

CITY OF FAIRBURY, ILLINOIS

FINANCIAL REPORT

Year Ended April 30, 2017

CITY OF FAIRBURY, ILLINOIS

FINANCIAL REPORT
Year Ended April 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

City Council
City of Fairbury, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fairbury, Illinois (the City), as of and for the year ended April 30, 2017, and the related notes to the financial statements, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Fairbury, Illinois, as of April 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbury, Illinois' basic financial statements. The management's discussion and analysis, Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Employer Contributions, and budgetary comparison schedules on pages 4 through 13 and 50 through 60, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The combining and individual nonmajor fund financial statements on pages 61 through 62 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 other supplemental information on pages 63 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, IL

October 4, 2017

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Our discussion and analysis of the City of Fairbury's financial performance provides an overview of the City's financial activities for the fiscal year ended April 30, 2017 within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The City's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$47,967 for the year, resulting in a decrease in total net position of 0.4% from the previous year.
- The City's General Fund ended the year with a fund balance of \$638,232, which represents 25.0% of revenue of the Fund.
- \$79,200 was received as a result of an intergovernmental agreement with the Village of Forrest for Police coverage.
- Annual contributions of \$22,000 were received from the Rural Fire Protection District.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis (*on pages 14-15*) provide information about the activities of the City government-wide (or “as a whole”) and present a longer-term view of the City's finances.

Fund Financial Statements: Fund financial statements (*starting on page 16*) focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant “major” funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the City operates like businesses, such as the water and sewer.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Other Information: This Management's Discussion and Analysis, and the Illinois Municipal Retirement Fund schedules and the Budgetary Comparison Schedules (*starting on page 50*), represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Report Components (Continued)

Other Supplemental Information: This part of the annual report (*starting on page 61*) includes the nonmajor fund combining statements, budgetary comparison schedule for General Fund expenditures, and additional statements for the water and sewer funds and property taxes. This other supplemental information is provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statement for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the City as a Whole

The City's Reporting Entity Presentation

This annual report includes the primary government activities for which the City of Fairbury's City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that make up the primary government.

The Primary government includes the legal entity of the City of Fairbury.

The Government-Wide Financial Statements

Our financial analysis of the City as a whole begins on page 7. The government-wide financial statements are presented on pages 14 through 15. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Reporting the City as a Whole (Continued)

These two statements report the City's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, one can think of the City's net position – the difference between assets/deferred outflows and liabilities/deferred inflows – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, we divide the City into two kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks, pool, and library. Property taxes, franchise fee, fines, and state and federal grants finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer are reported here.

Reporting the City's Most Significant Funds

The Fund Financial Statements

Our analysis of the City's major funds begins on page 7. The fund financial statements begin on page 16 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) and governmental funds in a reconciliation after the fund financial statements. The City considers the General Fund and Motor Fuel Tax Fund to be its significant major governmental funds.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Reporting the City's Most Significant Funds (Continued)

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis. For example, proprietary fund capital assets are capitalized and depreciated and principal payment on long-term debt are reported as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The City only has two enterprise funds, the Water Fund and the Sewer Fund.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position – Modified Cash Basis

The City's combined net position, resulting from modified cash basis transactions, decreased from approximately \$9.74 million to \$9.70 million from fiscal year 2016 to fiscal year 2017. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease and business-type activities had an increase.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Net Position – Modified Cash Basis (Continued)

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,704,950	\$ 1,374,177	\$ 3,079,127
Capital assets	3,897,420	4,868,052	8,765,472
Total assets	5,602,370	6,242,229	11,844,599
Deferred outflows	-	-	-
Long-term debt outstanding	905,270	1,238,393	2,143,663
Other liabilities	-	2,898	2,898
Total liabilities	905,270	1,241,291	2,146,561
Deferred inflows	-	-	-
Net Position			
Invested in capital assets, net of related debt	3,383,833	3,629,659	7,013,492
Restricted	1,028,365	72,000	1,100,365
Unrestricted	284,902	1,299,279	1,584,181
Total net position	\$ 4,697,100	\$ 5,000,938	\$ 9,698,038

Net position of the City's governmental activities decreased 11.2% to \$4.70 million. \$4,412,198 of the net position is either restricted as to the purposes for which it can be used or is invested in capital assets (buildings, roads, bridges, etc.). Consequently, governmental unrestricted net position is only \$284,902 at the end of this fiscal year. Changes from 2016 to 2017 reflect an increase of 5.0% in total assets and an increase of 2.2% for governmental assets and an increase of 7.7% for business-type assets.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Changes in Net Position – Modified Cash Basis

For the year ended April 30, 2017, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Revenues</u>			
Program revenues			
Charges for services	\$ 408,132	\$ 1,647,067	\$ 2,055,199
Operating grants and contributions	59,893	-	59,893
General revenues			
Property tax	943,565	-	943,565
Replacement tax	27,972	-	27,972
Sales tax	675,434	-	675,434
State income tax	357,714	-	357,714
Motor fuel tax	95,551	-	95,551
Investment income	4,913	1,700	6,613
Other	284,287	19,040	303,327
Total revenues	2,857,461	1,667,807	4,525,268
<u>Expenses</u>			
General government	1,307,707	-	1,307,707
Public safety	784,379	-	784,379
Streets, parks, culture, and recycling	982,845	-	982,845
Interest	20,825	-	20,825
Capital outlay	8,093	-	8,093
Depreciation	281,599	-	281,599
Water	-	688,859	688,859
Sewer	-	498,928	498,928
Total expenses	3,385,448	1,187,787	4,573,235
Excess before transfers	(527,987)	480,020	(47,967)
Transfers	(63,944)	63,944	-
Increase (decrease) in net position	\$ (591,931)	\$ 543,964	\$ (47,967)

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Governmental Activities

To aid in the understanding of the Statement of Activities – Modified Cash Basis, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended April 30, 2017, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

Property taxes	\$ 943,565	33.1%
Sales tax	675,434	23.6
State income tax	357,714	12.5
Other taxes	123,523	4.3
Investment income	4,913	0.2
Charges for services	408,132	14.3
Grants and contributions	59,893	2.1
Other	284,287	9.9
	<u>\$ 2,857,461</u>	<u>100.0%</u>

Uses of Funds in Governmental Activities

General government	\$ 1,307,707	38.7%
Public safety	784,379	23.2
Streets, parks and recycling	982,845	29.0
Capital outlay	8,093	0.2
Depreciation	281,599	8.3
Interest	20,825	0.6
	<u>\$ 3,385,448</u>	<u>100.0%</u>

For the year ended April 30, 2017, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$3,385,448. Of these total expenses, taxpayers and other general revenues funded only \$2,917,423 while those directly benefiting from the program funded \$59,893 from grants and other contributions and \$408,132 from charges for services.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions, there are certain activities that need to be examined more closely. The water and sewer service activities reported net expenses before operating transfers of \$688,859 and \$498,928, respectively.

	Water	Sewer
Revenue	\$ 921,140	\$ 746,667
Expense	688,859	498,928
Income before operating transfers	232,281	247,739
Transfers	63,944	-
	<u>\$ 296,225</u>	<u>\$ 247,739</u>

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues of \$2,556,637 and expenditures and net transfers of \$3,155,431 resulting in a decrease in fund balance of \$598,794.
- On the modified cash basis of accounting, the Fire Station Fund reported revenue and net transfers of \$6,799 and expenditures of \$1,271, resulting in an increase in fund balance of \$5,528.

General Fund Budgetary Highlights

Expenditures were consistent with the budget with one significant exception. This difference between expenditures and the budget was due to several projects budgeted for during the year but were not actually completed. For this reason, General Fund Expenditures for capital outlay were approximately \$34 million below appropriations for the year ended April 30, 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Modified Cash Basis

At April 30, 2017, the City had \$8.76 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net decrease of \$486,397 or 5.4%, from last year.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

Capital Assets – Modified Cash Basis (Continued)

Primary Government Capital Assets – Modified Cash Basis
(Net of accumulated depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,071,332	\$ 52,245	\$ 1,123,577
Land improvements	76,881	-	76,881
Buildings and improvements	1,417,913	-	1,417,913
Utility plant	-	415,904	415,904
Water tower	-	636,423	636,423
Vehicles	426,323	29,415	455,738
Equipment	709,304	1,322,506	2,031,810
Wells and improvements	-	451,883	451,883
Infrastructure	195,667	1,959,676	2,155,343
	<u>\$ 3,897,420</u>	<u>\$ 4,868,052</u>	<u>\$ 8,765,472</u>

This year's more significant capital asset additions included:

2017 Western Star Dump Truck	\$ 119,408
Kohler 200KW Generator	93,345
2016 Water Main Replacements	54,819
2017 Ford Explorer	28,690

Long-Term Debt – Modified Cash Basis

At April 30, 2017, the City had \$1,751,980 in long-term debt arising from modified cash basis transactions compared to \$1,905,844 at April 30, 2016. At April 30, 2017, \$513,587 of the debt is related to governmental activities and \$1,238,393 is related to business-type activities. (See table below.) This represents a decrease of 8.1%.

Primary Government Long-Term Debt – Modified Cash Basis

EPA loans	\$ 1,238,393
Brian J. Munz Public Safety Complex bonds	440,000
Fire truck loan	<u>73,587</u>
Total	<u>\$ 1,751,980</u>

In addition, the City opened a line of credit during the year ended April 30, 2017. The line of credit has a \$1,400,000 limit and matures on September 12, 2019. The balance of the line of credit at April 30, 2017 was \$391,683.

CITY OF FAIRBURY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended April 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Significant economic factors affecting the year ended April 30, 2017:

- The City continued the process for Stimulus Money for Water and Sewer projects.
- Employee benefit costs (Medicare and FICA taxes, health insurance, and IMRF) were \$614,409 which represents 42.0% of employee wages. Overtime paid was \$50,356 which represents a decrease of 2.5% compared to the previous year.
- City-wide cash and investments increased approximately \$319,000 due to water and sewer rate increases.
- Capital assets, net of accumulated depreciation experienced a decrease of \$186,391 due to a smaller increase in new capital assets that were purchased than the rate assets were depreciating.
- The City previously approved an ordinance to allow gambling machines at establishments with liquor licenses. This provides the City with increased income. An increase of \$8,000 was realized for 2017.
- The City erected a wind tower. The wind tower was placed at the Sewer Department to lower electrical expenses. We have a 5-year wind turbine contract with Northern Power Systems.
- The City opened a \$1,400,000 limit line of credit to help cover costs related to the long term control plan engineering contract for sewer work.

Significant economic factors expected to affect the upcoming fiscal year ending April 30, 2018:

- The City's budget is fairly consistent with this year.
- In May 2017, the City increased most employee wages based on annual evaluations with 3% longevity.
- The City is currently looking for funds for a new Water Plant with an approximate cost of \$5,500,000 and for a new Combined Sewer overflows/treatment plant with an approximate cost of \$22,000,000.
- The City's cash position is expected to decline due to falling revenue and increased costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report or a need for additional financial information, contact the City Treasurer's office at:

201 W Locust St.
PO Box 228
Fairbury, IL 61739
fairbury@route24.net
(815) 692-2743

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
April 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,378,379	\$ 1,188,971	\$ 2,567,350
Investments	207,803	113,206	321,009
Notes receivable	44,381	-	44,381
Prepaid expenses	387	-	387
Total current assets	1,630,950	1,302,177	2,933,127
Noncurrent assets			
Restricted investments	74,000	72,000	146,000
Capital assets, net of accumulated depreciation	3,897,420	4,868,052	8,765,472
Total noncurrent assets	3,971,420	4,940,052	8,911,472
TOTAL ASSETS	5,602,370	6,242,229	11,844,599
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current liabilities			
Line of credit	391,683	-	391,683
Current maturities of long term debt	29,198	101,539	130,737
Total current liabilities	420,881	101,539	522,420
Noncurrent liabilities			
Long term debt	484,389	1,136,854	1,621,243
Customer deposits	-	2,898	2,898
Total noncurrent liabilities	484,389	1,139,752	1,624,141
TOTAL LIABILITIES	905,270	1,241,291	2,146,561
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	3,383,833	3,629,659	7,013,492
Restricted for:			
Debt service	74,000	72,000	146,000
Other purposes	954,365	-	954,365
Unrestricted	284,902	1,299,279	1,584,181
TOTAL NET POSITION	\$ 4,697,100	\$ 5,000,938	\$ 9,698,038

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended April 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)/Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,307,707	\$ 89,422	\$ 1,843	\$ (1,216,442)	\$ -	\$ (1,216,442)
Public safety	784,379	22,915	-	(761,464)	-	(761,464)
Streets and recycling	742,691	247,829	-	(494,862)	-	(494,862)
Culture and recreation	240,154	47,966	58,050	(134,138)	-	(134,138)
Capital outlay	8,093	-	-	(8,093)	-	(8,093)
Depreciation	281,599	-	-	(281,599)	-	(281,599)
Interest on long term debt	20,825	-	-	(20,825)	-	(20,825)
Total governmental activities	3,385,448	408,132	59,893	(2,917,423)	-	(2,917,423)
Business-type activities:						
Water	688,859	902,021	-	-	213,162	213,162
Sewer	498,928	745,046	-	-	246,118	246,118
Total business-type activities	1,187,787	1,647,067	-	-	459,280	459,280
TOTAL	\$ 4,573,235	\$ 2,055,199	\$ 59,893	\$ (2,917,423)	\$ 459,280	\$ (2,458,143)
General Revenues:						
Taxes						
Property				943,565	-	943,565
Replacement				27,972	-	27,972
Sales and local use				675,434	-	675,434
State income				357,714	-	357,714
Motor fuel				95,551	-	95,551
Interest on investments				4,913	1,700	6,613
Other				284,287	19,040	303,327
Transfers				(63,944)	63,944	-
Total general revenues				2,325,492	84,684	2,410,176
Change in net position				(591,931)	543,964	(47,967)
Net position - beginning (restated - See Note 14)				5,289,031	4,456,974	9,746,005
Net position - ending				\$ 4,697,100	\$ 5,000,938	\$ 9,698,038

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF ASSETS, DEFERRED OUTFLOWS, LIABILITIES,
DEFERRED INFLOWS, AND FUND BALANCES -MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
April 30, 2017

	General Fund	Motor Fuel Tax Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 955,147	\$ 281,285	\$ 141,947	\$ 1,378,379
Investments	-	194,982	12,821	207,803
Restricted investments	30,000	-	44,000	74,000
Prepaid expenses	387	-	-	387
Notes receivable	44,381	-	-	44,381
TOTAL ASSETS	1,029,915	476,267	198,768	1,704,950
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,029,915	\$ 476,267	\$ 198,768	\$ 1,704,950
LIABILITIES				
Line of credit	\$ 391,683	\$ -	\$ -	\$ 391,683
TOTAL LIABILITIES	391,683	-	-	391,683
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Nonspendable	387	-	-	387
Restricted	199,310	476,267	168,227	843,804
Assigned	153,633	-	30,541	184,174
Unassigned	284,902	-	-	284,902
Total fund balances	638,232	476,267	198,768	1,313,267
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,029,915	\$ 476,267	\$ 198,768	\$ 1,704,950

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF ASSETS, DEFERRED OUTFLOWS,
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES - MODIFIED
CASH BASIS TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
April 30, 2017

Total fund balances - governmental funds	\$ 1,313,267
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Amounts reported for governmental activities in the Statement
of Net Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	3,897,420
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(513,587)
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Net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 4,697,100</div>
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The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2017

	General Fund	Motor Fuel Tax Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 816,466	\$ -	\$ 127,099	\$ 943,565
Replacement taxes	23,727	-	4,245	27,972
Sales and local use taxes	675,434	-	-	675,434
State income taxes	357,714	-	-	357,714
Motor fuel taxes	-	95,551	-	95,551
Grants and donations - nonpublic	1,103	-	58,790	59,893
Investment income	3,388	741	784	4,913
Licenses, fees, and fines	89,422	-	10,310	99,732
Garbage collection fees	247,829	-	-	247,829
Intergovernmental - public safety	22,915	-	-	22,915
Rental income	-	-	3,156	3,156
Pool revenues	34,500	-	-	34,500
Other income	284,139	-	148	284,287
Total revenues	2,556,637	96,292	204,532	2,857,461
Expenditures:				
Current:				
General government	1,289,249	-	17,904	1,307,153
Public safety	784,379	-	-	784,379
Streets and recycling	655,681	87,010	-	742,691
Culture and recreation	78,936	-	161,218	240,154
Debt service:				
Retirement of principal	54,198	-	-	54,198
Interest	20,825	-	-	20,825
Capital outlay	202,707	-	8,093	210,800
Total expenditures	3,085,975	87,010	187,215	3,360,200
Excess (deficiency) of revenues over (under) expenditures	(529,338)	9,282	17,317	(502,739)
Other financing sources (uses):				
Transfers in	-	-	5,512	5,512
Transfers out	(69,456)	-	-	(69,456)
Net other sources and uses of financial resources	(69,456)	-	5,512	(63,944)
Net change in fund balances	(598,794)	9,282	22,829	(566,683)
Fund balances - beginning	867,405	466,985	171,022	1,505,412
Prior period adjustment - See Note 14	369,621	-	4,917	374,538
Fund balances - beginning, as restated	1,237,026	466,985	175,939	1,879,950
Fund balances - ending	\$ 638,232	\$ 476,267	\$ 198,768	\$ 1,313,267

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2017

Net change in fund balances	\$ (566,683)
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Amounts reported for governmental activities in the Statement of
Activities - Modified Cash Basis are different because:

Governmental funds report capital outlays as expenditures;
however, in the Statement of Activities - Modified Cash
Basis the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	\$ 202,707	
Depreciation expense	<u>(281,599)</u>	(78,892)

The loss on disposal of capital assets increases the general government expenses in the Statement of Activities - Modified Cash Basis.	(554)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis.	54,198
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Change in net position of governmental activities	<u><u>\$ (591,931)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
April 30, 2017

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash	\$ 468,536	\$ 720,435	\$ 1,188,971
Investments	113,206	-	113,206
Total current assets	581,742	720,435	1,302,177
Noncurrent assets			
Restricted investments	45,000	27,000	72,000
Capital assets, net of accumulated depreciation	2,420,479	2,447,573	4,868,052
Total noncurrent assets	2,465,479	2,474,573	4,940,052
TOTAL ASSETS	3,047,221	3,195,008	6,242,229
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current liabilities			
Current maturities of debt	68,311	33,228	101,539
Total current liabilities	68,311	33,228	101,539
Noncurrent liabilities			
EPA waste water treatment loans	155,896	555,904	711,800
EPA drinking water loans	425,054	-	425,054
Customer deposits	2,898	-	2,898
Total noncurrent liabilities	583,848	555,904	1,139,752
TOTAL LIABILITIES	652,159	589,132	1,241,291
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	1,771,218	1,858,441	3,629,659
Restricted for:			
Debt service	45,000	27,000	72,000
Unrestricted	578,844	720,435	1,299,279
Total net position	\$ 2,395,062	\$ 2,605,876	\$ 5,000,938

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended April 30, 2017

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues received:			
Charges for services	\$ 902,021	\$ 745,046	\$ 1,647,067
Operating expenses disbursed:			
Salaries and related expenses	334,710	162,522	497,232
Contractual services	87,935	59,912	147,847
Utilities	32,707	66,002	98,709
Commodities	113,054	13,280	126,334
Miscellaneous	1,504	1,078	2,582
Depreciation	106,164	186,783	292,947
Total operating expenses	676,074	489,577	1,165,651
Operating income (loss)	225,947	255,469	481,416
Non-operating revenues (expenses):			
Interest income	1,009	691	1,700
Loss on disposal of asset	(476)	-	(476)
Interest expense	(12,309)	(9,351)	(21,660)
Miscellaneous	18,110	930	19,040
Total non-operating revenues and expenses	6,334	(7,730)	(1,396)
Net income (loss) before transfers	232,281	247,739	480,020
Transfers in	63,944	-	63,944
Total transfers	63,944	-	63,944
Change in net position	296,225	247,739	543,964
Net position - beginning of year	2,098,837	2,358,137	4,456,974
Net position - end of year	\$ 2,395,062	\$ 2,605,876	\$ 5,000,938

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended April 30, 2017

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 902,021	\$ 745,046	\$ 1,647,067
Cash paid to suppliers for goods and services	(235,552)	(140,272)	(375,824)
Cash paid to employees for services	(334,710)	(162,522)	(497,232)
Net cash provided by (used for) operating activities	331,759	442,252	774,011
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:			
Miscellaneous non operating receipts	18,110	930	19,040
Transfer from other funds	63,944	-	63,944
Net cash provided by (used for) noncapital financing activities	82,054	930	82,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments on debt	(66,920)	(32,742)	(99,662)
Interest paid	(12,309)	(9,351)	(21,660)
Loss on disposal of capital asset	(476)	-	(476)
Acquisition of capital assets	(182,077)	(3,923)	(186,000)
Net cash provided by (used for) capital and related financing activities	(261,782)	(46,016)	(307,798)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of certificates of deposit	(338)	-	(338)
Interest received on certificates of deposit	1,009	691	1,700
Net cash provided by (used for) investing activities	671	691	1,362
Net increase (decrease) in cash and cash equivalents	152,702	397,857	550,559
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	315,834	322,578	638,412
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 468,536	\$ 720,435	\$ 1,188,971
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 225,947	\$ 255,469	\$ 481,416
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	106,164	186,783	292,947
Change in assets and liabilities:			
Decrease in customer deposits	(352)	-	(352)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 331,759	\$ 442,252	\$ 774,011

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of the modified cash basis of accounting as described later, accounting policies of the City of Fairbury, Illinois (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

REPORTING ENTITY

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, the City of Fairbury, Illinois is a primary government in that it is a city with a separately elected governing body – one that is elected by the citizens in a general, popular election and is fiscally independent of other units of government.

The City has developed criteria to determine whether other entities are component units of the City. Component units are legally separate organizations for which the elected officials of the City are financially accountable. The City would be considered financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will (significantly influence the programs, projects, activities, or level of services performed or provided by the organization) on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City (i.e., entitled to or can access the organization's resources, is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to the organization, or is obligated in some manner for the debt of the organization).

If an organization is fiscally dependent on the City, the City is considered financially accountable regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The City has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. In addition, the City is not aware of any entity which would exercise such oversight as to result in the City being considered a component of the entity.

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements – The Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are supported in whole or in part by fees charged to external parties for goods or services. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position – Modified Cash Basis presents the City's nonfiduciary assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as net position.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

The Statement of Activities – Modified Cash Basis demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues, and expenditures. The City's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through Governmental Funds. The City's major Governmental Funds include the following:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund.

Motor Fuel Tax Fund – To account for the operations of the City's Street Department in connection with highway construction and maintenance projects authorized by the Illinois Department of Transportation. Financing is provided by the City's share of the state motor fuel tax.

Nonmajor Governmental Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City's nonmajor governmental funds include the following:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes other than debt service or capital projects. The City includes the following special revenue funds:

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

Library Fund – To account for the property taxes levied for library purposes and other resources used to provide library services to the citizens of the City.

Audit Fund – To account for the revenue and expenditures resulting from the City's compliance with the "Municipal Auditing Law" as stipulated in Chapter 65 of the Illinois Compiled Statutes. Financing is provided by a specific annual real estate tax levy and payments are made only for the costs of the annual audit of all City funds.

Capital Project Fund – Capital project fund is used to account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The City includes the following capital project fund:

Fire Station Fund – To account for the revenue and expenditures of constructing and equipping the Brian J. Munz Public Safety Complex.

Proprietary Fund Types

Enterprise Funds – Enterprise funds are used to account for operations: (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains the following enterprise funds:

Water Fund – To account for the water operations. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's capital assets) and provide for a net income to finance the continued operations of the system.

Sewer Fund – To account for the wastewater operations. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's capital assets) and provide for a net income to finance the continued operations of the system.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting.

- The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.
- This basis of accounting recognizes assets, deferred outflows, liabilities, deferred inflows, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary fund financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES

Fund Balance is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Statement of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Balances – Modified Cash Basis and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – the portion of a Governmental Fund’s net position that is not available to be spent, either short term or long term, in either form or through legal restrictions. The General Fund presents a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The following accounts have restricted fund balances: General Fund, Motor Fuel Tax Fund, Library Fund, Audit Fund, and Fire Station Fund, as well as Water Fund and Sewer Fund restricted for debt service.

Committed Fund Balance – the portion of a Governmental Fund’s net position with self-imposed constraints or limitations that has been placed at the highest level of decision making authority (the City Council). The committed amounts cannot be used for any other purpose unless the City Council takes the same formal action to remove or change the imposed constraints. There are no accounts presenting a committed fund balance.

Assigned Fund Balance – the portion of a Governmental Fund’s net position to denote an intended use of resources. The City Council, through resolution establishing the City’s fund balance policy, has delegated to the City Administrator the authority to assign amounts to specific purposes. Pursuant to the City’s fund balance policy, any fund balance assigned by the City Administrator must be reported to the City Council at its next regular meeting. The City Council has the authority to remove or change the assigned fund balance with a simple majority vote. The accounts presenting an assigned fund balance are General Fund and Fire Station Fund.

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. In governmental funds other than the General Fund, the unassigned fund balance classification would only be used, as applicable, to report a deficit balance in that fund. The General Fund presents an unassigned fund balance.

NET POSITION

Equity in the government-wide statements is classified as net position. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (Continued)

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

USE OF RESTRICTED RESOURCES

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

The City does not have a formal minimum fund balance policy.

BUDGETS

The budget for all governmental fund types is prepared on the modified cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The original and final budget was passed through an appropriations ordinance on July 20, 2016.

For each fund, total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each fiscal year.

The City adopts its annual budget in accordance with Chapter 65, Paragraph 5/8-2-9 of the Illinois Compiled Statutes, as follows:

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) The Council approves the proposed operating budget as a basis for the appropriation.
- (3) A public hearing is conducted to obtain taxpayer comments on the appropriation.
- (4) Prior to August 1, the budget is legally adopted through passage of an appropriations ordinance.
- (5) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. Except as provided for by the statute, no revision of the budget can be made increasing the budget in the event funds are not available.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS (Continued)

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenditures, which is used as a management control device. Revenues are not included in the appropriations ordinance.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

COMPENSATED ABSENCES

As a result of using the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid. It is the City's policy to permit employees to accumulate a limited amount of sick pay (maximum of 48 days per employee). Vacation pay must be taken annually based upon the calendar year or it is forfeited. Upon termination, employees are paid for unused sick and vacation pay. Sick and vacation pay is recorded in the fiscal year the checks are drawn.

INTERFUND BALANCES AND ACTIVITIES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds is reported as "due to/from other funds."

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

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows – Modified Cash Basis, the City's proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVESTMENTS

The City's investments are comprised of certificates of deposit. Certificates of deposit are classified together regardless of maturity. Certificates of deposit are carried at cost, which approximates fair value.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

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

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position – Modified Cash Basis. All capital assets are valued at historical cost less a provision for depreciation. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are capitalized at cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities – Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Position – Modified Cash Basis. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$20,000 for infrastructure and \$1,000 for all other capital assets is used. The range of estimated useful lives by type of asset is as follows:

Building and improvements	10-50 years
Improvements other than buildings	10-40 years
Machinery, furniture, and equipment	3-40 years
Infrastructure	20-40 years

Fund Financial Statements

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

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

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

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROGRAM REVENUES

In the Statement of Activities – Modified Cash Basis, modified cash basis revenues that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- General government – Licenses, permits and fees, grants, and contributions
- Public safety – Fine revenue, grants from other governmental entities, and contributions
- Streets and recycling – Garbage collection
- Culture and recreation – Pool and Library revenues

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses related to capital and related financing, noncapital financing, or investing activities.

2. CASH AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the City to make deposits and invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Public Treasurer’s Investment Pool.

The City’s cash and investments at April 30, 2017 consisted of deposits with financial institutions, including certificates of deposit and money market funds, and the Illinois Funds Money Market Fund. Separate bank accounts are not maintained for all City funds. Instead, certain general and special revenue funds maintain their cash balances in common demand deposit, money market accounts and certificates of deposit. Accounting records are maintained to show the portion of the common cash and balances attributable to each participating fund.

At April 30, 2017, the carrying amount of the City’s various bank deposits totaled \$3,034,359 and the bank balances totaled \$3,069,240. Included in the bank balance is \$143 deposited in the Illinois Funds. The Illinois Funds portfolio includes: certificates of deposit issued by Illinois financial institutions, repurchase agreements backed by direct treasury obligations from primary government securities dealers, direct treasury obligations of the U.S. Government, and money market funds backed by full faith and credit obligations of the U.S. Government. The City owns no identifiable investment securities in the Illinois Funds; therefore, credit risk cannot be assessed for the Illinois Funds. The Illinois Funds have a credit rating of AAAM, by an independent rating agency, indicating an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

CASH AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the deposits of the City may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City does not have a policy to address custodial credit risk. Deposits of the City's reporting entity are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. At April 30, 2017, \$900,669 of the deposits made by the City were covered by the Federal Depository Insurance Corporation (FDIC), and \$1,699,448 were collateralized by the respective institution. The remaining \$469,123 was uninsured and uncollateralized. The City's certificates of deposit have original maturities from 12 months to 120 months.

The deposits are reflected on the financial statements at April 30, 2017 as follows:

Government-wide statement of net position – modified cash basis:

Cash	\$ 2,567,350
Certificates of deposit (reported as Investments)	321,009
Certificates of deposit (reported as Restricted Investments)	<u>146,000</u>
	<u>\$ 3,034,359</u>

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in certificates of deposit are as follows:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Terms in Months</u>	<u>Maturity Date</u>
Busey Bank	\$ 5,238	0.40%	36 mo	4/14/2020
Morton Community Bank	94,000	0.92 to 1.70%	60 to 120 mo	7/14/17 – 3/24/18
First State Bank of Forrest	<u>367,771</u>	0.30 to 1.20%	12 to 60 mo	7/5/17 – 11/20/18
	<u>\$ 467,009</u>			

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. RESTRICTED INVESTMENTS

Ordinance 2008-10, approved August 6, 2008, provided for the issuance of \$170,000 General Obligation (Alternate Revenue) Bonds. The proceeds of this issue were used to refinance existing bonds outstanding. The certificate of deposit restricted for debt service at April 30, 2017 was \$30,000.

Ordinance 2012-13, approved June 5, 2012, provided for the issuance of \$500,000 General Obligation Bonds. The proceeds of this issue are being used to construct and equip a public safety building (fire station). The certificate of deposit restricted for debt service of these bonds at April 30, 2017 was \$44,000.

In connection with the \$627,937 EPA wastewater treatment loan agreement and the \$595,825 EPA drinking water loan agreement, the Illinois Environmental Protection Agency requires the City to establish wastewater and waterworks reserve accounts equal to one years' principal and interest payments to fund future required loan payments. As of April 30, 2017, the balances of the wastewater and waterworks restricted accounts were \$27,000 and \$25,000, respectively.

In connection with the \$490,000 EPA drinking water loan agreement, the Illinois Environmental Protection Agency requires the City to establish a waterworks reserve account to fund required loan payments. The fund is required to have on hand one-half of one annual payment required to be made. As of April 30, 2017, the balance of this restricted certificate of deposit was \$20,000.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

4. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2017 was as follows:

	Balance April 30, 2016	Additions	Deletions	Balance April 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,071,332	\$ -	\$ -	\$ 1,071,332
Total assets not being depreciated	<u>1,071,332</u>	<u>-</u>	<u>-</u>	<u>1,071,332</u>
Other capital assets:				
Land improvements	164,011	-	-	164,011
Buildings and improvements	2,216,395	-	-	2,216,395
Vehicles	1,555,082	157,013	12,199	1,699,896
Equipment	2,355,261	45,694	5,119	2,395,836
Infrastructure	<u>288,932</u>	<u>-</u>	<u>-</u>	<u>288,932</u>
Total other capital assets	<u>6,579,681</u>	<u>202,707</u>	<u>17,318</u>	<u>6,765,070</u>
Less accumulated depreciation for:				
Land improvements	82,074	5,056	-	87,130
Buildings and improvements	731,858	66,624	-	798,482
Vehicles	1,200,046	85,726	12,199	1,273,573
Equipment	1,581,351	109,746	4,565	1,686,532
Infrastructure	<u>78,818</u>	<u>14,447</u>	<u>-</u>	<u>93,265</u>
Total accumulated depreciation	<u>3,674,147</u>	<u>281,599</u>	<u>16,764</u>	<u>3,938,982</u>
Other capital assets, net	<u>2,905,534</u>	<u>(78,892)</u>	<u>554</u>	<u>2,826,088</u>
Governmental activities, net	<u><u>\$ 3,976,866</u></u>	<u><u>\$ (78,892)</u></u>	<u><u>\$ 554</u></u>	<u><u>\$ 3,897,420</u></u>

Depreciation expense was charged to functions/programs as follows in the Statement of Activities - Modified Cash Basis:

General government	\$ 96,507
Public Safety	66,713
Streets and recycling and culture and recreation	<u>118,379</u>
Total depreciation expense for governmental activities	<u><u>\$ 281,599</u></u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

CAPITAL ASSETS (Continued)

Capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2017 was as follows:

	Balance April 30, 2016	Additions	Deletions	Balance April 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 52,245	\$ -	\$ -	\$ 52,245
Total assets not being depreciated	52,245	-	-	52,245
Other capital assets:				
Utility plant	8,462,964	-	-	8,462,964
Wells and improvements	972,370	-	-	972,370
Water tower	1,000,616	-	-	1,000,616
Vehicles	91,941	-	-	91,941
Equipment	2,009,802	131,659	1,504	2,139,957
Infrastructure	2,227,524	54,819	-	2,282,343
Total other capital assets	14,765,217	186,478	1,504	14,950,191
Less accumulated depreciation for:				
Utility plant	7,974,078	72,982	-	8,047,060
Wells and improvements	493,523	26,964	-	520,487
Water tower	339,178	25,015	-	364,193
Vehicles	54,350	8,176	-	62,526
Equipment	715,453	103,026	1,028	817,451
Infrastructure	265,883	56,784	-	322,667
Total accumulated depreciation	9,842,465	292,947	1,028	10,134,384
Other capital assets, net	4,922,752	(106,469)	476	4,815,807
Business-type activities, net	<u>\$ 4,974,997</u>	<u>\$ (106,469)</u>	<u>\$ 476</u>	<u>\$ 4,868,052</u>

Depreciation expense was charged to functions/programs as follows in the Statement of Activities - Modified Cash Basis:

Water	\$ 106,164
Sewer	186,783
Total depreciation expense for business-type activities	<u>\$ 292,947</u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

5. LONG-TERM DEBT

The City's long-term debt arising from cash transactions is segregated between amounts to be paid from governmental activities and amounts repaid from business-type activities.

The changes in the City's long-term debt for the year ended April 30, 2017 are as follows:

	Balance April 30, 2016	Additions	Reductions	Balance April 30, 2017	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 485,000	\$ -	\$ 45,000	\$ 440,000	\$ 20,000
Notes payable	82,789	-	9,202	73,587	9,198
	<u>\$ 567,789</u>	<u>\$ -</u>	<u>\$ 54,202</u>	<u>\$ 513,587</u>	<u>\$ 29,198</u>
Business-type Activities:					
Notes payable	\$ 1,338,055	\$ -	\$ 99,662	\$ 1,238,393	\$ 101,539

Governmental Activities

As of April 30, 2017, the long-term debt, arising from cash transactions payable from governmental fund resources consisted of the following:

Bonds Payable:

On December 1, 1996, the City issued general obligation (alternate revenue) bonds in the principal amount of \$300,000 with interest rates ranging from 5.3% to 8.0%. All sales tax and general fund revenues received by the City are pledged as alternate revenues for repayment of these bonds. However, these bonds are general obligations and the City is required to levy ad valorem taxes if alternate revenue sources are insufficient. The bond proceeds were used to offset expenditures incurred in the construction of a new city hall. On September 1, 2008, the City refunded these bonds in the principal amount of \$170,000 with an interest rate of 4.7% and maturities through fiscal year 2017. There was no recognized gain or loss on the refunding; however, the City reduced future debt service payments by approximately \$8,500. The conditions of these bonds are significantly the same as the refunded bonds. This bond was paid off during the fiscal year ended April 30, 2017.

On June 20, 2012, the City issued general obligation bonds in the principal amount of \$500,000 with interest rates ranging from 2.8% to 7.0% due at various maturity dates until December 2031. The bond proceeds are being used to offset expenditures incurred in construction and equipping the new Brian J. Munz Public Safety Complex.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

LONG-TERM DEBT (Continued)

The schedule of principal and interest requirements of the bonds payable are as follows:

Year ending April 30,	June 1	December 1		Total
	Interest	Interest	Principal	
2018	\$ 8,700	\$ 8,700	\$ 20,000	\$ 37,400
2019	8,050	8,050	25,000	41,100
2020	7,250	7,250	25,000	39,500
2021	6,500	6,500	25,000	38,000
2022	5,813	5,813	25,000	36,626
2023-2027	22,970	22,970	145,000	190,940
2028-2032	10,015	10,015	175,000	195,030
	<u>\$ 69,298</u>	<u>\$ 69,298</u>	<u>\$ 440,000</u>	<u>\$ 578,596</u>

Notes Payable:

\$183,967 note payable to Illinois Finance Authority for a fire truck, payable in annual installments of \$9,198, non-interest bearing, final payment due November 2024, secured by fire truck, net book value \$70,521. \$ 73,587

The schedule of principal and interest requirements on the note payable to Illinois Finance Authority is as follows:

Year ended April 30,	Interest	Principal	Total Due
2018	\$ -	\$ 9,198	\$ 9,198
2019	-	9,199	9,199
2020	-	9,199	9,199
2021	-	9,199	9,199
2022	-	9,199	9,199
2023-2025	-	27,593	27,593
	<u>\$ -</u>	<u>\$ 73,587</u>	<u>\$ 73,587</u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

LONG-TERM DEBT (Continued)

Business-Type Activities

As of April 30, 2017, the long-term debt, arising from cash transactions payable from proprietary fund resources consisted of the following:

Notes Payable:

\$228,948 note payable (\$235,872 available) to Illinois Environmental Protection Agency for water meter improvements, payable in semi-annual installments of \$6,976, including principal and interest at 1.995%, final payment due May 2034.	\$ 80,627
\$254,234 note payable to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installments of \$5,568, including principal and interest at 1.93%, final payment due July 2034.	232,262
\$490,000 note payable to Illinois Environmental Protection Agency for new water tower, payable in semi-annual installments of \$15,937, including principal and interest at 2.625%, final payment due May 2019.	76,643
\$627,937 note payable to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installments of \$16,224, including principal and interest at 1.25%, final payment due May 2032.	356,870
\$595,825 note payable to Illinois Environmental Protection Agency for water main improvements, payable in semi-annual installments of \$14,488, including principal and interest at 1.25%, final payment due May 2032.	336,095
\$165,768 note payable to Illinois Environmental Protection Agency for water tower improvements, payable in semi-annual installments of \$4,701, including principal and interest at 2.21%, final payment due August 2035.	155,896
	<hr/>
	\$ 1,238,393
	<hr/>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

LONG-TERM DEBT (Continued)

The schedule of principal and interest requirements on the business-type activities long-term debt is as follows:

Year ended April 30,	Interest	Principal	Total
2018	\$ 19,782	\$ 101,539	\$ 121,321
2019	17,866	103,456	121,322
2020	15,910	89,474	105,384
2021	14,544	74,903	89,447
2022	13,365	76,082	89,447
2023-2027	49,370	360,737	410,107
2028-2032	22,675	360,160	382,835
2033-2036	2,659	72,042	74,701
	<u>\$ 156,171</u>	<u>\$ 1,238,393</u>	<u>\$ 1,394,564</u>

The City is limited under state law to aggregate indebtedness of 8.625% of assessed valuation. This limitation does not apply to indebtedness used to finance fire protection equipment and facilities or water and wastewater treatment facilities or alternate revenue bonds. The available legal debt margin was \$4,210,460 at April 30, 2017.

6. LINE OF CREDIT

The City has an unsecured \$1,400,000 line of credit. Quarterly payments of accrued interest are due starting December 12, 2016; balloon payment due on September 12, 2019. As of April 30, 2017, the balance of the line of credit was \$391,683.

7. GOVERNMENTAL FUND BALANCES

The following is a detailed summary of fund balance classifications as presented in the governmental funds Statement of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Balances – Modified Cash Basis. The following is a summary of restricted fund balances:

Debt service	\$ 30,000
Street Lighting	5,220
Unemployment insurance	14,501
Fire station (bonds)	44,000
Law enforcement	49,075
Fire department	78,843
Fire protection	21,671
Street repair and improvements	476,267
Library	115,230
Audit	8,997
	<u>\$ 843,804</u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

GOVERNMENTAL FUND BALANCES (Continued)

The street repair and improvements, library, audit, and fire station fund balances presented above represent resources restricted for the Motor Fuel Fund, Library Fund, Audit Fund, and Fire Station Fund (Brian J. Munz Public Safety Complex), respectively. The remaining amounts above represent resources restricted for the indicated purposes within the General Fund.

The assigned amount of \$30,541 for the Fire Station Fund is for the Brian J. Munz Public Safety Complex.

The assigned amount for the General Fund of \$153,633 represents vehicle seizure funds (law enforcement) assigned for police equipment to be determined.

8. INTERFUND TRANSACTIONS

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended April 30, 2017, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 69,456
Fire Station Fund	5,512	-
Water Fund	63,944	-
	<u>\$ 69,456</u>	<u>\$ 69,456</u>

The interfund transfers represent expenditures incurred by one fund but paid by another fund.

DUE TO/FROM OTHER FUNDS

As of April 30, 2017, there were no interfund receivables and payables.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

9. OTHER DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which overextended appropriations during the year are required to be disclosed.

- A. There were no funds/accounts that had a deficit fund balance at April 30, 2017.
- B. The following funds had an excess of actual expenditures over budget for the year ended April 30, 2017.

<u>Fund</u>	<u>Budget Amount</u>	<u>Expenditures</u>	<u>Unfavorable Variance</u>
Audit Fund	\$ 16,500	\$ 16,633	\$ 133
Fire Station Fund	-	1,271	1,271
Sewer Fund	445,000	489,577	44,577

10. 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; workers' compensation; and natural disasters. The City self-insures the risk of damage to small equipment owned by the fire department. Consequently, the City is responsible for the cost of repairing or replacing such small equipment if it is damaged, destroyed or stolen.

The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. In January 2015, a former employee brought a lawsuit against the City. The City referred the complaint to its insurer which arranged for the City's defense. Without any admission of wrongdoing, a settlement was reached in July 2016, with the result of the City paying \$25,000 and its insurer paying \$200,000.

11. PROPERTY TAXES

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for the taxes collected in the fiscal year ended April 30, 2017 was passed December 2, 2015.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

PROPERTY TAXES (Continued)

Due dates by statute are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates. The following are the tax rate limits permitted by state law and local referendum and the actual rates levied for 2015 per \$100 of assessed valuation:

<u>Type of Tax</u>	<u>Rate Limits</u>	<u>Actual Levy 2015</u>
Corporate	0.4375	0.30683
Garbage	0.2000	0.19802
Fire protection	0.6000	0.09163
Public benefits	0.0500	0.04951
Police protection	0.6000	0.09163
Audit	No limit	0.02977
IMRF	No limit	0.42217
Tort	No limit	0.15782
Unemployment compensation	No limit	0.00938
Social security	No limit	0.15144
Street lighting	0.0500	0.04312
Total tax rates		<u>1.55132</u>
County Clerk Extension		<u>\$ 819,476</u>
Assessed Valuation		<u>\$ 52,824,417</u>

12. RETIREMENT PLAN

Illinois Municipal Retirement Fund

IMRF Plan Description

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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees 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 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	21
Inactive Plan Members entitled to but not yet receiving benefits	15
Active Plan Members	<u>30</u>
Total	<u><u>66</u></u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2016 was 21.87 percent. For the calendar year ended 2016, the City contributed \$253,131 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. However, since the City reports on the modified cash basis of accounting, the net pension liability is not recorded in these financial statements.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) 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 projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying 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 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) – (B)
Balances at December 31, 2015	\$ 7,524,387	\$ 5,112,330	\$ 2,412,057
Changes for the Year:			
Service Cost	135,191	-	135,191
Interest on the Total Pension Liability	555,934	-	555,934
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(528,381)	-	(528,381)
Changes of Assumptions	(43,439)	-	(43,439)
Contributions – Employer	-	253,131	(253,131)
Contributions – Employees	-	52,085	(52,085)
Net Investment Income	-	344,803	(344,803)
Benefit Payments, including Refunds of Employee Contributions	(259,564)	(259,564)	-
Other (Net Transfer)	-	(243,333)	243,333
Net Changes	(140,259)	147,122	(287,381)
Balances at December 31, 2016	<u>\$ 7,384,128</u>	<u>\$ 5,259,452</u>	<u>\$ 2,124,676</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plans' net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability/(Asset)	\$ 3,061,957	\$ 2,124,676	\$ 1,349,445

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Since the City reports on the modified cash basis of accounting, it will not recognize or report any balances for pension expense, deferred outflows of resources, and deferred inflows of resources. However, the following table discloses what those balances would be for the year ended April 30, 2017.

<u>Deferred Amounts Related to Pensions</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 111,357	\$ 409,333
Changes of assumptions	4,970	33,652
Net difference between projected and actual earnings on pension plan investments	<u>236,941</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>353,268</u>	<u>442,985</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>81,190</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 434,458</u></u>	<u><u>\$ 442,985</u></u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

RETIREMENT PLAN (Continued)

If recognized, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense in future periods as follows:

Year Ending December 31,	Net Deferred Outflows of Resources
2017	\$ (2,285)
2018	(2,285)
2019	(34,908)
2020	(50,239)
2021	-
Thereafter	-
Total	<u>\$ (89,717)</u>

13. FAIR VALUE MEASUREMENT

The City has adopted the fair value accounting guidance related to financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities measured at fair value on a recurring basis during the year ended April 30, 2017:

<u>Assets</u>	<u>Fair Value 4/30/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 467,009	\$ 467,009	\$ -	\$ -
	<u>\$ 467,009</u>	<u>\$ 467,009</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FAIRBURY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

FAIR VALUE MEASUREMENT (Continued)

For the above noted certificates of deposit, the City uses quoted prices in active markets for identical assets to determine their fair value. Thus they are considered to be Level 1 instruments. There was no change in this valuation technique during the year ended April 30, 2017.

There were no major categories of assets and liabilities measured at fair value on a nonrecurring basis during the year ended April 30, 2017.

14. PRIOR PERIOD ADJUSTMENTS

During the year ended April 30, 2017, management determined that a certain error caused the Library Fund's balance in the Prairie Lands Foundation account to be understated at April 30, 2016. Accordingly, the 2016 amounts have been restated in these financial statements. The effect of this change was to increase the City's May 1, 2016 net position by \$4,917.

Also during the year ended April 30, 2017, it was determined that the Economic Development Grant Program Fund, previously reported as an agency fund, was no longer an agency fund, as the City has been providing the funding, not a state agency. Accordingly, the 2016 amounts have been restated in these financial statements. The effect of this change was to increase the City's May 1, 2016 net position by \$369,621.

The following table shows the restatement of beginning net position at May 1, 2016.

NET POSITION – as originally reported	\$ 9,371,467
Prior period adjustment – General Fund – Assigned	369,621
Prior period adjustment – Library Fund – Restricted	<u>4,917</u>
Total net position – as restated	<u>\$ 9,746,005</u>

OTHER INFORMATION - UNAUDITED

CITY OF FAIRBURY, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEAR 2016

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 135,191	\$ 126,442
Interest on the Total Pension Liability	555,934	510,222
Changes of Benefit Terms	-	-
Differences Between Expected and Actual		
Experience of the Total Pension Liability	(528,381)	206,413
Changes of Assumptions	(43,439)	9,214
Benefit Payments, including Refunds		
of Employee Contributions	(259,564)	(208,244)
Net Change in Total Pension Liability	<u>(140,259)</u>	<u>644,047</u>
Total Pension Liability - Beginning	<u>7,524,387</u>	<u>6,880,340</u>
Total Pension Liability - Ending (a)	<u><u>\$ 7,384,128</u></u>	<u><u>\$ 7,524,387</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 253,131	\$ 256,812
Contributions - Employees	52,085	53,677
Net Investment Income	344,803	25,299
Benefit Payments, including Refunds		
of Employee Contributions	(259,564)	(208,244)
Other (Net Transfer)	(243,333)	(23,889)
Net Change in Plan Fiduciary Net Position	<u>147,122</u>	<u>103,655</u>
Plan Fiduciary Net Position - Beginning	<u>5,112,330</u>	<u>5,008,675</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 5,259,452</u></u>	<u><u>\$ 5,112,330</u></u>
Net Pension Liability/ (Asset) - Ending (a) - (b)	2,124,676	2,412,057
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 71.23%	 67.94%
 Covered Valuation Payroll	 \$ 1,157,440	 \$ 1,192,812
 Net Pension Liability as a Percentage of Covered Valuation Payroll	 183.57%	 202.22%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF FAIRBURY, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEAR 2016

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a percentage of Covered Valuation Payroll</u>
2015	\$ 256,812	\$ 256,812	\$ -	\$ 1,192,812	21.53%
2016	\$ 253,132	\$ 253,131	\$ 1	\$ 1,157,440	21.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

See accompanying notes to the other information.

CITY OF FAIRBURY, ILLINOIS
NOTES TO OTHER INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2017

**SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE
CALCULATION OF THE 2016 CONTRIBUTION RATE***

Valuation date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 27-year 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. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method	5-Year smoothed market: 20% corridor
Wage growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
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.

CITY OF FAIRBURY, ILLINOIS
NOTES TO OTHER INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2017

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE
CALCULATION OF THE 2016 CONTRIBUTION RATE* - Continued

Methods and Assumptions Used to Determine 2016 Contribution Rates - Continued:

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 projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying 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:

Notes

There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation.*

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property taxes	\$ 800,000	\$ 800,000	\$ 816,466	\$ 16,466
Replacement taxes	15,000	15,000	23,727	8,727
Sales and local use taxes	671,000	671,000	675,434	4,434
State income taxes	350,000	350,000	357,714	7,714
Grants and donations - nonpublic	1,301,500	1,301,500	1,103	(1,300,397)
Investment income	4,000	4,000	3,388	(612)
Licenses, fees and fines	73,400	73,400	89,422	16,022
Garbage collection fees	235,000	235,000	247,829	12,829
Intergovernmental - public safety	23,000	23,000	22,915	(85)
Pool revenues	28,500	28,500	34,500	6,000
Other income	193,600	193,600	284,139	90,539
Total revenues	<u>3,695,000</u>	<u>3,695,000</u>	<u>2,556,637</u>	<u>(1,138,363)</u>
EXPENDITURES				
Current:				
General government	776,000	776,000	1,289,249	(513,249)
Public safety	787,000	787,000	784,379	2,621
Streets and recycling	705,000	705,000	655,681	49,319
Culture and recreation	70,000	70,000	78,936	(8,936)
Capital outlay	34,949,900	34,949,900	202,707	34,747,193
Debt service:				
Principal	36,750	36,750	54,198	(17,448)
Interest and fees	-	-	20,825	(20,825)
Total expenditures	<u>37,324,650</u>	<u>37,324,650</u>	<u>3,085,975</u>	<u>34,238,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,629,650)</u>	<u>(33,629,650)</u>	<u>(529,338)</u>	<u>33,100,312</u>
Other financing sources (uses):				
Transfers out	-	-	(69,456)	(69,456)
Net other sources and uses of financial resources	-	-	(69,456)	(69,456)
Net change in fund balance	<u>\$ (33,629,650)</u>	<u>\$ (33,629,650)</u>	<u>(598,794)</u>	<u>\$33,030,856</u>
FUND BALANCE AT BEGINNING OF YEAR			867,405	
Prior period adjustment - See Note 14			<u>369,621</u>	
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED			<u>1,237,026</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 638,232</u>	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
MOTOR FUEL TAX FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Motor fuel taxes	\$ 100,000	\$ 100,000	\$ 95,551	\$ (4,449)
Investment income	800	800	741	(59)
Total revenues	<u>100,800</u>	<u>100,800</u>	<u>96,292</u>	<u>(4,508)</u>
EXPENDITURES				
Current:				
Streets and recycling	<u>251,000</u>	<u>251,000</u>	<u>87,010</u>	<u>163,990</u>
Total expenditures	<u>251,000</u>	<u>251,000</u>	<u>87,010</u>	<u>163,990</u>
Net change in fund balance	<u>\$ (150,200)</u>	<u>\$ (150,200)</u>	9,282	<u>\$ 159,482</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>466,985</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 476,267</u>	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
LIBRARY FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property taxes	\$ 110,000	\$ 110,000	\$ 111,808	\$ 1,808
Replacement taxes	-	-	4,245	4,245
Grants and donations - nonpublic	-	-	58,050	58,050
Investment income	-	-	237	237
Licenses, fees and fines	-	-	10,310	10,310
Rental income	-	-	3,156	3,156
Other income	-	-	148	148
Total revenues	110,000	110,000	187,954	77,954
EXPENDITURES				
Current:				
Culture and recreation	216,400	216,400	161,218	55,182
Capital outlay	20,000	20,000	8,093	11,907
Total expenditures	236,400	236,400	169,311	67,089
Net change in fund balance	\$ (126,400)	\$ (126,400)	18,643	\$ 145,043
FUND BALANCE AT BEGINNING OF YEAR			91,670	
Prior period adjustment - See Note 14			4,917	
FUND BALANCE AT BEGINNING OF YEAR - AS RESTATED			96,587	
FUND BALANCE AT END OF YEAR			\$ 115,230	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
AUDIT FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property taxes	\$ 15,000	\$ 15,000	\$ 15,291	\$ 291
Total revenues	15,000	15,000	15,291	291
EXPENDITURES				
Current:				
General government	16,500	16,500	16,633	(133)
Total expenditures	16,500	16,500	16,633	(133)
Net change in fund balance	\$ (1,500)	\$ (1,500)	(1,342)	\$ 158
FUND BALANCE AT BEGINNING OF YEAR			10,339	
FUND BALANCE AT END OF YEAR			\$ 8,997	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
FIRE STATION FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Grants and donations - nonpublic	\$ -	\$ -	\$ 740	\$ 740
Investment income	-	-	547	547
Total revenues	-	-	1,287	1,287
EXPENDITURES				
Current:				
General government	-	-	1,271	(1,271)
Total expenditures	-	-	1,271	(1,271)
Excess (deficiency) of revenues over expenditures	-	-	16	16
Other financing sources (uses):				
Transfers in	-	-	5,512	5,512
Net other sources and uses of financial resources	-	-	5,512	5,512
Net change in fund balances	\$ -	\$ -	5,528	\$ 5,528
FUND BALANCE AT BEGINNING OF YEAR			69,013	
FUND BALANCE AT END OF YEAR			\$ 74,541	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
WATER FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
OPERATING REVENUES				
Charges for services	\$ 706,000	\$ 706,000	\$ 902,021	\$ 196,021
Total revenues	706,000	706,000	902,021	196,021
OPERATING EXPENSES				
Salaries and related expenses	346,500	346,500	334,710	11,790
Contractual services	64,000	64,000	87,935	(23,935)
Utilities	40,000	40,000	32,707	7,293
Commodities	132,000	132,000	113,054	18,946
Miscellaneous	3,500	3,500	1,504	1,996
Transfer - Tower bonds	86,000	86,000	-	86,000
Contingencies	30,000	30,000	-	30,000
Projects	288,000	288,000	-	288,000
Depreciation	-	-	106,164	(106,164)
Total operating expenses	990,000	990,000	676,074	313,926
Operating income (loss)	(284,000)	(284,000)	225,947	509,947
Non-operating revenues (expenses):				
Interest income	-	-	1,009	1,009
Loss on disposal of asset	-	-	(476)	(476)
Interest expense	-	-	(12,309)	(12,309)
Miscellaneous	-	-	18,110	18,110
Total non-operating revenues and expenses	-	-	6,334	6,334
Net income (loss) before transfers	(284,000)	(284,000)	232,281	516,281
Transfers in	-	-	63,944	63,944
Total transfers	-	-	63,944	63,944
Change in net position	\$ (284,000)	\$ (284,000)	296,225	\$ 573,891
NET POSITION AT BEGINNING OF YEAR			2,098,837	
NET POSITION AT END OF YEAR			\$ 2,395,062	

CITY OF FAIRBURY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
SEWER FUND
For the Year Ended April 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
OPERATING REVENUES				
Charges for services	\$ 557,000	\$ 557,000	\$ 745,046	\$ 188,046
Total revenues	557,000	557,000	745,046	188,046
OPERATING EXPENSES				
Salaries and related expenses	153,700	153,700	162,522	(8,822)
Contractual services	72,500	72,500	59,912	12,588
Utilities	77,000	77,000	66,002	10,998
Commodities	16,000	16,000	13,280	2,720
Miscellaneous	3,700	3,700	1,078	2,622
Transfer - Replacement	42,100	42,100	-	42,100
Contingencies	20,000	20,000	-	20,000
Projects	60,000	60,000	-	60,000
Depreciation	-	-	186,783	(186,783)
Total operating expenses	445,000	445,000	489,577	(44,577)
Operating income (loss)	112,000	112,000	255,469	143,469
Non-operating revenues (expenses):				
Interest income	-	-	691	691
Interest expense	-	-	(9,351)	(9,351)
Miscellaneous	-	-	930	930
Total non-operating revenues and expenses	-	-	(7,730)	(7,730)
Change in net position	\$ 112,000	\$ 112,000	247,739	\$ 143,469
NET POSITION AT BEGINNING OF YEAR			2,358,137	
NET POSITION AT END OF YEAR			\$ 2,605,876	

OTHER SUPPLEMENTAL INFORMATION – AUDITED

CITY OF FAIRBURY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, DEFERRED OUTFLOWS, LIABILITIES,
 DEFERRED INFLOWS, AND FUND BALANCES - MODIFIED CASH BASIS
 NONMAJOR FUNDS
 April 30, 2017

	Library Fund	Audit Fund	Fire Station Fund	Total
ASSETS				
Cash and cash equivalents	\$ 102,409	\$ 8,997	\$ 30,541	\$ 141,947
Investments	12,821	-	-	12,821
Restricted investments	-	-	44,000	44,000
Total assets	115,230	8,997	74,541	198,768
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 115,230</u>	<u>\$ 8,997</u>	<u>\$ 74,541</u>	<u>\$ 198,768</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	115,230	8,997	44,000	168,227
Assigned	-	-	30,541	30,541
Total Fund Balances	115,230	8,997	74,541	198,768
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 115,230</u>	<u>\$ 8,997</u>	<u>\$ 74,541</u>	<u>\$ 198,768</u>

CITY OF FAIRBURY, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NONMAJOR FUNDS
 For the Year Ended April 30, 2017

	Library Fund	Audit Fund	Fire Station Fund	Total
REVENUES				
Property taxes	\$ 111,808	\$ 15,291	\$ -	\$ 127,099
Replacement taxes	4,245	-	-	4,245
Grants and donations - nonpublic	58,050	-	740	58,790
Investment income	237	-	547	784
Licenses, fees, and fines	10,310	-	-	10,310
Rental income	3,156	-	-	3,156
Other income	148	-	-	148
Total revenues	187,954	15,291	1,287	204,532
EXPENDITURES				
Current:				
General government	-	16,633	1,271	17,904
Culture and recreation	161,218	-	-	161,218
Capital outlay	8,093	-	-	8,093
Total expenditures	169,311	16,633	1,271	187,215
Excess (deficiency) of revenues over (under) expenditures	18,643	(1,342)	16	17,317
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	5,512	5,512
Total other financing sources and uses	-	-	5,512	5,512
Net change in fund balances	18,643	(1,342)	5,528	22,829
FUND BALANCES AT BEGINNING OF YEAR	91,670	10,339	69,013	171,022
Prior period adjustment, see Note 14	4,917	-	-	4,917
FUND BALANCES AT BEGINNING OF YEAR, as restated	96,587	10,339	69,013	175,939
FUND BALANCES AT END OF YEAR	\$ 115,230	\$ 8,997	\$ 74,541	\$ 198,768

OTHER SUPPLEMENTAL INFORMATION – UNAUDITED

CITY OF FAIRBURY, ILLINOIS
EXPENDITURES DISBURSED - BUDGET TO ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2017

	Original & Final Budget	Actual Amounts
EXPENDITURES		
General government		
Personnel services	\$ 290,000	\$ 282,830
Employee retirement	242,000	246,244
Insurance and supplies	36,000	26,868
Contingencies and maintenance	43,500	17,761
Utilities	27,000	18,496
Outside services	25,000	575,471
Other expenses	112,500	121,579
Total general government	776,000	1,289,249
Public safety		
Personnel services	557,500	551,898
Insurance and supplies	49,500	67,219
Repairs and maintenance	75,200	44,847
Utilities	13,000	10,374
Other expenses	91,800	110,041
Total public safety	787,000	784,379
Streets and recycling		
Personnel services	462,000	429,429
Insurance and supplies	46,000	44,450
Repairs and maintenance	117,500	113,840
Utilities	3,500	2,400
Garbage disposal	65,000	61,885
Other expenses	11,000	3,677
Total streets and recycling	705,000	655,681
Pool		
Personnel services	33,300	37,742
Insurance and supplies	16,200	16,552
Repairs and maintenance	7,500	11,735
Utilities	12,000	10,669
Other expenses	1,000	2,238
Total pool	70,000	78,936
Capital outlay	34,949,900	202,707
Debt service		
Principal, interest and fees on bonds	27,552	65,825
Vehicle note payable principal	9,198	9,198
Total debt service	36,750	75,023
Total General Fund Expenditures	\$ 37,324,650	\$ 3,085,975

CITY OF FAIRBURY, ILLINOIS
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND OTHER DATA -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
Five Years Ended April 30, 2017

	2017	2016	2015	2014	2013
RECEIPTS					
Property taxes	\$ 943,565	\$ 930,269	\$ 801,100	\$ 769,833	\$ 755,659
Replacement taxes	27,972	26,628	22,292	22,849	19,965
Sales and local use taxes	675,434	710,024	764,192	773,882	705,933
State income taxes	357,714	408,431	364,825	363,284	395,954
Motor fuel taxes	95,551	96,288	124,725	109,519	107,711
Federal and state grants	-	-	-	2,045	26,325
Grants and donations - nonpublic	59,893	45,370	85,063	30,560	62,540
Investment income	4,913	8,440	5,047	5,303	8,150
Licenses, fees and fines	99,732	92,815	77,890	87,838	88,740
Garbage collection fees	247,829	244,632	244,819	242,005	243,332
Intergovernmental - public safety	22,915	23,036	-	-	-
Rental income	3,156	3,858	-	-	-
Pool revenues	34,500	30,155	27,843	30,058	35,113
Other	284,287	255,157	447,649	198,303	193,335
Total receipts	<u>2,857,461</u>	<u>2,875,103</u>	<u>2,965,445</u>	<u>2,635,479</u>	<u>2,642,757</u>
DISBURSEMENTS					
Police	716,170	691,212	612,701	634,485	705,768
Streets and recycling	655,681	645,529	627,086	623,548	622,016
Fire	68,209	55,007	73,870	60,951	55,574
Park	78,936	63,851	70,264	58,815	62,834
Library	161,218	159,410	-	-	-
General government salaries	282,830	304,509	300,071	267,219	267,966
Repairs and maintenance	23,961	33,752	26,185	6,229	5,772
Utilities	18,496	20,055	23,785	25,765	21,162
Insurance	21,938	29,270	29,368	24,446	21,291
Outside services	592,104	157,302	43,244	62,874	45,164
Administrative	33,487	17,203	15,091	13,373	10,360
Other	88,093	93,448	87,640	37,890	28,019
Motor fuel	87,010	56,568	101,022	68,265	67,663
Employee retirement	246,244	237,700	211,108	214,483	199,917
Capital outlay	210,800	277,936	836,942	307,979	398,800
Debt service - bonds	75,023	77,598	80,173	66,063	44,603
Total disbursements	<u>3,360,200</u>	<u>2,920,350</u>	<u>3,138,550</u>	<u>2,472,385</u>	<u>2,556,909</u>
Excess receipts over (under) disbursements	<u>\$ (502,739)</u>	<u>\$ (45,247)</u>	<u>\$ (173,105)</u>	<u>\$ 163,094</u>	<u>\$ 85,848</u>
OTHER DATA					
Assets and liabilities at April 30:					
Cash and investments	\$ 1,660,182	\$ 1,504,734	\$ 1,743,007	\$ 2,127,694	\$ 1,839,417
Outstanding debt	905,270	567,789	621,987	676,185	725,383
Personnel costs					
Amount	1,648,000	1,619,874	1,440,429	1,446,493	1,503,349
Percent to total expenditures	49.0%	55.5%	45.9%	58.5%	58.8%
Budgeted expenditures	37,828,550	24,869,188	7,007,263	6,569,038	6,319,500

CITY OF FAIRBURY, ILLINOIS
STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - WATER FUND
Five Years Ended April 30, 2017

	2017	2016	2015	2014	2013
Operating revenues					
Charges for services	\$ 902,021	\$ 650,432	\$ 660,642	\$ 668,821	\$ 647,402
Total operating revenues	902,021	650,432	660,642	668,821	647,402
Operating expenses					
Salaries and related expenses	334,710	341,490	327,695	315,325	333,532
Supplies	113,054	114,244	109,494	136,660	116,769
Truck expense	32,200	18,039	23,264	11,963	12,853
Repairs and maintenance	38,210	33,995	24,964	50,611	42,508
Utilities	32,707	31,908	38,515	41,372	36,736
Outside services	7,186	8,496	6,162	7,594	3,608
Insurance	10,339	15,719	15,076	13,925	13,763
Miscellaneous	1,504	1,633	1,640	1,574	1,124
Depreciation	106,164	93,929	94,327	154,179	149,124
Total operating expenses	676,074	659,453	641,137	733,203	710,017
Operating income (loss)	225,947	(9,021)	19,505	(64,382)	(62,615)
Nonoperating revenues (expenses)					
Interest income	1,009	984	917	517	784
Loss of disposal of asset	(476)	-	-	-	-
Interest expense	(12,309)	(11,550)	(13,439)	(9,927)	(11,267)
Grant income	-	-	-	-	170,558
Miscellaneous	18,110	12,765	132,976	11,784	9,440
Net income (loss) before operating transfers	\$ 232,281	\$ (6,822)	\$ 139,959	\$ (62,008)	\$ 106,900
OTHER DATA - WATER and SEWER					
Assets and liabilities at April 30:					
Cash and investments	\$ 1,374,177	\$ 823,280	\$ 640,949	\$ 540,053	\$ 756,306
EPA waste water treatment loans	589,132	621,874	654,136	448,288	481,017
EPA drinking water loans	649,261	716,181	612,432	787,303	604,943
Additions to property	186,478	347,201	473,296	272,375	860,700
Average number of users	1,825	1,819	1,817	1,803	1,799
Average revenue per user	\$ 903	\$ 564	\$ 574	\$ 589	\$ 572

CITY OF FAIRBURY, ILLINOIS
STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - SEWER FUND
Five Years Ended April 30, 2017

	2017	2016	2015	2014	2013
Operating revenues					
Charges for services	\$ 745,046	\$ 375,945	\$ 382,874	\$ 393,151	\$ 382,497
Total operating revenues	745,046	375,945	382,874	393,151	382,497
Operating expenses					
Salaries and related expenses	162,522	151,808	146,415	143,455	137,649
Supplies	13,280	13,722	13,285	11,012	14,923
Truck expense	16,239	30,808	11,411	13,670	17,491
Repairs and maintenance	11,221	21,904	6,021	36,139	20,483
Utilities	66,002	66,430	76,315	76,962	77,564
Outside services	13,699	12,659	12,751	12,455	12,493
Insurance	17,279	14,021	11,456	9,477	10,648
Miscellaneous	2,552	1,127	1,841	1,610	2,887
Depreciation	186,783	249,020	186,370	234,514	210,204
Total operating expenses	489,577	561,499	465,865	539,294	504,342
Operating income (loss)	255,469	(185,554)	(82,991)	(146,143)	(121,845)
Nonoperating revenues (expenses)					
Interest income	691	706	682	411	3,495
Interest expense	(9,351)	(9,830)	(6,984)	(6,479)	(5,113)
Grant income	-	-	-	-	425,731
Miscellaneous	930	9,155	647	2,036	806
Net income (loss) before operating transfers	\$ 247,739	\$ (185,523)	\$ (88,646)	\$ (150,175)	\$ 303,074

CITY OF FAIRBURY, ILLINOIS
SCHEDULES OF GENERAL PROPERTY TAXES
2012 through 2016

	<u>2016 Levy</u>		<u>2015 Levy</u>		<u>2014 Levy</u>		<u>2013 Levy</u>		<u>2012 Levy</u>	
Assessed Valuation	\$	54,771,597	\$	52,824,417	\$	52,514,796	\$	53,965,706	\$	53,352,722
	<u>Rate</u>	<u>Extension</u>	<u>Rate</u>	<u>Extension</u>	<u>Rate</u>	<u>Extension</u>	<u>Rate</u>	<u>Extension</u>	<u>Rate</u>	<u>Extension</u>
Tax Rates and Extensions:										
General Fund										
Corporate purpose	0.30006	\$ 164,348	0.30683	\$ 162,081	0.29655	\$ 155,733	0.27548	\$ 148,665	0.26443	\$ 141,081
Street lighting	0.04218	23,103	0.04312	22,778	0.04751	24,950	0.04996	26,961	0.04915	26,223
Garbage	0.19317	105,802	0.19802	104,603	0.19957	104,804	0.19982	107,834	0.19657	104,875
Fire protection	0.08963	49,092	0.09163	48,403	0.08866	46,560	0.08234	44,435	0.07939	42,357
Public benefits	0.04830	26,455	0.04951	26,153	0.04990	26,205	0.04996	26,961	0.04915	26,223
Police protection	0.08963	49,092	0.09163	48,403	0.08866	46,560	0.08234	44,435	0.07939	42,357
Audit	0.02910	15,939	0.02977	15,726	0.02879	15,119	0.02673	14,425	0.02705	14,432
IMRF/Social security	0.56069	307,099	0.57361	303,006	0.56298	295,648	0.52621	283,973	0.50750	270,765
Tort	0.15377	84,222	0.15782	83,367	0.16006	84,055	0.14953	80,695	0.14996	80,008
Unemployment compensation	0.00918	5,028	0.00938	4,955	0.00951	4,994	0.01482	7,998	0.01493	7,966
Total	<u>1.51571</u>	<u>\$ 830,179</u>	<u>1.55132</u>	<u>\$ 819,476</u>	<u>1.53219</u>	<u>\$ 804,626</u>	<u>1.45719</u>	<u>\$ 786,383</u>	<u>1.41752</u>	<u>\$ 756,286</u>