

CITY OF FARMER CITY, ILLINOIS

Annual Financial Report

For the Fiscal Year Ended April 30, 2018

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STRIEGEL KNOBLOCH & COMPANY, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, 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, 2018, 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 Management's Discussion and Analysis; the Illinois Municipal Retirement Fund – Schedule of Changes in the City's Net Position Liability and Related Ratios on page 45; the Illinois Municipal Retirement Fund – Schedule of Employer Contributions on page 46; and budgetary comparison information on pages 48 through 53 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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 DATE 2018 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 2, 2018

BASIC FINANCIAL STATEMENTS

CITY OF FARMER CITY, ILLINOIS

Statement of Net Position

April 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents (Notes 1 and 2)	\$ 3,001,663	\$ 4,024,013	\$ 7,025,676
Receivables (net) (Note 1):			
Property taxes (Note 5)	786,711	22,408	809,119
Intergovernmental	119,769	-	119,769
Accounts	7,214	238,130	245,344
Prepaid expenses	20,599	49,080	69,679
Restricted assets – cash and cash equivalents	-	34,246	34,246
Internal balances	3,505	(3,505)	-
Capital assets, net of accumulated depreciation (Notes 1 and 3)	<u>1,757,698</u>	<u>3,891,435</u>	<u>5,649,133</u>
 Total assets	 <u>5,697,159</u>	 <u>8,255,807</u>	 <u>13,952,966</u>
Deferred Outflows of Resources			
Deferred outflows related to pension obligations	<u>129,840</u>	<u>102,792</u>	<u>232,632</u>
 Total assets and deferred outflows of resources	 <u>\$ 5,831,734</u>	 <u>\$ 8,353,864</u>	 <u>\$ 14,185,598</u>
Liabilities			
Accounts payable	\$ 20,899	\$ 122,806	\$ 143,705
Accrued expenses	54,736	47,358	102,094
Meter deposits	-	34,314	34,314
Accrued interest	6,438	12,233	18,671
Bonds payable (Note 4):			
Due within one year	95,000	10,000	105,000
Due in more than one year	205,000	1,120,000	1,325,000
Unamortized bond			
Premiums and discounts	-	79,548	79,548
IMRF pension liability	<u>480,894</u>	<u>380,712</u>	<u>861,606</u>
 Total liabilities	 <u>862,967</u>	 <u>1,806,971</u>	 <u>2,669,938</u>
Deferred Inflows of Resources			
Deferred property tax (Note 5)	787,151	22,408	809,559
Deferred inflows related to bond refunding	-	13,845	13,845
Deferred inflows related to pension obligations	<u>224,382</u>	<u>177,638</u>	<u>402,020</u>
 Total deferred inflows of resources	 <u>1,011,533</u>	 <u>213,891</u>	 <u>1,225,424</u>

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CITY OF FARMER CITY, ILLINOIS

Statement of Net Position - Continued

April 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position			
Invested in capital assets, net of related debt (Note 1)	1,457,698	2,761,435	4,219,133
Restricted for (Note 1):			
Debt service	-	34,246	34,246
Tax increment financing districts	909,388	-	909,388
Motor fuel tax	119,198	-	119,198
Hotel-Motel tax	18,766	-	18,766
Business district tax	179,936	-	179,936
ESDA	4,786	-	4,786
Audit	42,978	-	42,978
Insurance	416,387	-	416,387
Social security	125,498	-	125,498
Working cash	101,549	-	101,549
School crossing guard	14,681	-	14,681
Library	43,750	-	43,750
Unrestricted (Note 1)	<u>517,884</u>	<u>3,542,056</u>	<u>4,059,940</u>
 Total net position	 <u>3,952,499</u>	 <u>6,337,737</u>	 <u>10,290,236</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 5,826,999</u>	 <u>\$ 8,358,599</u>	 <u>\$ 14,185,598</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, 2018

		Program Revenues			
	Expenses	Fees, Licenses and Permits	Fines	User Charges	Operating Grants and Contributions
Governmental activities:					
General government	\$ 766,182	\$ 23,212	\$ -	\$ 397,900	\$ 6,781
Public safety	437,762	-	30,507	12,592	-
Public works	240,906	-	-	-	-
Streets and alleys	266,267	-	-	-	-
Recreation	126,863	-	2,305	36,029	9,799
Interest on long-term debt	19,920	-	-	-	-
Changes in pension obligations	<u>15,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,872,910</u>	<u>23,212</u>	<u>32,812</u>	<u>446,521</u>	<u>16,580</u>
Business-type activities:					
Electric	2,542,555	-	38,789	2,647,999	-
Water	452,713	-	5,928	387,183	-
Sewer	<u>290,243</u>	<u>-</u>	<u>5,058</u>	<u>249,393</u>	<u>-</u>
Total business- type activities	<u>3,285,511</u>	<u>-</u>	<u>49,775</u>	<u>3,284,575</u>	<u>-</u>
Total primary government	<u>\$ 5,158,421</u>	<u>\$ 23,212</u>	<u>\$ 82,587</u>	<u>\$ 3,731,096</u>	<u>\$ 16,580</u>

CITY OF FARMER CITY, ILLINOIS

Statement of Activities – Continued

For the Year Ended April 30, 2018

	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental activities:				
General government	\$ -	\$ (338,289)	\$ -	\$ (338,289)
Public safety	-	(394,663)	-	(394,663)
Public works	-	(240,906)	-	(240,906)
Streets and alleys	-	(266,267)	-	(266,267)
Recreation	-	(78,730)	-	(78,730)
Interest on long-term debt	-	(19,920)	-	(19,920)
Changes in Pension obligation	-	(15,010)	-	(15,010)
Total governmental activities	<u>-</u>	<u>(1,353,785)</u>	<u>-</u>	<u>(1,353,785)</u>
Business-type activities:				
Electric	-	-	144,233	144,233
Water	-	-	(59,602)	(59,602)
Sewer	-	-	(35,792)	(35,792)
Total business-type activities	<u>-</u>	<u>-</u>	<u>48,839</u>	<u>48,839</u>
Total primary government	<u>\$ -</u>	<u>(1,353,785)</u>	<u>48,839</u>	<u>(1,304,946)</u>
General revenues:				
Taxes:				
Property tax		746,886	21,952	768,838
Income tax		184,142	-	184,142
Motor fuel tax		52,011	-	52,011
Replacement tax		16,338	-	16,338
Sales tax		204,707	-	204,707
Excise tax		19,950	-	19,950
Use tax		53,580	-	53,580
Video gaming tax		46,622	-	46,622
Business district tax		110,693	-	110,693
Hotel-Motel taxes		16,314	-	16,314
Miscellaneous income		1,118	-	1,118
Unrestricted investment earnings		<u>10,575</u>	<u>6,763</u>	<u>17,338</u>
Total general revenues		<u>1,462,936</u>	<u>28,715</u>	<u>1,491,651</u>
Change in net position		109,151	77,554	186,705
Net position – beginning		<u>3,843,348</u>	<u>6,260,183</u>	<u>10,103,531</u>
Net position – ending		<u>\$ 3,952,499</u>	<u>\$ 6,337,737</u>	<u>\$ 10,290,236</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMER CITY, ILLINOIS

Balance Sheet – Governmental Funds

April 30, 2018

	<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>
Assets					
Cash and cash equivalents (Note 2)	\$ 1,064,042	\$ 914,983	\$ 395,788	\$ 626,850	3,001,663
Receivables, net:					
Property taxes (Note 5)	116,307	347,818	103,373	219,213	786,711
Intergovernmental	95,120	-	-	24,649	119,769
Other	5,227	-	-	1,987	7,214
Prepaid expenses	-	-	20,599	-	20,599
Due from					
Other funds (Note 6)	<u>7,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,090</u>
 Total assets	 <u>\$ 1,287,786</u>	 <u>\$ 1,262,801</u>	 <u>\$ 519,760</u>	 <u>\$ 872,699</u>	 <u>\$ 3,943,046</u>
Liabilities					
Accounts payable	\$ 15,304	\$ 5,595	\$ -	\$ -	20,899
Accrued expenses	44,207	-	-	10,529	54,736
Due to					
Other funds (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,585</u>	<u>3,585</u>
 Total liabilities	 <u>59,511</u>	 <u>5,595</u>	 <u>-</u>	 <u>14,114</u>	 <u>79,220</u>
Deferred Inflows of Resources					
Deferred					
Property tax (Note 5)	<u>116,747</u>	<u>347,818</u>	<u>103,373</u>	<u>219,213</u>	<u>787,151</u>
Fund Balance					
Restricted for:					
Tax increment financing district	-	909,388	-	-	909,388
Motor fuel tax	-	-	-	119,198	119,198
Hotel-Motel tax	-	-	-	18,766	18,766
Business district tax	-	-	-	179,936	179,936
ESDA	-	-	-	4,786	4,786
Audit	-	-	-	42,978	42,978
Insurance	-	-	416,387	-	416,387
Social Security	-	-	-	125,498	125,498
Working cash	-	-	-	101,549	101,549
School crossing guard	-	-	-	14,681	14,681
Library	-	-	-	43,750	43,750
Committed:					
Public safety	21,320	-	-	-	21,320
Unassigned	<u>1,090,208</u>	<u>-</u>	<u>-</u>	<u>(11,770)</u>	<u>1,078,438</u>
 Total fund balance	 <u>1,111,528</u>	 <u>909,388</u>	 <u>416,387</u>	 <u>639,372</u>	 <u>3,076,675</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 1,287,786</u>	 <u>\$ 1,262,801</u>	 <u>\$ 519,760</u>	 <u>\$ 872,699</u>	 <u>\$ 3,943,046</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, 2018

Fund balance of governmental funds	\$ 3,076,675
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$5,734,129 net of accumulated depreciation of \$3,976,431 are not current financial resources and, therefore, are not reported in the governmental fund.	1,757,698
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.	(575,436)
Long-term liabilities are not payable with current financial resources and are not reported in the governmental funds.	
Bonds payable	(300,000)
Accrued interest	<u>(6,438)</u>
Net position of governmental activities	<u>\$ 3,952,499</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, 2018

	<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	\$ 125,494	\$ 330,764	\$ 108,009	\$ 182,619	\$ 746,886
Income tax	184,142	-	-	-	184,142
Motor fuel tax	-	-	-	52,011	52,011
Replacement tax	16,338	-	-	-	16,338
Sales tax	204,707	-	-	-	204,707
Excise tax	19,950	-	-	-	19,950
Use tax	53,580	-	-	-	53,580
Video gaming tax	46,622	-	-	-	46,622
Other taxes	-	-	-	127,007	127,007
Donations	6,781	-	-	9,799	16,580
Fines, fees, permits and licenses	97,190	-	-	2,305	99,495
Interest income	7,125	1,195	530	1,725	10,575
Miscellaneous	5,150	-	-	1,118	6,268
Office charges	<u>397,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,900</u>
Total revenue	<u>1,164,979</u>	<u>331,959</u>	<u>108,539</u>	<u>376,584</u>	<u>1,982,061</u>
Expenditures:					
Current:					
General government	432,800	-	70,688	198,188	701,676
Public safety	410,753	-	-	3,049	413,802
Public works	-	167,654	-	3,925	171,579
Streets and alleys	218,931	-	-	-	218,931
Recreation	77,966	-	-	46,044	124,010
Debt service:					
Principal	16,135	90,000	-	-	106,135
Interest	1,839	20,085	-	-	21,924
Capital outlay	<u>93,403</u>	<u>17,949</u>	<u>-</u>	<u>-</u>	<u>111,352</u>
Total expenditures	<u>1,251,827</u>	<u>295,688</u>	<u>70,688</u>	<u>251,206</u>	<u>1,869,409</u>
Excess (deficiency) of revenue over (under) expenditures	(86,848)	36,271	37,851	125,378	112,652
Other financing sources:					
Transfer in	5,714	-	-	-	5,714
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,714)</u>	<u>(5,714)</u>
Total other financing sources	<u>5,714</u>	<u>-</u>	<u>-</u>	<u>(5,714)</u>	<u>-</u>
Net change in fund balance	(81,134)	36,271	37,851	119,664	112,652
Fund balance, beginning of year, as restated (Note 9)	<u>1,192,662</u>	<u>873,117</u>	<u>378,536</u>	<u>519,708</u>	<u>2,964,023</u>
Fund balance, end of year	<u>\$ 1,111,528</u>	<u>\$ 909,388</u>	<u>\$ 416,387</u>	<u>\$ 639,372</u>	<u>\$ 3,076,675</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, 2018

Net change in fund balance – total governmental funds	\$ 112,652
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 (\$207,982) for the year is less than capital outlays (\$111,352) reported in the governmental funds.	(96,630)
Repayment of loan principal is an expenditure in the governmental fund; however, the repayment reduces long-term liabilities in the statement of net position.	106,135
Net change in pension obligations is not recognized in the fund financial statements since it does not use current financial resources.	(15,010)
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:	
Accrued interest	<u>2,004</u>
Change in net position of governmental activities	<u>\$ 109,151</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMER CITY, ILLINOIS

Statement of Net Position – Proprietary Funds

April 30, 2018

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 2,824,752	\$ 1,073,754	\$ 125,507	\$ 4,024,013
Property taxes receivable (Note 5)	-	-	22,408	22,408
Accounts receivable, net	188,430	14,038	35,662	238,130
Prepaid expenses	35,871	6,798	6,411	49,080
Due from other funds (Note 6)	-	141,429	192,542	333,971
Restricted cash and cash equivalents (Note 2)	-	34,246	-	34,246
Total current assets	3,049,053	1,270,265	382,530	4,701,848
Capital assets (Note 3):				
Buildings	119,494	422,619	3,300,000	3,842,113
Electric, water and sewer systems	8,496,775	1,420,938	2,018,008	11,935,721
Equipment	148,455	756,278	169,713	1,074,446
Accumulated depreciation	(5,917,893)	(2,237,459)	(4,805,492)	(12,960,844)
Net capital assets	2,846,831	362,376	682,229	3,891,436
Total assets	5,895,884	1,632,641	1,064,759	8,593,284
Deferred Outflows of Resources				
Deferred outflows related to pension obligations	71,242	24,691	6,859	102,792
Total assets and deferred outflows of resources	\$ 5,967,125	\$ 1,657,332	\$ 1,071,618	\$ 8,696,075

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CITY OF FARMER CITY, ILLINOIS

Statement of Net Position – Proprietary Funds – Continued

April 30, 2018

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Liabilities				
Current liabilities:				
Meter deposits	\$ -	\$ 34,314	\$ -	\$ 34,314
Accounts payable	85,454	20,661	16,691	122,806
Bonds payable, current (Note 4)	10,000	-	-	10,000
Accrued expenses	36,011	10,244	1,103	47,358
Accrued interest	12,233	-	-	12,233
Due to other funds (Note 6)	<u>331,171</u>	<u>6,305</u>	<u>-</u>	<u>337,476</u>
 Total current liabilities	 <u>474,869</u>	 <u>71,524</u>	 <u>17,794</u>	 <u>564,187</u>
Noncurrent liabilities:				
Unamortized bond premiums and discounts	79,548	-	-	79,548
IMRF pension liability	263,859	91,450	25,403	380,712
Bonds payable less current maturities (Note 4)	<u>1,120,000</u>	<u>-</u>	<u>-</u>	<u>1,120,000</u>
 Total noncurrent liabilities	 <u>1,463,407</u>	 <u>91,450</u>	 <u>25,403</u>	 <u>1,580,260</u>
 Total liabilities	 <u>1,938,276</u>	 <u>162,974</u>	 <u>43,197</u>	 <u>2,144,447</u>
Deferred Inflows of Resources				
related to property tax (Note 5)	-	-	22,408	22,408
related to bond refunding	13,845	-	-	13,845
related to pension obligations	<u>123,115</u>	<u>42,670</u>	<u>11,853</u>	<u>177,638</u>
 Total deferred inflows of resources	 <u>136,960</u>	 <u>42,670</u>	 <u>34,261</u>	 <u>213,891</u>
Net Position				
Invested in capital assets, net of related debt	1,716,830	362,376	682,229	2,761,435
Restricted for debt service	-	34,246	-	34,246
Unrestricted	<u>2,175,060</u>	<u>1,055,066</u>	<u>311,931</u>	<u>3,542,056</u>
 Total net position	 <u>3,891,889</u>	 <u>1,451,688</u>	 <u>944,160</u>	 <u>6,337,737</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 5,967,125</u>	 <u>\$ 1,657,332</u>	 <u>\$ 1,071,618</u>	 <u>\$ 8,696,075</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, 2018

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Operating revenues:				
Charges for services	\$ 2,644,635	\$ 386,537	\$ 249,393	\$ 3,280,565
Other	<u>42,153</u>	<u>6,574</u>	<u>5,058</u>	<u>53,785</u>
Total operating revenues	<u>2,686,788</u>	<u>393,111</u>	<u>254,451</u>	<u>3,334,350</u>
Operating expenses:				
Personnel services	349,090	165,539	26,024	540,653
Operations and contractual services	1,862,268	112,786	173,954	2,419,008
Materials and supplies	28,326	54,285	25,883	108,494
Bad debt expense	22,500	7,500	-	30,000
Depreciation	<u>206,673</u>	<u>112,603</u>	<u>64,382</u>	<u>383,658</u>
Total operating expenses	<u>2,468,857</u>	<u>452,713</u>	<u>290,243</u>	<u>3,211,813</u>
Operating income (loss)	<u>217,931</u>	<u>(59,602)</u>	<u>(35,792)</u>	<u>122,537</u>
Non-operating revenue (expense):				
Sewer chlorination levy	-	-	21,952	21,952
Debt service	(30,101)	-	-	(30,101)
Interest income	4,549	2,089	125	6,763
Interest expense	<u>(43,597)</u>	<u>-</u>	<u>-</u>	<u>(43,597)</u>
Total non-operating revenue (expense)	<u>(69,149)</u>	<u>2,089</u>	<u>22,077</u>	<u>(44,983)</u>
Income before transfers	<u>148,782</u>	<u>(57,513)</u>	<u>(13,715)</u>	<u>77,554</u>
Transfers	<u>-</u>	<u>(55,000)</u>	<u>55,000</u>	<u>-</u>
Change in net position	148,782	(112,513)	41,285	77,554
Net position, beginning of year	<u>3,743,107</u>	<u>1,564,201</u>	<u>952,875</u>	<u>6,260,183</u>
Net position, end of year	<u>\$ 3,891,889</u>	<u>\$ 1,451,688</u>	<u>\$ 994,160</u>	<u>\$ 6,337,737</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, 2018

	Enterprise Funds			
	Electric Light Plant and System Fund	Water Fund	Sewer Fund	Total
Cash flows from (used in) operating activities:				
Cash received from customers	\$ 2,712,121	\$ 501,551	\$ 260,249	\$ 3,473,921
Cash payments to employees for services	(349,255)	(160,681)	(35,026)	(544,962)
Cash payment to suppliers for goods and services	<u>(1,803,986)</u>	<u>(147,465)</u>	<u>(183,296)</u>	<u>(2,134,747)</u>
Net cash provided by (used in) operating activities	<u>558,880</u>	<u>193,405</u>	<u>41,927</u>	<u>794,212</u>
Cash flows from (used in) non-capital financing activities:				
Transfers (to) from other funds	-	(55,000)	55,000	-
Advances (on)/ receipts from interfund loans	186,237	-	(186,237)	-
Proceeds from sewer chlorination levy	<u>-</u>	<u>-</u>	<u>21,952</u>	<u>21,952</u>
Net cash provided by (used in) non-capital financing activities	<u>186,237</u>	<u>(55,000)</u>	<u>(109,285)</u>	<u>21,952</u>
Cash flows from (used in) capital and related financing activities:				
Purchase of capital assets	(18,325)	(6,558)	(74,658)	(99,541)
Proceeds from revenue bonds	1,195,000	-	-	1,195,000
Principal paid on revenue bonds	(1,255,000)	-	-	(1,255,000)
Interest paid on revenue bonds	<u>(56,695)</u>	<u>-</u>	<u>-</u>	<u>(56,695)</u>
Net cash provided by (used in) capital and related financing activities	<u>(135,020)</u>	<u>(6,558)</u>	<u>(74,658)</u>	<u>(216,236)</u>
Cash flows from (used in) investing activities:				
Interest from investments	<u>4,549</u>	<u>2,089</u>	<u>125</u>	<u>6,763</u>
Net cash provided by (used in) investing activities	<u>4,549</u>	<u>2,089</u>	<u>125</u>	<u>6,763</u>
Net increase (decrease) in cash and cash equivalents	614,646	133,936	(141,891)	606,691
Cash and cash equivalents, beginning of year	<u>2,210,106</u>	<u>939,818</u>	<u>267,398</u>	<u>3,417,322</u>
Cash and cash equivalents, end of year	<u>\$ 2,824,752</u>	<u>\$ 1,073,754</u>	<u>\$ 125,507</u>	<u>\$ 4,024,013</u>

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CITY OF FARMER CITY, ILLINOIS

Statement of Cash Flows – Proprietary Funds – Continued

For the Year Ended April 30, 2018

	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)	\$ 217,931	\$ (59,602)	\$ (35,792)	\$ 122,537
Adjustments:				
Depreciation	206,673	112,603	64,382	383,658
Expenses related to pension obligations	(2,782)	1,549	(8,263)	(9,496)
Change in assets and liabilities:				
(Increase) decrease in:				
Restricted cash	-	105,529	-	105,529
Accounts receivable	47,833	11,103	5,798	64,734
Prepaid expenses	2,919	(422)	582	3,079
(Decrease) increase in:				
Accounts payable	83,689	20,028	15,959	119,676
Accrued expenses	2,617	3,309	(739)	5,187
Meter deposits	-	(692)	-	(692)
Net cash provided by (used in) operating activities	\$ <u>558,880</u>	\$ <u>193,405</u>	\$ <u>41,927</u>	\$ <u>794,212</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements

April 30, 2018

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, 2018

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.

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.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

Fund Financial Statements – Continued

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.

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.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

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

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.

➤ 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.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

Assets, Liabilities, and Net Position or Equity – Continued

➤ 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.

➤ 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, 2018, the City was obligated for \$52,013 of accumulated vacation pay.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

Assets, Liabilities, and Net Position or Equity – Continued

➤ 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;
- 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;

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

Assets, Liabilities, and Net Position or Equity – Continued

- 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).

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.

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.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 1 – Summary of Significant Accounting Policies – Continued:

Assets, Liabilities, and Net Position or Equity – Continued

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.

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.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 2 – Deposits and Investments – Continued:

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 \$7,059,922, and the bank balance was \$7,098,634, at April 30, 2018. The institutions’ balances are categorized as follows:

Amount insured by FDIC	\$	605,698
Uninsured and collateralized with securities held by the pledging financial institution but not in the name of the City		<u>6,490,746</u>
Total insured and collateralized balance		<u>7,096,444</u>
Uninsured and uncollateralized		<u>2,190</u>
Total institutions’ balances	\$	<u><u>7,098,634</u></u>

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. As of April 30, 2018, \$2,190 of the City’s bank balance of \$7,098,634 was exposed to custodial credit risk.

The following securities were pledged as collateral for the City’s 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>
FN AM5296	3138L53E8	3.73%	01/01/2029	\$ 3,998,434
FNR 2013-52MG	3136AEJ32	1.25%	06/25/2043	1,192,738
Other Securities – The Illinois Funds				911,409
Other Securities – Fisher National				<u>530,233</u>
				<u><u>\$ 6,632,814</u></u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 3 – Capital Assets:

Capital asset activity for the year ended April 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
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	33,292	-	1,344,617
Equipment	1,202,669	78,060	-	1,280,729
Infrastructure	<u>3,004,393</u>	<u>-</u>	<u>-</u>	<u>3,004,393</u>
Total capital assets being depreciated	<u>5,518,387</u>	<u>111,352</u>	<u>-</u>	<u>5,629,739</u>
Less accumulated depreciation for:				
Building	(1,246,037)	(4,889)	-	(1,250,926)
Equipment	(1,114,383)	(40,895)	-	(1,155,278)
Infrastructure	<u>(1,408,029)</u>	<u>(162,198)</u>	<u>-</u>	<u>(1,570,227)</u>
Total accumulated depreciation	<u>(3,768,449)</u>	<u>(207,982)</u>	<u>-</u>	<u>(3,976,431)</u>
Total capital assets being depreciated, net	<u>1,749,938</u>	<u>(96,630)</u>	<u>-</u>	<u>1,653,308</u>
Governmental activities capital assets, net	<u>\$ 1,854,328</u>	<u>\$ (96,630)</u>	<u>\$ -</u>	<u>\$ 1,757,698</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 3 – Capital Assets – Continued:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ <u>40,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>40,000</u>
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	96,783	-	15,737,834
Equipment	<u>1,071,688</u>	<u>2,758</u>	<u>-</u>	<u>1,074,446</u>
Total capital assets being depreciated	<u>16,712,739</u>	<u>99,541</u>	<u>-</u>	<u>16,812,280</u>
Less accumulated depreciation for:				
Buildings and system	(11,671,362)	(322,653)	-	(11,994,015)
Equipment	<u>(905,824)</u>	<u>(61,005)</u>	<u>-</u>	<u>(966,829)</u>
Total accumulated depreciation	<u>(12,577,186)</u>	<u>(383,658)</u>	<u>-</u>	<u>(12,960,844)</u>
Total capital assets being depreciated, net	<u>4,135,553</u>	<u>(284,117)</u>	<u>-</u>	<u>3,851,436</u>
Business-type activities capital assets, net	\$ <u>4,175,553</u>	\$ <u>(284,117)</u>	\$ <u>-</u>	\$ <u>3,891,436</u>

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

Governmental activities:	
General government	\$ 64,506
Public safety	23,960
Public works	69,327
Streets and alleys	47,336
Recreation	<u>2853</u>
Total depreciation expense – governmental activities	\$ <u>207,982</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 3 – Capital Assets – Continued:

Business-type activities:	
Electric light plant and system	\$ 206,673
Water	112,603
Sewer	<u>64,382</u>
 Total depreciation expense – business-type activities	 \$ <u><u>383,658</u></u>

Note 4 – Long-Term Debt:

Governmental Activities

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:

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, 2018, 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>
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><u>300,000</u></u>	\$ <u><u>31,413</u></u>	\$ <u><u>331,413</u></u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 4 – Long-Term Debt – Continued:

Business-Type Activities

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.

During the year ended April 30, 2018, the City authorized an advance refunding of the Series 2011 General Obligation Bond (Alternate Revenue Source), by issuing \$1,130,000 of General Obligation Bonds (Alternate Revenue Source), Series 2017. The proceeds of this issue were deposited into an escrow account, which, along with interest earned, will be sufficient to pay off the Series 2011 bonds.

Remaining liabilities under the Series 2017 Alternate Revenue Bond as of April 30, 2018, 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>
2019	2.00%	10,000	31,195	41,195
2020	2.00%	10,000	32,830	42,830
2021	2.25%	80,000	32,630	112,630
2022	2.25%	85,000	30,830	115,830
2023	2.25%	85,000	28,918	113,918
2024	2.50%	85,000	27,005	112,005
2025	2.50%	90,000	24,880	114,880
2026	2.50%	90,000	22,630	112,630
2027	2.80%	95,000	20,380	115,380
2028	2.80%	95,000	17,720	112,720
2029	2.80%	95,000	15,060	110,060
2030	4.00%	100,000	12,400	112,400
2031	4.00%	105,000	8,400	113,400
2032	4.00%	105,000	4,200	109,200
		<u>\$ 1,130,000</u>	<u>\$ 309,078</u>	<u>\$ 1,439,078</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 4 – Long-Term Debt – Continued:

Changes in general long-term liability activity for the year ended April 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligation bonds payable	\$ 390,000	\$ -	\$ 90,000	\$ 300,000	\$ 95,000
Notes payable:					
Truck	9,167	-	9,167	-	-
Dump truck	<u>6,968</u>	<u>-</u>	<u>6,968</u>	<u>-</u>	<u>-</u>
	<u>\$ 406,135</u>	<u>\$ -</u>	<u>\$ 106,135</u>	<u>\$ 300,000</u>	<u>\$ 95,000</u>
Business-Type Activities					
Alternate revenue bonds payable	<u>\$ 1,255,000</u>	<u>\$ 1,130,000</u>	<u>\$ 1,255,000</u>	<u>\$ 1,130,000</u>	<u>\$ 10,000</u>

Note 5 – Property Taxes:

The City’s tax levy ordinance related to the taxes collected in 2017 was adopted December 2016. 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, 2018, consist of the following:

	<u>2017 Tax Levy Year</u>
General Fund	\$ 116,307
Tax Increment Financing Fund II	347,818
Insurance Fund	103,373
Non-Major Governmental Funds	219,213
Proprietary Funds	<u>22,408</u>
Total	<u>\$ 809,119</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

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, 2018, were as follows:

	<u>Receivable From</u>	<u>Payable To</u>
General Fund:		
Non-Major Governmental Fund	\$ 3,585	\$ -
Water Fund	3,505	-
Non-Major Governmental Fund:		
General Fund	-	3,585
Electric Fund:		
Water Fund	-	141,429
Sewer Fund	-	189,742
Water Fund:		
General Fund		3,505
Electric Fund	141,429	-
Sewer Fund	-	2,800
Sewer Fund:		
Water Fund	2,800	-
Electric Fund	189,742	-

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, 2018. 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>
General Fund:		
Non-Major Governmental Fund	\$ 5,714	\$ -
Non-Major Governmental Fund:		
General Fund	-	5,714
Water Fund:		
Sewer Fund	-	55,000
Sewer Fund:		
Water Fund	55,000	-

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, 2018

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.

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, 2018

Note 7 – Defined Benefit Pension Plan – Continued:

Plan Membership

At December 31, 2017, the measurement date, membership of the plan was as follows:

Retirees and beneficiaries	20
Inactive, non-retired members	15
Active members	<u>20</u>
Total	<u>55</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 2017 was 14.98%. 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, 2017, 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, 2018

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, 2017, 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, 2018

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 12/31/17</u>	<u>Projected Returns/Risk</u>	
			<u>One Year Arithmetic</u>	<u>Ten Year Geometric</u>
Equities	37%	19.60%	8.30%	6.85%
International equities	18%	27.53%	8.45%	6.75%
Fixed income	28%	4.67%	3.05%	3.00%
Real estate	9%	9.10%	6.90%	5.75%
Alternatives	7%			
Private equity		N/A	12.45%	7.35%
Hedge funds		N/A	5.35%	5.05%
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, 2016, measurement date was 7.50%. 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 3.31% for tax-exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2017, to arrive at a discount rate of 7.50% used to determine the total pension liability. The year ending December 31, 2117, is the last year in the 2018 to 2117 projection period for which projected benefit payments are fully funded.

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

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	\$ 6,133,309	\$ 5,502,889	\$ 4,980,103
Plan fiduciary net position	<u>4,641,283</u>	<u>4,641,283</u>	<u>4,641,283</u>
Net position liability / (asset)	\$ <u>1,492,026</u>	\$ <u>861,606</u>	\$ <u>338,820</u>

Change in Net Pension Liability / (Asset)

The City's change in net position liability / (asset) for the calendar year ended December 31, 2017, 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, 2016	\$ 5,316,509	\$ 4,038,976	\$ 1,277,533
Service cost	101,415	-	101,415
Interest on total pension liability	393,962	-	393,962
Differences between expected and actual experience of the total pension liability	70,887	-	70,887
Change of assumptions	(151,093)	-	(151,093)
Benefit payments, including refunds of employee contributions	(228,791)	(228,791)	-
Contributions – employer	-	147,314	(147,314)
Contributions – employee	-	42,177	(42,177)
Net investment income	-	654,289	(654,289)
Other (Net Transfer)	-	(12,682)	12,682
Balance at December 31, 2017	\$ <u>5,502,889</u>	\$ <u>4,641,283</u>	\$ <u>861,606</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 7 – Defined Benefit Pension Plan – Continued:

Pension Expense and Deferred Inflows/Outflows of Resources

For the year ended December 31, 2017, the City recognized pension expense of \$152,826 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	\$ 115,931	\$ 1,277
Assumption changes	-	118,091
Net difference between projected and actual earnings on pension plan investments	<u>116,700</u>	<u>282,652</u>
Total	\$ <u>232,631</u>	\$ <u>402,020</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>
2018	\$ (12,025)
2019	(11,624)
2020	(75,076)
2021	(70,663)
2022	-
Thereafter	-
Total	\$ <u>(169,388)</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

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 – Restatement of Fund Balance:

During the year ended April 30, 2018, it was discovered that errors had been made in recording certain amounts. Governmental Fund Balance has been restated to reflect the corrected balances.

The following financial statement items were affected by this correction at April 30, 2017:

<u>Balance Sheet – Governmental Funds – Insurance Fund</u>	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Prepaid expenses	\$ -	\$ 28,989	\$ 28,989
Fund balance	349,547	378,536	28,989

Note 10 – Deficit Fund Balance:

Deficits related to the primary government not visible in the basic financial statements are as follows:

<u>Fund</u>	<u>Amount of Deficit</u>
Illinois Municipal Retirement Fund (IMRF)	\$ (11,770)

CITY OF FARMER CITY, ILLINOIS

Notes to Financial Statements - Continued

April 30, 2018

Note 11 – Subsequent Events:

No events have occurred subsequent to April 30, 2018, that are required to be disclosed in these financial statements. This evaluation was made as of October 2, 2018, 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>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 101,415	\$ 102,665	\$ 100,734
Interest on the total pension liability	393,962	363,424	342,811
Changes in benefit terms	-	-	-
Differences between expected and actual experience on the total pension liability	70,887	133,614	(5,279)
Changes in assumptions	(151,093)	(24,681)	-
Benefit payments, including refunds of employee contributions	<u>(228,791)</u>	<u>(157,624)</u>	<u>(168,232)</u>
Net change in total pension liability	186,380	417,398	270,034
Total pension liability – beginning	<u>5,316,509</u>	<u>4,899,111</u>	<u>4,629,077</u>
Total pension liability – ending (a)	<u>\$ 5,502,889</u>	<u>\$ 5,316,509</u>	<u>\$ 4,899,111</u>
Plan fiduciary net position:			
Employer contributions	\$ 147,314	\$ 139,281	\$ 133,376
Employee contributions	42,177	42,859	39,590
Net investment income	654,289	262,995	19,137
Benefit payments, including refunds of member contributions	(228,791)	(157,624)	(168,232)
Other (net transfer)	<u>(12,682)</u>	<u>15,304</u>	<u>(112,719)</u>
Net change in plan fiduciary net position	602,307	302,815	(88,848)
Plan fiduciary net position – beginning	<u>4,038,976</u>	<u>3,736,161</u>	<u>3,825,009</u>
Plan fiduciary net position – ending (b)	<u>\$ 4,641,283</u>	<u>\$ 4,038,976</u>	<u>\$ 3,736,161</u>
Employer's net pension liability – ending – (a) - (b)	<u>\$ 861,606</u>	<u>\$ 1,277,533</u>	<u>\$ 1,162,950</u>
Plan fiduciary net position as a percentage of the total pension liability	84.34%	75.97%	76.26%
Covered-employee payroll	937,261	938,554	879,782
Employer's net pension liability as a percentage of covered-employee payroll	91.93%	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%
2017	140,402*	147,314	(6,912)	937,261	15.72%

**Estimated based on contribution rate of 14.98% and covered valuation payroll of \$937,261.*

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	26-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, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property	\$ 130,000	\$ 130,000	\$ 125,494	\$ (4,506)
Income tax	190,000	190,000	215,770	25,770
Replacement tax	16,000	16,000	15,843	(157)
Sales tax	190,000	190,000	200,603	10,603
Excise tax	22,000	22,000	20,406	(1,594)
Use tax	40,000	40,000	52,842	12,842
Video gaming tax	42,000	42,000	46,747	4,747
Donations	-	-	6,781	6,781
Fines, fees, permits and licenses	199,050	199,050	93,392	(105,658)
Interest	4,000	4,000	7,125	3,125
Miscellaneous	11,500	11,500	5,150	(6,350)
Office charges	<u>397,900</u>	<u>397,900</u>	<u>397,900</u>	<u>-</u>
Total revenues	<u>1,242,450</u>	<u>1,242,450</u>	<u>1,188,053</u>	<u>(62,390)</u>
Expenditures				
General	375,300	375,300	452,602	77,302
Public safety	436,700	436,700	410,753	(25,947)
Streets and alleys	332,900	332,900	218,931	(113,969)
Recreation	112,500	112,500	77,966	(34,534)
Debt service:				
Principal	13,413	13,413	16,135	2,722
Interest	709	709	1,839	1,130
Capital outlay	<u>22,500</u>	<u>22,500</u>	<u>93,403</u>	<u>70,903</u>
Total expenditures	<u>1,294,022</u>	<u>1,294,022</u>	<u>1,271,629</u>	<u>(22,393)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,572)</u>	<u>(51,572)</u>	<u>(83,576)</u>	<u>(32,004)</u>
Other financing sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>5,714</u>	<u>5,714</u>
Net change in fund balance	(51,572)	(51,572)	(77,862)	(26,290)
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>\$ 1,095,440</u>	<u>\$ 1,095,440</u>	<u>\$ 1,069,150</u>	<u>\$ (26,290)</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, 2018

Total revenue sources for general fund activities \$ 1,188,053

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	(26,872)	
Accounts receivable	<u>3,798</u>	<u>(23,074)</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances \$ 1,164,979

Total expenditures for general fund activities \$ 1,271,629

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	(3,860)	
Accrued expenses	<u>(15,942)</u>	<u>(19,802)</u>

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance \$ 1,251,827

CITY OF FARMER CITY, ILLINOIS

Budgetary Comparison Schedule – TIF II Fund

For the Year Ended April 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 340,000	\$ 340,000	\$ 330,764	\$ (9,236)
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,195</u>	<u>195</u>
Total revenues	<u>341,000</u>	<u>341,000</u>	<u>331,959</u>	<u>(9,041)</u>
Expenditures				
Public works	932,400	932,400	173,249	(759,151)
Capital outlay	55,000	55,000	17,949	(37,051)
Debt service:				
Principal	90,000	90,000	90,000	-
Interest	<u>20,100</u>	<u>20,100</u>	<u>20,085</u>	<u>(15)</u>
Total expenditures	<u>1,097,500</u>	<u>1,097,500</u>	<u>301,283</u>	<u>(796,217)</u>
Net change in fund balance	(756,500)	(756,500)	30,676	787,176
Fund balance – beginning of year	<u>867,645</u>	<u>867,645</u>	<u>867,645</u>	<u>-</u>
Fund balance – end of year	<u>\$ 111,145</u>	<u>\$ 111,145</u>	<u>\$ 898,321</u>	<u>\$ 787,176</u>

CITY OF FARMER CITY, ILLINOIS

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

For the Year Ended April 30, 2018

Total expenditures for TIF II activities	\$ 301,283
Difference – Budget to GAAP	
The accrued expenses are not recorded as a budgetary expenditure but are expenses for financial reporting purposes:	
Accounts payable	<u>(5,595)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ <u>295,688</u>

CITY OF FARMER CITY, ILLINOIS

Budgetary Comparison Schedule – Insurance Fund

For the Year Ended April 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 110,000	\$ 110,000	\$ 112,950	\$ 2,950
Interest	<u>500</u>	<u>500</u>	<u>530</u>	<u>30</u>
Total revenues	<u>110,500</u>	<u>110,500</u>	<u>113,480</u>	<u>2,980</u>
Expenditures				
General government	<u>60,000</u>	<u>60,000</u>	<u>62,298</u>	<u>2,298</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>62,298</u>	<u>2,298</u>
Net change in fund balance	50,500	50,500	51,182	682
Fund balance – beginning of year	<u>349,547</u>	<u>349,547</u>	<u>349,547</u>	<u>-</u>
Fund balance – end of year	<u>\$ 400,047</u>	<u>\$ 400,047</u>	<u>\$ 400,729</u>	<u>\$ 682</u>

CITY OF FARMER CITY, ILLINOIS

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

For the Year Ended April 30, 2018

Total revenue sources for insurance fund activities	\$ 113,480
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	<u>(4,941)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$ <u>108,539</u>
Total expenditures for insurance fund activities	\$ 62,298
Prepays are recorded as budgetary expenditures but are not expenses for financial reporting purposes	
Prepaid expenses	<u>8,390</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ <u>70,688</u>

CITY OF FARMER CITY, ILLINOIS

Notes to Required Supplementary Information

April 30, 2018

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, 2018. The following funds had expenditures in excess of budgeted amounts:

<u>Fund</u>	<u>Amount in excess</u>
Insurance Fund	\$ <u> 2,298</u>

OTHER SCHEDULES

CITY OF FARMER CITY, ILLINOIS

Combining Balance Sheet – Non-Major Governmental Funds

April 30, 2018

	Special Revenue				
	Library	ESDA	Social Security	School Crossing Guard	Illinois Municipal Retirement Fund
Assets					
Cash and cash equivalents	\$ 43,750	\$ 4,786	\$ 128,861	\$ 14,681	\$ (4,604)
Property taxes receivable	33,611	634	45,122	4,482	119,571
Intergovernmental tax receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 77,361</u>	<u>\$ 5,420</u>	<u>\$ 173,983</u>	<u>\$ 19,163</u>	<u>\$ 114,967</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	3,363	-	7,166
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,363</u>	<u>-</u>	<u>7,166</u>
Deferred Inflow of Resources					
Deferred property tax	<u>33,611</u>	<u>634</u>	<u>45,122</u>	<u>4,482</u>	<u>119,571</u>
Fund balance					
Restricted for:					
Motor fuel tax	-	-	-	-	-
ESDA	-	4,786	-	-	-
Audit	-	-	-	-	-
Social Security	-	-	125,498	-	-
Working cash	-	-	-	-	-
School crossing guard	-	-	-	14,681	-
Library	43,750	-	-	-	-
Hotel-Motel tax	-	-	-	-	-
Business district tax	-	-	-	-	-
Committed:					
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	(11,770)
Total fund balance	<u>43,750</u>	<u>4,786</u>	<u>125,498</u>	<u>14,681</u>	<u>(11,770)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 77,361</u>	<u>\$ 5,420</u>	<u>\$ 173,983</u>	<u>\$ 19,163</u>	<u>\$ 114,967</u>

CITY OF FARMER CITY, ILLINOIS

Combining Balance Sheet – Non-Major Governmental Funds – Continued

April 30, 2018

Special Revenue						Total Non-Major Governmental Funds
Audit Fund	Motor Fuel Tax Fund	Hotel- Motel Tax Fund	Business District Tax Fund	Working Cash	Debt Service	
\$ 42,978	\$ 118,120	\$ 16,779	\$ 159,950	\$ 101,549	\$ -	\$ 626,850
15,793	-	-	-	-	-	219,213
-	4,663	-	19,986	-	-	24,649
-	-	1,987	-	-	-	1,987
<u>\$ 58,771</u>	<u>\$ 122,783</u>	<u>\$ 18,766</u>	<u>\$ 179,936</u>	<u>\$ 101,549</u>	<u>\$ -</u>	<u>\$ 872,699</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	10,529
-	3,585	-	-	-	-	3,585
-	3,585	-	-	-	-	14,114
<u>15,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,213</u>
-	119,198	-	-	-	-	119,198
-	-	-	-	-	-	4,786
42,978	-	-	-	-	-	42,978
-	-	-	-	-	-	125,498
-	-	-	-	101,549	-	101,549
-	-	-	-	-	-	14,681
-	-	-	-	-	-	43,750
-	-	18,766	-	-	-	18,766
-	-	-	179,936	-	-	179,936
-	-	-	-	-	-	-
-	-	-	-	-	-	(11,770)
<u>42,978</u>	<u>119,198</u>	<u>18,766</u>	<u>179,936</u>	<u>101,549</u>	<u>-</u>	<u>639,372</u>
<u>\$ 58,771</u>	<u>\$ 122,783</u>	<u>\$ 18,766</u>	<u>\$ 179,936</u>	<u>\$ 101,549</u>	<u>\$ -</u>	<u>\$ 872,699</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, 2018

	Special Revenue				
	Library	ESDA	Social Security	School Crossing Guard	Illinois Municipal Retirement Fund
Revenues:					
Property taxes	\$ 32,929	\$ 643	\$ 45,815	\$ 4,390	\$ 84,525
Motor fuel tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Donations and grants	9,799	-	-	-	-
Fines, fees, permits and licenses	2,305	-	-	-	-
Other income	-	-	-	-	-
Interest	<u>22</u>	<u>6</u>	<u>195</u>	<u>24</u>	<u>90</u>
Total revenues	<u>45,055</u>	<u>649</u>	<u>46,010</u>	<u>4,414</u>	<u>84,615</u>
Current expenditures:					
General government	-	-	52,346	-	132,742
Public safety	-	-	-	3,049	-
Public works	-	-	-	-	-
Streets and alleys	-	-	-	-	-
Recreation	46,044	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>46,044</u>	<u>-</u>	<u>52,346</u>	<u>3,049</u>	<u>132,742</u>
Excess (deficiency) of revenues over (under) expenditures	(989)	649	(6,336)	1,365	(48,127)
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	(989)	649	(6,336)	1,365	(48,127)
Fund balance, beginning of year (as restated)	<u>44,739</u>	<u>4,137</u>	<u>131,834</u>	<u>13,316</u>	<u>36,357</u>
Fund balance, end of year	<u>\$ 43,750</u>	<u>\$ 4,786</u>	<u>\$ 125,498</u>	<u>\$ 14,681</u>	<u>\$ (11,770)</u>

Special Revenue

<u>Audit Fund</u>	<u>Motor Fuel Tax Fund</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>
\$ 13,744	\$ -	\$ -	\$ -	\$ 573	\$ -	\$ 182,619
-	52,011	-	-	-	-	52,011
-	-	16,314	110,693	-	-	127,007
-	-	-	-	-	-	9,799
-	-	-	-	-	-	2,305
-	-	-	-	1,118	-	1,118
<u>62</u>	<u>558</u>	<u>8</u>	<u>629</u>	<u>126</u>	<u>5</u>	<u>1,725</u>
<u>13,806</u>	<u>52,569</u>	<u>16,322</u>	<u>111,322</u>	<u>1,817</u>	<u>5</u>	<u>376,584</u>
13,100	-	-	-	-	-	198,188
-	-	-	-	-	-	3,049
-	-	3,388	537	-	-	3,925
-	-	-	-	-	-	-
-	-	-	-	-	-	46,044
-	-	-	-	-	-	-
<u>13,100</u>	<u>-</u>	<u>3,388</u>	<u>537</u>	<u>-</u>	<u>-</u>	<u>251,206</u>
706	52,569	12,934	110,785	1,817	5	125,378
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,714)</u>	<u>(5,714)</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,714)</u>	<u>(5,714)</u>
706	52,569	12,934	110,785	1,817	(5,709)	119,664
<u>42,272</u>	<u>66,629</u>	<u>5,832</u>	<u>69,151</u>	<u>99,732</u>	<u>5,709</u>	<u>519,708</u>
<u>\$ 42,978</u>	<u>\$ 119,198</u>	<u>\$ 18,766</u>	<u>\$ 179,936</u>	<u>\$ 101,549</u>	<u>\$ -</u>	<u>\$ 639,372</u>

SUPPLEMENTAL STATISTICAL SECTION

CITY OF FARMER CITY, ILLINOIS

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

April 30,

	Tax Years			
	2017	2016	2015	2014
Rate Setting Assessed Valuation	\$ <u>22,407,555</u>	\$ <u>22,014,240</u>	\$ <u>22,301,850</u>	\$ <u>22,291,799</u>
Increment Valuation (for TIF)	\$ <u>3,442,240</u>	\$ <u>3,112,937</u>	\$ <u>3,140,344</u>	\$ <u>3,148,014</u>
Tax Rates:				
General:				
Corporate	0.2500	0.2500	0.2493	0.2178
Police Protection	0.0750	0.0750	0.0748	0.0653
Streets and Bridges	0.0000	0.0000	0.0000	0.0000
Parks	0.0750	0.0750	0.0748	0.0653
Street Lighting	<u>0.0500</u>	<u>0.0500</u>	<u>0.0499</u>	<u>0.0436</u>
Total General	0.4500	0.4500	0.4488	0.3920
Sewer	0.1000	0.1000	0.0997	0.0871
Lease Purchase	0.0000	0.0334	0.0349	0.0349
Social Security and Illinois				
Municipal Retirement Fund	0.7350	0.5937	0.5285	0.5836
Library	0.1500	0.1500	0.1500	0.1500
Civil Defense	0.0028	0.0029	0.0024	0.0024
Bond and Interest	0.0000	0.0000	0.0000	0.0000
Liability Insurance	0.4613	0.4920	0.4802	0.4494
School Crossing Guard	0.0200	0.0200	0.0200	0.0174
Audit	0.0705	0.0626	0.0598	0.0697
Working Cash	<u>0.0000</u>	<u>0.0026</u>	<u>0.0025</u>	<u>0.0265</u>
	<u>1.9896</u>	<u>1.9072</u>	<u>1.8268</u>	<u>1.8130</u>
Tax Extensions:				
General:				
Corporate	\$ 56,019	\$ 55,755	\$ 55,599	\$ 48,547
Police Protection	16,806	16,726	16,682	14,565
Parks	16,806	16,726	16,682	14,565
Street Lighting	<u>11,204</u>	<u>11,151</u>	<u>11,129</u>	<u>9,710</u>
Total General	100,835	100,358	100,092	87,387
Sewer	22,407	22,302	22,235	19,418
Lease Purchase	-	7,449	7,783	7,769
Social Security and Illinois				
Municipal Retirement Fund	164,693	132,415	117,865	130,104
Library	33,611	33,453	33,453	33,438
Civil Defense	634	653	535	544
Liability Insurance	103,373	109,730	107,093	100,188
School Crossing Guard	4,482	4,460	4,460	3,885
Audit	15,793	13,963	13,337	15,535
Working Cash	-	582	558	5,896
Total	<u>\$ 445,828</u>	<u>\$ 425,365</u>	<u>\$ 407,411</u>	<u>\$ 404,164</u>

CITY OF FARMER CITY, ILLINOIS

Schedule of Property Tax Collections – Unaudited

April 30,

	Tax Years			
	2016	2015	2014	2013
Tax Collections (including Roads and Bridges and Mobile Home Privilege Tax):				
General:				
Corporate	\$ 54,881	\$ 55,557	\$ 48,375	\$ 46,677
Police Protection	16,464	16,668	14,514	14,003
Parks	16,464	16,668	14,514	14,003
Roads and Bridges	18,111	18,337	18,314	15,348
Street Lighting	<u>10,976</u>	<u>11,112</u>	<u>9,676</u>	<u>9,335</u>
Total General	116,896	118,342	105,393	99,366
Sewer	21,952	22,222	19,350	18,671
Lease Purchase	7,332	7,778	7,741	7,026
Social Security and Illinois Municipal Retirement Fund	130,339	117,781	129,645	124,661
Library	32,929	33,334	29,026	28,007
Civil Defense	643	544	542	530
Bond and Interest	-	-	-	-
Liability Insurance	108,009	107,010	99,835	96,330
School Crossing Guard	4,390	4,446	3,872	3,734
Audit	13,744	13,334	15,480	17,000
Tax Increment Financing Fund I	-	-	-	358,404
Tax Increment Financing Fund II	330,764	326,276	320,027	334,339
Working Cash	<u>573</u>	<u>555</u>	<u>5,875</u>	<u>5,668</u>
Total Tax Collected	<u>767,571</u>	<u>751,622</u>	<u>736,786</u>	<u>1,093,736</u>
Less: Non-levied taxes included above:				
Tax Increment Financing Fund I	-	-	-	358,404
Roads and Bridges Tax Increment Financing Fund II	18,111	18,337	18,314	15,348
Financing Fund II	<u>330,764</u>	<u>326,276</u>	<u>320,027</u>	<u>334,339</u>
	<u>348,875</u>	<u>344,613</u>	<u>338,341</u>	<u>708,091</u>
Net Levied Tax Collected	\$ <u>418,696</u>	\$ <u>407,009</u>	\$ <u>398,445</u>	\$ <u>385,645</u>
Percentage of Extension Collected	<u>98.43%</u>	<u>99.90%</u>	<u>98.58%</u>	<u>99.99%</u>

CITY OF FARMER CITY, ILLINOIS

Schedule of Legal Debt Margin – Unaudited

April 30, 2018

Total Assessed Valuation – 2016 Tax Year	\$ <u>25,849,795</u>
Statutory Debt Limitation (8.625% of Assessed Valuation)	\$ <u>2,229,545</u>
Less: Total Applicable Debt:	<u>-</u>
Legal Debt Margin	\$ <u>2,229,545</u>