

CITY OF FAIRBURY, ILLINOIS

ANNUAL FINANCIAL REPORT

For the year ended April 30, 2019

CITY OF FAIRBURY, ILLINOIS

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fairbury, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Fairbury, Illinois (the City), as of and for the year ended April 30, 2019, 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, 2019, 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 October 10, 2019, 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
October 10, 2019

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended April 30, 2019

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, 2019 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 \$8,315,668 for the year, resulting in an increase in total net position of 76.6% from the previous year. This is due to the forgiveness of \$7,633,443 in debt from the Illinois Environmental Protection Agency.
- The City's General Fund ended the year with a fund balance of \$1,192,674, which represents a 25.7% increase from the previous year.
- \$80,000 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, 2019

Report Components (Continued)

Other Information – Audited: This part of the annual report (*starting on page 47*) includes the nonmajor 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 programs.

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, 2019**

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, franchise fee, fines, and state and federal grants finance most of these activities.

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

Reporting the City's Most Significant Funds

The Fund Financial Statements

Our analysis of the City's major funds begins on page 7. The fund financial statements begin on page 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, 2019**

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 payment on long-term debt are reported as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The City 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 \$10.85 million to \$19.17 million from fiscal year 2018 to fiscal year 2019. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a small decrease and business-type activities had a large increase.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended April 30, 2019

Net Position – Modified Cash Basis (Continued)

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,652,581	\$ 2,879,182	\$ 4,531,763
Capital assets	4,262,150	12,300,648	16,562,798
Total assets	5,914,731	15,179,830	21,094,561
Long-term debt outstanding	886,808	1,033,399	1,920,207
Other liabilities	-	2,890	2,890
Total liabilities	886,808	1,036,289	1,923,097
Net Position			
Invested in capital assets, net of related debt	3,375,342	11,267,249	14,642,591
Restricted	866,217	72,000	938,217
Unrestricted	786,364	2,804,292	3,590,656
Total net position	\$ 5,027,923	\$ 14,143,541	\$ 19,171,464

Net position of the City's governmental activities decreased 1.80% to \$5.03 million. \$4,241,559 of the net position is either restricted as to the purposes for which it can be used or is invested in capital assets (buildings, roads, bridges, etc.). Consequently, governmental unrestricted net position is only \$786,364 at the end of this fiscal year. Changes from 2018 to 2019 reflect an increase of 62.85% in total assets and a decrease of 2.68% for governmental assets and an increase of 120.78% for business-type assets. Significant increase for the business-type assets is due to the addition of construction in progress for the sewer project.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended April 30, 2019

Changes in Net Position – Modified Cash Basis

For the year ended April 30, 2019, 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	\$ 464,466	\$ 1,992,354	\$ 2,456,820
Operating grants and contributions	127,093	-	127,093
General revenues			
Property tax	989,293	-	989,293
Replacement tax	22,767	-	22,767
Sales tax	741,325	-	741,325
State income tax	364,764	-	364,764
Motor fuel tax	95,812	-	95,812
Investment income	9,810	8,081	17,891
Forgiveness of debt	-	7,633,443	7,633,443
Other	244,617	22,725	267,342
Total revenues	3,059,947	9,656,603	12,716,550
<u>Expenses</u>			
General government	745,859	-	745,859
Public safety	788,007	-	788,007
Streets, parks, culture, and recycling	1,211,701	-	1,211,701
Interest	31,509	-	31,509
Capital outlay	21,923	-	21,923
Depreciation	353,087	-	353,087
Water	-	752,246	752,246
Sewer	-	496,550	496,550
Total expenses	3,152,086	1,248,796	4,400,882
Increase (decrease) in net position	\$ (92,139)	\$ 8,407,807	\$ 8,315,668

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) Year Ended April 30, 2019

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, 2019, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

Property taxes	\$	989,293	32.3%
Sales tax		741,325	24.2
State income tax		364,764	11.9
Other taxes		118,579	3.9
Investment income		9,810	0.3
Charges for services		464,466	15.2
Grants		715	0.1
Contributions		126,378	4.1
Other		244,617	8.0
	\$	3,059,947	100.0%

Uses of Funds in Governmental Activities

General government	\$	745,859	23.7%
Public safety		788,007	25.0
Streets, parks and recycling		1,211,701	38.4
Capital outlay		21,923	0.7
Depreciation		353,087	11.2
Interest		31,509	1.0
	\$	3,152,086	100.0%

For the year ended April 30, 2019, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$3,152,086. Of these total expenses, taxpayers and other general revenues funded only \$2,560,527 while those directly benefiting from the program funded \$127,093 from grants and other contributions and \$464,466 from charges for services.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) Year Ended April 30, 2019

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 \$752,246 and \$496,550, respectively. The revenue for sewer service is inflated due to forgiveness of debt on an Illinois Environmental Protection Agency loan.

	Water	Sewer
Revenue	\$ 974,870	\$ 8,681,733
Expense	752,246	496,550
	<hr/>	
Change in net position	\$ 222,624	\$ 8,185,183
	<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 \$2,758,320 and expenditures of \$2,514,820 resulting in an increase in fund balance of \$243,500.
- On the modified cash basis of accounting, the Motor Fuel Tax Fund reported revenues of \$98,510 and expenditures of \$279,410 resulting in a decrease in fund balance of \$180,900. The large expenditures are due to an asphalt project for First Street and a City parking lot.

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 \$44 million below appropriations for the year ended April 30, 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Modified Cash Basis

At April 30, 2019, the City had \$16.56 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 \$7,239,145 or 77.64%, from last year.

CITY OF FAIRBURY, ILLINOIS**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**
Year Ended April 30, 2019**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	-	7,706,830	7,706,830
Land improvements	66,769	-	66,769
Buildings and improvements	1,446,065	-	1,446,065
Utility plant	-	314,019	314,019
Water tower	-	586,393	586,393
Vehicles	889,863	67,454	957,317
Equipment	621,348	1,187,877	1,809,225
Wells and improvements	-	427,776	427,776
Infrastructure	166,773	1,958,054	2,124,827
	<u>\$ 4,262,150</u>	<u>\$ 12,300,648</u>	<u>\$ 16,562,798</u>

This year's more significant capital asset additions included:

Construction in progress – sewer project	\$ 7,706,830
Skidsteer	46,300
2018 Escape	23,533
Mower	13,337

Long-Term Debt – Modified Cash Basis

At April 30, 2019, the City had \$1,920,207 in long-term debt and capital leases arising from modified cash basis transactions compared to \$2,094,530 at April 30, 2018. This represents a decrease of 8.3%. At April 30, 2019, \$886,808 of the debt is related to governmental activities and \$1,033,399 is related to business-type activities. (See table below.)

Primary Government Long-Term Debt – Modified Cash Basis

EPA loans	\$ 1,033,399
Brian J. Munz Public Safety Complex bonds	395,000
Fire truck loan	55,191
Fire truck lease	<u>436,617</u>
Total	<u>\$ 1,920,207</u>

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) **Year Ended April 30, 2019**

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 matures on September 12, 2019. The balance of the line of credit at April 30, 2018 was \$1,222,457. During the year ended April 30, 2019, this line of credit was paid off with proceeds from the new EPA loan for the sewer project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Significant economic factors affecting the year ended April 30, 2019:

- 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 \$625,150 which represents 40.1% of employee wages. Overtime paid was \$63,730 which represents an increase of 9.45% compared to the previous year.
- City-wide cash and investments increased approximately \$903,000 due to water and sewer rate increases of 10%.
- Capital assets, net of accumulated depreciation experienced an increase of approximately \$7,239,000 due to the construction in progress for the Long Term Control Plan sewer project.
- The City had expenditures of approximately \$7,707,000 during the last two fiscal years for the Long Term Control Plan sewer project. Those expenditures were mostly paid for by Illinois Environmental Protection loan receipts totaling approximately \$7,633,000.

Significant economic factors expected to affect the upcoming fiscal year ending April 30, 2020:

- The City's budget is fairly consistent with this year.
- In May 2019, 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 at the completion of the project, which is expected to be in approximately 2 years.
- The City will see an increase in water and sewer rates of 10% for the fiscal year.
- The City's cash position is expected to remain stable.

CITY OF FAIRBURY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) **Year Ended April 30, 2019**

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, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 1,387,397	1,178,050	2,565,447
Investments	182,767	1,629,132	1,811,899
Notes receivable	38,417		38,417
Total current assets	1,608,581	2,807,182	4,415,763
Noncurrent assets			
Restricted investments	44,000	72,000	116,000
Capital assets, net of accumulated depreciation	4,262,150	12,300,648	16,562,798
Total noncurrent assets	4,306,150	12,372,648	16,678,798
TOTAL ASSETS	5,914,731	15,179,830	21,094,561
<u>LIABILITIES</u>			
Current liabilities			
Current maturities of capital lease	37,824		37,824
Current maturities of long term debt	34,199	89,474	123,673
Total current liabilities	72,023	89,474	161,497
Noncurrent liabilities			
Capital lease, less current maturities	398,793		398,793
Long term debt	415,992	943,925	1,359,917
Customer deposits		2,890	2,890
Total noncurrent liabilities	814,785	946,815	1,761,600
TOTAL LIABILITIES	886,808	1,036,289	1,923,097
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,375,342	11,267,249	14,642,591
Restricted for:			
Debt service	44,000	72,000	116,000
Other purposes	822,217		822,217
Unrestricted	786,364	2,804,292	3,590,656
TOTAL NET POSITION	\$ 5,027,923	14,143,541	19,171,464

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended April 30, 2019

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	\$ 745,859	96,263	715	(648,881)		(648,881)
Public safety	788,007	22,010	66,118	(699,879)		(699,879)
Streets and recycling	974,107	298,197		(675,910)		(675,910)
Culture and recreation	237,594	47,996	60,260	(129,338)		(129,338)
Capital outlay	21,923			(21,923)		(21,923)
Depreciation, unallocated	353,087			(353,087)		(353,087)
Interest on long term debt	31,509			(31,509)		(31,509)
Total governmental activities	3,152,086	464,466	127,093	(2,560,527)	-	(2,560,527)
Business-type activities:						
Water	752,246	950,020			197,774	197,774
Sewer	496,550	1,042,334			545,784	545,784
Total business-type activities	1,248,796	1,992,354	-	-	743,558	743,558
TOTAL	\$ 4,400,882	2,456,820	127,093	(2,560,527)	743,558	(1,816,969)
General Revenues:						
Taxes						
Property				989,293		989,293
Replacement				22,767		22,767
Sales and local use				741,325		741,325
State income				364,764		364,764
Motor fuel				95,812		95,812
Interest on investments				9,810	8,081	17,891
Other				252,952	22,292	275,244
Gain/loss on disposal/transfer of capital asset				(8,335)	433	(7,902)
Forgiveness of debt					7,633,443	7,633,443
Total general revenues				2,468,388	7,664,249	10,132,637
Change in net position				(92,139)	8,407,807	8,315,668
Net position - beginning, as restated				5,120,062	5,735,734	10,855,796
Net position - ending				\$ 5,027,923	14,143,541	19,171,464

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
April 30, 2019**

	General Fund	Non-Major Funds	Total
<hr/>			
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,110,257	277,140	1,387,397
Investments		182,767	182,767
Restricted investments	44,000		44,000
Notes receivable	38,417		38,417
	<hr/>		
TOTAL ASSETS	1,192,674	459,907	1,652,581
	<hr/> <hr/>		
<u>FUND BALANCES</u>			
Restricted	252,939	459,907	712,846
Assigned	153,371		153,371
Unassigned	786,364		786,364
	<hr/>		
TOTAL FUND BALANCES	\$ 1,192,674	459,907	1,652,581
	<hr/> <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, 2019

Total fund balances - governmental funds	\$ 1,652,581
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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.	4,262,150
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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.	(886,808)
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Net position of governmental activities	<u>\$ 5,027,923</u>
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See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year ended April 30, 2019**

	General Fund	Non-Major Funds	Total
Revenues collected:			
Property taxes	\$ 855,683	133,610	989,293
Replacement taxes	20,825	1,942	22,767
Sales and local use taxes	741,325		741,325
State income taxes	364,764		364,764
Motor fuel taxes		95,812	95,812
Grants and donations - nonpublic	715	60,260	60,975
Donations - public	66,118		66,118
Investment income	6,756	3,054	9,810
Licenses, fees, and fines	96,263	11,914	108,177
Garbage collection fees	298,197		298,197
Intergovernmental - public safety	22,010		22,010
Rental income		2,947	2,947
Pool revenues	33,135		33,135
Other income	252,529	423	252,952
Total revenues collected	2,758,320	309,962	3,068,282
Expenditures paid:			
Current:			
General government	730,327	15,532	745,859
Public safety	788,007		788,007
Streets and recycling	694,697	279,410	974,107
Culture and recreation	76,369	161,225	237,594
Debt service:			
Retirement of principal	70,867		70,867
Interest	31,509		31,509
Capital outlay	123,044	20,018	143,062
Total expenditures paid	2,514,820	476,185	2,991,005
Excess (deficiency) of revenues collected over (under) expenditures paid	243,500	(166,223)	77,277
Fund balances - beginning, as restated	949,174	626,130	1,575,304
Fund balances - ending	\$ 1,192,674	459,907	1,652,581

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, 2019**

Net change in fund balances - governmental funds \$ 77,277

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	\$ 121,139	
Depreciation expense	<u>(353,087)</u>	(231,948)

The loss on disposal of capital assets increases the
general government expenses in the Statement
of Activities - Modified Cash Basis. (8,335)

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. 70,867

Change in net position of governmental activities \$ (92,139)

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

April 30, 2019

	Business-type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 538,286	639,764	1,178,050
Investments	461,337	1,167,795	1,629,132
Total current assets	999,623	1,807,559	2,807,182
Noncurrent assets			
Restricted investments	45,000	27,000	72,000
Capital assets, net of accumulated depreciation	2,399,558	9,901,090	12,300,648
Total noncurrent assets	2,444,558	9,928,090	12,372,648
TOTAL ASSETS	3,444,181	11,735,649	15,179,830
<u>LIABILITIES</u>			
Current liabilities			
Current maturities of debt	55,250	34,224	89,474
Total current liabilities	55,250	34,224	89,474
Noncurrent liabilities			
EPA waste water treatment loans		487,958	487,958
EPA drinking water loans	455,967		455,967
Customer deposits	2,890		2,890
Total noncurrent liabilities	458,857	487,958	946,815
TOTAL LIABILITIES	514,107	522,182	1,036,289
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,888,341	9,378,908	11,267,249
Restricted for:			
Debt service	45,000	27,000	72,000
Unrestricted	996,733	1,807,559	2,804,292
TOTAL NET POSITION	\$ 2,930,074	11,213,467	14,143,541

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, 2019**

	Business-type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 950,020	1,042,334	1,992,354
Operating expenses:			
Salaries and related expenses	376,714	180,162	556,876
Contractual services	95,487	84,226	179,713
Utilities	33,142	69,937	103,079
Commodities	103,057	14,105	117,162
Miscellaneous	2,602	754	3,356
Depreciation	133,721	137,023	270,744
Total operating expenses	744,723	486,207	1,230,930
Operating income	205,297	556,127	761,424
Non-operating revenues (expenses):			
Interest income	3,719	4,362	8,081
Interest expense	(7,523)	(10,343)	(17,866)
Miscellaneous	21,131	1,161	22,292
Gain on transfer of capital asset		433	433
Forgiveness of debt		7,633,443	7,633,443
Total non-operating revenues (expenses)	17,327	7,629,056	7,646,383
Change in net position	222,624	8,185,183	8,407,807
Net position - beginning	2,707,450	3,028,284	5,735,734
Net position - ending	\$ 2,930,074	11,213,467	14,143,541

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended April 30, 2019**

	Business-type Activities Proprietary Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 950,020	1,042,334	1,992,354
Cash paid to suppliers for goods and services	(234,291)	(169,022)	(403,313)
Cash paid to employees for services	(376,714)	(180,162)	(556,876)
Net cash flows from operating activities	339,015	693,150	1,032,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous non operating receipts	21,131	1,161	22,292
Net cash flows from noncapital financing activities	21,131	1,161	22,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on construction in progress		(73,387)	(73,387)
Loan proceeds received		7,633,443	7,633,443
Forgiveness of debt/payments on construction in progress		(7,633,443)	(7,633,443)
Principal payments on debt	(69,734)	(33,722)	(103,456)
Interest paid	(7,523)	(10,343)	(17,866)
Acquisition of capital assets	(17,844)	(24,632)	(42,476)
Gain on transfer of capital asset		(433)	(433)
Net cash flows from capital and related financing activities	(95,101)	(142,517)	(237,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(346,856)	(1,167,795)	(1,514,651)
Interest received on certificates of deposit	3,719	4,362	8,081
Net cash flows from investing activities	(343,137)	(1,163,433)	(1,506,570)
Net increase (decrease) in cash and cash equivalents	(78,092)	(611,639)	(689,731)
Cash and cash equivalents, beginning of year	616,378	1,251,403	1,867,781
Cash and cash equivalents, end of year	538,286	639,764	1,178,050
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	205,297	556,127	761,424
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	133,721	137,023	270,744
Increase (decrease) in liabilities:			
Customer deposits	(3)		(3)
Net cash flows from operating activities	\$ 339,015	693,150	1,032,165

See Notes to Financial Statements.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2019

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, 2019

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 nonmajor governmental funds.

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

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

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, 2019

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, 2019

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

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, 2019

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, 2019

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 18, 2018.

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

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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, 2019, there are two loans outstanding totaling \$38,417.

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 of business-type activities, 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, 2019 represents the Long Term Control Plan for the sewer project.

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, 2019

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 \$1,000 for all other capital assets is used. The range of estimated useful lives by type of asset is as follows:

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

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

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

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

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, 2019

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, 2019 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, 2019, the carrying amount of the City's various bank deposits totaled \$4,493,346 and the bank balances totaled \$4,554,891.

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, 2019, \$1,265,846 of the deposits made by the City were covered by the Federal Depositary Insurance Corporation (FDIC), and \$3,289,045 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, 2019 as follows:

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

Cash	\$ 2,259,574
Insured cash sweep	305,873
Certificates of deposit (reported as Investments)	1,811,899
Certificates of deposit (reported as Restricted Investments)	<u>116,000</u>
	<u>\$ 4,493,346</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, 2019

Note 2 – Cash and Investments, continued

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Terms in Months</u>	<u>Maturity Date</u>
Busey Bank	\$ 218,075	2.65%	24 mo	4/1/21
Bank of Pontiac	1,300,000	2.80%	28 mo	7/27/21
Morton Community Bank	64,000	1.50 to 1.71%	60 to 120 mo	2/26/23 – 3/24/23
First State Bank of Forrest	<u>345,824</u>	2.45 to 2.94%	19 to 60 mo	6/10/20 – 6/13/23
	<u>\$ 1,927,899</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, 2019 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, 2019, the balances of the wastewater and waterworks restricted accounts were \$27,000 and \$25,000, respectively.

In connection with the \$490,000 EPA drinking water loan agreement, the Illinois Environmental Protection Agency requires the City to establish a waterworks reserve account to fund required loan payments. The fund is required to have on hand one-half of one annual payment required to be made. As of April 30, 2019, the balance of this restricted certificate of deposit was \$20,000.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended April 30, 2019 was as follows:

	Balance April 30, 2018	Additions	Deletions	Balance April 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,071,332			1,071,332
Total assets not being depreciated	1,071,332	-	-	1,071,332
Other capital assets:				
Land improvements	164,011			164,011
Buildings and improvements	2,364,442	14,598	21,358	2,357,682
Vehicles	2,293,182	54,941	15,849	2,332,274
Equipment	2,476,827	51,600	82,535	2,445,892
Infrastructure	288,932			288,932
Total other capital assets	7,587,394	121,139	119,742	7,588,791
Less accumulated depreciation for:				
Land improvements	92,186	5,056		97,242
Buildings and improvements	865,756	67,219	21,358	911,617
Vehicles	1,299,028	153,437	10,054	1,442,411
Equipment	1,791,611	112,928	79,995	1,824,544
Infrastructure	107,712	14,447		122,159
Total accumulated depreciation	4,156,293	353,087	111,407	4,397,973
Other capital assets, net	3,431,101	(231,948)	8,335	3,190,818
Governmental activities, net	\$ 4,502,433	(231,948)	8,335	4,262,150

Depreciation expense for the year ended April 30, 2019 was charged to functions of the City as follows:

General government	\$ 87,202
Public safety	90,793
Streets and recycling	46,471
Culture and recreation	128,621
Total depreciation expense - governmental activities	<u>\$ 353,087</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

Note 4 - Capital Assets, continued

	Balance April 30, 2018	Additions	Deletions	Balance April 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 52,245			52,245
Construction in progress		7,706,830		7,706,830
Total assets not being depreciated	52,245	7,706,830	-	7,759,075
Other capital assets:				
Utility plant	8,462,964			8,462,964
Wells and improvements	1,005,050			1,005,050
Water tower	1,000,616			1,000,616
Vehicles	103,218	41,189		144,407
Equipment	2,199,084	2,153	3,191	2,198,046
Infrastructure	2,398,078			2,398,078
Total other capital assets	15,169,010	43,342	3,191	15,209,161
Less accumulated depreciation for:				
Utility plant	8,109,263	39,682		8,148,945
Wells and improvements	548,676	28,598		577,274
Water tower	389,208	25,015		414,223
Vehicles	60,091	16,862		76,953
Equipment	912,772	100,588	3,191	1,010,169
Infrastructure	380,025	59,999		440,024
Total accumulated depreciation	10,400,035	270,744	3,191	10,667,588
Other capital assets, net	4,768,975	(227,402)	-	4,541,573
Business-type activities, net	\$ 4,821,220	7,479,428	-	12,300,648

Depreciation expense for the year ended April 30, 2019 was charged to functions of the City as follows:

Water	\$ 133,721
Sewer	137,023
Total depreciation expense - business-type activities	\$ 270,744

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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, 2019 are as follows:

	Balance April 30, 2018	Additions	Reductions	Balance April 30, 2019	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 420,000		25,000	395,000	25,000
Notes payable	64,389		9,198	55,191	9,199
	<u>\$ 484,389</u>	<u>-</u>	<u>34,198</u>	<u>450,191</u>	<u>34,199</u>
Business-type Activities:					
Notes payable	\$ 1,136,855	-	103,456	1,033,399	89,474

Governmental Activities:

As of April 30, 2019, 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 are being used to offset expenditures incurred in construction and equipping the Brian J. Munz Public Safety Complex.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)
April 30, 2019

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	
2020	\$ 7,250	7,250	25,000	39,500
2021	6,500	6,500	25,000	38,000
2022	5,813	5,813	25,000	36,626
2023	5,463	5,463	25,000	35,926
2024	5,088	5,088	30,000	40,176
2025-2029	18,230	18,230	155,000	191,460
2030-2032	4,205	4,205	110,000	118,410
	<u>\$ 52,549</u>	<u>52,549</u>	<u>395,000</u>	<u>500,098</u>

Notes Payable:

\$183,967 note payable to Illinois Finance Authority for a fire truck, payable in annual installments of \$9,198, non-interest bearing, final payment due November 2024, secured by fire truck, net book value \$52,124.

\$ 55,191

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
2020	\$	9,199	9,199
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>55,191</u>	<u>55,191</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

Note 5 – Long-term Debt, continued

Business-Type Activities:

As of April 30, 2019, the long-term debt, arising from cash transactions payable from proprietary fund resources consisted of the following:

Notes Payable:

\$228,948 note payable (\$235,872 available) to Illinois Environmental Protection Agency for water meter improvements, payable in semi-annual installments of \$6,976, including principal and interest at 1.995%, final payment due May 2024.	\$ 58,736
\$254,234 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.	209,429
\$490,000 note payable to Illinois Environmental Protection Agency for new water tower, payable in semi-annual installments of \$15,937, including principal and interest at 2.625%, final payment due May 2019.	15,731
\$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.	312,753
\$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.	294,828
\$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.	141,922
\$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%, final payment due August 2051. The first \$9,129,310 of the loan is being forgiven.	
	<hr/>
	\$ 1,033,399

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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
2020	\$ 15,910	89,474	105,384
2021	14,544	74,903	89,447
2022	13,364	76,082	89,446
2023	12,166	77,281	89,447
2024	10,947	78,549	89,496
2025-2029	38,575	346,700	385,275
2030-2034	12,606	268,256	280,862
2035-2036	411	22,154	22,565
	<u>\$ 118,523</u>	<u>1,033,399</u>	<u>1,151,922</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 \$3,807,827 at April 30, 2019.

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 changes in the City's short-term debt for the year ended April 30, 2019 are as follows:

	Balance April 30, 2018	Additions	Reductions	Balance April 30, 2019
Governmental Activities:				
Line of credit	<u>\$ 1,222,457</u>	<u>-</u>	<u>1,222,457</u>	<u>-</u>

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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:

	<u>April 30, 2019</u>
Governmental activities:	
Vehicles	\$ 508,835
Less accumulated depreciation	<u>(48,763)</u>
Total net property held under capital lease	<u><u>\$ 460,072</u></u>

Depreciation on the asset held under capital lease charged to expense during the fiscal year ended April 30, 2019 was \$25,441, 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>
2020	\$ 13,753	37,824	51,577
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
2025-2029	<u>22,688</u>	<u>235,202</u>	<u>257,890</u>
	<u>\$ 79,158</u>	<u>436,617</u>	<u>515,775</u>

Total interest cost incurred on the capital lease for the year ended April 30, 2019 was \$14,909.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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	\$	58,135
Street lighting		576
Unemployment insurance		13,477
Fire station (bonds)		44,000
Law enforcement		44,852
Fire department		82,522
Fire protection		9,377
Street repair and improvements		309,720
Library		142,062
Audit		8,125
		<hr/>
	\$	712,846

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 \$153,371 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, 2019.

Due To/From Other Funds:

As of April 30, 2019, there were no interfund receivables and payables.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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, 2019.
- B. The following fund had an excess of actual expenditures over budget for the year ended April 30, 2019.

<u>Fund/Account</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Motor Fuel Tax Fund	\$251,000	279,410	28,410

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, 2019 was passed December 6, 2017.

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 2017 per \$100 of assessed valuation:

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

Note 12 – Property Taxes, continued

Type of Tax	Rate Limits	Actual Levy 2017
Corporate	0.4375	0.30945
Garbage	0.2000	0.19636
Fire protection	0.6000	0.09245
Public benefits	0.0500	0.04909
Police protection	0.6000	0.09245
Audit	No limit	0.03002
IMRF	No limit	0.42590
Tort	No limit	0.15640
Unemployment compensation	No limit	0.00933
Social security	No limit	0.15243
Street lighting	0.0500	0.04352
Total tax rates		1.55740
County Clerk Extension		\$ 852,565
Assessed Valuation		\$ 54,742,821

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, 2019

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, 2018, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	27
Inactive Plan Members entitled to but not yet receiving benefits	15
Active Plan Members	<u>32</u>
Total	<u><u>74</u></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 2018 was 22.34 percent. For the calendar year ended 2018, the City contributed \$300,154 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, 2019

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, 2019, there was one retiree participating in the health insurance plan, and 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, 2019:

Assets	Fair Value 4/30/2019	Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,927,899	1,927,899		
	\$ 1,927,899	1,927,899	-	-

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, 2019.

There were no major categories of assets and liabilities measured at fair value on a nonrecurring basis during the year ended April 30, 2019.

CITY OF FAIRBURY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2019

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 50% complete.

Note 17 – Prior Period Adjustment

During the audit for the year ended April 30, 2019, an error was found in the City's financial statements as of April 30, 2018. It was discovered that costs incurred related to the City's sewer project were being expensed through the General Fund instead of capitalized as construction in progress in the Sewer Fund. As of April 30, 2018, the General Fund fund balance was understated by \$1,222,457 and the Sewer Fund capital assets were understated by \$1,222,457. The following table shows the effect on fund balance of this prior period adjustment.

	General Fund
Fund balance, as previously reported	\$ (273,283)
Prior period adjustment	<u>1,222,457</u>
Fund balance, as restated	<u>\$ 949,174</u>

Note 18 – Subsequent Events

The City has evaluated events occurring after the statement of net position – modified cash basis date through October 10, 2019, 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, 2019**

	Special Revenue Funds			
	Library Fund	Motor Fuel Tax Fund	Audit Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 128,958	140,057	8,125	277,140
Investments	13,104	169,663		182,767
TOTAL ASSETS	142,062	309,720	8,125	459,907
<u>FUND BALANCES</u>				
Fund Balances:				
Restricted	142,062	309,720	8,125	459,907
TOTAL FUND BALANCES	\$ 142,062	309,720	8,125	459,907

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, 2019

	Special Revenue Funds			
	Library Fund	Motor Fuel Tax Fund	Audit Fund	Total
Revenues collected:				
Property taxes	\$ 117,482		16,128	133,610
Replacement taxes	1,942			1,942
Motor fuel taxes		95,812		95,812
Grants and donations - nonpublic	60,260			60,260
Investment income	356	2,698		3,054
Licenses, fees, and fines	11,914			11,914
Rental income	2,947			2,947
Other income	423			423
Total revenues collected	195,324	98,510	16,128	309,962
Expenditures paid:				
Current:				
General government			15,532	15,532
Streets and recycling		279,410		279,410
Culture and recreation	161,225			161,225
Capital outlay	20,018			20,018
Total expenditures paid	181,243	279,410	15,532	476,185
Excess (deficiency) of revenues collected over (under) expenditures paid	14,081	(180,900)	596	(166,223)
Fund balances, beginning	127,981	490,620	7,529	626,130
Fund balances, ending	\$ 142,062	309,720	8,125	459,907

OTHER INFORMATION - UNAUDITED

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - GENERAL FUND
Year ended April 30, 2019**

	Budget			Over (Under)
	Original	Final	Actual	Budget
Revenues collected:				
Property taxes	\$ 800,000	800,000	855,683	55,683
Replacement taxes	20,000	20,000	20,825	825
Sales, local use, and video gaming taxes	645,000	645,000	741,325	96,325
State income taxes	350,000	350,000	364,764	14,764
Grants and donations - nonpublic	1,500	1,500	715	(785)
Donations - public			66,118	66,118
Investment income	3,500	3,500	6,756	3,256
Licenses, fees and fines	68,500	68,500	96,263	27,763
Garbage collection fees	365,000	365,000	298,197	(66,803)
Intergovernmental - public safety	23,000	23,000	22,010	(990)
Pool revenues	28,500	28,500	33,135	4,635
Other income	194,200	194,200	252,529	58,329
Total revenues collected	2,499,200	2,499,200	2,758,320	259,120
Expenditures paid:				
Current:				
General government	799,700	799,700	730,327	(69,373)
Public safety	810,400	810,400	788,007	(22,393)
Streets and recycling	740,300	740,300	694,697	(45,603)
Culture and recreation	76,800	76,800	76,369	(431)
Capital outlay	43,935,000	43,935,000	123,044	(43,811,956)
Debt service:				
Principal	70,867	70,867	70,867	-
Interest and fees	31,733	31,733	31,509	(224)
Total expenditures paid	46,464,800	46,464,800	2,514,820	(43,949,980)
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ (43,965,600)	(43,965,600)	243,500	44,209,100
Fund balance, beginning - as restated			949,174	
Fund balance, ending			\$ 1,192,674	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - LIBRARY FUND
Year ended April 30, 2019**

	Budget			Over (Under)
	Original	Final	Actual	Budget
Revenues collected:				
Property taxes	\$ 117,000	117,000	117,482	482
Replacement taxes			1,942	1,942
Grants and donations - nonpublic			60,260	60,260
Investment income			356	356
Licenses, fees and fines			11,914	11,914
Rental income			2,947	2,947
Other income	128,000	128,000	423	(127,577)
Total revenues collected	245,000	245,000	195,324	(49,676)
Expenditures paid:				
Current:				
Culture and recreation	214,000	214,000	161,225	(52,775)
Capital outlay	30,000	30,000	20,018	(9,982)
Total expenditures paid	244,000	244,000	181,243	(62,757)
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ 1,000	1,000	14,081	13,081
Fund balance, beginning			127,981	
Fund balance, ending			\$ 142,062	

CITY OF FAIRBURY, ILLINOIS**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - MOTOR FUEL TAX FUND
Year ended April 30, 2019**

	Budget		Actual	Over (Under) Budget
	Original	Final		
Revenues collected:				
Motor fuel taxes	\$ 95,000	95,000	95,812	812
Investment income	700	700	2,698	1,998
Total revenues collected	95,700	95,700	98,510	2,810
Expenditures paid:				
Current:				
Streets and recycling	251,000	251,000	279,410	28,410
Total expenditures paid	251,000	251,000	279,410	28,410
Excess (deficiency) of revenues collected over (under) expenditures paid	\$ (155,300)	(155,300)	(180,900)	(25,600)
Fund balance, beginning			490,620	
Fund balance, ending			\$ 309,720	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - AUDIT FUND**

Year ended April 30, 2019

	Budget		Actual	Over (Under) Budget
	Original	Final		
Revenues collected:				
Property taxes	\$ 15,900	15,900	16,128	228
Total revenues collected	15,900	15,900	16,128	228
Expenditures paid:				
Current:				
General government	17,000	17,000	15,532	(1,468)
Total expenditures paid	17,000	17,000	15,532	(1,468)
Excess (deficiency) of revenues collected over (under) expenditures paid	<u>\$ (1,100)</u>	<u>(1,100)</u>	596	<u>1,696</u>
Fund balance, beginning			<u>7,529</u>	
Fund balance, ending			<u>\$ 8,125</u>	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - WATER FUND
Year ended April 30, 2019**

	Budget			Over (Under)
	Original	Final	Actual	Budget
Operating revenues:				
Charges for services	\$ 884,000	884,000	950,020	66,020
Total operating revenues	884,000	884,000	950,020	66,020
Operating expenses:				
Salaries and related expenses	400,000	400,000	376,714	(23,286)
Contractual services	182,500	182,500	95,487	(87,013)
Utilities	35,000	35,000	33,142	(1,858)
Commodities	117,000	117,000	103,057	(13,943)
Miscellaneous	3,500	3,500	2,602	(898)
Transfer - Tower bonds	87,000	87,000		(87,000)
Contingencies	30,000	30,000		(30,000)
Projects	161,000	161,000		(161,000)
Depreciation			133,721	133,721
Total operating expenses	1,016,000	1,016,000	744,723	(271,277)
Operating income (loss)	(132,000)	(132,000)	205,297	337,297
Non-operating revenues (expenses):				
Interest income	500	500	3,719	3,219
Gain on disposal of asset	4,000	4,000		(4,000)
Interest expense			(7,523)	(7,523)
Miscellaneous	7,500	7,500	21,131	13,631
Total non-operating revenues (expenses)	12,000	12,000	17,327	5,327
Change in net position	\$ (132,000)	(132,000)	222,624	337,297
Net position, beginning			2,707,450	
Net position, ending			\$ 2,930,074	

CITY OF FAIRBURY, ILLINOIS

**BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - SEWER FUND
Year ended April 30, 2019**

	Budget			Over (Under)
	Original	Final	Actual	Budget
Operating revenues:				
Charges for services	\$ 930,000	930,000	1,042,334	112,334
Total operating revenues	930,000	930,000	1,042,334	112,334
Operating expenses:				
Salaries and related expenses	180,000	180,000	180,162	162
Contractual services	106,500	106,500	84,226	(22,274)
Utilities	77,000	77,000	69,937	(7,063)
Commodities	16,000	16,000	14,105	(1,895)
Miscellaneous	3,700	3,700	754	(2,946)
Transfer - Replacement	42,100	42,100		(42,100)
Contingencies	20,000	20,000		(20,000)
Projects	168,000	168,000		(168,000)
Depreciation			137,023	137,023
Total operating expenses	613,300	613,300	486,207	(127,093)
Operating income (loss)	316,700	316,700	556,127	239,427
Non-operating revenues (expenses):				
Interest income	100	100	4,362	4,262
Interest expense			(10,343)	(10,343)
Miscellaneous	900	900	1,161	261
Gain on transfer of capital asset			433	433
Forgiveness of debt			7,633,443	7,633,443
Total non-operating revenues (expenses)	1,000	1,000	7,629,056	7,628,056
Change in net position	\$ 317,700	317,700	8,185,183	7,867,483
Net position, beginning			3,028,284	
Net position, ending			\$ 11,213,467	

CITY OF FAIRBURY, ILLINOIS

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

Year ended April 30, 2019

	Budget	Actual
Expenditures paid:		
General government		
Personnel services	\$ 323,100	359,834
Employee retirement	299,000	252,704
Insurance and supplies	33,000	23,198
Contingencies and maintenance	18,500	13,329
Utilities	23,500	23,238
Outside services	25,000	9,885
Projects		4,689
Other expenses	77,600	43,450
Total general government	799,700	730,327
Public safety		
Personnel services	536,500	509,103
Insurance and supplies	45,500	47,766
Repairs and maintenance	50,500	44,709
Utilities	12,000	11,153
Other expenses	165,900	175,276
Total public safety	810,400	788,007
Streets and recycling		
Personnel services	494,000	463,702
Insurance and supplies	40,000	35,933
Repairs and maintenance	121,500	114,804
Utilities	2,800	2,231
Garbage disposal	65,000	64,625
Other expenses	17,000	13,402
Total streets and recycling	740,300	694,697
Culture and recreation		
Personnel services	37,600	40,503
Insurance and supplies	17,700	15,807
Repairs and maintenance	8,500	7,734
Utilities	12,000	10,350
Other expenses	1,000	1,975
Total culture and recreation	76,800	76,369
Capital outlay	43,935,000	123,044
Debt service		
Retirement of principal	70,867	70,867
Interest	31,733	31,509
Total debt service	102,600	102,376
Total general fund expenditures paid	\$ 46,464,800	2,514,820

CITY OF FAIRBURY, ILLINOIS

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

Five Years ended April 30, 2019

	2019	2018	2017	2016	2015
RECEIPTS					
Property taxes	\$ 989,293	957,878	943,565	930,269	801,100
Replacement taxes	22,767	22,799	27,972	26,628	22,292
Sales and local use taxes	741,325	717,125	675,434	710,024	764,192
State income taxes	364,764	397,962	357,714	408,431	364,825
Motor fuel taxes	95,812	95,552	95,551	96,288	124,725
Grants and donations - nonpublic	60,975	47,727	59,893	45,370	85,063
Donations - public	66,118	111,360			
Investment income	9,810	9,461	4,913	8,440	5,047
Licenses, fees and fines	108,177	128,029	99,732	92,815	77,890
Garbage collection fees	298,197	289,043	247,829	244,632	244,819
Intergovernmental - public safety	22,010	23,365	22,915	23,036	
Rental income	2,947	3,076	3,156	3,858	
Pool revenues	33,135	31,854	34,500	30,155	27,843
Other	252,952	252,325	284,287	255,157	447,649
Total receipts	3,068,282	3,087,556	2,857,461	2,875,103	2,965,445
DISBURSEMENTS					
Police	723,197	627,258	716,170	691,212	612,701
Streets and recycling	694,697	680,786	655,681	645,529	627,086
Fire	64,810	77,605	68,209	55,007	73,870
Park and pool	76,369	65,594	78,936	63,851	70,264
Library	161,225	154,305	161,218	159,410	
General government salaries	359,834	344,137	282,830	304,509	300,071
Repairs and maintenance	32,468	36,665	23,961	33,752	26,185
Utilities	23,238	22,342	18,496	20,055	23,785
Insurance	18,276	20,835	21,938	29,270	29,368
Outside services	25,417	30,299	592,104	157,302	43,244
Projects	4,689	883,134			
Administrative	21,867	24,358	33,487	17,203	15,091
Other	7,366	7,190	88,093	93,448	87,640
Motor fuel	279,410	82,997	87,010	56,568	101,022
Employee retirement	252,704	278,802	246,244	237,700	211,108
Capital outlay	143,062	452,245	210,800	277,936	836,942
Debt service - bonds	102,376	98,675	75,023	77,598	80,173
Total disbursements	2,991,005	3,887,227	3,360,200	2,920,350	3,138,550
Excess receipts over (under) disbursements	\$ 77,277	(799,671)	(502,739)	(45,247)	(173,105)
OTHER DATA					
Assets and liabilities at April 30:					
Cash and investments	\$ 1,614,164	1,536,017	1,660,182	1,504,734	1,743,007
Outstanding debt	886,808	2,180,132	905,270	567,789	621,987
Personnel costs					
Amount	1,731,073	1,737,741	1,648,000	1,619,874	1,440,429
Percent to total expenditures	57.9%	44.7%	49.0%	55.5%	45.9%
Budgeted expenditures	46,976,800	37,630,900	37,828,550	24,869,188	7,007,263

CITY OF FAIRBURY, ILLINOIS

**STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - WATER FUND
Five Years ended April 30, 2019**

	2019	2018	2017	2016	2015
Operating revenues					
Charges for services	\$ 950,020	869,768	902,021	650,432	660,642
Total operating revenues	950,020	869,768	902,021	650,432	660,642
Operating expenses					
Salaries and related expenses	376,714	387,418	334,710	341,490	327,695
Supplies	103,057	101,831	113,054	114,244	109,494
Truck expense	17,338	14,068	32,200	18,039	23,264
Repairs and maintenance	53,845	37,684	38,210	33,995	24,964
Utilities	33,142	32,959	32,707	31,908	38,515
Outside services	6,727	8,696	7,186	8,496	6,162
Insurance	17,577	16,044	10,339	15,719	15,076
Miscellaneous	2,602	2,563	1,504	1,633	1,640
Depreciation	133,721	125,860	106,164	93,929	94,327
Total operating expenses	744,723	727,123	676,074	659,453	641,137
Operating income (loss)	205,297	142,645	225,947	(9,021)	19,505
Nonoperating revenues (expenses)					
Interest income	3,719	2,236	1,009	984	917
Loss of disposal of asset			(476)		
Interest expense	(7,523)	(10,918)	(12,309)	(11,550)	(13,439)
Miscellaneous	21,131	15,176	18,110	12,765	132,976
Change in net position	\$ 222,624	149,139	232,281	(6,822)	139,959

OTHER DATA - WATER and SEWER

Assets and liabilities at April 30:

Cash and investments	\$ 2,879,182	2,054,262	1,374,177	823,280	640,949
EPA waste water treatment loans	522,182	555,904	589,132	621,874	654,136
EPA drinking water loans	511,217	580,951	649,261	716,181	612,432
Additions to property	43,342	233,620	186,478	347,201	473,296
Average number of users	1,715 *	1,828	1,825	1,819	1,817
Average revenue per user	\$ 1,162	972	903	564	574

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

CITY OF FAIRBURY, ILLINOIS

**STATEMENTS OF OPERATIONS AND DATA -
MODIFIED CASH BASIS - ENTERPRISE FUND - SEWER FUND
Five Years ended April 30, 2019**

	2019	2018	2017	2016	2015
Operating revenues					
Charges for services	\$ 1,042,334	907,453	745,046	375,945	382,874
Total operating revenues	1,042,334	907,453	745,046	375,945	382,874
Operating expenses					
Salaries and related expenses	180,162	197,075	162,522	151,808	146,415
Supplies	14,105	13,771	13,280	13,722	13,285
Truck expense	16,686	8,819	16,239	30,808	11,411
Repairs and maintenance	36,773	9,510	11,221	21,904	6,021
Utilities	69,937	64,609	66,002	66,430	76,315
Outside services	15,704	14,158	13,699	12,659	12,751
Insurance	12,300	12,091	17,279	14,021	11,456
Miscellaneous	3,517	2,023	2,552	1,127	1,841
Depreciation	137,023	154,592	186,783	249,020	186,370
Total operating expenses	486,207	476,648	489,577	561,499	465,865
Operating income (loss)	556,127	430,805	255,469	(185,554)	(82,991)
Nonoperating revenues (expenses)					
Interest income	4,362	1,841	691	706	682
Interest expense	(10,343)	(8,864)	(9,351)	(9,830)	(6,984)
Miscellaneous	1,161	1,126	930	9,155	647
Gain on transfer of capital asset	433				
Forgiveness of debt	7,633,443				
Change in net position	\$ 8,185,183	424,908	247,739	(185,523)	(88,646)

CITY OF FAIRBURY, ILLINOIS

**SCHEDULES OF GENERAL PROPERTY TAXES
2014 THROUGH 2018**

	2018 Levy		2017 Levy		2016 Levy		2015 Levy		2014 Levy	
Assessed Valuation	\$	54,430,537		54,742,821		54,771,597		52,824,417		52,514,796
	Rate	Extension	Rate	Extension	Rate	Extension	Rate	Extension	Rate	Extension
Tax Rates and Extensions:										
General Fund										
Corporate purpose	0.32673	\$ 177,841	0.30945	169,402	0.30006	164,348	0.30683	162,081	0.29655	155,733
Street lighting	0.04457	24,260	0.04352	23,824	0.04218	23,103	0.04312	22,778	0.04751	24,950
Garbage	0.20000	108,861	0.19636	107,493	0.19317	105,802	0.19802	104,603	0.19957	104,804
Fire protection	0.09782	53,244	0.09245	50,610	0.08963	49,092	0.09163	48,403	0.08866	46,560
Public benefits	0.05000	27,215	0.04909	26,873	0.04830	26,455	0.04951	26,153	0.04990	26,205
Police protection	0.09782	53,244	0.09245	50,610	0.08963	49,092	0.09163	48,403	0.08866	46,560
Audit	0.03124	17,004	0.03002	16,434	0.02910	15,939	0.02977	15,726	0.02879	15,119
IMRF/Social security	0.59280	322,664	0.57833	316,594	0.56069	307,099	0.57361	303,006	0.56298	295,648
Tort	0.12898	70,205	0.15640	85,618	0.15377	84,222	0.15782	83,367	0.16006	84,055
Unemployment compensation	0.00956	5,204	0.00933	5,108	0.00918	5,028	0.00938	4,955	0.00951	4,994
Total	1.57952	\$ 859,742	1.55740	852,565	1.51571	830,179	1.55132	819,476	1.53219	804,626

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 City of Fairbury, Illinois, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise City of Fairbury, Illinois' basic financial statements and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Fairbury, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

City of Fairbury, Illinois' Response to Finding

City of Fairbury, Illinois' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Fairbury, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 10, 2019



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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 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 City of Fairbury, Illinois' major federal programs for the year ended April 30, 2019. 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 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 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 City of Fairbury, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2019.

Report on Internal Control Over Compliance

Management of 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 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 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
October 10, 2019

CITY OF FAIRBURY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended April 30, 2019

<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>\$ 1,831,848</u>
Total Capitalization Grants for Clean Water State Revolving Funds Cluster			<u>1,831,848</u>
Total Environmental Protection Agency			<u>1,831,848</u>
Total Federal Expenditures			<u><u>\$ 1,831,848</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, 2019

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, 2019. 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. Therefore, since the City received less than that during the year, the balance of the loan at April 30, 2019 is \$0. 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, 2019. 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, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes 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? yes X no

CITY OF FAIRBURY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year ended April 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 Financial Reporting

Criteria: Management is responsible for establishing and maintaining adequate internal control over financial reporting, including controls over the ability of management to select and apply appropriate accounting principles to prepare financial statements and related note disclosures in conformity with the modified cash basis of accounting.

Condition: During the review of the financial reporting process, we noted that neither management nor the accounting personnel have the expertise to select and apply appropriate accounting principles or to prepare financial statements with appropriate note disclosures in accordance with the modified cash basis of accounting.

Cause: The responsibility for financial reporting rests entirely with the City and not the auditor. In other words, if the City is not able to issue, without the auditors' involvement, complete financial statements with note disclosures, in accordance with the modified cash basis of accounting, and free of material misstatement, that inability is a symptom of material deficiencies in internal control.

Effect: Without adequate financial reporting expertise, errors and omissions could occur in the financial statements and not be detected by management.

Recommendation: We recommend that management assess the financial reporting process and consider implementing additional reporting functions. Additionally, we recommend that the City Council include persons knowledgeable about financial statements and reporting requirements.

City's Response and Planned Corrective Action: The City is in agreement with this finding. The City is aware of the need for individuals who possess expertise with accounting principles and will try to recruit such individuals to run for City Council. The City will continue to closely monitor internal controls and to provide access to training for accounting staff as funding is available.

CITY OF FAIRBURY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended April 30, 2019

SECTION III - FEDERAL AWARDS FINDINGS

None

CITY OF FAIRBURY, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended April 30, 2019

None