Resources</b>					
Deferred property tax	<u>33,022</u>	<u>645</u>	<u>45,944</u>	<u>4,403</u>	<u>84,764</u>
<b>Fund balance</b>					
Restricted for:					
TIF district	-	-	-	-	-
Motor fuel tax	-	-	-	-	-
ESDA	-	4,137	-	-	-
Audit	-	-	-	-	-
Insurance	-	-	-	-	-
IMRF	-	-	-	-	36,357
Social Security	-	-	131,834	-	-
Working cash	-	-	-	-	-
School crossing guard	-	-	-	13,316	-
Library	44,739	-	-	-	-
Hotel-Motel tax	-	-	-	-	-
Business district tax	-	-	-	-	-
Committed:					
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b><u>44,739</u></b>	<b><u>4,137</u></b>	<b><u>131,834</u></b>	<b><u>13,316</u></b>	<b><u>36,357</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b><u>\$ 77,761</u></b>	<b><u>\$ 4,782</u></b>	<b><u>\$ 180,023</u></b>	<b><u>\$ 21,510</u></b>	<b><u>\$ 125,518</u></b>

Special Revenue

<u>Audit Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing I</u>	<u>Hotel- Motel Tax Fund</u>	<u>Business District Tax</u>	<u>Working Cash</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
\$ 42,272	\$ 65,754	\$ -	\$ 4,077	\$ 54,648	\$ 99,732	\$ 5,709	\$ 513,008
13,783	-	-	-	-	575	-	183,136
-	4,460	-	-	14,503	-	-	18,963
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755</u>
<u>\$ 56,055</u>	<u>\$ 70,214</u>	<u>\$ -</u>	<u>\$ 5,832</u>	<u>\$ 69,151</u>	<u>\$ 100,307</u>	<u>\$ 5,709</u>	<u>\$ 716,862</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,791
-	-	-	-	-	-	-	6,642
<u>-</u>	<u>3,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,585</u>
<u>-</u>	<u>3,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,018</u>
<u>13,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575</u>	<u>-</u>	<u>183,136</u>
-	-	-	-	-	-	-	-
-	66,629	-	-	-	-	-	66,629
-	-	-	-	-	-	-	4,137
42,272	-	-	-	-	-	-	42,272
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	36,357
-	-	-	-	-	-	-	131,834
-	-	-	-	-	99,732	-	99,732
-	-	-	-	-	-	-	13,316
-	-	-	-	-	-	-	44,739
-	-	-	5,832	-	-	-	5,832
-	-	-	-	69,151	-	-	69,151
-	-	-	-	-	-	5,709	5,709
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>42,272</u>	<u>66,629</u>	<u>-</u>	<u>5,832</u>	<u>69,151</u>	<u>99,732</u>	<u>5,709</u>	<u>519,708</u>
<u>\$ 56,055</u>	<u>\$ 70,214</u>	<u>\$ -</u>	<u>\$ 5,832</u>	<u>\$ 69,151</u>	<u>\$ 100,307</u>	<u>\$ 5,709</u>	<u>\$ 716,862</u>

**CITY OF FARMER CITY, ILLINOIS**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Non-Major Governmental Funds**

**For the Year Ended April 30, 2017**

	Special Revenue				
	Library	ESDA	Social Security	School Crossing Guard	Illinois Municipal Retirement Fund
Revenues:					
Property taxes	\$ 33,334	\$ 544	\$ 44,446	\$ 4,446	\$ 73,334
Motor fuel tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Donations and grants	6,570	-	-	-	-
Fines, fees, permits and licenses	1,887	-	-	-	-
Other income	-	-	-	-	-
Interest	<u>43</u>	<u>4</u>	<u>189</u>	<u>17</u>	<u>101</u>
Total revenues	<u>41,834</u>	<u>548</u>	<u>44,635</u>	<u>4,463</u>	<u>73,435</u>
Current expenditures:					
General government	-	-	44,032	-	77,768
Public safety	-	-	-	2,480	-
Public works	-	-	-	-	-
Streets and alleys	-	-	-	-	-
Recreation	41,454	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>41,454</u>	<u>-</u>	<u>44,032</u>	<u>2,480</u>	<u>77,768</u>
Excess (deficiency) of revenues over (under) expenditures	380	548	603	1,983	(4,333)
Other financing sources:					
Transfer in	-	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	380	548	603	1,983	(4,333)
Fund balance, beginning of year (as restated)	<u>44,359</u>	<u>3,589</u>	<u>131,231</u>	<u>11,333</u>	<u>40,690</u>
Fund balance, end of year	<u>\$ 44,739</u>	<u>\$ 4,137</u>	<u>\$ 131,834</u>	<u>\$ 13,316</u>	<u>\$ 36,357</u>



Special Revenue

<u>Audit Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing I</u>	<u>Hotel- Motel Tax Fund</u>	<u>Business District Tax</u>	<u>Working Cash</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
\$ 13,334	\$ -	\$ -	\$ -	\$ -	\$ 555	\$ -	\$ 169,993
-	51,631	-	-	-	-	-	51,631
-	-	-	14,372	69,151	-	-	83,523
-	-	-	-	-	-	-	6,570
-	-	-	-	-	-	-	1,887
-	-	-	-	-	-	-	-
<u>52</u>	<u>395</u>	<u>33</u>	<u>-</u>	<u>-</u>	<u>116</u>	<u>-</u>	<u>950</u>
<u>13,386</u>	<u>52,026</u>	<u>33</u>	<u>14,372</u>	<u>69,151</u>	<u>671</u>	<u>-</u>	<u>314,554</u>
12,500	-	-	-	-	-	-	134,300
-	-	-	-	-	-	-	2,480
-	-	14,267	-	-	-	-	14,267
-	44,688	-	-	-	-	-	44,688
-	-	-	-	-	-	-	41,454
-	-	-	-	-	-	-	-
<u>12,500</u>	<u>44,688</u>	<u>14,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,189</u>
886	7,338	(14,234)	14,372	69,151	671	-	77,365
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,540)</u>
886	7,338	(14,234)	5,832	69,151	671	-	68,825
<u>41,386</u>	<u>59,291</u>	<u>14,234</u>	<u>-</u>	<u>-</u>	<u>99,061</u>	<u>5,709</u>	<u>450,883</u>
<u>\$ 42,272</u>	<u>\$ 66,629</u>	<u>\$ -</u>	<u>\$ 5,832</u>	<u>\$ 69,151</u>	<u>\$ 99,732</u>	<u>\$ 5,709</u>	<u>\$ 519,708</u>

**SUPPLEMENTAL STATISTICAL SECTION**

**CITY OF FARMER CITY, ILLINOIS**

**Schedule of Assessed Valuation, Property Tax Rates and Tax Extensions – Unaudited**

**April 30,**

	Tax Years			
	2016	2015	2014	2013
Rate Setting Assessed Valuation	\$ <u>22,014,240</u>	\$ <u>22,301,850</u>	\$ <u>22,291,799</u>	\$ <u>18,671,437</u>
Increment Valuation (for TIF)	\$ <u>3,112,937</u>	\$ <u>3,140,344</u>	\$ <u>3,148,014</u>	\$ <u>4,839,219</u>
Tax Rates:				
General:				
Corporate	0.2500	0.2493	0.2178	0.2500
Police Protection	0.0750	0.0748	0.0653	0.0750
Streets and Bridges	0.0000	0.0000	0.0000	0.0000
Parks	0.0750	0.0748	0.0653	0.0750
Street Lighting	<u>0.0500</u>	<u>0.0499</u>	<u>0.0436</u>	<u>0.0500</u>
Total General	0.4500	0.4488	0.3920	0.4500
Sewer	0.1000	0.0997	0.0871	0.1000
Lease Purchase	0.0334	0.0349	0.0349	0.0376
Social Security and Illinois				
Municipal Retirement Fund	0.5937	0.5285	0.5836	0.6677
Library	0.1500	0.1500	0.1500	0.1500
Civil Defense	0.0029	0.0024	0.0024	0.0028
Bond and Interest	0.0000	0.0000	0.0000	0.0000
Liability Insurance	0.4920	0.4802	0.4494	0.5159
School Crossing Guard	0.0200	0.0200	0.0174	0.0200
Audit	0.0626	0.0598	0.0697	0.0911
Working Cash	<u>0.0026</u>	<u>0.0025</u>	<u>0.0265</u>	<u>0.0304</u>
	<u>1.9072</u>	<u>1.8268</u>	<u>1.8130</u>	<u>2.0655</u>
Tax Extensions:				
General:				
Corporate	\$ 55,755	\$ 55,599	\$ 48,547	\$ 46,679
Police Protection	16,726	16,682	14,565	14,004
Parks	16,726	16,682	14,565	14,004
Street Lighting	<u>11,151</u>	<u>11,129</u>	<u>9,710</u>	<u>9,336</u>
Total General	100,358	100,092	87,387	84,023
Sewer	22,302	22,235	19,418	18,671
Lease Purchase	7,449	7,783	7,769	7,026
Social Security and Illinois				
Municipal Retirement Fund	132,415	117,865	130,104	124,669
Library	33,453	33,453	33,438	28,007
Civil Defense	653	535	544	523
Liability Insurance	109,730	107,093	100,188	96,326
School Crossing Guard	4,460	4,460	3,885	3,734
Audit	13,963	13,337	15,535	17,010
Working Cash	<u>582</u>	<u>558</u>	<u>5,896</u>	<u>5,676</u>
Total	<u>\$ 425,365</u>	<u>\$ 407,411</u>	<u>\$ 404,164</u>	<u>\$ 385,665</u>

**CITY OF FARMER CITY, ILLINOIS**

**Schedule of Property Tax Collections – Unaudited**

**April 30,**

	Tax Years			
	2015	2014	2013	2012
Tax Collections (including Roads and Bridges and Mobile Home Privilege Tax):				
General:				
Corporate	\$ 55,557	\$ 48,375	\$ 46,677	\$ 47,184
Police Protection	16,668	14,514	14,003	14,155
Parks	16,668	14,514	14,003	14,155
Roads and Bridges	18,337	18,314	15,348	15,576
Street Lighting	<u>11,112</u>	<u>9,676</u>	<u>9,335</u>	<u>9,437</u>
Total General	118,342	105,393	99,366	100,507
Sewer	22,222	19,350	18,671	18,874
Lease Purchase	7,778	7,741	7,026	6,680
Social Security and Illinois Municipal Retirement Fund	117,781	129,645	124,661	125,223
Library	33,334	29,026	28,007	28,312
Civil Defense	544	542	530	532
Bond and Interest	-	-	-	-
Liability Insurance	107,010	99,835	96,330	72,099
School Crossing Guard	4,446	3,872	3,734	3,775
Audit	13,334	15,480	17,000	18,974
Tax Increment Financing Fund I	-	-	358,404	353,512
Tax Increment Financing Fund II	326,276	320,027	334,339	337,798
Working Cash	<u>555</u>	<u>5,875</u>	<u>5,668</u>	<u>9,437</u>
Total Tax Collected	<u>751,622</u>	<u>736,786</u>	<u>1,093,736</u>	<u>1,075,723</u>
Less: Non-levied taxes included above:				
Tax Increment Financing Fund I	-	-	358,404	353,512
Roads and Bridges	18,337	18,314	15,348	15,576
Tax Increment Financing Fund II	<u>326,276</u>	<u>320,027</u>	<u>334,339</u>	<u>337,798</u>
	344,613	<u>338,341</u>	<u>708,091</u>	<u>706,886</u>
Net Levied Tax Collected	\$ <u>407,009</u>	\$ <u>398,445</u>	\$ <u>385,645</u>	\$ <u>368,837</u>
Percentage of Extension Collected	<u>99.90%</u>	<u>98.58%</u>	<u>99.99%</u>	<u>99.43%</u>

**CITY OF FARMER CITY, ILLINOIS**

**Schedule of Legal Debt Margin – Unaudited**

**April 30, 2017**

Total Assessed Valuation – 2016 Tax Year	\$ <u>25,127,177</u>
Statutory Debt Limitation (8.625% of Assessed Valuation)	\$ <u>2,167,219</u>
Total Applicable Debt:	
General Obligation Bonds	<u>390,000</u>
Legal Debt Margin	\$ <u>1,777,219</u>