

CITY OF FAIRBURY, ILLINOIS

ANNUAL FINANCIAL REPORT

For the year ended April 30, 2020



CITY OF FAIRBURY, ILLINOIS

CONTENTS **APRIL 30, 2020**

INDEPENDENT AUDITORS' REPORT	1 - 3
Management's Discussion and Analysis	4 - 14
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	15
Statement of Activities - Modified Cash Basis	16
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds	17
Reconciliation of the Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds to the Statement of Net Position - Modified Cash Basis	18
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	19
Reconciliation of the Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Modified Cash Basis - Governmental Funds to the Statement of Activities - Modified Cash Basis	20
Statement of Net Position - Modified Cash Basis - Proprietary Funds	21
Statement of Revenues Received, Expenses Paid and Changes in Net Position - Modified Cash Basis - Proprietary Funds	22
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	23
Notes to Financial Statements	24 - 46

CITY OF FAIRBURY, ILLINOIS

CONTENTS (Continued)

April 30, 2020

OTHER INFORMATION - AUDITED

Combining Statement of Assets, Liabilities and Fund Balances - Non-major Governmental Funds - Modified Cash Basis	47
--	-----------

Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Non-major Governmental Funds – Modified Cash Basis	48
---	-----------

OTHER INFORMATION - UNAUDITED

Budgetary Comparison Schedules - Modified Cash Basis:	
General Fund	49
Library Fund	50
Motor Fuel Tax Fund	51
Audit Fund	52
Water Fund	53
Sewer Fund	54

Expenditures Paid - Budget to Actual - Modified Cash Basis - General Fund	55
--	-----------

Statements of Receipts, Disbursements, and Other Data - Modified Cash Basis - Governmental Funds	56
---	-----------

Statements of Operations and Data - Modified Cash Basis - Enterprise Fund - Water Fund	57
---	-----------

Statements of Operations and Data - Modified Cash Basis - Enterprise Fund - Sewer Fund	58
---	-----------

Schedules of General Property Taxes	59
--	-----------

CITY OF FAIRBURY, ILLINOIS

CONTENTS (Continued)

April 30, 2020

FEDERAL AWARDS - COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	60 and 61
--	------------------

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	62 and 63
---	------------------

Schedule of Expenditures of Federal Awards	64
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Findings and Questioned Costs	66 - 68
Summary Schedule of Prior Audit Findings	69



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fairbury, Illinois

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbury, Illinois (the City), as of and for the year ended April 30, 2020, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbury, Illinois, as of April 30, 2020, 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 as a whole that collectively comprise the City of Fairbury, Illinois' basic financial statements. The management's discussion and analysis and budgetary comparison schedules on pages 4 through 14 and 49 through 54, 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 47 and 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 64 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The remaining other information on pages 55 through 59 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020, on our consideration of the City of Fairbury, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fairbury, Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fairbury, Illinois' internal control over financial reporting and compliance.

MCK CPAs & Advisors

Bloomington, Illinois
September 16, 2020

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended April 30, 2020

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, 2020 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 15.

FINANCIAL HIGHLIGHTS

- The City's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$ 2,914,909 for the year, resulting in an increase in total net position of 15.2% from the previous year. This is mostly due to the forgiveness of \$ 1,239,886 in debt from the Illinois Environmental Protection Agency.
- The City's General Fund ended the year with a fund balance of \$ 1,799,469, which represents a 50.9% increase from the previous year.
- \$ 60,000 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 15-16*) 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 17*) 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 (*starting on page 24*) 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.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) Year ended April 30, 2020

Report Components, continued

Other Information - Audited: This part of the annual report (*starting on page 47*) includes the non-major fund combining statements. 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”).

Other Information - Unaudited: This Management's Discussion and Analysis and the Budgetary Comparison Schedules (*starting on page 49*), represent financial information required by GASB to be presented. The budgetary comparison schedule for General Fund expenditures, and additional statements for the water and sewer funds and property taxes, is other information that is provided to address certain specific needs of various users of the City's annual report.

Federal Awards - Compliance Section: This part of the annual report (*starting on page 60*) includes information on the City's compliance with its major federal program.

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.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) **Year ended April 30, 2020**

Reporting the City as a Whole, continued

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 15 and 16. 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.

These two statements report the City's net position and changes in it. 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 and liabilities - 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, sales and use taxes, income taxes, other miscellaneous taxes and fees, franchise fees, 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 17 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.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended April 30, 2020

Reporting the City's Most Significant Funds, continued

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 to be its only significant major governmental fund.

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 payments 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 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, increased from approximately \$ 19.17 million to \$ 22.08 million from fiscal year 2019 to fiscal year 2020. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had an approximately \$ 683,000 increase and business-type activities had an approximately \$ 2.23 million increase.

CITY OF FAIRBURY, ILLINOIS**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**
Year ended April 30, 2020**Net Position - Modified Cash Basis, continued**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 2,419,043	4,020,642	6,439,685
Capital assets	4,107,163	27,374,785	31,481,948
Total assets	6,526,206	31,395,427	37,921,633
Long-term debt outstanding	814,786	15,017,584	15,832,370
Other liabilities	-	2,890	2,890
Total liabilities	814,786	15,020,474	15,835,260
Net Position			
Invested in capital assets, net of related debt	3,292,377	12,357,201	15,649,578
Restricted	1,103,571	52,000	1,155,571
Unrestricted	1,315,472	3,965,752	5,281,224
Total net position	\$ 5,711,420	16,374,953	22,086,373

Net position of the City's governmental activities increased 13.59% to \$ 5.71 million. Net position of the City's business-type activities increased 15.78% to \$ 16.37 million. \$ 16,825,514 of the total 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.).

Changes from 2019 to 2020 reflect an increase of 79.77% in total assets, with an increase of 10.34% for governmental assets and an increase of 106.82% for business-type assets. Significant increase for the business-type assets is due to the addition of construction in progress for the sewer project.

Changes from 2019 to 2020 also reflect an increase of 723.42% in total liabilities, with all of the increase in business-type liabilities. Significant increase is due to the receipt of proceeds from the new EPA loan for the sewer project.

CITY OF FAIRBURY, ILLINOIS**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**
Year ended April 30, 2020**Changes in Net Position - Modified Cash Basis**

For the year ended April 30, 2020, 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	\$ 486,409	2,143,762	2,630,171
Operating grants and contributions	69,716	-	69,716
General revenues			
Property tax	996,928	-	996,928
Replacement tax	30,979	-	30,979
Sales, use, cannabis, & video gaming taxes	848,273	-	848,273
State income tax	407,200	-	407,200
Motor fuel tax	135,813	-	135,813
Investment income	20,624	68,871	89,495
Forgiveness of debt	-	1,239,886	1,239,886
Other	146,360	3,669	150,029
Total revenues	3,142,302	3,456,188	6,598,490
<u>Expenses</u>			
General government	577,555	-	577,555
Public safety	778,612	-	778,612
Streets, parks, culture, and recycling	1,073,885	-	1,073,885
Interest	28,753	-	28,753
Water	-	760,760	760,760
Sewer	-	464,016	464,016
Total expenses	2,458,805	1,224,776	3,683,581
Increase (decrease) in net position	\$ 683,497	2,231,412	2,914,909

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) Year ended April 30, 2020

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, 2020, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

Property taxes	\$ 996,928	31.7%
Sales tax	848,273	27.0
State income tax	407,200	13.0
Other taxes	166,792	5.3
Investment income	20,624	0.7
Charges for services	486,409	15.5
Grants	316	0.0
Contributions	69,400	2.2
Other	146,360	4.6
	<hr/>	
	\$ 3,142,302	100.0%

Uses of Funds in Governmental Activities

General government	\$ 577,555	23.5%
Public safety	778,612	31.7
Streets, parks and recycling	1,073,885	43.6
Interest	28,753	1.2
	<hr/>	
	\$ 2,458,805	100.0%

For the year ended April 30, 2020, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$ 2,458,805. Of these total expenses, taxpayers and other general revenues funded only \$ 1,902,680 while those directly benefiting from the program funded \$ 69,716 from grants and other contributions and \$ 486,409 from charges for services

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended April 30, 2020

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 of \$ 760,760 and \$ 464,016, respectively. The revenue for sewer service is inflated due to forgiveness of debt on an Illinois Environmental Protection Agency loan.

	Water	Sewer
Revenue	\$ 1,042,725	2,413,463
Expense	760,760	464,016
	<hr/>	
Change in net position	\$ 281,965	1,949,447
	<hr/>	

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 \$ 2,763,855 and expenditures of \$ 2,157,060 resulting in an increase in fund balance of \$ 606,795.
- On the modified cash basis of accounting, the Motor Fuel Tax Fund reported revenues of \$ 140,421 and expenditures of \$ 25,352 resulting in an increase in fund balance of \$ 115,069. This fund showed an increase in revenue due to a change in law, and a decrease in expenses due to no large projects during the year.

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 \$ 1.58 million below appropriations for the year ended April 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Modified Cash Basis

At April 30, 2020, the City had \$ 31.48 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water and sewer lines, and construction in progress related to the sewer project. (See table below). This represents a net increase of \$ 14,919,150 or 90.08%, from last year.

CITY OF FAIRBURY, ILLINOIS**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)****Year ended April 30, 2020****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
Construction in process	32,758	23,024,523	23,057,281
Land improvements	61,714	-	61,714
Buildings and improvements	1,400,920	-	1,400,920
Utility plant	-	281,795	281,795
Water tower	-	561,378	561,378
Vehicles	859,656	49,382	909,038
Equipment	528,456	1,111,450	1,639,906
Wells and improvements	-	395,956	395,956
Infrastructure	152,327	1,898,056	2,050,383
	<u>\$ 4,107,163</u>	<u>27,374,785</u>	<u>31,481,948</u>

This year's more significant capital asset additions included:

Construction in progress - sewer project	\$ 15,317,693
Pelican Street Sweeper	128,000
Construction in progress - 1994 FL70 truck rehab	32,758
2014 Case 4WD loader tractor rehab	18,963
Old City Hall front entry improvement	13,200

Long-Term Debt – Modified Cash Basis

At April 30, 2020, the City had \$ 15,832,370 in long-term debt and capital leases arising from modified cash basis transactions compared to \$ 1,920,207 at April 30, 2019. This represents an increase of 724.5%. Increase is due to proceeds from an EPA loan for the sewer project. At April 30, 2020, \$ 814,786 of the debt is related to governmental activities and \$ 15,017,584 is related to business-type activities. (See table below.)

Primary Government Long-Term Debt – Modified Cash Basis

EPA loans	\$ 15,017,584
Brian J. Munz Public Safety Complex bonds	370,000
Fire truck loan	45,992
Fire truck lease	<u>398,794</u>
Total	<u><u>\$ 15,832,370</u></u>

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) **Year ended April 30, 2020**

Long-Term Debt – Modified Cash Basis, continued

In addition, the City opened a line of credit during the year ended April 30, 2017. The line of credit had a \$ 1,400,000 limit and matured on September 12, 2019. The balance of the line of credit was paid off during the fiscal year ended April 30, 2019 with proceeds from the new EPA loan for the sewer project. The City did not renew this line of credit at maturity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Significant economic factors affecting the year ended April 30, 2020:

- 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 \$ 443,437 which represents 30.2% of employee wages. Overtime paid was \$ 51,613 which represents a decrease of 19.0% compared to the previous year.
- City-wide cash and investments increased approximately \$ 1,700,000 due to water and sewer rate increases of 10%.
- Capital assets, net of accumulated depreciation experienced an increase of approximately \$ 15,000,000 due to the construction in progress for the Long Term Control Plan sewer project.
- The City had expenditures of approximately \$ 23,000,000 during the last three fiscal years for the Long Term Control Plan sewer project. Those expenditures were mostly paid for by Illinois Environmental Protection loan receipts totaling approximately \$ 22,950,000.

Significant economic factors expected to affect the upcoming fiscal year ending April 30, 2021:

- The City's budget is fairly consistent with this year.
- In anticipation of decreased tax revenues due to COVID-19, the City budgeted approximately \$ 200,000 less in revenues for the 2021 fiscal year.
- In May 2020, the City increased most employee wages based on annual evaluations.
- The City has approved an EPA loan of approximately \$ 30 million for the new Combined Sewer overflow/treatment plant. The project started in August 2018. Payments to the EPA will start approximately six months after the completion of the project, which is expected to be in the fall of 2020.
- The City's cash position is expected to remain stable.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) **Year ended April 30, 2020**

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, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 2,142,847	2,273,671	4,416,518
Investments	187,512	1,694,971	1,882,483
Notes receivable	44,684		44,684
Total current assets	2,375,043	3,968,642	6,343,685
Noncurrent assets			
Restricted investments	44,000	52,000	96,000
Capital assets, net of accumulated depreciation	4,107,163	27,374,785	31,481,948
Total noncurrent assets	4,151,163	27,426,785	31,577,948
TOTAL ASSETS	6,526,206	31,395,427	37,921,633
<u>LIABILITIES</u>			
Current liabilities			
Current maturities of capital lease	39,015		39,015
Current maturities of long term debt	34,199	74,903	109,102
Total current liabilities	73,214	74,903	148,117
Noncurrent liabilities			
Capital lease, less current maturities	359,779		359,779
Long term debt	381,793	14,942,681	15,324,474
Customer deposits		2,890	2,890
Total noncurrent liabilities	741,572	14,945,571	15,687,143
TOTAL LIABILITIES	814,786	15,020,474	15,835,260
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,292,377	12,357,201	15,649,578
Restricted for:			
Debt service	44,000	52,000	96,000
Other purposes	1,059,571		1,059,571
Unrestricted	1,315,472	3,965,752	5,281,224
TOTAL NET POSITION	\$ 5,711,420	16,374,953	22,086,373

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended April 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)/Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 577,555	111,327	316	(465,912)		(465,912)
Public safety	778,612	22,000	2,929	(753,683)		(753,683)
Streets and recycling	794,721	305,561		(489,160)		(489,160)
Culture and recreation	279,164	47,521	66,471	(165,172)		(165,172)
Interest on long term debt	28,753			(28,753)		(28,753)
Total governmental activities	2,458,805	486,409	69,716	(1,902,680)	-	(1,902,680)
Business-type activities:						
Water	760,760	1,014,824			254,064	254,064
Sewer	464,016	1,128,938			664,922	664,922
Total business-type activities	1,224,776	2,143,762	-	-	918,986	918,986
TOTAL	\$ 3,683,581	2,630,171	69,716	(1,902,680)	918,986	(983,694)
General Revenues:						
Taxes						
Property				996,928		996,928
Replacement				30,979		30,979
Sales and local use				848,273		848,273
State income				407,200		407,200
Motor fuel				135,813		135,813
Interest on investments				20,624	68,871	89,495
Other				129,297	10,648	139,945
Gain (loss) on disposal of capital asset				17,063	(6,979)	10,084
Forgiveness of debt					1,239,886	1,239,886
Total general revenues				2,586,177	1,312,426	3,898,603
Change in net position				683,497	2,231,412	2,914,909
Net position - beginning				5,027,923	14,143,541	19,171,464
Net position - ending				\$ 5,711,420	16,374,953	22,086,373

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND FUND

BALANCES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

April 30, 2020

	General Fund	Non-Major Funds	Total
<hr/>			
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,710,785	432,062	2,142,847
Investments		187,512	187,512
Restricted investments	44,000		44,000
Notes receivable	44,684		44,684
	<hr/>		
TOTAL ASSETS	1,799,469	619,574	2,419,043
	<hr/> <hr/>		
<u>FUND BALANCES</u>			
Restricted	349,790	619,574	969,364
Assigned	134,207		134,207
Unassigned	1,315,472		1,315,472
	<hr/>		
TOTAL FUND BALANCES	\$ 1,799,469	619,574	2,419,043
	<hr/>		

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES - MODIFIED CASH
BASIS - GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION - MODIFIED CASH BASIS**

April 30, 2020

Total fund balances - governmental funds	\$ 2,419,043
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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.	4,107,163
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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.	(814,786)
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Net position of governmental activities	<u>\$ 5,711,420</u>
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CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year ended April 30, 2020**

	General Fund	Non-Major Funds	Total
Revenues collected:			
Property taxes	\$ 862,234	134,694	996,928
Replacement taxes	25,410	5,569	30,979
Sales and local use taxes	848,273		848,273
State income taxes	407,200		407,200
Motor fuel taxes		135,813	135,813
Grants and donations - nonpublic	316	66,471	66,787
Donations - public	2,929		2,929
Investment income	15,500	5,124	20,624
Licenses, fees, and fines	111,327	10,427	121,754
Garbage collection fees	305,561		305,561
Intergovernmental - public safety	22,000		22,000
Rental income		2,996	2,996
Pool revenues	34,098		34,098
Other income	129,007	990	129,997
Total revenues collected	2,763,855	362,084	3,125,939
Expenditures paid:			
Current:			
General government	462,477	13,750	476,227
Public safety	690,787		690,787
Streets and recycling	650,467	25,352	675,819
Culture and recreation	73,635	157,104	230,739
Debt service:			
Retirement of principal	72,022		72,022
Interest	28,753		28,753
Capital outlay	178,919	6,211	185,130
Total expenditures paid	2,157,060	202,417	2,359,477
Net change in fund balances	606,795	159,667	766,462
Fund balances - beginning	1,192,674	459,907	1,652,581
Fund balances - ending	\$ 1,799,469	619,574	2,419,043

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF REVENUES COLLECTED,
EXPENDITURES PAID AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year ended April 30, 2020**

Net change in fund balances - governmental funds \$ 766,462

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	\$ 210,856	
Depreciation expense	<u>(347,206)</u>	(136,350)

Governmental funds report the proceeds from the sale of
capital assets as an increase in financial resources; however,
in the Statement of Activities - Modified Cash Basis only
gain on the sale of the assets is reported.

Proceeds from sale of assets	\$ (35,700)	
Gain on sale of assets	<u>17,063</u>	(18,637)

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.

72,022

Change in net position of governmental activities \$ 683,497

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS**

April 30, 2020

	Business-Type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 873,270	1,400,401	2,273,671
Investments	494,302	1,200,669	1,694,971
Total current assets	1,367,572	2,601,070	3,968,642
Noncurrent assets			
Restricted investments	25,000	27,000	52,000
Capital assets, net of accumulated depreciation	2,278,324	25,096,461	27,374,785
Total noncurrent assets	2,303,324	25,123,461	27,426,785
TOTAL ASSETS	3,670,896	27,724,531	31,395,427
<u>LIABILITIES</u>			
Current liabilities			
Current maturities of debt	40,169	34,734	74,903
Total current liabilities	40,169	34,734	74,903
Noncurrent liabilities			
EPA waste water treatment loans		14,526,883	14,526,883
EPA drinking water loans	415,798		415,798
Customer deposits	2,890		2,890
Total noncurrent liabilities	418,688	14,526,883	14,945,571
TOTAL LIABILITIES	458,857	14,561,617	15,020,474
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,822,357	10,534,844	12,357,201
Restricted for:			
Debt service	25,000	27,000	52,000
Unrestricted	1,364,682	2,601,070	3,965,752
TOTAL NET POSITION	\$ 3,212,039	13,162,914	16,374,953

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF REVENUES RECEIVED, EXPENSES PAID
AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended April 30, 2020**

	Business-Type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 1,014,824	1,128,938	2,143,762
Operating expenses:			
Salaries and related expenses	353,001	181,805	534,806
Contractual services	120,802	44,620	165,422
Utilities	30,263	71,228	101,491
Commodities	113,178	14,244	127,422
Permits and fees		11,000	11,000
Miscellaneous	2,373	4,578	6,951
Depreciation	133,101	128,673	261,774
Total operating expenses	752,718	456,148	1,208,866
Operating income	262,106	672,790	934,896
Non-operating revenues (expenses):			
Interest income	21,226	47,645	68,871
Interest expense	(8,042)	(7,868)	(15,910)
Miscellaneous	10,048	600	10,648
Loss on disposal of capital asset	(3,373)	(3,606)	(6,979)
Forgiveness of debt		1,239,886	1,239,886
Total non-operating revenues (expenses)	19,859	1,276,657	1,296,516
Change in net position	281,965	1,949,447	2,231,412
Net position - beginning	2,930,074	11,213,467	14,143,541
Net position - ending	\$ 3,212,039	13,162,914	16,374,953

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS**

Year ended April 30, 2020

	Business-Type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,014,824	1,128,938	2,143,762
Cash paid to suppliers for goods and services	(266,616)	(145,670)	(412,286)
Cash paid to employees for services	(353,001)	(181,805)	(534,806)
Net cash flows from operating activities	395,207	801,463	1,196,670
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous non operating receipts	10,048	600	10,648
Net cash flows from noncapital financing activities	10,048	600	10,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on construction in progress		(15,317,693)	(15,317,693)
Loan proceeds received		15,313,545	15,313,545
Principal payments on debt	(55,250)	(34,224)	(89,474)
Interest paid	(8,042)	(7,868)	(15,910)
Acquisition of capital assets	(15,240)	(9,957)	(25,197)
Net cash flows from capital and related financing activities	(78,532)	(56,197)	(134,729)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(12,965)	(32,874)	(45,839)
Interest received on certificates of deposit	21,226	47,645	68,871
Net cash flows from investing activities	8,261	14,771	23,032
Net increase in cash and cash equivalents	334,984	760,637	1,095,621
Cash and cash equivalents, beginning of year	538,286	639,764	1,178,050
Cash and cash equivalents, end of year	873,270	1,400,401	2,273,671
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	262,106	672,790	934,896
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	133,101	128,673	261,774
Net cash flows from operating activities	\$ 395,207	801,463	1,196,670

Supplemental Disclosure of Noncash Financing Transactions:

Forgiveness of debt - EPA sewer loan \$ 1,239,886

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

Note 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.

Principles Used to Determine the Scope of the Reporting Entity: 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: The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

Government-wide Financial Statements, continued:

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

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, liabilities, 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 non-major 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.

Non-Major 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 non-major 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:

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued:

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.

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.

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.

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued:

- This basis of accounting recognizes assets, liabilities, net position/fund balance, 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 non-operating 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 non-operating revenues and expenses.

Governmental Fund Balances: Fund Balance is the difference between assets and liabilities in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Statement of Assets, Liabilities 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. There are no accounts presenting 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, Library Fund, Motor Fuel Tax Fund, and Audit Fund, as well as Water Fund and Sewer Fund restricted for debt service.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

Governmental Fund Balances, continued:

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 account presenting an assigned fund balance is the General 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 and liabilities 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.

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

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 17, 2019.

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.

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenditures, which is used as a management control device.

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, liabilities, 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 time (maximum of 48 days per employee). Vacation time must be taken annually based upon the calendar year or it is forfeited. Upon termination, employees are paid for unused sick and vacation time, up to a maximum of 30 days.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

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.

Notes Receivable: The City occasionally makes community development assistance loans to local businesses. As of April 30, 2020, there are two loans outstanding totaling \$ 44,684.

Construction in Progress: Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at April 30, 2020 represents the Long Term Control Plan for the sewer project and rehab of a 1994 FL70 truck for the street department.

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 1 - Summary of Significant Accounting Policies, continued

Capital Assets, continued:

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 \$ 2,500 (increased from \$ 1,000 at the July 17, 2019 council meeting) 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.

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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 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, 2020 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, 2020, the carrying amount of the City's various bank deposits totaled \$ 6,395,001 and the bank balances totaled \$ 6,434,956.

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, 2020, \$ 1,345,744 of the deposits made by the City were covered by the Federal Depository Insurance Corporation (FDIC), and \$ 5,089,212 were collateralized by the respective institution. The City's certificates of deposit have original maturities from 19 months to 120 months.

The deposits are reflected on the financial statements at April 30, 2020 as follows:

Government-wide statement of net position – modified cash basis:	
Cash	\$ 2,890,027
Insured cash sweep	1,526,491
Certificates of deposit (reported as Investments)	1,882,483
Certificates of deposit (reported as Restricted Investments)	<u>96,000</u>
	<u>\$ 6,395,001</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:

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 2 - Cash and Investments, continued

	Fair Value	Interest Rate	Terms in Months	Maturity Date
Busey Bank	\$ 223,803	2.65%	24 mo	4/1/21
Bank of Pontiac	1,336,885	2.80%	28 mo	7/27/21
Morton Community Bank	64,000	1.50 to 1.70%	60 to 120 mo	2/26/23 – 3/24/23
First State Bank of Forrest	353,795	2.45 to 2.94%	19 to 60 mo	6/10/20 – 6/13/23
	<u>\$ 1,978,483</u>			

Note 3 - Restricted Investments

Ordinance 2012-13, approved June 5, 2012, provided for the issuance of \$ 500,000 General Obligation Bonds. The proceeds of this issue were 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, 2020 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, 2020, the balances of the wastewater and waterworks restricted accounts were \$ 27,000 and \$ 25,000, respectively.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
April 30, 2020

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended April 30, 2020 was as follows:

	Balance April 30, 2019	Additions	Deletions	Balance April 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,071,332			1,071,332
Construction in progress		32,758		32,758
Total assets not being depreciated	1,071,332	32,758	-	1,104,090
Other capital assets:				
Land improvements	164,011			164,011
Buildings and improvements	2,357,682	23,035		2,380,717
Vehicles	2,332,274	128,000	18,863	2,441,411
Equipment	2,445,892	27,063	93,695	2,379,260
Infrastructure	288,932			288,932
Total other capital assets	7,588,791	178,098	112,558	7,654,331
Less accumulated depreciation for:				
Land improvements	97,242	5,055		102,297
Buildings and improvements	911,617	68,180		979,797
Vehicles	1,442,411	147,924	8,580	1,581,755
Equipment	1,824,544	111,601	85,341	1,850,804
Infrastructure	122,159	14,446		136,605
Total accumulated depreciation	4,397,973	347,206	93,921	4,651,258
Other capital assets, net	3,190,818	(169,108)	18,637	3,003,073
Governmental activities, net	\$ 4,262,150	(136,350)	18,637	4,107,163

Depreciation expense for the year ended April 30, 2020 was charged to functions of the City as follows:

General government	\$ 90,064
Public safety	88,525
Streets and recycling	126,403
Culture and recreation	42,214
Total depreciation expense - governmental activities	<u>\$ 347,206</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 4 - Capital Assets, continued

	Balance April 30, 2019	Additions	Deletions	Balance April 30, 2020
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 52,245			52,245
Construction in progress	7,706,830	15,317,693		23,024,523
Total assets not being depreciated	7,759,075	15,317,693	-	23,076,768
Other capital assets:				
Utility plant	8,462,964			8,462,964
Wells and improvements	1,005,050		6,041	999,009
Water tower	1,000,616			1,000,616
Vehicles	144,407			144,407
Equipment	2,198,047	25,195	22,570	2,200,672
Infrastructure	2,398,079			2,398,079
Total other capital assets	15,209,163	25,195	28,611	15,205,747
Less accumulated depreciation for:				
Utility plant	8,148,945	32,224		8,181,169
Wells and improvements	577,274	28,447	2,668	603,053
Water tower	414,223	25,015		439,238
Vehicles	76,953	18,072		95,025
Equipment	1,010,169	98,017	18,964	1,089,222
Infrastructure	440,024	59,999		500,023
Total accumulated depreciation	10,667,588	261,774	21,632	10,907,730
Other capital assets, net	4,541,575	(236,579)	6,979	4,298,017
Business-type activities, net	\$ 12,300,650	15,081,114	6,979	27,374,785

Depreciation expense for the year ended April 30, 2020 was charged to functions of the City as follows:

Water	\$ 133,101
Sewer	128,673
Total depreciation expense - business-type activities	<u>\$ 261,774</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued) April 30, 2020

Note 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, 2020 are as follows:

	Balance April 30, 2019	Additions	Reductions	Balance April 30, 2020	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 395,000		25,000	370,000	25,000
Notes payable	55,191		9,199	45,992	9,199
	450,191	-	34,199	415,992	34,199
Business-type Activities:					
Notes payable	\$ 1,033,399	15,313,545	1,329,360	15,017,584	74,903

Governmental Activities:

As of April 30, 2020, the long-term debt, arising from cash transactions payable from governmental fund resources consisted of the following:

Bonds Payable:

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 were used to offset expenditures incurred in construction and equipping of the Brian J. Munz Public Safety Complex.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
April 30, 2020

Note 5 - 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	
2021	\$ 6,500	6,500	25,000	38,000
2022	5,813	5,813	25,000	36,626
2023	5,463	5,463	25,000	35,926
2024	5,088	5,088	30,000	40,176
2025	4,623	4,623	30,000	39,246
2026-2030	15,645	15,645	160,000	191,290
2031-2032	2,168	2,168	75,000	79,336
	<u>\$ 45,300</u>	<u>45,300</u>	<u>370,000</u>	<u>460,600</u>

Notes Payable:

\$ 183,967 note payable to Illinois Finance Authority for a fire truck, payable in annual installments of \$ 9,199, non-interest bearing, final payment due November 2024, secured by fire truck, net book value \$ 42,926.

\$ 45,992

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
2021	\$	9,199	9,199
2022		9,199	9,199
2023		9,199	9,199
2024		9,199	9,199
2025		9,196	9,196
	<u>\$ -</u>	<u>45,992</u>	<u>45,992</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 5 - Long-term Debt, continued

Business-Type Activities:

As of April 30, 2020, 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 \$ 6,196, including principal and interest at 1.995%, final payment due April 2024.	\$ 47,460
\$ 258,046 note payable to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installments of \$ 7,874, including principal and interest at 1.93%, final payment due July 2034.	197,679
\$ 482,593 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 was made May 2019.	-
\$ 627,937 note payable to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installments of \$ 13,172, including principal and interest at 1.25%, final payment due January 2032.	290,279
\$ 595,825 note payable to Illinois Environmental Protection Agency for water main improvements, payable in semi-annual installments of \$ 12,321, including principal and interest at 1.25%, final payment due January 2032.	273,805
\$ 165,768 note payable to Illinois Environmental Protection Agency for water tower improvements, payable in semi-annual installments of \$ 5,160, including principal and interest at 2.21%, final payment due August 2035.	134,702
\$ 30,431,034 note payable to Illinois Environmental Protection Agency for the long-term control plan sewer project; will be payable in semi-annual installments including principal and interest at 1.00% beginning after construction completion of the related sewer project, final payment due July 2051. The first \$ 9,129,310 of the loan is being forgiven.	14,073,659
	<u>\$ 15,017,584</u>

CITY OF FAIRBURY, ILLINOIS**NOTES TO FINANCIAL STATEMENTS (Continued)****April 30, 2020**

Note 5 - 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
2021	\$ 14,543	74,903	89,446
2022	83,733	277,789	361,522
2023	149,872	483,725	633,597
2024	144,578	489,067	633,645
2025	139,284	481,921	621,205
2026-2030	617,748	2,488,277	3,106,025
2031-2035	483,544	2,458,535	2,942,079
2036-2040	360,351	2,365,443	2,725,794
2041-2045	239,580	2,481,170	2,720,750
2046-2050	112,693	2,608,057	2,720,750
2051-2052	8,103	808,697	816,800
	<u>\$ 2,354,029</u>	<u>15,017,584</u>	<u>17,371,613</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 \$ 3,860,917 at April 30, 2020.

Note 6 - Line of Credit

The City had an unsecured \$ 1,400,000 line of credit. This line of credit was obtained in order to pay for sewer project expenses that were incurred prior to the Illinois Environmental Protection Agency loan being approved. Quarterly payments of accrued interest were due starting December 12, 2016; balloon payment due on September 12, 2019. On October 24, 2018, this line of credit was paid off using proceeds from the new Illinois Environmental Protection Agency loan for the sewer project. The City did not renew the line of credit when it matured on September 12, 2019.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 7 – Capital Lease

During the fiscal year ended April 30, 2018, the City acquired a fire truck via a capital lease. The lease payments are \$ 51,577 annually for twelve years at 3.15%, beginning September 30, 2017 with a \$ 1 purchase option at the end of the lease term.

The following is a summary of property held under the capital lease as of April 30, 2020:

Governmental activities:

Vehicles	\$	508,835
Less accumulated depreciation		<u>(74,205)</u>
Total net property held under capital lease	\$	<u>434,630</u>

Depreciation on the asset held under capital lease charged to expense during the fiscal year ended April 30, 2020 was \$ 25,442, and is included with depreciation expense.

The following is a schedule of the future minimum payments required under the lease:

<u>Year ended April 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 12,562	39,015	51,577
2022	11,333	40,244	51,577
2023	10,065	41,512	51,577
2024	8,757	42,820	51,577
2025	7,408	44,169	51,577
2026-2029	15,277	191,034	206,311
	<u>\$ 65,402</u>	<u>398,794</u>	<u>464,196</u>

Total interest cost incurred on the capital lease for the year ended April 30, 2020 was \$ 13,753.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 8 - Governmental Fund Balances

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

Canine unit	\$	87,841
IMRF		61,831
Unemployment insurance		15,305
Fire station (bonds)		44,000
Law enforcement		58,358
Fire department		82,455
Street repair and improvements		424,789
Library		183,716
Audit		11,069
		<hr/>
	\$	969,364

The street repair and improvements, library, and audit fund balances presented above represent resources restricted for the Motor Fuel Fund, Library Fund, and Audit Fund, respectively. The remaining amounts above represent resources restricted for the indicated purposes within the General Fund.

The assigned amount for the General Fund of \$ 134,207 represents vehicle seizure funds (law enforcement) assigned for police equipment to be determined, amounts assigned for the insurance fund, and the notes receivable.

Note 9 - Interfund Transactions

Interfund Transfers:

There were no interfund transfers between funds of the primary government for the year ended April 30, 2020.

Due To/From Other Funds:

As of April 30, 2020, there were no interfund receivables and payables.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 10 - 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 with a deficit fund balance at April 30, 2020.
- B. There were no funds that had an excess of actual expenditures over budget for the year ended April 30, 2020.

Note 11 - 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 various departments within the City. 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. There has not been a significant reduction in insurance coverage from the previous year. The City has not incurred an event where the settlement was over the coverage amount in the past three fiscal years.

Note 12 - 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, 2020 was passed December 5, 2018.

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 2018 per \$ 100 of assessed valuation:

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 12 - Property Taxes, continued

Type of Tax	Rate Limits	Actual Levy 2018
Corporate	0.4375	0.32673
Garbage	0.2000	0.20000
Fire protection	0.6000	0.09782
Public benefits	0.0500	0.05000
Police protection	0.6000	0.09782
Audit	No limit	0.03124
IMRF	No limit	0.43627
Tort	No limit	0.12898
Unemployment compensation	No limit	0.00956
Social security	No limit	0.15653
Street lighting	0.0500	0.04457
Total tax rates		<u>1.57952</u>
County Clerk Extension		<u>\$ 859,741</u>
Assessed Valuation		<u>\$ 54,430,537</u>

Note 13 - Retirement Plan

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 note. 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 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.

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).

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 13 - Retirement Plan, continued

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, 2019, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	28
Inactive Plan Members entitled to but not yet receiving benefits	21
Active Plan Members	<u>29</u>
Total	<u>78</u>

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 2019 was 13.29 percent. For the calendar year ended 2019, the City contributed \$ 171,089 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.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 14 - Postemployment Benefits

Prior to July 5, 2018, retirees of the City were able to elect to maintain health insurance, dental insurance, and vision insurance through the City subsequent to retirement. Such retirees are responsible for paying the full cost of all premiums. As of April 30, 2020, there were no retirees participating in the health insurance plan, but two retirees participating in the vision and dental insurance plans. As of July 5, 2018, the City policy changed to prohibit employees from maintaining City provided health insurance after retirement. The current retirees on the plan, however, are being allowed to continue their participation.

Note 15 - 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, 2020:

Assets	Fair Value 4/30/2020	Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,978,483	1,978,483		
	\$ 1,978,483	1,978,483	-	-

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, 2020.

There were no major categories of assets and liabilities measured at fair value on a nonrecurring basis during the year ended April 30, 2020.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2020

Note 16 - Commitment

The City has begun a Long-Term Control Plan related to a sewer department project. In May 2018, the City council approved an agreement in the amount of \$ 1,662,000 for on-site engineering services for the project. In July 2018, the City council awarded the project construction services to the lowest bidder, at an amount of \$ 26,681,375. The project is being funded by a loan from the Illinois Environmental Protection Agency (see Note 5). As of the date of these financial statements, both the engineering and construction services are approximately 85% complete.

Note 17 - Subsequent Events

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of entities and individuals throughout the United States. The spread of COVID-19 has adversely impacted the local, regional, and national economies. The extent to which the coronavirus impacts the City's results will depend on future developments, which are highly uncertain and cannot be predicted. From May through August 2020, the total of the City's taxes (including income tax, sales tax, use tax, motor fuel tax, personal property replacement tax, and video gaming tax) are up approximately \$ 18,000 from the same time period the year before. However, \$ 8,600 of this increase is due to the new motor fuel tax renewal fund allotment that began in September 2019. The future impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the City.

The City has evaluated events occurring after the statement of net position – modified cash basis date through September 16, 2020, in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

OTHER INFORMATION - AUDITED

CITY OF FAIRBURY, ILLINOIS

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES - NON-MAJOR GOVERNMENTAL
FUNDS - MODIFIED CASH BASIS**

April 30, 2020

	Special Revenue Funds			
	Library Fund	Motor Fuel Tax Fund	Audit Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 170,352	250,641	11,069	432,062
Investments	13,364	174,148		187,512
TOTAL ASSETS	183,716	424,789	11,069	619,574
<u>FUND BALANCES</u>				
Fund Balances:				
Restricted	183,716	424,789	11,069	619,574
TOTAL FUND BALANCES	\$ 183,716	424,789	11,069	619,574

CITY OF FAIRBURY, ILLINOIS

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES - NON-MAJOR
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year ended April 30, 2020**

	Special Revenue Funds			
	Library Fund	Motor Fuel Tax Fund	Audit Fund	Total
Revenues collected:				
Property taxes	\$ 118,000		16,694	134,694
Replacement taxes	5,569			5,569
Motor fuel taxes		135,813		135,813
Grants and donations - nonpublic	66,471			66,471
Investment income	516	4,608		5,124
Licenses, fees, and fines	10,427			10,427
Rental income	2,996			2,996
Other income	990			990
Total revenues collected	204,969	140,421	16,694	362,084
Expenditures paid:				
Current:				
General government			13,750	13,750
Streets and recycling		25,352		25,352
Culture and recreation	157,104			157,104
Capital outlay	6,211			6,211
Total expenditures paid	163,315	25,352	13,750	202,417
Excess (deficiency) of revenues collected over (under) expenditures paid	41,654	115,069	2,944	159,667
Fund balances, beginning	142,062	309,720	8,125	459,907
Fund balances, ending	\$ 183,716	424,789	11,069	619,574

OTHER INFORMATION – UNAUDITED

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - GENERAL FUND
Year ended April 30, 2020**

	Budget			Over (Under)
	Original	Final	Actual	Budget
Revenues collected:				
Property taxes	\$ 800,000	800,000	862,234	62,234
Replacement taxes	17,500	17,500	25,410	7,910
Sales, local use, and video gaming taxes	700,000	700,000	848,273	148,273
State income taxes	350,000	350,000	407,200	57,200
Grants and donations - nonpublic	1,500	1,500	316	(1,184)
Donations - public			2,929	2,929
Investment income	5,000	5,000	15,500	10,500
Licenses, fees and fines	79,900	79,900	111,327	31,427
Garbage collection fees	310,000	310,000	305,561	(4,439)
Intergovernmental - public safety	22,500	22,500	22,000	(500)
Pool revenues	28,500	28,500	34,098	5,598
Other income	142,200	142,200	129,007	(13,193)
Total revenues collected	2,457,100	2,457,100	2,763,855	306,755
Expenditures paid:				
Current:				
General government	436,650	436,650	462,477	25,827
Public safety	777,100	777,100	690,787	(86,313)
Streets and recycling	735,650	735,650	650,467	(85,183)
Culture and recreation	75,700	75,700	73,635	(2,065)
Capital outlay	1,754,300	1,754,300	178,919	(1,575,381)
Debt service:				
Principal	72,022	72,022	72,022	-
Interest and fees	28,978	28,978	28,753	(225)
Total expenditures paid	3,880,400	3,880,400	2,157,060	(1,723,340)
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ (1,423,300)	(1,423,300)	606,795	2,030,095
Fund balance, beginning			1,192,674	
Fund balance, ending			\$ 1,799,469	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - LIBRARY FUND
Year ended April 30, 2020**

	Budget		Actual	Over (Under) Budget
	Original	Final		
Revenues collected:				
Property taxes	\$ 118,000	118,000	118,000	-
Replacement taxes			5,569	5,569
Grants and donations - nonpublic			66,471	66,471
Investment income			516	516
Licenses, fees and fines			10,427	10,427
Rental income			2,996	2,996
Other income	107,000	107,000	990	(106,010)
Total revenues collected	225,000	225,000	204,969	(20,031)
Expenditures paid:				
Current:				
Culture and recreation	199,150	199,150	157,104	(42,046)
Capital outlay	25,000	25,000	6,211	(18,789)
Total expenditures paid	224,150	224,150	163,315	(60,835)
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ 850	850	41,654	40,804
Fund balance, beginning			142,062	
Fund balance, ending			\$ 183,716	

CITY OF FAIRBURY, ILLINOIS**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - MOTOR FUEL TAX FUND
Year ended April 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues collected:				
Motor fuel taxes	\$ 95,000	95,000	135,813	40,813
Investment income	700	700	4,608	3,908
Total revenues collected	95,700	95,700	140,421	44,721
Expenditures paid:				
Current:				
Streets and recycling	147,000	147,000	25,352	(121,648)
Total expenditures paid	147,000	147,000	25,352	(121,648)
Excess (deficiency) of revenues collected over (under) expenditures paid	<u>\$ (51,300)</u>	<u>(51,300)</u>	115,069	<u>166,369</u>
Fund balance, beginning			<u>309,720</u>	
Fund balance, ending			<u>\$ 424,789</u>	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - AUDIT FUND
Year ended April 30, 2020**

	Budget		Actual	Over (Under) Budget
	Original	Final		
Revenues collected:				
Property taxes	\$ 17,000	17,000	16,694	(306)
Total revenues collected	17,000	17,000	16,694	(306)
Expenditures paid:				
Current:				
General government	17,000	17,000	13,750	(3,250)
Total expenditures paid	17,000	17,000	13,750	(3,250)
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ -	-	2,944	2,944
Fund balance, beginning			8,125	
Fund balance, ending			\$ 11,069	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - WATER FUND
Year ended April 30, 2020**

	Budget		Actual	Over (Under) Budget
	Original	Final		
Operating revenues:				
Charges for services	\$ 989,500	989,500	1,014,824	25,324
Total operating revenues	989,500	989,500	1,014,824	25,324
Operating expenses:				
Salaries and related expenses	387,600	387,600	353,001	(34,599)
Contractual services	104,000	104,000	120,802	16,802
Utilities	35,000	35,000	30,263	(4,737)
Commodities	105,000	105,000	113,178	8,178
Miscellaneous	3,500	3,500	2,373	(1,127)
Transfer - Tower bonds	55,200	55,200		(55,200)
Contingencies	30,000	30,000		(30,000)
Projects	1,955,000	1,955,000		(1,955,000)
Depreciation			133,101	133,101
Total operating expenses	2,675,300	2,675,300	752,718	(1,922,582)
Operating income (loss)	(1,685,800)	(1,685,800)	262,106	1,947,906
Non-operating revenues (expenses):				
Interest income	3,000	3,000	21,226	18,226
Gain (loss) on disposal of capital asset	4,000	4,000	(3,373)	(7,373)
Interest expense	(8,100)	(8,100)	(8,042)	58
Miscellaneous	15,000	15,000	10,048	(4,952)
Total non-operating revenues (expenses)	13,900	13,900	19,859	5,959
Change in net position	\$ (1,671,900)	(1,671,900)	281,965	1,953,865
Net position, beginning			2,930,074	
Net position, ending			\$ 3,212,039	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - SEWER FUND
Year ended April 30, 2020**

	Budget		Actual	Over (Under) Budget
	Original	Final		
Operating revenues:				
Charges for services	\$ 1,110,000	1,110,000	1,128,938	18,938
Total operating revenues	1,110,000	1,110,000	1,128,938	18,938
Operating expenses:				
Salaries and related expenses	191,400	191,400	181,805	(9,595)
Contractual services	62,700	62,700	44,620	(18,080)
Utilities	77,000	77,000	71,228	(5,772)
Commodities	16,000	16,000	14,244	(1,756)
Permits and fees			11,000	11,000
Miscellaneous	4,000	4,000	4,578	578
Transfer - Replacement	34,100	34,100		(34,100)
Contingencies	20,000	20,000		(20,000)
Projects	851,000	851,000		(851,000)
Depreciation			128,673	128,673
Total operating expenses	1,256,200	1,256,200	456,148	(800,052)
Operating income (loss)	(146,200)	(146,200)	672,790	818,990
Non-operating revenues (expenses):				
Interest income	30,000	30,000	47,645	17,645
Interest expense	(8,000)	(8,000)	(7,868)	132
Miscellaneous	1,000	1,000	600	(400)
Loss on disposal of capital asset			(3,606)	(3,606)
Forgiveness of debt			1,239,886	1,239,886
Total non-operating revenues (expenses)	23,000	23,000	1,276,657	1,253,657
Change in net position	\$ (123,200)	(123,200)	1,949,447	2,072,647
Net position, beginning			11,213,467	
Net position, ending			\$ 13,162,914	

CITY OF FAIRBURY, ILLINOIS

**EXPENDITURES PAID - BUDGET TO ACTUAL -
MODIFIED CASH BASIS - GENERAL FUND**

Year ended April 30, 2020

	Budget	Actual
Expenditures paid:		
General government		
Personnel services	\$ 277,850	303,098
Employee retirement	25,800	26,594
Insurance and supplies	26,500	16,971
Contingencies and maintenance	15,500	12,773
Utilities	25,000	22,645
Outside services	25,000	21,210
Projects		6,688
Other expenses	41,000	52,498
Total general government	436,650	462,477
Public safety		
Personnel services	588,300	516,950
Insurance and supplies	44,500	54,681
Repairs and maintenance	49,500	41,701
Utilities	12,000	9,377
Other expenses	82,800	68,078
Total public safety	777,100	690,787
Streets and recycling		
Personnel services	503,650	434,645
Insurance and supplies	34,500	37,496
Repairs and maintenance	123,000	94,774
Utilities	2,500	2,337
Garbage disposal	65,000	66,491
Other expenses	7,000	14,724
Total streets and recycling	735,650	650,467
Culture and recreation		
Personnel services	39,200	37,867
Insurance and supplies	16,000	15,246
Repairs and maintenance	8,500	10,254
Utilities	11,000	9,569
Other expenses	1,000	699
Total culture and recreation	75,700	73,635
Capital outlay	1,754,300	178,919
Debt service		
Retirement of principal	72,022	72,022
Interest	28,978	28,753
Total debt service	101,000	100,775
Total general fund expenditures paid	\$ 3,880,400	2,157,060

CITY OF FAIRBURY, ILLINOIS

**STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND OTHER DATA -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

Five Years ended April 30, 2020

	2020	2019	2018	2017	2016
RECEIPTS					
Property taxes	\$ 996,928	989,293	957,878	943,565	930,269
Replacement taxes	30,979	22,767	22,799	27,972	26,628
Sales and local use taxes	848,273	741,325	717,125	675,434	710,024
State income taxes	407,200	364,764	397,962	357,714	408,431
Motor fuel taxes	135,813	95,812	95,552	95,551	96,288
Grants and donations - nonpublic	66,787	60,975	47,727	59,893	45,370
Donations - public	2,929	66,118	111,360		
Investment income	20,624	9,810	9,461	4,913	8,440
Licenses, fees and fines	121,754	108,177	128,029	99,732	92,815
Garbage collection fees	305,561	298,197	289,043	247,829	244,632
Intergovernmental - public safety	22,000	22,010	23,365	22,915	23,036
Rental income	2,996	2,947	3,076	3,156	3,858
Pool revenues	34,098	33,135	31,854	34,500	30,155
Other	129,997	252,952	252,325	284,287	255,157
Total receipts	3,125,939	3,068,282	3,087,556	2,857,461	2,875,103
DISBURSEMENTS					
Police	572,152	723,197	627,258	716,170	691,212
Streets and recycling	608,056	694,697	680,786	655,681	645,529
Fire	66,250	64,810	77,605	68,209	55,007
Park and pool	73,635	76,369	65,594	78,936	63,851
Library	157,104	161,225	154,305	161,218	159,410
General government salaries	303,098	359,834	344,137	282,830	304,509
Repairs and maintenance	18,879	32,468	36,665	23,961	33,752
Utilities	22,645	23,238	22,342	18,496	20,055
Insurance	16,670	18,276	20,835	21,938	29,270
Outside services	34,960	25,417	30,299	592,104	157,302
Projects	6,688	4,689	883,134		
Administrative	38,404	21,867	24,358	33,487	17,203
Other	8,289	7,366	7,190	88,093	93,448
Motor fuel	25,352	279,410	82,997	87,010	56,568
Employee retirement	121,390	252,704	278,802	246,244	237,700
Capital outlay	185,130	143,062	452,245	210,800	277,936
Debt service - bonds	100,775	102,376	98,675	75,023	77,598
Total disbursements	2,359,477	2,991,005	3,887,227	3,360,200	2,920,350
Excess receipts over (under) disbursements	\$ 766,462	77,277	(799,671)	(502,739)	(45,247)
OTHER DATA					
Assets and liabilities at April 30:					
Cash and investments	\$ 2,374,359	1,614,164	1,536,017	1,660,182	1,504,734
Outstanding debt	814,785	886,808	2,180,132	905,270	567,789
Personnel costs					
Amount	1,419,638	1,731,073	1,737,741	1,648,000	1,619,874
Percent to total expenditures	60.2%	57.9%	44.7%	49.0%	55.5%
Budgeted expenditures	4,268,550	46,976,800	37,630,900	37,828,550	24,869,188

CITY OF FAIRBURY, ILLINOIS

**STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - WATER FUND
Five Years ended April 30, 2020**

	2020	2019	2018	2017	2016
Operating revenues					
Charges for services	\$ 1,014,824	950,020	869,768	902,021	650,432
Total operating revenues	1,014,824	950,020	869,768	902,021	650,432
Operating expenses					
Salaries and related expenses	353,001	376,714	387,418	334,710	341,490
Supplies	113,178	103,057	101,831	113,054	114,244
Truck expense	16,255	17,338	14,068	32,200	18,039
Repairs and maintenance	72,552	53,845	37,684	38,210	33,995
Utilities	30,263	33,142	32,959	32,707	31,908
Outside services	7,469	6,727	8,696	7,186	8,496
Insurance	24,526	17,577	16,044	10,339	15,719
Miscellaneous	2,373	2,602	2,563	1,504	1,633
Depreciation	133,101	133,721	125,860	106,164	93,929
Total operating expenses	752,718	744,723	727,123	676,074	659,453
Operating income (loss)	262,106	205,297	142,645	225,947	(9,021)
Nonoperating revenues (expenses)					
Interest income	21,226	3,719	2,236	1,009	984
Loss of disposal of asset	(3,373)			(476)	
Interest expense	(8,042)	(7,523)	(10,918)	(12,309)	(11,550)
Miscellaneous	10,048	21,131	15,176	18,110	12,765
Change in net position	\$ 281,965	222,624	149,139	232,281	(6,822)

CITY OF FAIRBURY, ILLINOIS

**STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - SEWER FUND**

Five Years ended April 30, 2020

	2020	2019	2018	2017	2016
Operating revenues					
Charges for services	\$ 1,128,938	1,042,334	907,453	745,046	375,945
Total operating revenues	1,128,938	1,042,334	907,453	745,046	375,945
Operating expenses					
Salaries and related expenses	181,805	180,162	197,075	162,522	151,808
Supplies	14,244	14,105	13,771	13,280	13,722
Truck expense	13,182	16,686	8,819	16,239	30,808
Permits and fees	11,000				
Repairs and maintenance	9,085	36,773	9,510	11,221	21,904
Utilities	71,228	69,937	64,609	66,002	66,430
Outside services	6,288	15,704	14,158	13,699	12,659
Insurance	14,595	12,300	12,091	17,279	14,021
Miscellaneous	6,048	3,517	2,023	2,552	1,127
Depreciation	128,673	137,023	154,592	186,783	249,020
Total operating expenses	456,148	486,207	476,648	489,577	561,499
Operating income (loss)	672,790	556,127	430,805	255,469	(185,554)
Nonoperating revenues (expenses)					
Interest income	47,645	4,362	1,841	691	706
Interest expense	(7,868)	(10,343)	(8,864)	(9,351)	(9,830)
Miscellaneous	600	1,161	1,126	930	9,155
Gain on transfer of capital asset	(3,606)	433			
Forgiveness of debt	1,239,886	7,633,443			
Change in net position	\$ 1,949,447	8,185,183	424,908	247,739	(185,523)

OTHER DATA - WATER and SEWER

Assets and liabilities at April 30:

Cash and investments	\$ 4,020,642	2,879,182	2,054,262	1,374,177	823,280
EPA waste water treatment loans	14,561,617	522,182	555,904	589,132	621,874
EPA drinking water loans	455,967	511,217	580,951	649,261	716,181
Additions to property	25,195	43,342	233,620	186,478	347,201
Average number of users	1,700 *	1,715 *	1,828	1,825	1,819
Average revenue per user	\$ 1,261	1,162	972	903	564

* Excludes inactive accounts; prior year users were not adjusted for inactive accounts

CITY OF FAIRBURY, ILLINOIS

**SCHEDULES OF GENERAL PROPERTY TAXES
2015 THROUGH 2019**

	2019 Levy		2018 Levy		2017 Levy	
Assessed Valuation	\$ 54,211,035		54,430,537		54,742,821	
	Rate	Extension	Rate	Extension	Rate	Extension
Tax Rates and Extensions:						
General Fund						
Corporate purpose	0.38883	\$ 210,789	0.32673	177,841	0.30945	169,402
Street lighting	0.04612	25,002	0.04457	24,260	0.04352	23,824
Garbage	0.19969	108,254	0.20000	108,861	0.19636	107,493
Fire protection	0.09224	50,004	0.09782	53,244	0.09245	50,610
Public benefits	0.04993	27,068	0.05000	27,215	0.04909	26,873
Police protection	0.32282	175,004	0.09782	53,244	0.09245	50,610
Audit	0.03136	17,001	0.03124	17,004	0.03002	16,434
IMRF/Social security	0.39661	215,006	0.59280	322,664	0.57833	316,594
Tort	0.12950	70,203	0.12898	70,205	0.15640	85,618
Unemployment compensation	0.00738	4,001	0.00956	5,204	0.00933	5,108
Total	1.66448	\$ 902,333	1.57952	859,742	1.55740	852,565

	2016 Levy		2015 Levy	
Assessed Valuation	54,771,597		52,824,417	
	Rate	Extension	Rate	Extension
Tax Rates and Extensions:				
General Fund				
Corporate purpose	0.30006	164,348	0.30683	162,081
Street lighting	0.04218	23,103	0.04312	22,778
Garbage	0.19317	105,802	0.19802	104,603
Fire protection	0.08963	49,092	0.09163	48,403
Public benefits	0.04830	26,455	0.04951	26,153
Police protection	0.08963	49,092	0.09163	48,403
Audit	0.02910	15,939	0.02977	15,726
IMRF/Social security	0.56069	307,099	0.57361	303,006
Tort	0.15377	84,222	0.15782	83,367
Unemployment compensation	0.00918	5,028	0.00938	4,955
Total	1.51571	830,179	1.55132	819,476

FEDERAL AWARDS – COMPLIANCE SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the City Council
City of Fairbury, Illinois**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbury, Illinois, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Fairbury, Illinois' basic financial statements, and have issued our report thereon dated September 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fairbury, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairbury, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairbury, Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairbury, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCK CPAs & Advisors

Bloomington, Illinois
September 16, 2020



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council
City of Fairbury, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Fairbury, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fairbury, Illinois' major federal programs for the year ended April 30, 2020. City of Fairbury, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fairbury, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairbury, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fairbury, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fairbury, Illinois, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Fairbury, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fairbury, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairbury, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MCK CPAs & Advisors

Bloomington, Illinois
September 16, 2020

CITY OF FAIRBURY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended April 30, 2020

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency			
Passed through Illinois Environmental Protection Agency:			
Capitalization Grants for Clean Water			
State Revolving Funds Cluster			
Clean Water State Revolving Funds	* 66.458	L170725	<u>\$ 3,079,811</u>
Total Capitalization Grants for Clean Water State Revolving Funds Cluster			<u>3,079,811</u>
Total Environmental Protection Agency			<u>3,079,811</u>
Total Federal Expenditures			<u><u>\$ 3,079,811</u></u>

(*) = Major Program

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF FAIRBURY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended April 30, 2020

Note 1 - Single Audit Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of City of Fairbury, Illinois (the "City") for the year ended April 30, 2020. The SEFA includes all federal awards received directly from federal agencies, as well as federal financial awards passed through other agencies.

Note 2 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3 - Federal Loans

The City was approved by the Environmental Protection Agency (EPA) to receive a loan totaling \$ 30,431,034 to complete a Long Term Control Plan sewer project to ensure the City meets EPA requirements for Combined Sewer Overflow (CSO). The amount listed for this loan in the SEFA includes the proceeds used during the year. Per the loan agreement, the first \$ 9,129,310 of loan proceeds are being forgiven. The balance of the loan at April 30, 2020 is \$ 14,073,659. The current year loan is also reported in the City's long-term debt activity.

Note 4 - Other

The City did not receive any non-cash assistance through federal award programs during the year ended April 30, 2020. In addition, there were no federal awards expended in the form of insurance in effect during the year.

Note 5 - Indirect Cost Rate

The City has not elected to use the 10% de Minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF FAIRBURY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended April 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified?

_____ yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2CFR, Section 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA #66.458

Clean Water State Revolving Funds

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

CITY OF FAIRBURY, ILLINOIS

SCHEDULED OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended April 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

None

CITY OF FAIRBURY, ILLINOIS

SCHEDULED OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended April 30, 2020

SECTION III - FEDERAL AWARDS FINDINGS

None

CITY OF FAIRBURY, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended April 30, 2020

2019-001	Inadequate controls over financial reporting	Not Repeated
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