

# City of Earlville, Illinois

Earlville, Illinois

## Annual Financial Report

April 30, 2017

Web Document

# City of Earlville, Illinois

Year ended April 30, 2017

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# City of Earlville, Illinois

Year ended April 30, 2017

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## Independent Auditors' Report

Mayor and City Council  
City of Earlville  
Earlville, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Earlville, Illinois as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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 City of Earlville, Illinois as of April 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

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

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Earlville, Illinois' basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 3-11 and 42-64, which are the responsibility of management, are presented for purposes of additional analysis 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 opinions or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2017, on our consideration of the City of Earlville, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Earlville, Illinois' internal control over financial reporting and compliance.

*Wipfli LLP*

Mendota, Illinois  
August 1, 2017

Management's Discussion and Analysis  
(Unaudited)

Web Document

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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The City of Earlville, Illinois' (the "City") management's discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activities, (3) identify changes in the City's financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit's financial plan (approved budget), and (5) identify individual fund issues or concerns.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2017 along with the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements and other information.

### **Governmental Financial Highlights for FY2017**

- The City's governmental assets exceeded its liabilities at the close of the fiscal year by \$1,182,201 (net position). Of this amount, \$221,033 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's governmental total net position decreased by \$42,868 during fiscal year 2017 as reported in the statement of activities.
- The City's major governmental revenue consisted of \$306,959 in property tax revenues and \$395,560 in other tax revenues.
- As of the close of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$487,360, a decrease of \$84,930 in comparison to 2016.

### **Business-Type Financial Highlights for FY2017**

- The City's business-type assets exceeded its liabilities at the close of the fiscal year by \$4,640,120 (net position). The restricted net position of \$113,814 is restricted for debt service requirements.
- The City's business-type net position increased by \$53,830 during fiscal year 2017 as reported in the statement of activities.
- The City's major business-type revenue consisted of \$749,745 in charges for services.

### **Overview of the Financial Statements**

This document serves as an introduction to the City's basic financial statements. There are three components to the basic financial statements – government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other information.

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### **Government-Wide Financial Statements**

These are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business, using the modified cash basis of accounting.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of improvements or deterioration of the financial position of the City.

The Statement of Activities presents information that shows how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as cash flows occur.

These statements highlight the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general control and administration, planning and zoning, public safety, highways and streets, health and welfare, and culture and recreation. There are three business-type activities accounted for by the City: the water and sewer utilities and garbage pick-up service.

The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund financial statements are reported on the modified cash basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental funds statement of assets, liabilities and fund balances and the governmental funds statement of revenues, expenditures and changes in fund balances – modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds and three business-type funds. Information is presented separately in the governmental funds statement of assets, liabilities and fund balance and in the governmental funds statement of revenues, expenditures, and changes in fund balances – modified cash basis for major governmental funds, (the General Fund, Motor Fuel Tax Fund, and TIF III). All other non-major governmental funds are combined and presented in one column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 14 – 17 of this report.



# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### **Government-Wide Financial Statements (Continued)**

*Proprietary funds.* Proprietary funds provide the same type of information as the government-wide financial statements. The City maintains three proprietary funds, the Waterworks Fund, Sewerage Fund, and Garbage Fund which are in the form of an enterprise fund.

The proprietary fund financial statements provide separate information for the Waterworks Fund, Sewerage Fund, and Garbage Fund considered to be major funds of the City. The proprietary funds financial statements can be found on pages 18 – 20 of this report.

#### Notes to the Financial Statements

These provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 21 – 41 of this report.

#### Other Information

This information addresses the City's budgetary comparison schedules, and the IMRF (Illinois Municipal Retirement Fund) Schedule of Changes in Net Pension Liability and Schedule of Contributions. The City adopts an annual appropriation ordinance for its General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Enterprise Funds. A comparison schedule has been provided for the General Fund and the other major funds to demonstrate compliance with this appropriation ordinance. The pension schedules have been provided to present the City's progress in funding its obligation to provide pension benefits to City employees through the IMRF system. This information can be found on pages 42 – 46 of this report.

Combining statements, as discussed earlier in connection with non-major governmental funds, are presented immediately following the information on pensions on pages 47 – 50 of this report. The City has also elected to include a statement of revenues compared with appropriated amounts for the General Fund (page 51) and statements of expenditures compared with appropriated amounts for each individual fund. These statements can be found on pages 52 – 63 of this report. The assessed valuations, tax rates, extensions, and collections are presented on page 64.

### **Government-Wide Financial Analysis**

A large portion of the City's net position is reflected in its investments in capital assets (i.e., land, buildings, equipment, vehicles, other improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services. Therefore, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of available debt, it should be noted that the resources required to repay this type of debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these types of liabilities.

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

### Government-Wide Financial Analysis (continued)

The following condensed financial information was derived from the *Government-Wide Statement of Net Position* and reflects how the City's net position compares to the prior fiscal year:

	Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 487,360	\$ 572,291	\$ 433,475	\$ 426,906	\$ 920,835	\$ 999,197
Noncurrent assets	759,841	782,778	4,862,523	5,021,817	5,622,364	5,804,595
<b>Total assets</b>	<b>1,247,201</b>	<b>1,355,069</b>	<b>5,295,998</b>	<b>5,448,723</b>	<b>6,543,199</b>	<b>6,803,792</b>
Current liabilities	65,000	65,000	265,878	257,434	330,878	322,434
Noncurrent liabilities	-	65,000	390,000	605,000	390,000	670,000
<b>Total liabilities</b>	<b>65,000</b>	<b>130,000</b>	<b>655,878</b>	<b>862,434</b>	<b>720,878</b>	<b>992,434</b>
Net position:						
Net investment in capital assets	694,841	652,778	4,257,523	4,206,817	4,952,364	4,859,595
Restricted	266,327	310,846	113,814	124,760	380,141	435,606
Unrestricted	221,033	261,445	268,783	254,713	489,816	516,158
<b>Total net position</b>	<b>\$1,182,201</b>	<b>\$1,225,069</b>	<b>\$ 4,640,120</b>	<b>\$ 4,586,290</b>	<b>\$5,822,321</b>	<b>\$5,811,359</b>

#### Governmental Activities

The net position of the City's governmental activities decreased 3.50% or \$42,868 (\$1,182,201 compared to \$1,225,069). The unrestricted net position decreased by \$40,412. This is the portion of net position that can be used to finance day-to-day operations of the City. The restricted net position decreased by \$44,519. The decrease is due to consistent tax revenues combined with increases in various expenses from the prior year.

#### Business-Type Activities

The net position of the City's business-type activities increased 1.15% or \$53,830 (\$4,640,120 compared to \$4,586,290). The unrestricted net position increased by \$14,070. The City generally can only use this net position to finance the continuing operations of the water and sewer utilities. There were no notable increases or decreases that varied significantly from 2016 to 2017.

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

### Government-Wide Financial Analysis (Continued)

The following table reflects the condensed financial information from the *Government-Wide Statement of Activities* and reflects how the City's revenues, expenditures, and changes in net position compare to the prior fiscal year:

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 44,922	\$ 44,131	\$ 749,745	\$ 741,466	\$ 794,667	\$ 785,597
Operating grants and contributions	43,261	43,595			43,261	43,595
General revenue:						
Local property taxes	306,959	302,140	2,970	3,986	309,929	306,126
Other taxes	395,560	414,783			395,560	414,783
Unrestricted investment earnings	2,235	1,396	1,504	1,090	3,739	2,486
Miscellaneous	3,328	1,666			3,328	1,666
<b>Total revenues</b>	<b>796,265</b>	<b>807,711</b>	<b>754,219</b>	<b>746,542</b>	<b>1,550,484</b>	<b>1,554,253</b>
Expenditures:						
General government	224,030	219,690			224,030	219,690
Public health and safety	249,718	268,849			249,718	268,849
Streets and alleys	310,132	222,872			310,132	222,872
Culture and recreation	20,078	11,510			20,078	11,510
Interest	2,600	3,900			2,600	3,900
Community development	14,197	14,437			14,197	14,437
Public works projects			700,389	719,698	700,389	719,698
Other	18,378	17,143			18,378	17,143
<b>Total expenditures</b>	<b>839,133</b>	<b>758,401</b>	<b>700,389</b>	<b>719,698</b>	<b>1,539,522</b>	<b>1,478,099</b>
Increase (decrease) in net position	\$(42,868)	\$ 49,310	\$ 53,830	\$ 26,844	\$ 10,962	\$ 76,154

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### **Government-Wide Financial Analysis (Continued)**

#### Governmental Activities

For the fiscal year ended April 30, 2017, revenues from governmental activities totaled \$796,265, a decrease of \$11,446 from 2016. Tax revenues (\$702,519 or 88.23%) continue to represent the largest source of income for governmental activities.

For the fiscal year ended April 30, 2017, expenditures from governmental activities totaled \$839,133, an increase of \$80,732 from 2016. Expenditures for streets and roads and public safety continue to represent the largest use of City funds.

#### Business-Type Activities

For the fiscal year ended April 30, 2017, revenues from business-type activities totaled \$754,219, an increase of \$7,677 from 2016. Charges for services (\$749,745 or 99.41%) represent the largest source of revenues for the business-type activities. These charges are mainly derived from fees for water, sewer, and garbage services.

For the fiscal year ended April 30, 2017, expenditures for business-type activities totaled \$700,389, a decrease of \$19,309 from 2016. This figure is in line with the total from recent fiscal years and represents consistent operating expenses within the water and sewer utilities.

### **Financial Analysis of the City's Major Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

#### Budgetary Highlights

The City's appropriation ordinance is prepared according to Illinois law and is based on accounting for certain transactions on a cash basis of accounting. An appropriation to actual schedule is provided as required supplementary information for the General Fund and the major Special Revenue and Capital Projects Funds.

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### **Financial Analysis of the City's Major Funds (Continued)**

#### General Fund Budgetary Variances

##### Cash Receipts

The most significant cash receipts for all funds during fiscal year 2017 continue to be property taxes and intergovernmental receipts. Intergovernmental taxes (shown on page 42) for 2017 were \$289,722 compared with the budgeted amount of \$339,450. Also, the local taxes for 2017 were \$185,386 compared with the budgeted amount of \$206,608.

##### Cash Disbursements

The City continues to appropriate much higher than is currently needed for all functions of the General Fund (see page 43). This is primarily done to protect the City in case of any large and/or unexpected expenses that could arise during the fiscal year.

#### Motor Fuel Tax Fund Budgetary Variances

##### Cash Receipts

Motor fuel taxes for 2017 were \$43,261 compared with the budgeted amount of \$45,000.

##### Cash Disbursements

Similar to the General Fund, the City appropriates higher than is currently needed in case unexpected road maintenance projects come up.

#### TIF III Fund Budgetary Variances

Cash receipts and disbursements for the TIF III Fund were comparable to their budgeted amounts.

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### Capital Asset and Long-Term Debt Activity

#### Capital Assets

The City's investment in capital assets for its governmental activities at year end totaled \$759,841 (net of accumulated depreciation) and business-type activities at year end totaled \$4,862,523 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, other improvements, and infrastructure such as streets, water and sewer. There were \$100,717 of total capital asset additions recorded during the year and \$282,951 of depreciation charges were expensed on the total capital assets. See Note 4 for details of capital assets.

<b>Governmental Net Book Value of Capital Assets</b>		
	<b>2017</b>	<b>2016</b>
Land	\$ 14,380	\$ 14,380
Buildings	181,541	179,355
Equipment	72,988	58,232
Vehicles	8,975	15,678
Other improvements	31,332	37,016
Infrastructure	450,625	478,118
<b>Total</b>	<b>\$ 759,841</b>	<b>\$ 782,779</b>

<b>Business-Type Net Book Value of Capital Assets</b>		
	<b>2017</b>	<b>2016</b>
Buildings	\$ 55,318	\$ 23,358
Equipment	77,106	85,231
Vehicles	435	1,479
Other improvements	13,593	15,445
Infrastructure	4,716,071	4,896,306
<b>Total</b>	<b>\$4,862,523</b>	<b>\$5,021,819</b>

# City of Earlville, Illinois

## Management's Discussion and Analysis

Years Ended April 30, 2017 and 2016

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### Capital Asset and Long-Term Debt Activity (Continued)

#### Debt Administration

At April 30, 2017, the City had \$65,000 in governmental activities long-term debt, which consisted of general obligation bonds payable. Amounts due next year on these obligations are \$65,000. See Notes 5-7 for details of governmental activities debt.

<b>Governmental Activities – Outstanding Debt</b>		
	<b>2017</b>	<b>2016</b>
General obligation bonds payable	\$ 65,000	\$ 130,000
<b>Total</b>	<b>\$ 65,000</b>	<b>\$ 130,000</b>

At April 30, 2017, the City had \$605,000 in business-type activities long-term debt which consists of general obligation bonds payable. Amounts due next year on these obligations are \$215,000. See Notes 5-7 for details of business-type activities debt.

<b>Business-Type Activities - Outstanding Debt</b>		
	<b>2017</b>	<b>2016</b>
General obligation bonds payable	\$ 605,000	\$ 815,000
<b>Total</b>	<b>\$ 605,000</b>	<b>\$ 815,000</b>

#### **Economic Factors**

Overall attention has been given to industrial, commercial and residential growth. The City's proactive approach has included partnering with developers in working agreements.

#### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and potential creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Earlville, Illinois  
210 W. Railroad  
Earlville, Illinois 60518  
Phone: (815) 246-9588

Basic Financial Statements

Web Document



# City of Earlville, Illinois

## Statement of Net Position - Modified Cash Basis

April 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 487,360	\$ 319,661	\$ 807,021
Restricted:			
Cash and cash equivalents		113,814	113,814
<b>Total current assets</b>	<b>487,360</b>	<b>433,475</b>	<b>920,835</b>
Noncurrent assets:			
Capital assets:			
Land	14,380		14,380
Other capital assets, net of accumulated depreciation	745,461	4,862,523	5,607,984
<b>Total noncurrent assets</b>	<b>759,841</b>	<b>4,862,523</b>	<b>5,622,364</b>
<b>Total assets</b>	<b>1,247,201</b>	<b>5,295,998</b>	<b>6,543,199</b>
<b>Liabilities</b>			
Current liabilities:			
Customer deposits		49,300	49,300
Notes payable		215,000	215,000
Bonds payable	65,000		65,000
Other current liabilities		1,578	1,578
<b>Total current liabilities</b>	<b>65,000</b>	<b>265,878</b>	<b>330,878</b>
Noncurrent liabilities:			
Notes payable		390,000	390,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>390,000</b>	<b>390,000</b>
<b>Total liabilities</b>	<b>65,000</b>	<b>655,878</b>	<b>720,878</b>
<b>Net Position</b>			
Net investment in capital assets	694,841	4,257,523	4,952,364
Restricted for debt service	772	113,814	114,586
Restricted	265,555		265,555
Unrestricted	221,033	268,783	489,816
<b>Total net position</b>	<b>\$ 1,182,201</b>	<b>\$ 4,640,120</b>	<b>\$ 5,822,321</b>

# City of Earlville, Illinois

## Statement of Activities - Modified Cash Basis

Year ended April 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 224,030	\$ 40,830	
Public health and safety	249,718	4,080	
Streets and alleys	310,132		\$ 43,261
Culture and recreation	20,078	12	
Interest	2,600		
Community development	14,197		
Other	18,378		
<b>Total governmental activities</b>	<b>\$ 839,133</b>	<b>\$ 44,922</b>	<b>\$ 43,261</b>
Business-type activities:			
Water	\$ 222,679	\$ 203,669	
Sewer	389,613	458,369	
Garbage	88,097	87,707	
<b>Total business-type activities</b>	<b>\$ 700,389</b>	<b>\$ 749,745</b>	<b>\$ -</b>
		General revenues	
		Taxes:	
		Property taxes	
		Other	
		Unrestricted investment earnings	
		Miscellaneous	
		<b>Total general revenues</b>	
		Change in net position	
		Net position - beginning	
		<b>Net position - ending</b>	

**Net (Expense) Revenue and  
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (183,200)		\$ (183,200)
(245,638)		(245,638)
(266,871)		(266,871)
(20,066)		(20,066)
(2,600)		(2,600)
(14,197)		(14,197)
(18,378)		(18,378)
<u>(750,950)</u>	\$ -	<u>(750,950)</u>
	(19,010)	(19,010)
	68,756	68,756
	(390)	(390)
-	<u>49,356</u>	<u>49,356</u>
306,959	2,970	309,929
395,560		395,560
2,235	1,504	3,739
3,328		3,328
<u>708,082</u>	<u>4,474</u>	<u>712,556</u>
(42,868)	53,830	10,962
1,225,069	4,586,290	5,811,359
<u>\$ 1,182,201</u>	<u>\$ 4,640,120</u>	<u>\$ 5,822,321</u>

# City of Earlville, Illinois

## Balance Sheet - Modified Cash Basis Governmental Funds

April 30, 2017

	<b>General Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 174,165
Due from other funds	66,000
<b>Total assets</b>	<b>\$ 240,165</b>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Due to other funds	\$ -
<b>Total liabilities</b>	<b>-</b>
Fund balances:	
Unassigned, reported in:	
General Fund	240,165
Special Revenue Funds with deficit fund balances	
Restricted	
Special Revenue Funds	
Debt Service Funds	
<b>Total fund balances (deficit)</b>	<b>240,165</b>
<b>Total liabilities and fund balances</b>	<b>\$ 240,165</b>

See notes to financial statements

<b>Motor Fuel Tax Fund</b>	<b>TIF III Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 156,648	\$ 46,868	\$ 109,679	\$ 487,360
			66,000
<b>\$ 156,648</b>	<b>\$ 46,868</b>	<b>\$ 109,679</b>	<b>\$ 553,360</b>
\$ -	\$ 66,000	\$ -	\$ 66,000
-	66,000	-	66,000
	(19,132)	-	240,165
			(19,132)
156,648		108,907	265,555
		772	772
156,648	(19,132)	109,679	487,360
<b>\$ 156,648</b>	<b>\$ 46,868</b>	<b>\$ 109,679</b>	<b>\$ 553,360</b>

# City of Earlville, Illinois

## Reconciliation of the Governmental Funds Balance Sheet - Modified Cash Basis to the Statement of Net Position - Modified Cash Basis

April 30, 2017

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Total fund balances - governmental funds	\$ 487,360
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$1,879,957 and the accumulated depreciation is \$1,120,116.	759,841
Long-term liabilities, including notes payable and bonds payable are not reported in the funds.	(65,000)
<hr/>	
Total net position - governmental activities	<u>\$ 1,182,201</u>

# City of Earlville, Illinois

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Governmental Funds

Year ended April 30, 2017

	<b>General Fund</b>
<b>Revenues:</b>	
Local taxes	\$ 185,386
Intergovernmental	289,722
Licenses, permits and fees	40,830
Rentals	12
Fines and forfeits	4,080
Other	4,276
<b>Total revenues</b>	<b>524,306</b>
<b>Expenditures:</b>	
Current:	
General government	116,525
Public health and safety	239,372
Streets and alleys	175,984
Culture and recreation	18,740
Other	
Debt service:	
Principal	
Interest	
Capital outlay	35,122
<b>Total expenditures</b>	<b>585,743</b>
Excess (deficiency) of revenues over (under) expenditures	(61,437)
<b>Other financing sources (uses):</b>	
Proceeds from bond issuance	
Operating transfer in	
Operating transfer out	
<b>Total other financing sources (uses)</b>	<b>-</b>
Net change in fund balances	(61,437)
Fund balances (deficit), beginning of year	301,602
Fund balances (deficit), end of year	\$ 240,165

See notes to financial statements

	Motor Fuel Tax Fund	TIF III Fund	Nonmajor Governmental Funds	Total
	\$ 43,261	\$ 54,244	\$ 173,167	\$ 412,797
				332,983
				40,830
				12
				4,080
	611	176	501	5,564
	43,872	54,420	173,668	796,266
		5,287	95,884	217,696
				239,372
	98,575			274,559
				18,740
		18,378		18,378
			65,000	65,000
			2,600	2,600
		9,729		44,851
	98,575	33,394	163,484	881,196
	(54,703)	21,026	10,184	(84,930)
	-	-	-	-
	(54,703)	21,026	10,184	(84,930)
	211,351	(40,158)	99,495	572,290
\$	156,648	\$ (19,132)	\$ 109,679	\$ 487,360



# City of Earlville, Illinois

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis of Governmental Funds to the Statement of Activities - Modified Cash Basis

Year ended April 30, 2017

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Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) - Governmental funds	\$ (84,930)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$67,789) exceeds capitalized fixed assets (\$44,851).	(22,938)
Note, bond, and lease payments are reported in governmental funds as expenditures. However, only the interest on notes, bonds, and leases are recorded in the statement of activities. This is the principal amount of notes, bonds and lease payments made during the period.	65,000
<hr/>	
Change in net position of governmental activities	\$ (42,868)
<hr/>	

# City of Earlville, Illinois

## Statement of Assets, Liabilities and Net Position Modified Cash Basis Proprietary Funds

April 30, 2017

	Waterworks Fund	Sewerage Fund	Garbage Fund	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 248,904	\$ 61,377	\$ 9,380	\$ 319,661
Restricted:				
Cash and cash equivalents		113,814		113,814
<b>Total current assets</b>	<b>248,904</b>	<b>175,191</b>	<b>9,380</b>	<b>433,475</b>
<b>Noncurrent assets:</b>				
Capital assets, net of accumulated depreciation	831,280	4,031,243		4,862,523
<b>Total assets</b>	<b>1,080,184</b>	<b>4,206,434</b>	<b>9,380</b>	<b>5,295,998</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Customer deposits	49,300			49,300
Notes payable		215,000		215,000
Other current liabilities	1,578			1,578
<b>Total current liabilities</b>	<b>50,878</b>	<b>215,000</b>	<b>-</b>	<b>265,878</b>
<b>Noncurrent liabilities:</b>				
Notes payable		390,000		390,000
<b>Total liabilities</b>	<b>50,878</b>	<b>605,000</b>	<b>-</b>	<b>655,878</b>
<b>Net Position</b>				
<b>Net position:</b>				
Net investment in capital assets	831,280	3,426,243		4,257,523
Restricted for debt service		113,814		113,814
Unrestricted	198,026	61,377	9,380	268,783
<b>Total net position</b>	<b>\$ 1,029,306</b>	<b>\$ 3,601,434</b>	<b>\$ 9,380</b>	<b>\$ 4,640,120</b>

# City of Earlville, Illinois

## Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis Proprietary Funds

Year ended April 30, 2017

	Waterworks Fund	Sewerage Fund	Garbage Fund	Total
Operating revenues:				
Basic charges for service	\$ 203,497	\$ 458,346	\$ 87,707	\$ 749,550
Property tax receipts			2,970	2,970
Other	172	23		195
<b>Total operating revenues</b>	<b>203,669</b>	<b>458,369</b>	<b>90,677</b>	<b>752,715</b>
Operating expenses:				
Personal services	97,059	97,685		194,744
Contractual services	53,372	94,574	86,636	234,582
Supplies	11,691	25,524	1,461	38,676
Depreciation	60,557	154,605		215,162
<b>Total operating expenses</b>	<b>222,679</b>	<b>372,388</b>	<b>88,097</b>	<b>683,164</b>
<b>Operating income (loss)</b>	<b>(19,010)</b>	<b>85,981</b>	<b>2,580</b>	<b>69,551</b>
Non operating revenues (expenses):				
Interest income	870	602	32	1,504
Interest expense		(16,475)		(16,475)
Other fees and charges		(750)		(750)
<b>Net non operating revenues (expenses)</b>	<b>870</b>	<b>(16,623)</b>	<b>32</b>	<b>(15,721)</b>
<b>Change in net position</b>	<b>(18,140)</b>	<b>69,358</b>	<b>2,612</b>	<b>53,830</b>
<b>Total net position, beginning of year</b>	<b>1,047,446</b>	<b>3,532,076</b>	<b>6,768</b>	<b>4,586,290</b>
<b>Total net position, end of year</b>	<b>\$ 1,029,306</b>	<b>\$ 3,601,434</b>	<b>\$ 9,380</b>	<b>\$ 4,640,120</b>

# City of Earlville, Illinois

## Statement of Cash Flows - Modified Cash Basis Proprietary Funds

Year ended April 30, 2017

	Waterworks Fund	Sewerage Fund	Garbage Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 203,263	\$ 458,369	\$ 90,677	\$ 752,309
Cash received for customer deposits	3,850			3,850
Cash paid to suppliers	(95,261)	(150,343)	(88,097)	(333,701)
Cash paid to employees	(66,861)	(67,440)	0	(134,301)
<b>Net cash provided by operating activities</b>	<b>44,991</b>	<b>240,586</b>	<b>2,580</b>	<b>288,157</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Transfer to restricted cash and cash equivalents		10,945		10,945
Principal payments - notes		(210,000)		(210,000)
Acquisition of capital assets	(48,901)	(6,966)		(55,867)
Interest and fees paid		(17,225)		(17,225)
<b>Net cash used in capital and related financing activities</b>	<b>(48,901)</b>	<b>(223,246)</b>	<b>-</b>	<b>(272,147)</b>
<b>Cash Flows from investing Activities:</b>				
Interest received	870	602	32	1,504
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,040)</b>	<b>17,942</b>	<b>2,612</b>	<b>17,514</b>
Cash and cash equivalents, beginning of year	251,944	43,435	6,768	302,147
<b>Cash and cash equivalents, end of year</b>	<b>\$ 248,904</b>	<b>\$ 61,377</b>	<b>\$ 9,380</b>	<b>\$ 319,661</b>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>				
Income (loss) from operations	\$ (19,010)	\$ 85,981	\$ 2,580	\$ 69,551
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities -				
Unearned cash paid to customers	(406)			(406)
Depreciation	60,557	154,605		215,162
Decrease in customer deposits	3,850			3,850
<b>Net cash provided by operating activities</b>	<b>\$ 44,991</b>	<b>\$ 240,586</b>	<b>\$ 2,580</b>	<b>\$ 288,157</b>

Notes to Financial Statements

Web Document

# City of Earlville, Illinois

## Notes to Financial Statements

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### **Note 1      Summary of Significant Accounting Policies**

#### Reporting entity

The City Council is the basic level of government which has oversight responsibility and control over all activities related to the operation of the City of Earlville, the primary government unit. The Council receives funding from local, state, and Federal government sources and must comply with the requirements of these funding source entities. However, the Council is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. There are no component units to be included with the primary government.

#### Summary of significant accounting policies

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of the interfund activity has been removed from these statements.

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

Earnings on investments not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the modified cash basis of accounting as are the proprietary fund financial statements. Revenues are recorded when cash is received and expenses are recorded when cash is paid, regardless of the timing of related cash flows. Property taxes are recognized as revenues when cash is received. Grants and similar items are recognized as revenue.

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Fund Accounting

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 that comprise its assets, liabilities, fund balance, cash receipts, and cash disbursements. City 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. The City has the following funds:

#### Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used, current liabilities are assigned to the fund from which they are paid, and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance and public safety are accounted for in this fund.

Motor Fuel Tax Fund – The Motor Fuel Tax Fund was created to account for intergovernmental tax funds received and designated to be spent for the purpose of maintaining City infrastructure, streets, and roads.

TIF III Fund – The TIF III Fund was created to account for the property tax funds received and designated to be spent for the purpose of the City's tax increment finance district.

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Fund Accounting (continued)

The other governmental funds of the City are considered nonmajor and are as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, fiduciary, or major capital projects) that are legally restricted to expenditures for specified purposes. The City's nonmajor Special Revenue Funds are the Audit Fund, Social Security Fund, Liability Insurance Fund, Unemployment Compensation Fund, Workmen's Compensation Fund, IMRF Fund.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The City's nonmajor Debt Service Fund is the 2007 Debt Certificate and Interest Repayment Fund.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The City currently has no non-major capital projects funds.

#### Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Waterworks Fund, Sewerage Fund, and Garbage Fund are the major enterprise funds of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds 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 Waterworks Fund, Sewerage Fund and Garbage Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.



# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Budgets and Budgetary Accounting

The City budgets for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds through an appropriation ordinance.

The City's appropriation ordinance is prepared on the basis of anticipated cash receipts and disbursements (cash basis).

The ordinance was passed on July 13, 2016. For each fund, total fund expenditures may not legally exceed the budgeted expenditures. The ordinance lapses at the end of each fiscal year. The City does not utilize an encumbrance system.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to May 1, the City prepares an annual appropriation ordinance for the fiscal year commencing May 1 of that year. The ordinance includes proposed expenditures and the means of financing them.

Legal spending control for City monies is at the fund level, but management control is exercised at budgetary line item levels within each fund.

- b) The City may amend the ordinance anytime by a two-thirds vote of all City Council members. The Council may make transfers between funds, but no appropriation may be reduced below an amount sufficient to cover such obligation. The City's did not amend the appropriation ordinance during fiscal year 2016.

#### Property Taxes

It is the City's intention that property taxes generated from the 2015 property tax levy be used to finance the operating budget of the fiscal year ending April 30, 2017. Therefore, property tax receipts represent the receipts generated by the 2015 property tax levy.

The City's property tax is levied each year on all taxable real property located in the City on or before the last Tuesday in December. The 2015 tax levy was passed by the City Council on December 9, 2015. Property taxes attach as an enforceable lien on property as of January 1, and are generally payable in two installments in early June and September. The City receives significant distributions of tax receipts within one month of these due dates.

#### Cash and Investments:

For the purpose of reporting cash and cash equivalents on the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Cash and Investments (continued)

The City considers certificates of deposit with a maturity of more than three months when purchased to be investments. Restricted cash and investments consist of loan requirement accounts.

#### Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates.

### Note 2 Cash and Investments

The City's cash and cash equivalents at year end consist of interest bearing demand deposit accounts and Illinois Funds. The restricted investment accounts represent two certificates of deposit held as of April 30, 2017.

Cash and cash equivalents as of April 30, 2017 are classified for the City as follows:

	<b>Statement of Net Position</b>
Cash and cash equivalents	\$ 807,021
Restricted cash and cash equivalents	113,814
<b>Total</b>	<b>\$ 920,835</b>

#### Deposits

At year-end the carrying amount of the City's deposits totaled \$920,835 and the bank balances totaled \$946,566. Of the City's deposits, all amounts are either FDIC insured or covered by collateral held by the pledging institution in the City's name. No deposits are uninsured or uncollateralized as of April 30, 2017. The City has no foreign currency risk for deposits at year end.

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 2 Cash and Investments (Continued)

#### Illinois Funds

The City has \$198,541 in the "Illinois Money Market Fund," formerly known as IPTIP. It is a money market fund that was created in 1975 by the Illinois General Assembly. Its primary purpose is to provide the custodians of public funds with an alternative investment vehicle which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds. The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. The time deposits are collateralized 110% over FDIC or FSLIC \$100,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations, and the collateral is checked daily to determine sufficiency. The individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account.

For financial statement purposes, the City shows Illinois Funds as cash and cash equivalents.

#### Investments

As of April 30, 2017, the Village had no investments.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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 has no specific policy on the interest rate risk at year-end as it has no investments.

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 2 Cash and Investments (Continued)

#### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of another party. At April 30, 2017, the City had no custodial credit risk as no City deposits were uninsured or uncollateralized.

#### Foreign Currency Risk

The City has no foreign currency risk for investments at year end.

### Note 3 Restricted Cash and Investments

In accordance with the provisions of the City's IEPA loan agreements, special accounts have been established to receive and disburse funds for debt retirement. Departmental revenues are transferred to these accounts as specified after first being deposited in a common cash account. The special accounts established by the loan agreements are not expendable for operating expenses of the City. The following schedule shows the detail of these accounts:

	<b>2017</b>
	<b>Deposits in Banks</b>
IEPA loan repayment:	
Cash	\$ 113,814
Total	\$ 113,814

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 4 Capital Assets

#### Capital assets

Capital assets, which include buildings, improvements, equipment, vehicles, and infrastructure, are reported in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of acquisition.

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend the useful life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except land and construction in process which are not depreciated, are being depreciated using the straight line method over the following useful lives:

Buildings	40 years
Equipment	4-7 years
Vehicles	5 years
Other improvements	10-20 years
Infrastructure	40 years

Capital assets are reported as expenditures when incurred in the governmental fund financial statements.

# City of Earlville, Illinois

## Notes to Financial Statements

### Note 4 Capital Assets (Continued)

The governmental activities capital asset activity for the year ended April 30, 2017 is as follows:

<b>Governmental activities:</b>	<b>Balance April 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance April 30, 2017</b>
Capital assets, not being depreciated:				
Land	\$ 14,380	\$ -	\$ -	\$ 14,380
<b>Total capital assets, not being depreciated</b>	<b>14,380</b>	<b>-</b>	<b>-</b>	<b>14,380</b>
Capital assets, being depreciated:				
Buildings	304,100	11,316	-	315,416
Equipment	195,066	29,295	-	224,361
Vehicles	150,433	-	-	150,433
Other improvements	511,501	-	-	511,501
Infrastructure	659,626	4,240	-	663,866
<b>Total capital assets, being depreciated:</b>	<b>1,820,726</b>	<b>44,851</b>	<b>-</b>	<b>1,865,577</b>
Accumulated depreciation:				
Buildings	124,745	9,130	-	133,875
Equipment	136,834	14,539	-	151,373
Vehicles	134,755	6,703	-	141,458
Other improvements	474,485	5,684	-	480,169
Infrastructure	181,508	31,733	-	213,241
<b>Total accumulated depreciation</b>	<b>1,052,327</b>	<b>67,789</b>	<b>-</b>	<b>1,120,116</b>
<b>Total capital assets, being depreciated, net</b>	<b>768,399</b>	<b>(22,938)</b>	<b>-</b>	<b>759,841</b>
<b>Governmental activities capital assets, net</b>	<b>\$782,779</b>	<b>\$(22,938)</b>	<b>\$ -</b>	<b>\$759,841</b>

# City of Earlville, Illinois

## Notes to Financial Statements

### Note 4 Capital Assets (Continued)

The business-type activities capital asset activity for the year ended April 30, 2017 is as follows:

Business-Type activities:	Balance April 30, 2016	Additions	Deletions	Balance April 30, 2017
Capital assets, being depreciated:				
Buildings	\$ 56,469	\$ 40,000	\$ -	\$ 96,469
Equipment	370,256	15,866	-	386,122
Vehicles	23,471	-	-	23,471
Other improvements	36,551	-	-	36,551
Infrastructure	8,120,153	-	-	8,120,153
<b>Total capital assets, being depreciated:</b>	<b>8,606,900</b>	<b>55,866</b>	<b>-</b>	<b>8,662,766</b>
Accumulated depreciation:				
Buildings	33,111	8,040	-	41,151
Equipment	285,025	23,991	-	309,016
Vehicles	21,992	1,044	-	23,036
Other improvements	21,106	1,852	-	22,958
Infrastructure	3,223,847	180,235	-	3,404,082
<b>Total accumulated depreciation</b>	<b>3,585,081</b>	<b>215,162</b>	<b>-</b>	<b>3,800,243</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,021,819</b>	<b>(159,296)</b>	<b>-</b>	<b>4,862,523</b>
<b>Business-Type activities capital assets, net</b>	<b>\$ 5,021,819</b>	<b>\$ (159,296)</b>	<b>\$ -</b>	<b>\$ 4,862,523</b>
Depreciation expense was charged to the functions as follows:				
<b>Governmental activities</b>				
General government				\$ 6,335
Public safety				10,346
Streets and alleys				35,573
Culture and recreation				1,338
Community development				14,197
<b>Total depreciation expense-governmental activities</b>				<b>67,789</b>
<b>Business-type activities</b>				
Water				60,557
Sewer				154,605
<b>Total depreciation expense-business type activities</b>				<b>215,162</b>
<b>Total depreciation expense</b>				<b>\$ 282,951</b>

# City of Earlville, Illinois

## Notes to Financial Statements

### Note 5 2014 Debt Certificates

During the 2015 fiscal year, the City of Earlville, Illinois, issued \$195,000 in general obligation debt certificates for the purpose of refinancing previously issued debt certificates and notes payable. The certificates are due on December 1 of each year, commencing December 1, 2014. Interest accrues on the certificates at 2.00% and is payable on December 1 of each year commencing on December 1, 2014. The certificates are payable from a property tax levy. During the fiscal year ended April 30, 2017, principal of \$65,000 and interest of \$2,600 was paid.

Future payment requirements are as follows:

<b>Fiscal Year Ending April 30,</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	2.00	\$ 65,000	\$ 1,300	\$ 66,300
		\$ 65,000	\$ 1,300	\$ 66,300

### Note 6 2014 Debt Certificates

During the 2015 fiscal year, the City of Earlville, Illinois, issued \$1,220,000 in general obligation debt certificates for the purpose of refinancing previously issued IEPA loans in the City's Sewer Fund. The certificates are due on December 1 of each year, commencing December 1, 2014. Interest accrues on the certificates at varying rates (see below) and is payable on December 1 of each year commencing on December 1, 2014. During the fiscal year ended April 30, 2017, principal of \$210,000 and interest of \$16,475 was paid.

Future payment requirements are as follows:

<b>Fiscal Year Ending April 30,</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	2.00	\$ 215,000	\$ 12,275	\$ 227,275
2019	2.00	215,000	7,975	222,975
2020	2.10	175,000	3,675	178,675
		\$ 605,000	\$ 23,925	\$ 628,925



# City of Earlville, Illinois

## Notes to Financial Statements

### Note 7 Changes in Outstanding Debt

Transactions for the year ended April 30, 2017, are summarized as follows:

<b>Fund Types</b>	<b>Balance April 30, 2016</b>	<b>Issues or Additions</b>	<b>Payments</b>	<b>Balance April 30, 2017</b>
Governmental activities:				
Debt certificates	\$ 130,000	\$ -	\$ 65,000	\$ 65,000
Business-type activities:				
IEPA loans	815,000	-	210,000	605,000
<b>Total debt</b>	<b>\$ 945,000</b>	<b>\$ -</b>	<b>\$ 275,000</b>	<b>\$ 670,000</b>

The annual aggregate maturities and interest payments for the five years subsequent to April 30, 2017 are as follows:

<b>Due During Year Ended April 30,</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2018	\$ 65,000	\$ 1,300	\$ 215,000	\$ 12,275	\$ 293,575
2019	-	-	215,000	7,975	222,975
2020	-	-	175,000	3,675	178,675
	<b>\$ 65,000</b>	<b>\$ 1,300</b>	<b>\$ 605,000</b>	<b>\$ 23,925</b>	<b>\$ 695,225</b>

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 8      **Municipal Retirement Fund**

**Plan description** – Employees of the City of Earlville, Illinois are provided with pensions through the Illinois Municipal Retirement Fund (IMRF) —an agent multiple-employer defined benefit pension plan. Established by the Illinois State Legislature for the benefit of Illinois municipal employed outside the city of Chicago, IMRF is governed by the Illinois Pension Code. IMRF issues a publicly available financial report that can be obtained at <http://imrf.org>.

**Benefits provided** - IMRF provides retirement, disability, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. The benefit provisions in effect on the member's date of participation determine a member's minimum benefit while the benefit provisions in effect on the member's date of termination determine a member's maximum benefit. Public Act 96-0889 added a new section to the Pension Code that applies different benefits to anyone who first contributes to IMRF on or after January 1, 2011 and does not have any other previous service credit with one of the reciprocal retirement systems in Illinois.

Members who first participate on or after that date are members of Tier II. Anyone who made contributions to IMRF prior to January 1, 2011 remain participants of Tier I. Tier I retirement benefit are determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. The pension amount is 1 2/3 percent of the final rate of earnings for each of the first fifteen years of service and 2 percent for each year of service credit in excess of fifteen years, up to a maximum of 75 percent of the final rate of earnings.

Tier II benefits are determined by the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Pension earnings are initially capped at \$112,408 increasing annually by 3 percent or the consumer price index, whichever is less.

**Employees Covered by the Benefit Terms** - At the December 31st 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	3
Active employees	8
<hr/>	
Total	11
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# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 8 Municipal Retirement Fund (continued)

**Contributions** - Employees are required to contribute 4.5 percent of their annual pay as set by statute. The statutes require each participating employer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. Employer contributions for disability benefits, death benefits and the supplemental retirement benefits are pooled. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability** - The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Aggregate Entry Age Normal
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage growth	3.5%
Price Inflation	2.75% - approximate, No explicit price inflation assumption is used in this valuation
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	RP-2014 Combined Healthy Mortality Table, with adjustments to match current IMRF experience. The IMRF specific rates were developed from the RP-2014 Disable Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives.

**Other Information:**

Notes There were no benefit changes during the year.

## Notes to Financial Statements

### Note 8 Municipal Retirement Fund (continued)

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2016 Illinois Municipal Retirement Fund annual actuarial valuation report.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study dated April 17, 2017 for the period January 1, 2016 through December 31, 2016. As a result of the December 31, 2016 actuarial experience study, new assumptions for the assumed rate of return, salary increase, inflation and related economic assumptions were adopted in the December 31, 2016 actuarial valuation to more closely reflect actual experience.

**Discount rate** - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Due to the City preparing its financial statements on the modified cash basis of accounting, pension liabilities and deferred inflows and outflows referred to throughout the note disclosure are not recognized in the actual financial statements.

#### Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance January 1, 2016	\$ 926,142	\$764,237	\$161,905
Service costs	43,209	-	43,209
Interest on total pension liability	70,512	-	70,512
Difference between expected and actual experience	26,315	-	26,315
Changes in assumptions	(9,250)	-	(9,250)
Employer contributions	-	39,369	(39,369)
Employee contributions	-	16,511	(16,511)
Net investment income	-	54,207	(54,207)
Benefit payments – net of refunds	-	-	-
Administrative expense	-	-	-
Other changes (Net Transfer)	-	(1,635)	1,635
Net changes	130,786	108,452	22,334
Balances as of December 31, 2016	\$1,056,928	\$872,689	\$184,239

# City of Earlville, Illinois

## Notes to Financial Statements

### Note 8 Municipal Retirement Fund (continued)

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$1,223,152	\$ 1,056,928	\$ 919,781
Plan Fiduciary Net Position	872,689	872,689	872,689
Net Pension Liability (Asset)	\$ 350,463	\$ 184,239	\$ 47,092

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued IMRF financial report which is publicly available at <http://imrf.org>.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended December 31, 2016; the City recognized pension expense of \$48,334. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, which are not reported due to the modified cash basis of accounting:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$21,175	\$26,879
Changes in assumptions	2,736	7,443
Net difference between projected and actual earnings	35,868	-
Employer contributions subsequent to the Measurement date	14,013	-
Total	\$73,792	\$34,322

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended December 31:

2017	\$8,841
2018	8,841
2019	8,841
2020	(1,466)
2021	400
Thereafter	-
Total	\$25,457

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 9 Social Security

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund are considered to be "non-participating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under social security. The City paid \$33,632, equal to the total required contribution for the year ended April 30, 2017.

### Note 10 Special Tax Levy

Proceeds from the Police Protection Tax Levy and related disbursements have been included in the operations of the General Fund. As of April 30, 2017, cumulative disbursements for police protection have exceeded cumulative tax receipts.

### Note 11 Legal Debt Margin

The following schedule illustrates the legal debt margin of the City as of April 30, 2017:

Assessed valuation – 2016	\$ 17,435,837
Statutory debt limitation (8.625% of assessed valuation)	\$ 1,503,841
Debt outstanding at April 30, 2017: Governmental Activities (EPA loans not considered under debt margin calculations)	(65,000)
Legal debt margin	\$ 1,438,841

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 12 Other Required Individual Disclosures

Generally accepted accounting principles require an overview of certain information concerning individual funds as part of the fund financial statements, including:

Individual fund interfund receivable and payable balances. Balances at April 30, 2017 were as follows:

<u>Fund Owed</u>	<u>Fund Owing</u>	<u>Total</u>
General	TIF III	\$ 66,000
		<u>\$ 66,000</u>

The interfund loans involving the general fund and TIF III fund is to cover operating costs.

As of April 30, 2017, the following funds had a deficit fund balance by the amount stated:

TIF III Fund	\$ 19,132
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### Note 13 Risk Management

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation, and public official liability. To limit exposure to these risks, the City participates in the Illinois Municipal League Risk Management Association. The City is liable for up to a \$500 per year deductible for all years it participates in the plan. The City's policy is to record any related expenditures in the year in which they are notified and pay the assessment. The City is not aware of any additional assessments owed as of April 30, 2017.

During the year ended April 30, 2017, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

# City of Earlville, Illinois

## Notes to Financial Statements

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### **Note 14      TIF Districts**

The TIF District III was established during the fiscal year ended April 30, 1999. The goal of the Tax Increment Financing law is to induce private development, which would not occur without public expenditure, in economically depressed areas in order to improve property values and eliminate blight.

TIF District III was established to account for tax increment allocation financing for the Downtown Earlville Tax Increment Redevelopment Project Area.

There are intergovernmental agreements between the City's TIF District III and LaSalle County, Earlville Community Unit School District No. 9, and Illinois Valley Community College. The terms of the agreement between the City and the County require the City to make annual payments to the County during the life of TIF District III. Said payments shall reimburse the County for 51% of its incremental real estate tax loss within TIF District III. The terms of the agreement between the City and District No. 9, also require the City to reimburse the District for the real estate tax loss to the District caused by TIF District III. Payments to Illinois Valley Community College shall reimburse the College for 100% of its tax loss due to the TIF District.

### **Note 15      Economic Incentive Agreement**

During a prior fiscal year, the City entered into an economic incentive agreement with Premier Oil Holdings, LLC. Under the terms of the agreement, the City shall share or rebate one-half (1/2) of the retailers' occupation taxes generated from or at the development during a period of fifteen years, up to a maximum of \$75,000. The City shall have no further obligation to make any further payments when and if such \$75,000 limit has been reached. During the current fiscal year, the City paid \$6,725 under this agreement. As of April 30, 2017 the total amount paid is \$56,903.



# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 16 Impact of Pending Accounting Principles

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined the effect of this Statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses issues regarding the presentation of payroll related measures in requirement supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not determined the effect of this Statement.

Web

# City of Earlville, Illinois

## Notes to Financial Statements

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### Note 17 Fund Balance Reporting

On April 25, 2012, the City adopted a fund balance policy pursuant to Governmental Accounting Standards Board Statement No. 54. According to this standard, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions for how these balances are reported.

#### Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has several revenue sources received within different funds that are restricted for the following purposes:

Social Security	\$	19,425
Audit Services		8,124
Liability Insurance		32,526
Unemployment Insurance		7,784
Workmen's Compensation		22,857
Municipal Retirement		18,191
Road Maintenance		156,648
Debt Certificate Repayment		772
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Total Restricted	\$	266,327

#### Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to report deficit fund balances in all other funds (TIF III Fund).

#### Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, assigned balances next, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

Other Information

Web Document

# City of Earlville, Illinois

## Schedule of Revenues and Expenditures Compared with Appropriations - Modified Cash Basis General Fund

Year ended April 30, 2017

	Appropriated Amounts		Over/(Under) Budget
	Original and Final	Actual	
Revenues:			
Local taxes	\$ 206,608	\$ 185,386	\$ (21,222)
Intergovernmental	339,450	289,722	(49,728)
Licenses, permits and fees	46,030	40,830	(5,200)
Rentals	30	12	(18)
Fines and forfeits	14,100	4,080	(10,020)
Other	8,800	4,276	(4,524)
<b>Total revenues</b>	<b>\$ 615,018</b>	<b>\$ 524,306</b>	<b>\$ (90,712)</b>
Expenditures:			
General government	\$ 165,950	\$ 116,525	\$ (49,425)
Public health and safety	300,490	239,372	(61,118)
Streets and alleys	224,864	175,984	(48,880)
Culture and recreation	19,990	18,740	(1,250)
Capital outlay	88,700	35,122	(53,578)
<b>Total expenditures</b>	<b>\$ 799,994</b>	<b>\$ 585,743</b>	<b>\$ (214,251)</b>

# City of Earlville, Illinois

## Schedule of Revenues and Expenditures Compared with Appropriations - Modified Cash Basis Motor Fuel Tax Fund

Year ended April 30, 2017

	Appropriated Amounts		Actual	Over/(Under) Budget
	Original and Final			
<b>Revenues:</b>				
Intergovernmental - Motor Fuel taxes	\$ 45,000	\$ 43,261	\$	(1,739)
Other - Interest	400	611		211
<b>Total revenues</b>	<b>\$ 45,400</b>	<b>\$ 43,872</b>	<b>\$</b>	<b>(1,528)</b>
<b>Expenditures:</b>				
Streets and alleys	\$ 256,350	\$ 98,575	\$	(157,775)
Capital outlay	-	-		-
<b>Total expenditures</b>	<b>\$ 256,350</b>	<b>\$ 98,575</b>	<b>\$</b>	<b>(157,775)</b>

Web Document

# City of Earlville, Illinois

## Schedule of Revenues and Expenditures Compared with Appropriations - Modified Cash Basis TIF III Fund

Year ended April 30, 2017

	Appropriated Amounts		Actual	Over/(Under) Budget
	Original and Final			
<b>Revenues:</b>				
Property taxes	\$ 54,245	\$ 54,244	\$	(1)
Other - Interest	70	176		106
<b>Total revenues</b>	<b>\$ 54,315</b>	<b>\$ 54,420</b>	<b>\$</b>	<b>105</b>
<b>Expenditures:</b>				
<b>General government:</b>				
Contract services	\$ 1,200	\$ 875	\$	(325)
Legal	100	-		(100)
Maintenance - building	58,000	4,340		(53,660)
Maintenance - equipment	2,000	-		(2,000)
Miscellaneous	300	72		(228)
Capital outlay	-	9,729		9,729
<b>Other:</b>				
<b>Inter-governmental agreements:</b>				
Earlville CUSD #9	13,701	13,700		(1)
LaSalle County	2,711	2,710		(1)
Illinois Valley Community College	1,967	1,968		1
<b>Total expenditures</b>	<b>\$ 79,979</b>	<b>\$ 33,394</b>	<b>\$</b>	<b>(46,585)</b>

# City of Earlville, Illinois

## Other Information - Illinois Municipal Retirement Fund (IMRF) Multiyear Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Calendar Years (schedule to be built prospectively from 2015)

Calendar year ending December 31,	2016	2015
Total pension liability:		
Service cost	\$43,209	\$49,100
Interest on the total pension liability	70,512	65,227
Benefit changes	-	-
Difference between expected and actual experience	26,315	(40,473)
Assumption changes	(9,250)	4,120
Benefit payments and refunds	-	(937)
Net change in total pension liability	130,786	77,037
Total pension liability - beginning	926,142	849,105
Total pension liability - ending (a)	\$1,056,928	\$926,142
Plan fiduciary net position:		
Employer contributions	\$39,369	\$41,212
Employee contributions	16,511	17,061
Pension plan net investment income	54,207	3,921
Benefit payments and refunds	-	(937)
Other	(1,635)	(52,456)
Net change in plan fiduciary net position	108,452	8,801
Plan fiduciary net position - beginning	764,237	755,436
Plan fiduciary net position - ending (b)	\$872,689	\$764,237
Net pension liability(asset) - Ending (a) - (b)	184,239	161,905
Plan fiduciary net position as a percentage of total pension liability	82.57%	82.52%
Covered valuation payroll	366,902	379,127
Net pension liability as a percentage of covered valuation payroll	50.21%	42.70%

The City implemented GASB Statement No. 68 in the fiscal year ending April 30, 2016.

# City of Earlville, Illinois

## Illinois Municipal Retirement Fund Multiyear Schedule of Contributions – Last 10 Calendar Years

April 30, 2017  
(Unaudited)

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<b>Calendar Year Ending December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Valuation Payroll</b>	<b>Actual Contribution as a % of Covered Valuation Payroll</b>
2015	\$41,211	\$41,212	\$(1)	\$379,127	10.87%
2016	39,369*	39,369	0	366,902	10.73%

\* Estimated based on contribution rate of 10.73% and covered valuation payroll of \$366,902.

Schedule to be built prospectively. The City implemented GASB Statement No. 68 in the fiscal year ending April 30, 2016.

Web Document



# City of Earlville, Illinois

Combining Statement of Assets, Liabilities, and Fund Balances  
 Modified Cash Basis  
 Nonmajor Governmental Funds

April 30, 2017

<i>Assets</i>	Special Revenue Funds	Debt Service Fund - 2007 Debt Certificate Repayment Fund	Total Nonmajor Governmental Funds
Cash	\$ 108,907	\$ 772	\$ 109,679
Total assets	\$ 108,907	\$ 772	\$ 109,679
<i>Liabilities and Fund Balances</i>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Unreserved	-	-	-
Reserved	108,907	772	109,679
Total fund balances	108,907	772	109,679
Total liabilities and fund balances	\$ 108,907	\$ 772	\$ 109,679

Web Document

# City of Earlville, Illinois

## Combining Statement of Assets, Liabilities, and Fund Balances Modified Cash Basis Nonmajor Special Revenue Funds

April 30, 2017

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<i>Assets</i>	<b>Audit Fund</b>	<b>Social Security Fund</b>	<b>Liability Insurance Fund</b>
Cash	\$ 8,124	\$ 19,425	\$ 32,526
Total assets	\$ 8,124	\$ 19,425	\$ 32,526
<i>Liabilities and Fund Balance</i>			
Liabilities:			
Other liabilities			
Total liabilities	-	-	-
Fund balances:			
Unreserved			
Reserved	\$ 8,124	\$ 19,425	\$ 32,526
Total fund balances	8,124	19,425	32,526
Total liabilities and fund balances	\$ 8,124	\$ 19,425	\$ 32,526

Unemployment Compensation Fund	Workmen's Compensation Fund	IMRF Fund	Total Nonmajor Special Revenue Funds
\$ 7,784	\$ 22,857	\$ 18,191	\$ 108,907
\$ 7,784	\$ 22,857	\$ 18,191	\$ 108,907
-	-	-	-
\$ 7,784	\$ 22,857	\$ 18,191	\$ 108,907
7,784	22,857	18,191	108,907
\$ 7,784	\$ 22,857	\$ 18,191	\$ 108,907

Web Document

# City of Earlville, Illinois

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Nonmajor Governmental Funds

Year ended April 30, 2017

	Special Revenue Funds	Debt Service Fund - 2007 Debt Certificate Repayment Fund	Total Nonmajor Governmental Funds
Revenues:			
Local taxes:			
Property taxes	\$ 106,901	\$ 66,266	\$ 173,167
Other:			
Interest	449	52	501
<b>Total revenues</b>	<b>107,350</b>	<b>66,318</b>	<b>173,668</b>
Expenditures:			
General government	95,884	-	95,884
Debt service	-	67,600	67,600
<b>Total expenditures</b>	<b>95,884</b>	<b>67,600</b>	<b>163,484</b>
Excess (deficiency) of revenues over (under) expenditures	11,466	(1,282)	10,184
Fund balances, beginning of year	97,441	2,054	99,495
<b>Fund balances, end of year</b>	<b>\$ 108,907</b>	<b>\$ 772</b>	<b>\$ 109,679</b>

# City of Earlville, Illinois

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis Nonmajor Special Revenue Funds

Year ended April 30, 2017

	Audit Fund	Social Security Fund	Liability Insurance Fund
Revenues:			
Local taxes:			
Property taxes	\$ 7,920	\$ 23,755	\$ 22,766
Other:			
Interest	28	88	126
Total revenues	7,948	23,843	22,892
Expenditures:			
General government	7,500	23,358	18,991
Total expenditures	7,500	23,358	18,991
Excess (deficiency) of revenues over (under) expenditures	448	485	3,901
Fund balances (deficit), beginning of year	7,676	18,940	28,625
Fund balances (deficit), end of year	\$ 8,124	\$ 19,425	\$ 32,526

Unemployment Compensation Fund	Workmen's Compensation Fund	IMRF Fund	Total Nonmajor Special Revenue Funds
\$ 990	\$ 22,766	\$ 28,704	\$ 106,901
28	91	88	449
1,018	22,857	28,792	107,350
582	18,500	26,953	95,884
582	18,500	26,953	95,884
436	4,357	1,839	11,466
7,348	18,500	16,352	97,441
\$ 7,784	\$ 22,857	\$ 18,191	\$ 108,907

# City of Earlville, Illinois

## Statement of Revenues Compared with Appropriated Amounts General Fund - Modified Cash Basis

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
<b>Local taxes:</b>			
Property taxes	\$ 82,608	\$ 79,548	\$ (3,060)
Utility taxes	80,000	75,101	(4,899)
Telecommunications taxes	44,000	30,737	(13,263)
	206,608	185,386	(21,222)
<b>Intergovernmental:</b>			
Sales tax	85,000	74,198	(10,802)
Use tax	45,000	41,560	(3,440)
Income tax	195,000	161,957	(33,043)
Replacement tax	8,450	7,827	(623)
Video gaming tax	6,000	4,180	(1,820)
	339,450	289,722	(49,728)
<b>Licenses, permits and fees:</b>			
Gas franchise fees	3,500	3,853	353
Cable franchise fees	-	9,868	9,868
Building permits	3,000	2,364	(636)
Wireless network permit	750	600	(150)
Liquor licenses	4,000	3,950	(50)
Plan review fees	3,000	-	(3,000)
Development fees	4,000	-	(4,000)
Vehicle sticker fees	24,000	18,060	(5,940)
Miscellaneous permits and fees	3,780	2,135	(1,645)
	46,030	40,830	(5,200)
Rentals	30	12	(18)
<b>Fines and forfeits:</b>			
County court fines	6,000	2,386	(3,614)
Local police and DUI fines	3,500	1,332	(2,168)
Drug fines	600	62	(538)
Ordinance violation fines	4,000	300	(3,700)
	14,100	4,080	(10,020)
<b>Other:</b>			
Interest	800	947	147
Donations	5,000	-	(5,000)
Miscellaneous	3,000	3,328	328
	8,800	4,275	(4,525)
<b>Total</b>	<b>\$ 615,018</b>	<b>\$ 524,305</b>	<b>\$ (90,713)</b>

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts General Fund - Modified Cash Basis

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
General government:			
Administration:			
Salaries:			
Employees	\$ 34,910	\$ 33,902	\$ (1,008)
Elected officials	29,500	29,211	(289)
Overtime	3,000	2,401	(599)
Employee benefits	11,090	9,545	(1,545)
Legal	6,000	2,700	(3,300)
Engineering services	1,000	-	(1,000)
Postage	500	477	(23)
Telephone	2,700	2,847	147
Publishing	2,500	1,362	(1,138)
Printing	1,000	721	(279)
Dues, memberships, and publications	1,650	1,151	(499)
Travel expense	1,700	545	(1,155)
Training	5,500	2,181	(3,319)
Data processing	4,000	2,974	(1,026)
Bonds	150	99	(51)
Equipment maintenance	1,000	99	(901)
Contract services	8,000	2,291	(5,709)
Office supplies	1,000	747	(253)
Other supplies	750	195	(555)
Donations	2,500	2,500	-
Economic incentive expense	7,500	6,725	(775)
Miscellaneous	800	308	(492)
Capital outlay:			-
Equipment	5,000	1,452	(3,548)
	131,750	104,433	(27,317)
City Hall:			
Maintenance service:			
Building	5,000	1,373	(3,627)
Equipment	4,000	98	(3,902)
Professional services	2,600	1,438	(1,162)
Contract services	1,000	195	(805)
Utilities	2,500	693	(1,807)
Janitorial supplies	500	107	(393)
Miscellaneous	300	55	(245)
Capital outlay:			-
Building	7,500	-	(7,500)
Equipment	4,000	1,587	(2,413)
	27,400	5,546	(21,854)



# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts General Fund - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
General government (cont.):			
Zoning:			
Contract services	7,000	5,799	(1,201)
Engineering	7,500	3,522	(3,978)
Legal	4,000	-	(4,000)
Printing	3,000	-	(3,000)
Publishing	1,500	254	(1,246)
Miscellaneous	300	10	(290)
	23,300	9,585	(13,715)
<hr/>			
Total general government	182,450	119,564	(62,886)
<hr/>			
Public health and safety:			
Police:			
Salaries:			
Full time	145,000	132,677	(12,323)
Part time	42,000	24,881	(17,119)
Overtime	10,000	12,105	2,105
Employee benefits	42,990	35,131	(7,859)
Uniforms	3,000	1,321	(1,679)
Legal	5,000	4,725	(275)
Maintenance service:			
Equipment	3,500	3,166	(334)
Vehicles	4,000	2,169	(1,831)
Data processing	2,000	1,945	(55)
Postage	350	349	(1)
Telephone	3,000	3,080	80
Printing	600	-	(600)
Dispatching	8,850	8,700	(150)
Dues, memberships, and publications	1,200	253	(947)
Travel expense	200	-	(200)
Training	2,500	1,496	(1,004)
Animal control services	1,000	-	(1,000)
Other supplies	1,500	813	(687)
Office supplies	1,500	484	(1,016)
Gas and oil	15,000	5,898	(9,102)
Drug enforcement expense	7,000	-	(7,000)
Miscellaneous	300	179	(121)
Capital outlay:			
Equipment	7,000	4,861	(2,139)
Furniture	700	-	(700)
	308,190	244,233	(63,957)
<hr/>			
Total public health and safety	308,190	244,233	(63,957)

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts General Fund - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
<b>Streets and alleys:</b>			
<b>Salaries:</b>			
Full time	57,570	57,607	37
Overtime	7,000	4,753	(2,247)
Employee benefits	25,344	19,250	(6,094)
Uniforms	400	400	-
Legal	1,000	-	(1,000)
<b>Maintenance:</b>			
Building	2,000	457	(1,543)
Equipment	10,000	6,241	(3,759)
Vehicles	5,000	8,157	3,157
Streets	40,000	39,075	(925)
Contract service	20,000	5,834	(14,166)
Engineering service	2,500	234	(2,266)
Services - Julie	300	175	(125)
Travel	200	-	(200)
Training	300	-	(300)
Telephone	700	497	(203)
Utilities - heating	1,000	538	(462)
Street lighting	27,000	23,006	(3,994)
Equipment rental	5,000	-	(5,000)
<b>Supplies:</b>			
Snow removal	6,000	1,308	(4,692)
Other	4,500	3,595	(905)
Small tools	750	143	(607)
Gas and oil	8,000	4,648	(3,352)
Miscellaneous	300	66	(234)
<b>Capital outlay:</b>			
Equipment	45,000	22,982	(22,018)
Streets	-	4,240	4,240
Sidewalk	5,000	-	(5,000)
Storm sewer improvement	10,000	-	(10,000)
<b>Total streets and alleys</b>	<b>284,864</b>	<b>203,206</b>	<b>(81,658)</b>

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts General Fund - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
Culture and recreation:			
Parks:			
Salaries - full time	7,690	7,680	(10)
Salaries - overtime	500	116	(384)
Maintenance:			
Building	4,000	1,722	(2,278)
Equipment	3,000	1,602	(1,398)
Contract services	1,000	5,812	4,812
Utilities - park lighting	2,000	1,438	(562)
Gas and oil	500	23	(477)
Supplies - other	1,000	295	(705)
Miscellaneous	300	52	(248)
Capital outlay:			
City park improvements	2,000	-	(2,000)
Equipment	2,500	-	(2,500)
<b>Total culture and recreation</b>	<b>24,490</b>	<b>18,740</b>	<b>(5,750)</b>
<b>Total General Fund expenditures</b>	<b>\$ 799,994</b>	<b>\$ 585,743</b>	<b>\$ (214,251)</b>

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Special Revenue Funds - Modified Cash Basis

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
<i>Audit Fund</i>			
General government:			
Audit expense	\$ 12,600	\$ 7,500	\$ (5,100)
Interfund operating transfer	3,000	-	(3,000)
<b>Total Audit Fund</b>	<b>\$ 15,600</b>	<b>\$ 7,500</b>	<b>\$ (8,100)</b>
<i>Motor Fuel Tax Fund</i>			
Streets and alleys:			
Engineering	\$ 26,350	\$ 9,600	\$ (16,750)
Street repairs	230,000	88,975	(141,025)
<b>Total Motor Fuel Tax Fund</b>	<b>\$ 256,350</b>	<b>\$ 98,575</b>	<b>\$ (157,775)</b>
<i>Social Security Fund</i>			
General government:			
Payroll taxes	\$ 42,900	\$ 23,358	\$ (19,542)
<i>Liability Insurance Fund</i>			
General government:			
Insurance expense	\$ 50,000	\$ 18,991	\$ (31,009)
<i>Unemployment Compensation Fund</i>			
General government:			
Unemployment taxes	\$ 8,000	\$ 582	\$ (7,418)
<i>Workmen's Compensation Fund</i>			
General government:			
Insurance expense	\$ 41,500	\$ 18,500	\$ (23,000)
<i>IMRF Fund</i>			
General government:			
IMRF expense	\$ 45,400	\$ 26,953	\$ (18,447)

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Special Revenue Funds - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
<i>TIF III Fund</i>			
General government:			
Contract services	\$ 1,200	\$ 875	\$ (325)
Legal	100	-	(100)
Maintenance - building	58,000	4,340	(53,660)
Maintenance - equipment	2,000	-	(2,000)
Capital outlay	-	9,729	9,729
Miscellaneous	300	72	(228)
	61,600	15,016	(46,584)
Other:			
Inter-governmental agreements:			
Earlville CUSD #9	13,701	13,700	(1)
LaSalle County	2,711	2,710	(1)
Illinois Valley Community College	1,967	1,968	1
	18,379	18,378	(1)
<b>Total TIF III Fund</b>	<b>\$ 79,979</b>	<b>\$ 33,394</b>	<b>\$ (46,585)</b>

Web Document

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Debt Service Funds - Modified Cash Basis

Year ended April 30, 2017

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	<b>Appropriations</b>	<b>Actual</b>	<b>Over/(Under) Budget</b>
<i>2007 Debt Certificate</i>			
<i>Repayment Fund</i>			
Debt service:			
Principal	\$ 65,000	\$ 65,000	\$ -
Interest	2,600	2,600	-
	67,600	67,600	-
Total 2007 Debt Certificate and Interest Repayment Fund	\$ 67,600	\$ 67,600	\$ -

Web Document

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Waterworks Fund - Modified Cash Basis

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
Personal services:			
Salaries:			
Full time	\$ 63,700	\$ 62,353	\$ (1,347)
Part time	2,000	70	(1,930)
Overtime	5,000	4,438	(562)
Payroll taxes	5,420	5,115	(305)
IMRF contribution	7,780	7,201	(579)
Uniform allowance	400	400	-
Employee benefits	19,798	17,482	(2,316)
	104,098	97,059	(7,039)
Contractual services:			
Legal	1,000	-	(1,000)
Maintenance:			
Building	6,000	910	(5,090)
Equipment	3,000	2,202	(798)
Utility system	80,000	13,684	(66,316)
Vehicle	2,000	282	(1,718)
Engineering service	10,000	1,766	(8,234)
Service - Julie	300	175	(125)
Testing	5,000	3,007	(1,993)
Data processing	4,000	3,728	(272)
Audit	3,000	2,500	(500)
Insurance:			
Liability	6,000	5,223	(777)
Workmen's compensation	4,600	2,598	(2,002)
Unemployment	300	86	(214)
Telephone	1,500	1,030	(470)
Printing	1,000	320	(680)
Dues, memberships, and publications	500	278	(222)
Travel	300	25	(275)
Training	500	233	(267)
Equipment rental	2,000	-	(2,000)
Utilities:			
Electricity	16,000	13,187	(2,813)
Heating	3,500	2,024	(1,476)
Miscellaneous	300	114	(186)
	150,800	53,372	(97,428)

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Waterworks Fund - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
<b>Supplies:</b>			
Small tools and supplies	5,500	1,897	(3,603)
Postage	2,500	1,751	(749)
Testing supplies	1,500	907	(593)
Gas and oil	2,000	792	(1,208)
Chemicals	15,000	6,344	(8,656)
	26,500	11,691	(14,809)
<b>Capital outlay:</b>			
Equipment	16,000	-	(16,000)
Utility system	15,000	-	(15,000)
	31,000	-	(31,000)
Depreciation	-	60,557	60,557
	\$ 312,398	\$ 222,679	\$ (89,719)

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# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Sewerage Fund - Modified Cash Basis

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
Personal services:			
Salaries:			
Full time	\$ 63,700	\$ 62,353	\$ (1,347)
Part time	2,000	648	(1,352)
Overtime	5,000	4,439	(561)
Payroll taxes	5,420	5,160	(260)
IMRF contribution	7,780	7,201	(579)
Uniform allowance	400	402	2
Employee benefits	19,798	17,482	(2,316)
	104,098	97,685	(6,413)
Contractual services:			
Legal	1,000	-	(1,000)
Maintenance:			
Building	3,000	1,219	(1,781)
Equipment	7,000	5,673	(1,327)
Utility system	50,000	18,255	(31,745)
Vehicle	2,000	324	(1,676)
Engineering service	10,000	-	(10,000)
Service - Julie	300	175	(125)
Testing	500	90	(410)
Data processing	4,000	3,728	(272)
Audit	3,000	2,500	(500)
Insurance:			
Liability	14,000	11,373	(2,627)
Workmen's compensation	4,600	2,598	(2,002)
Unemployment	300	88	(212)
Telephone	1,500	930	(570)
Printing	1,000	17	(983)
Dues, memberships, and publications	500	278	(222)
Travel	500	224	(276)
Training	600	188	(412)
Equipment rental	2,000	-	(2,000)
Garbage disposal	10,000	5,214	(4,786)
Utilities:			
Electricity	40,000	38,245	(1,755)
Heating	4,000	891	(3,109)
Permit fees	4,500	2,500	(2,000)
Miscellaneous	300	64	(236)
	164,600	94,574	(70,026)

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Sewerage Fund - Modified Cash Basis (Continued)

Year ended April 30, 2017

	Appropriations	Actual	Over/(Under) Budget
Supplies:			
Small tools and supplies	5,000	4,861	(139)
Postage	2,500	1,644	(856)
Testing supplies	3,000	1,402	(1,598)
Gas and oil	2,000	865	(1,135)
Chemicals	20,000	16,752	(3,248)
	32,500	25,524	(6,976)
Capital outlay:			
Equipment	7,500	-	(7,500)
Utility system	20,000	-	(20,000)
	27,500	-	(27,500)
Depreciation	-	154,605	154,605
	\$ 328,698	\$ 372,388	\$ 43,690

# City of Earlville, Illinois

## Statement of Expenditures Compared with Appropriated Amounts Garbage Fund

Year ended April 30, 2017

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	<b>Appropriations</b>	<b>Actual</b>	<b>Over/(Under) Budget</b>
Services - garbage disposal	\$ 95,000	\$ 86,636	\$ (8,364)
Services - painting	500	121	(379)
Postage	1,200	1,198	(2)
Supplies	500	142	(358)
	<hr/>	<hr/>	<hr/>
	\$ 97,200	\$ 88,097	\$ (9,103)

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# City of Earlville, Illinois

## Assessed Valuations, Tax Rates, Extensions and Collections

April 30, 2017

	Maximum Rate	Tax Year		
		2016	2015	2014
Assessed valuations		\$ 17,435,837	\$ 16,652,003	\$ 15,700,036
Tax rates:				
General	.2500	.2500	.2500	.2500
Road and Bridge (from Township)	No limit	.0816	.0816	.0816
Police protection	.1500	.1500	.1500	.1500
Garbage	.2000	.0172	.0180	.0255
Audit	No limit	.0487	.0481	.0510
Liability insurance	No limit	.1205	.1381	.1465
Social security	No limit	.1376	.1441	.1465
IMRF	No limit	.1720	.1742	.1784
Workmen's compensation	No limit	.1318	.1381	.1529
Unemployment insurance	No limit	.0028	.0060	.0064
Bonds and interest	No limit	.3765	.4021	.4347
		1.4887	1.5503	1.6235
Tax extensions:				
General		\$ 43,590	\$ 41,630	\$ 39,250
Road and Bridge (from Township)		14,230	13,588	12,811
Police protection		26,154	24,978	23,550
Garbage		3,001	3,000	4,004
Audit		8,502	8,001	8,007
Liability insurance		21,001	23,001	23,001
Social security		24,000	24,000	23,001
IMRF		30,000	29,001	28,009
Workmen's compensation		23,001	23,001	24,005
Unemployment insurance		500	1,001	1,005
Bonds and interest		65,651	66,953	68,252
		\$ 259,629	\$ 258,154	\$ 254,894
Collections: (includes mobile home and back taxes)				
		\$ -	\$ 255,720	\$ 254,109
Percentage of extensions collected		0.00%	99.06%	99.69%

**Independent Auditor's 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**

The Honorable Mayor and  
Members of the City Council  
City of Earlville  
Earlville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Earlville, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise City of Earlville's basic financial statements and have issued our report thereon dated August 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Earlville, 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 Earlville, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Earlville, 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the following schedule of responses that we consider to be significant deficiencies and are detailed below.

## **Segregation of Duties**

A good system of internal control procedures contemplates adequate segregation of duties so that no one individual can handle a transaction from its inception to its completion. Within the City's system of internal control, there are situations whereby there is not a complete or adequate segregation of duties that arise due to legal requirements or limited number of personnel.

It would not be practical to set up procedures to detect all instances of noncompliance with controls that do exist, nor is it always practical to establish complete segregation of duties. As a result, however, many controls that are required for any given application could be circumvented without detection.

While we also recognize that ultimate controls cannot be implemented with your current number of employees, we believe that continued strong supervision and review by the City Council compensates for some of these weaknesses. Therefore, it is important that you recognize that regular and active involvement by the City Council is an integral and critical area within the City's system of internal control.

## **Financial Statements Preparation**

Due to the limited number of personnel available in the organization, management with the authorization of the City Council, has requested that our firm prepare the financial statements and footnote disclosures for them to review and approve. This does not violate professional independence standards as management and the City Council take responsibility for the statements and is the most cost effective option for the organization.

Since there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by management and the City Council's review of the financial statements, we consider this to be a significant deficiency in internal control. We recommend that management and the City Council continue to evaluate whether it is cost effective to hire a person with the qualifications to prepare the financial statements and disclosures.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Earlville's financial statements are free of 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 Earlville, Illinois' Response to Findings**

City of Earlville, Illinois' response to the findings identified in our audit is described in the accompanying schedule of responses. City of Earlville, 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.

*Wipfli LLP*

Mendota, Illinois  
August 1, 2017

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# City of Earlville, Illinois

## Schedule of Responses

For the Year Ended April 30, 2017

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### **Financial Statement Findings**

*Condition* – There is inadequate control over the functions of processing and recording the financial transactions of the City due to the inadequate segregation of duties stemming from limited personnel.

*Management responses* – The City's management and City council's close supervision and review of accounting information is the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

*Condition* – The financial statement and disclosures are prepared by the external auditors.

*Management response* – The City's management and City council's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

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## Independent Auditor's Report on Compliance with State of Illinois Public Act 85-1142

Illinois Department of Revenue  
Springfield, Illinois

We have audited the basic financial statements of the City of Earlville, Illinois for the year ended April 30, 2017, and have issued our report thereon dated August 1, 2017. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the TIF district pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The City of Earlville, Illinois' management is responsible for the government's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our test indicate that for the items tested, the City of Earlville, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

*Wipfli LLP*

Mendota, Illinois  
August 1, 2017