

City of Dixon, Illinois

Dixon, Illinois

Annual Financial Report

April 30, 2016

City of Dixon, Illinois

April 30, 2016

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Independent Auditors' Report

Honorable Mayor and Commissioners
City of Dixon, Illinois
Dixon, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, Illinois as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Dixon, Illinois' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, Illinois as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68, during the year ended April 30, 2016. Statement No. 68 and No. 71 changed how pensions are recorded and the footnotes related to the retirement system the City participates in. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress, schedule of change in employer's net pension liability and related ratios, schedule of employer contributions and budgetary comparison information on pages 62 – 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dixon, Illinois' basic financial statements. The combining nonmajor fund statements listed in the table of contents on pages 76 – 84 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds, private purpose trust fund, pension trust fund, and agency fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds, private purpose trust fund, pension trust fund, and agency fund statements are fairly stated, in all material respects, in relation to basic financial statements taken as a whole.

The Schedule of Assessed Valuations, Rates, Extensions and Collections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2016, on our consideration of the City of Dixon, 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 Dixon, Illinois' internal control over financial reporting and compliance.

Wipfli LLP

Dixon, Illinois
September 19, 2016

City of Dixon, Illinois

Statement of Net Position

April 30, 2016

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 9,179,362 | \$ 2,077,027 | \$ 11,256,389 |
| Investments | 10,078,388 | 1,882,321 | 11,960,709 |
| General property taxes receivable | 2,870,302 | - | 2,870,302 |
| Due from State of Illinois | 1,521,828 | - | 1,521,828 |
| Motor fuel tax receivable | 35,805 | - | 35,805 |
| Accounts receivable, net | 97,625 | 1,129,943 | 1,227,568 |
| Other receivables | 314,534 | - | 314,534 |
| Internal balances | (399,386) | (614) | (400,000) |
| Interest receivable | 4,493 | 982 | 5,475 |
| Due from Bay Valley Foods | - | 923,186 | 923,186 |
| Notes receivable | 305,813 | - | 305,813 |
| Inventory | 9,319 | 227,605 | 236,924 |
| Prepaid insurance | 283,431 | 76,130 | 359,561 |
| Capital assets | | | |
| Nondepreciable | | | |
| Land and improvements | 2,428,024 | 309,339 | 2,737,363 |
| Construction in progress | 9,347,971 | 778,299 | 10,126,270 |
| Depreciable, net of accumulated depreciation | 26,444,034 | 27,848,795 | 54,292,829 |
| Total Assets | 62,521,543 | 35,253,013 | 97,774,556 |
| Deferred Outflows of Resources | | | |
| Pension items - IMRF | 1,474,700 | - | 1,474,700 |
| Pension items - Pension Trust Funds | 4,515,220 | - | 4,515,220 |
| Total Deferred Inflows of Resources | 5,989,920 | - | 5,989,920 |
| Total Assets and Deferred Outflows of Resources | 68,511,463 | 35,253,013 | 103,764,476 |
| Liabilities | | | |
| Vouchers payable | 239,807 | 212,106 | 451,913 |
| Accrued payroll and taxes | 132,587 | 28,122 | 160,709 |
| Accrued interest | - | 73,592 | 73,592 |
| Accrued liabilities | 83,842 | - | 83,842 |
| Consumer deposits | - | 394,017 | 394,017 |
| Landlord deposits | - | 16,871 | 16,871 |
| Compensated absences | 417,099 | 58,114 | 475,213 |
| Other post-employment benefits | 600,486 | - | 600,486 |
| Net pension obligation - IMRF | 344,228 | - | 344,228 |
| Net pension obligation - Pension Trust Funds | 22,660,018 | - | 22,660,018 |
| Long-term notes and bonds payable: | | | |
| Due within one year | - | 1,759,947 | 1,759,947 |
| Due in more than one year | - | 15,430,459 | 15,430,459 |
| Total Liabilities | 24,478,067 | 17,973,228 | 42,451,295 |
| Deferred Inflows of Resources | | | |
| Deferred sales tax income | 619,480 | - | 619,480 |
| Deferred property tax revenue | 2,924,596 | - | 2,924,596 |
| Deferred revenue | - | 923,186 | 923,186 |
| Pension items - Pension Trust Funds | 164,930 | - | 164,930 |
| Total Deferred Inflows of Resources | 3,709,006 | 923,186 | 4,632,192 |
| Total Liabilities and Deferred Inflows of Resources | 28,187,073 | 18,896,414 | 47,083,487 |
| Net Position | | | |
| Net Investment in Capital Assets | 38,220,029 | 11,746,027 | 49,966,056 |
| Restricted for: | | | |
| Special revenue | 6,209,094 | - | 6,209,094 |
| Capital projects | 12,356,776 | - | 12,356,776 |
| Unrestricted | (4,104,733) | 4,610,572 | 505,839 |
| Net position | \$ 52,681,166 | \$ 16,356,599 | \$ 69,037,765 |

City of Dixon, Illinois

Statement of Activities

Year Ended April 30, 2016

| Functions/Programs | Expenses | Charges for Services | Program Revenues | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 2,849,619 | \$ 1,344,830 | \$ - | \$ 22,786 |
| Public safety | 5,486,066 | 537,477 | - | - |
| Highways and streets | 1,966,405 | - | 402,433 | - |
| Traffic development | 200,571 | - | - | - |
| Culture and recreation | 621,074 | 26,431 | - | - |
| Public works | 93,106 | - | - | - |
| Airport | 245,596 | - | - | - |
| Cemetery | 20,701 | 47,433 | - | - |
| Other post-employment benefits | 71,287 | - | - | - |
| Payments to IMRF | 226,018 | - | - | - |
| Payments to Social Security System | 276,888 | - | - | - |
| Net change in pension trust funds | 1,319,224 | - | - | - |
| Net change in IMRF | 515,778 | - | - | - |
| Total governmental activities | 13,892,333 | 1,956,171 | 402,433 | 22,786 |
| Business-type Activities: | | | | |
| Sewer | 2,660,299 | 2,624,296 | - | - |
| Water Department | 2,510,506 | 2,532,046 | - | - |
| Total business-type activities | 5,170,805 | 5,156,342 | - | - |
| Total primary government | \$ 19,063,138 | \$ 7,112,513 | \$ 402,433 | \$ 22,786 |

General Revenues:

| |
|---|
| Property tax |
| Sales tax |
| Personal property replacement tax |
| Income tax and surcharge |
| Foreign fire insurance tax |
| Motel tax |
| Utility tax |
| Telecom tax |
| Gaming tax |
| Interest |
| Other |
| Proceeds from partnership liquidation |
| Transfers/capital contributions |
| Total general revenues and transfers |

Special Item - gain on sale of fixed assets

Change in Net Position

Net Position, Beginning of Year

Prior period adjustment (see notes to financial statements)

Net Position, End of Year

| Net (Expense) Revenue and Change in Net Position | | | |
|--|----------------------------|-----------------------------|----------------|
| Primary Government | | | |
| | Governmental Activities | Business-type Activities | Total |
| \$ | (1,482,003) | \$ - | \$ (1,482,003) |
| | (4,948,589) | - | (4,948,589) |
| | (1,563,972) | - | (1,563,972) |
| | (200,571) | - | (200,571) |
| | (594,643) | - | (594,643) |
| | (93,106) | - | (93,106) |
| | (245,596) | - | (245,596) |
| | 26,732 | - | 26,732 |
| | (71,287) | - | (71,287) |
| | (226,018) | - | (226,018) |
| | (276,888) | - | (276,888) |
| | (1,319,224) | - | (1,319,224) |
| | (515,778) | - | (515,778) |
| | (11,510,943) | - | (11,510,943) |
| | - | (36,003) | (36,003) |
| | - | 21,540 | 21,540 |
| | - | (14,463) | (14,463) |
| | (11,510,943) | (14,463) | (11,525,406) |
| | 3,062,763 | - | 3,062,763 |
| | 3,970,509 | - | 3,970,509 |
| | 623,709 | - | 623,709 |
| | 1,676,704 | - | 1,676,704 |
| | 25,604 | - | 25,604 |
| | 75,940 | - | 75,940 |
| | 618,013 | - | 618,013 |
| | 63,259 | - | 63,259 |
| | 238,341 | - | 238,341 |
| | 73,843 | 8,330 | 82,173 |
| | 95,778 | - | 95,778 |
| | 668,583 | - | 668,583 |
| | (525,668) | 674,000 | 148,332 |
| | 10,667,378 | 682,330 | 11,349,708 |
| | 8,759 | - | 8,759 |
| | (834,806) | 667,867 | (166,939) |
| | 56,163,273 | 15,688,732 | 71,852,005 |
| | (15,004,077) | - | (15,004,077) |
| \$ | 40,324,390 | \$ 16,356,599 | \$ 56,680,989 |

City of Dixon, Illinois

Balance Sheet Governmental Funds

April 30, 2016

| | General Fund | | Illinois Municipal Retirement | |
|--|--------------|------------------|-------------------------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ | 2,217,699 | \$ | 441,744 |
| Investments | | - | | 1,201,206 |
| Receivables: | | | | |
| General property tax | | 2,056,263 | | - |
| State income tax | | 574,996 | | - |
| Sales tax | | 749,960 | | - |
| Motor fuel tax allotments | | - | | - |
| Utility tax | | 113,866 | | - |
| Accounts | | 1,475 | | - |
| Other taxes | | 152,617 | | - |
| Fees | | 45,000 | | - |
| Interest | | - | | 92 |
| Other receivables | | 3,051 | | - |
| Interfund receivables | | 2,196,011 | | - |
| Notes receivable | | - | | - |
| Inventory | | 9,319 | | - |
| Prepaid insurance | | 274,284 | | - |
| Total Assets | \$ | 8,394,541 | \$ | 1,643,042 |
| Liabilities | | | | |
| Vouchers payable | \$ | 167,204 | \$ | - |
| Accrued liabilities: | | | | |
| Payroll and payroll withholdings | | 116,827 | | - |
| Other | | 83,842 | | - |
| Interfund payables | | - | | - |
| Total Liabilities | | 367,873 | | - |
| Deferred Inflows of Resources | | | | |
| Deferred state tax revenues | | 619,480 | | - |
| Deferred property tax revenue | | 2,056,263 | | - |
| Total Deferred Inflows of Resources | | 2,675,743 | | - |
| Total Liabilities and Deferred Inflows of Resources | | 3,043,616 | | - |
| Fund Balance | | | | |
| Nonspendable: | | | | |
| Notes and other receivables | | - | | - |
| Prepaid expenses | | 274,284 | | - |
| Inventory | | 9,319 | | - |
| Restricted: | | | | |
| Special Revenue | | - | | 1,643,042 |
| Capital Projects | | - | | - |
| Unassigned (Deficit) | | 5,067,322 | | - |
| Total fund balance | | 5,350,925 | | 1,643,042 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ | 8,394,541 | \$ | 1,643,042 |

See notes to financial statements

| Social Security | | Capital Projects | | Non-Major Governmental Funds | | Total Governmental Funds | |
|-----------------|-----------|------------------|------------|------------------------------|-------------|--------------------------|------------|
| \$ | 554,127 | \$ | 4,819,623 | \$ | 1,146,169 | \$ | 9,179,362 |
| | 1,501,503 | | 6,071,238 | | 1,304,441 | | 10,078,388 |
| | - | | - | | 814,039 | | 2,870,302 |
| | - | | - | | - | | 574,996 |
| | - | | - | | 196,872 | | 946,832 |
| | - | | - | | 35,805 | | 35,805 |
| | - | | - | | - | | 113,866 |
| | - | | - | | 96,150 | | 97,625 |
| | - | | - | | - | | 152,617 |
| | - | | - | | - | | 45,000 |
| | 115 | | 2,817 | | 1,469 | | 4,493 |
| | - | | - | | - | | 3,051 |
| | - | | 1,500,000 | | - | | 3,696,011 |
| | - | | - | | 305,813 | | 305,813 |
| | - | | - | | - | | 9,319 |
| | - | | - | | 9,147 | | 283,431 |
| \$ | 2,055,745 | \$ | 12,393,678 | \$ | 3,909,905 | \$ | 28,396,911 |
| \$ | - | \$ | 36,902 | \$ | 35,701 | \$ | 239,807 |
| | - | | - | | 15,760 | | 132,587 |
| | - | | - | | - | | 83,842 |
| | - | | - | | 4,095,397 | | 4,095,397 |
| | - | | 36,902 | | 4,146,858 | | 4,551,633 |
| | - | | - | | - | | 619,480 |
| | - | | - | | 868,333 | | 2,924,596 |
| | - | | - | | 868,333 | | 3,544,076 |
| | - | | 36,902 | | 5,015,191 | | 8,095,709 |
| | - | | - | | 305,813 | | 305,813 |
| | - | | - | | 9,147 | | 283,431 |
| | - | | - | | - | | 9,319 |
| | 2,055,745 | | - | | 2,510,307 | | 6,209,094 |
| | - | | 12,356,776 | | - | | 12,356,776 |
| | - | | - | | (3,930,553) | | 1,136,769 |
| | 2,055,745 | | 12,356,776 | | (1,105,286) | | 20,301,202 |
| \$ | 2,055,745 | \$ | 12,393,678 | \$ | 3,909,905 | \$ | 28,396,911 |

City of Dixon, Illinois

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Year Ended April 30, 2016

| | | |
|---|----|--------------|
| Total governmental fund balances | \$ | 20,301,202 |
| 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 in the funds, net of accumulated depreciation of \$26,475,604 | | 38,220,029 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Other post-employment benefits | | (600,486) |
| Compensated absences | | (417,099) |
| Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position | | (344,228) |
| Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position | | 1,474,700 |
| Net pension liability for the Pension Trust Funds is shown as a liability on the statement of net position | | (22,660,018) |
| Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for the Pension Trust Funds are recognized as deferred outflows and inflows of resources on the statement of net position | | 4,350,290 |
| Net position - governmental activities | \$ | 40,324,390 |

City of Dixon, Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended April 30, 2016

| | General Fund | Illinois Municipal Retirement |
|--|---------------------|-------------------------------|
| Revenues | | |
| General property taxes | \$ 2,282,999 | \$ - |
| Sales taxes | - | - |
| Foreign fire insurance tax | - | - |
| Intergovernmental revenues | 6,404,183 | - |
| Licenses and permits | 589,493 | - |
| Fines and penalties | 210,003 | - |
| Charges for services | 802,770 | - |
| Revenue from use of money and property | 9,879 | 7,119 |
| Proceeds from partnership liquidation | - | - |
| Other | 26,715 | - |
| Total revenues | 10,326,042 | 7,119 |
| Expenditures | | |
| General government | 2,583,111 | - |
| Public safety: | | |
| Police protection and community relations | 3,201,082 | - |
| Fire fighting and prevention and emergency vehicle | 1,507,864 | - |
| Highways and streets | 751,488 | - |
| Traffic development | 200,571 | - |
| Public works | 93,106 | - |
| Culture and recreation | 103,818 | - |
| Airport operations | - | - |
| Capital outlay | - | - |
| Payments to pensions | - | 226,018 |
| Payments to Social Security System | - | - |
| Total expenditures | 8,441,040 | 226,018 |
| Excess (deficiency) of revenues over expenditures | 1,885,002 | (218,899) |
| Other Financing Sources (Uses) | | |
| Operating transfers in | - | - |
| Operating transfers out | (1,920,626) | - |
| Total other financing sources (uses) | (1,920,626) | - |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (35,624) | (218,899) |
| Special Item | | |
| Proceeds from sale of fixed assets | - | - |
| Changes in Fund Balances | (35,624) | (218,899) |
| Fund Balance, Beginning of Year | 4,996,385 | 1,861,941 |
| Prior period adjustment (see notes to financial statements) | 390,164 | - |
| Fund Balance, End of Year | \$ 5,350,925 | \$ 1,643,042 |

See notes to financial statements

| | Social Security | Capital Projects | Non-Major Governmental Funds | Total Governmental Funds | | | |
|----|-----------------|------------------|---------------------------------|-----------------------------|-------------|----|-------------|
| \$ | - | \$ | - | \$ | 779,764 | \$ | 3,062,763 |
| | - | | - | | 839,236 | | 839,236 |
| | - | | - | | 25,604 | | 25,604 |
| | - | | - | | 448,275 | | 6,852,458 |
| | - | | - | | - | | 589,493 |
| | - | | - | | - | | 210,003 |
| | - | | - | | 353,905 | | 1,156,675 |
| | 8,311 | | 42,251 | | 69,960 | | 137,520 |
| | - | | 668,583 | | - | | 668,583 |
| | - | | - | | 5,386 | | 32,101 |
| | 8,311 | | 710,834 | | 2,522,130 | | 13,574,436 |
| | - | | 71,930 | | 103,770 | | 2,758,811 |
| | - | | - | | - | | 3,201,082 |
| | - | | - | | 301,976 | | 1,809,840 |
| | - | | - | | - | | 751,488 |
| | - | | - | | - | | 200,571 |
| | - | | - | | - | | 93,106 |
| | - | | - | | 513,228 | | 617,046 |
| | - | | - | | 145,222 | | 145,222 |
| | - | | 5,244,558 | | 882,642 | | 6,127,200 |
| | - | | - | | - | | 226,018 |
| | 276,888 | | - | | - | | 276,888 |
| | 276,888 | | 5,316,488 | | 1,946,838 | | 16,207,272 |
| | (268,577) | | (4,605,654) | | 575,292 | | (2,632,836) |
| | - | | 2,007,172 | | 245,326 | | 2,252,498 |
| | - | | - | | (857,540) | | (2,778,166) |
| | - | | 2,007,172 | | (612,214) | | (525,668) |
| | (268,577) | | (2,598,482) | | (36,922) | | (3,158,504) |
| | - | | 8,759 | | - | | 8,759 |
| | (268,577) | | (2,589,723) | | (36,922) | | (3,149,745) |
| | 2,324,322 | | 14,946,499 | | (1,095,299) | | 23,033,848 |
| | - | | - | | 26,935 | | 417,099 |
| \$ | 2,055,745 | \$ | 12,356,776 | \$ | (1,105,286) | \$ | 20,301,202 |

City of Dixon, Illinois

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities

Year Ended April 30, 2016

Net change in fund balances - total governmental funds \$ (3,149,745)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.

| | |
|----------------------|-------------|
| Capital outlay | 6,132,133 |
| Depreciation expense | (1,910,905) |

Issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt repayments exceeded debt proceeds.

| | |
|---|----------|
| Debt principal payments | - |
| Change in other post-employment benefits obligation | (71,287) |

The change in net pension liability for the Illinois Municipal Retirement Fund is only reported in the statement of activities (1,990,478)

The change in deferred inflows and outflows for the Illinois Municipal Retirement Fund is only reported in the statement of activities 1,474,700

The change in net pension liability for the Pension Trust Funds is only reported in the statement of activities (5,669,514)

The change in deferred inflows and outflows for the Pension Trust Funds is only reported in the statement of activities 4,350,290

Change in net position of governmental activities \$ (834,806)

City of Dixon, Illinois

Statement of Net Position Proprietary Funds

April 30, 2016

| | Sewerage Fund | Water Department Fund | Total | Governmental Activities - Internal Service Funds |
|---|----------------------|-----------------------------|----------------------|---|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,404,937 | \$ 672,090 | \$ 2,077,027 | \$ - |
| Investments: | | | | |
| Unrestricted | 501,505 | 1,380,816 | 1,882,321 | 300,451 |
| Receivables: | | | | |
| Accounts, net | 590,856 | 539,087 | 1,129,943 | 32 |
| Interest | 440 | 542 | 982 | 27 |
| Inventory | - | 227,605 | 227,605 | - |
| Due from Bay Valley Foods | 923,186 | - | 923,186 | - |
| Due from other funds | - | - | - | 400,000 |
| Prepaid insurance | 22,713 | 53,417 | 76,130 | - |
| Total current assets | 3,443,637 | 2,873,557 | 6,317,194 | 700,510 |
| Property and Equipment | | | | |
| Assets not depreciated: | | | | |
| Land | 160,266 | 149,073 | 309,339 | - |
| Construction in progress | 244,484 | 533,815 | 778,299 | - |
| Total assets not depreciated | 404,750 | 682,888 | 1,087,638 | - |
| Assets being depreciated: | | | | |
| Buildings | 21,472,311 | 90,264 | 21,562,575 | - |
| Equipment | 323,696 | 198,625 | 522,321 | - |
| Infrastructure | 11,882,290 | 24,424,064 | 36,306,354 | - |
| Vehicles | 206,188 | 439,533 | 645,721 | - |
| | 33,884,485 | 25,152,486 | 59,036,971 | - |
| Less accumulated depreciation | (22,110,957) | (9,077,219) | (31,188,176) | - |
| Net property and equipment being depreciated | 11,773,528 | 16,075,267 | 27,848,795 | - |
| Net property and equipment | 12,178,278 | 16,758,155 | 28,936,433 | - |
| Total Assets | \$ 15,621,915 | \$ 19,631,712 | \$ 35,253,627 | \$ 700,510 |

See notes to financial statements

10

City of Dixon, Illinois

Statement of Net Position (Continued) Proprietary Funds

April 30, 2016

| | Sewerage Fund | Water Dept. Fund | Total | Governmental Activities - Internal Service Funds |
|--|---------------------|---------------------|----------------------|---|
| Liabilities | | | | |
| Current liabilities | | | | |
| Vouchers payable | \$ 35,305 | \$ 176,801 | \$ 212,106 | \$ 99,504 |
| Cash overdraft | - | - | - | 7,659 |
| Due to other funds | 307 | 307 | 614 | - |
| Accrued liabilities: | | | | |
| Payroll | 14,561 | 13,561 | 28,122 | - |
| Compensated absences | 22,028 | 36,086 | 58,114 | - |
| Interest | 56,009 | 17,583 | 73,592 | - |
| Consumer deposits | - | 394,017 | 394,017 | - |
| Landlord deposits | - | 16,871 | 16,871 | - |
| Notes payable - current portion | 1,033,494 | - | 1,033,494 | - |
| EPA loans payable - current portion | - | 726,453 | 726,453 | - |
| Total current liabilities | 1,161,704 | 1,381,679 | 2,543,383 | 107,163 |
| Long-term liabilities: | | | | |
| Notes payable | 5,576,657 | - | 5,576,657 | - |
| EPA loans payable | - | 9,853,802 | 9,853,802 | - |
| Total long-term liabilities | 5,576,657 | 9,853,802 | 15,430,459 | - |
| Total liabilities | 6,738,361 | 11,235,481 | 17,973,842 | 107,163 |
| Deferred Inflow of Resources | | | | |
| Deferred revenue | 923,186 | - | 923,186 | - |
| Total Deferred Inflow of Resources | 923,186 | - | 923,186 | - |
| Total Liabilities and Deferred Inflows of Resources | 7,661,547 | 11,235,481 | 18,897,028 | 107,163 |
| Net Position | | | | |
| Net Investment in Capital Assets net of related debt | 5,568,127 | 6,177,900 | 11,746,027 | - |
| Unrestricted | 2,392,241 | 2,218,331 | 4,610,572 | 593,347 |
| Net position | \$ 7,960,368 | \$ 8,396,231 | \$ 16,356,599 | \$ 593,347 |

See notes to financial statements

City of Dixon, Illinois

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

April 30, 2016

| | Sewerage Fund | Water Dept. Fund | Total | Governmental Activities - Internal Service Funds |
|---|---------------------|---------------------|----------------------|---|
| Operating Revenues | | | | |
| User fees | \$ 2,624,296 | \$ 2,414,764 | \$ 5,039,060 | \$ - |
| Employee contributions | - | - | - | 1,298,528 |
| Labor and merchandise | - | 56,732 | 56,732 | - |
| Miscellaneous | - | 60,550 | 60,550 | - |
| Total operating revenues | 2,624,296 | 2,532,046 | 5,156,342 | 1,298,528 |
| Operating Expenses | | | | |
| Salaries | 390,230 | 652,913 | 1,043,143 | - |
| Maintenance of site and buildings | 130,940 | 36,665 | 167,605 | - |
| Supplies and services | 99,515 | 277,419 | 376,934 | - |
| Electricity | 206,859 | 232,348 | 439,207 | - |
| Fuel, gas and oil | 17,951 | 27,186 | 45,137 | - |
| Professional service and fees | 24,548 | 68,868 | 93,416 | 57,931 |
| Insurance | 116,112 | 199,713 | 315,825 | 263,583 |
| Clothing allowance | 1,750 | 4,250 | 6,000 | - |
| Miscellaneous | 671 | 673 | 1,344 | 6,964 |
| Bad debt expense | 3,623 | 3,234 | 6,857 | - |
| Dues and subscriptions | 17,226 | 2,765 | 19,991 | - |
| Travel and education expense | - | 2,564 | 2,564 | - |
| Medical claims | - | - | - | 893,658 |
| Depreciation | 1,472,116 | 824,091 | 2,296,207 | - |
| Total operating expenses | 2,481,541 | 2,332,689 | 4,814,230 | 1,222,136 |
| Operating Income | 142,755 | 199,357 | 342,112 | 76,392 |
| Nonoperating Revenues (Expenses) | | | | |
| Interest earned | 1,476 | 6,854 | 8,330 | 505 |
| Interest expense | (178,758) | (177,817) | (356,575) | - |
| Total nonoperating revenues (expenses) | (177,282) | (170,963) | (348,245) | 505 |
| Other financing sources (uses) | | | | |
| Operating transfers in | 224,000 | 450,000 | 674,000 | - |
| Total other financing sources (uses) | 224,000 | 450,000 | 674,000 | - |
| Change in Net Position | 189,473 | 478,394 | 667,867 | 76,897 |
| Net Position, Beginning of Year | 7,770,895 | 7,917,837 | 15,688,732 | 516,450 |
| Net Position, End of Year | \$ 7,960,368 | \$ 8,396,231 | \$ 16,356,599 | \$ 593,347 |

See notes to financial statements

City of Dixon, Illinois

Statement of Cash Flows Proprietary Funds

Year Ended April 30, 2016

| | Sewerage Fund | Water Dept. Fund | Totals |
|---|------------------|---------------------|--------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | \$ 2,459,279 | \$ 2,521,594 | \$ 4,980,873 |
| Payments to employees | (378,234) | (657,106) | (1,035,340) |
| Payments to suppliers | (661,713) | (683,716) | (1,345,429) |
| Net cash provided by (used in) operating activities | 1,419,332 | 1,180,772 | 2,600,104 |
| Cash Flows From Noncapital Financing Activities | | | |
| Proceeds from reimbursement agreement | 191,004 | - | 191,004 |
| Advances from (to) other funds | 1,224,307 | 450,307 | 1,674,614 |
| Net cash provided by (used in) noncapital financing activities | 1,415,311 | 450,307 | 1,865,618 |
| Cash Flows From Capital Financing Activities | | | |
| Principal paid on notes payable | (1,007,784) | (714,540) | (1,722,324) |
| Payment of interest on debt | (186,768) | (178,987) | (365,755) |
| Net disposition/(acquisition) of capital assets | (346,667) | (609,186) | (955,853) |
| Net cash provided by (used in) capital financing activities | (1,541,219) | (1,502,713) | (3,043,932) |
| Cash Flows From Investing Activities | | | |
| Net sales (purchases) of investments | (1,253) | 98,834 | 97,581 |
| Interest income | 1,253 | 6,691 | 7,944 |
| Net cash provided by (used in) investing activities | - | 105,525 | 105,525 |
| Net Increase (Decrease) in and Cash Equivalents | 1,293,424 | 233,891 | 1,527,315 |
| Cash and Cash Equivalents, Beginning of Year | 111,513 | 438,199 | 549,712 |
| Cash and Cash Equivalents, End of Year | \$ 1,404,937 | \$ 672,090 | \$ 2,077,027 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | |
| Operating income | \$ 142,755 | \$ 199,357 | \$ 342,112 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 1,472,116 | 824,091 | 2,296,207 |
| Effects of changes in operating assets and liabilities | | | |
| Accounts receivable | (165,017) | (26,467) | (191,484) |
| Prepaid insurance | (93) | (1,804) | (1,897) |
| Accounts payable | (42,425) | 173,773 | 131,348 |
| Consumer deposits | - | 16,015 | 16,015 |
| Accrued liabilities | 11,996 | (4,193) | 7,803 |
| Net cash provided by (used in) operating activities | \$ 1,419,332 | \$ 1,180,772 | \$ 2,600,104 |

City of Dixon, Illinois

Statement of Net Position Fiduciary Funds

April 30, 2016

| | Pension Trust Funds | Private Purpose Trust Funds | Agency Funds | Total |
|---|------------------------|-----------------------------------|-----------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 353,745 | \$ 270,988 | \$ 114,126 | \$ 738,859 |
| Investments | 21,136,608 | 801,416 | - | 21,938,024 |
| Receivables: | | | | |
| Accounts | - | 6,440 | - | 6,440 |
| Investment income | 46,699 | 400 | - | 47,099 |
| Prepaid investment fees | 29,398 | - | - | 29,398 |
| Total Assets | 21,566,450 | 1,079,244 | 114,126 | 22,759,820 |
| Liabilities | | | | |
| Vouchers payable | 1,080 | - | - | 1,080 |
| Funds payable to other organizations | - | 55,582 | - | 55,582 |
| Available for distribution | - | - | 114,126 | 114,126 |
| Total Liabilities | 1,080 | 55,582 | 114,126 | 170,788 |
| Net Position | | | | |
| Net position held in trust for pension benefits | 21,565,370 | - | - | 21,565,370 |
| Net position held in trust for other purposes | - | 1,023,662 | - | 1,023,662 |
| Total Net Position | \$ 21,565,370 | \$ 1,023,662 | \$ - | \$ 22,589,032 |

City of Dixon, Illinois

Statement of Changes in Net Position Fiduciary Funds

April 30, 2016

| | Pension Trust | Private-Purpose Trust |
|---|---------------|-----------------------|
| Additions | | |
| Contributions: | | |
| Employer | \$ 1,064,212 | \$ - |
| Plan members | 324,982 | - |
| Total contributions | 1,389,194 | - |
| | | |
| Total additions | 1,389,194 | - |
| Deductions | | |
| Benefit payments | 1,860,989 | - |
| Management fees | 141,320 | - |
| Administrative and audit fee | 32,577 | - |
| Other | 8,123 | 20,502 |
| Transfer to other funds | - | 139,125 |
| Total deductions | 2,043,009 | 159,627 |
| | | |
| Net Investment income (expense) | (339,062) | 64,120 |
| | | |
| Change in Net Position | (992,877) | (95,507) |
| | | |
| Net Position Held in Trust, Beginning of Year | 22,558,247 | 1,119,169 |
| | | |
| Net Position Held in Trust, End of Year | \$ 21,565,370 | \$ 1,023,662 |

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The City of Dixon, Illinois (the City) is a municipal corporation governed by an elected Mayor and City Council. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component units, which are a legally separate organization for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

Appointment by a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or fiscal dependency on the primary government.

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.

The accompanying financial statements present the City (the primary government); the City has no component units.

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major and aggregate nonmajor funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general government, public safety, highways and streets, traffic development, welfare, culture and recreation, airport, and cemetery services are classified as government activities. The City's sewer, and water services are classified as business-type activities. The effect of material interfund activity has been removed from these statements.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognize all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basic Financial Statements – Government-Wide Statements (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, highways and streets, traffic development, etc.) and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, highways and streets, traffic development, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The following fund types are used by the City:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City which accounts for all financial resources except those required to be accounted for in another fund.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basic Financial Statements – Government-Wide Statements (Continued)

Governmental Fund Types (continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, general long-term debt, or major capital projects) that are legally restricted to expenditures for specified purposes.

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.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust Funds.

Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. 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.

The City maintains two enterprise funds.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basic Financial Statements – Government-Wide Statements (Continued)

Fiduciary Fund Types (continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Reporting Major, Nonmajor and Fiduciary Fund Statements

The City reports the following major funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Illinois Municipal Retirement Fund – This fund is used to account for the revenues and expenditures associated with contributions to the retirement fund. Financing is provided by property taxes.

Social Security Fund – This fund is used to account for the revenues and expenditures associated with the cost of City employees participating in the social security system. Financing is provided by property taxes.

Capital Projects Fund – This fund is used to account for the acquisition and construction of major capital facilities.

Sewerage Fund – This fund is used to account for the revenues and expenditures associated with sewer service. Financing is provided by sewer user charges.

Water Department Fund – This fund is used to account for the revenues and expenditures associated with water service. Financing is provided by water user charges.

City of Dixon, Illinois

Notes to Financial Statements

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

Reporting Major, Nonmajor and Fiduciary Fund Statements

The City reports the following non-major funds:

Downtown Redevelopment Project Fund – This fund is used to account for the revenues and expenditures associated with downtown redevelopment. Financing is provided by property taxes.

Riverfront Project Fund – This fund is used to account for the revenues and expenditures associated with the riverfront project. Financing is provided by property taxes.

Working Cash Fund – This fund is used to account for the revenues and expenditures associated with the working cash funds. Financing is provided by investment income.

Motor Fuel Tax Fund – This fund is used to account for the revenues and expenditures associated with construction, maintenance and extension of City streets. Financing is provided by State Motor Fuel Tax allotments.

Infrastructure Fund – This fund is used to account for special sales taxes that are collected for the purpose of financing capital projects.

Library Fund – This fund is used to account for the revenues and expenditures associated with the library. Financing is provided by property taxes, personal property replacement tax and user charges.

Municipal Airport Fund – This fund is used to account for the revenues and expenditures associated with the operation of the airport facility. Financing is provided by airport user charges and grant revenues.

Emergency Vehicle Fund – This fund is used to account for the revenues and expenditures associated with operation of the emergency vehicles. Financing is provided by user fees.

Foreign Fire Insurance Fund – This fund is used to account for the revenues and expenditures associated with the foreign fire insurance tax. Financing is provided by foreign fire insurance tax.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes are recorded as revenue when levied for budgetary purposes. Penalties and interest, court fees, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received.

Intergovernmental revenue and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Sales, income, and motor fuel taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except Motor Fuel Tax Fund).

Budgets for the General Fund and Special Revenue Funds are prepared on a cash basis method of accounting which is in violation of accounting principles generally accepted in the United States of America, but is allowed under Illinois Compiled Statutes for cities. Budgets lapse at year-end.

Cash Equivalents

For purposes of the statement of cash flows, the City considers cash equivalents to be all cash on hand, money market accounts, similar type demand accounts and any certificates of deposit with an original maturity date of twelve months or less. Any maturity dates over twelve months are presented as investments.

Investments

State statutes authorize the government to invest in the following:

- (1) Commercial banks
- (2) Savings and loan institutions
- (3) Obligations of the U.S. Treasury and U.S. Agencies
- (4) Obligations of States and their political subdivisions
- (5) Credit union shares
- (6) Repurchase agreements
- (7) Commercial paper rated within the three highest classifications by at least two standard rating services
- (8) Illinois Public Treasurer's Investment Pool

In addition, the Police and Firefighters' Pension Trust Funds may invest in other investments, including general and separate accounts of life insurance companies, mutual funds, bank managed funds, and equities.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have established markets are reported at estimated fair value.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are uncollateralized customer obligations which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount plus accrued penalties. Any late unpaid accounts bear penalties at 10% of water portion. Account balances with invoices over 45 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the City could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. An allowance for doubtful accounts has been provided to uncollectible accounts receivable in the amount of \$5,000.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are also classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between individual governmental activities and individual business-type activities are eliminated in the Statement of Net Position.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type insignificant inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond April 30, 2016, are recorded as prepaid items.

Capital Assets

Capital assets purchased or acquired with an original cost of \$20,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

| | |
|-------------------------------|---------------|
| Buildings and improvements | 25 years |
| Machinery and equipment | 10 years |
| Furniture and fixtures | 10 years |
| Computer equipment | 5 years |
| Vehicles | 5 years |
| Streets and sidewalks | 20 years |
| Bridges | 50 years |
| Wastewater Treatment Plant | 20 years |
| Sewer extensions/Storm sewers | 20 years |
| Water System | 10 – 30 years |

Impairment of Long-Lived Assets

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Property Taxes

Property taxes generated from the 2014 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2016 on the budgetary cash basis. Recognition of the revenue is deferred until the year it is intended to finance. The City's property tax is levied each year at the time the budget for the ensuring year is passed and is extended against the assessed valuation of the City on January 1 of that year. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable on two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and net pension obligations.

City of Dixon, Illinois

Notes to Financial Statements

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

Long-Term Obligations (continued)

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

Fund Equity/Net Position

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – the portion of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unrestricted. Restricted fund balances represent those portions of fund equity that are legally segregated for a specific future use or not appropriable for expenditure. Proprietary fund equity is classified the same as in the government-wide statements.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental activities and individual business-type activities have been eliminated.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences

Vested or accumulated vacation/sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Non-union personnel accrue unused vacation time when earned by the employee. Each employee is allowed to carryover five days to the subsequent fiscal year. As of April 30, 2016, \$475,213 of accrued vacation is included in accrued employee compensation. Union personnel are prohibited from carrying over any unused vacation time.

Proprietary Funds Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Note 2 Deposits and Investments

The City's investment policy allows them to invest in any type of security allowed for in Illinois statutes regarding the investment of public funds. The policy states that investments shall be made that reflect the cash flow needs of the type being invested. In general, the City may invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act. At year-end, the carrying amount of the City's cash deposits and investments was \$46,194,432 and the bank balances totaled \$46,398,526. Cash on hand was \$1,750.

At year end, the investment maturities are as follows:

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|---------------------------------|---------------------|----------------------------------|--------------------|--------------------|--------------------|
| | | Less than 1 | 1 – 5 | 6 – 10 | 10 or more |
| Certificates of Deposit | \$13,062,575 | \$13,062,575 | \$ - | \$ - | \$ - |
| U.S. Treasuries and Agencies | 4,842,235 | - | 1,746,162 | 1,150,000 | 1,946,073 |
| Corporate Bonds | 3,392,196 | 40,996 | 995,528 | 1,735,606 | 620,066 |
| Mutual Funds and Other Equities | 12,902,178 | 12,902,178 | - | - | - |
| Total | \$34,199,184 | \$26,005,749 | \$2,741,690 | \$2,885,606 | \$2,566,139 |

City of Dixon, Illinois

Notes to Financial Statements

Note 2 Deposits and Investments (Continued)

Investments in the Illinois Funds

The State Treasurer maintains the Illinois Treasurer's Investment Pool (Pool) at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At April 30, 2016, the City had \$6,934,268 in the Pool, which approximates fair value.

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits funds that are not directly matched with anticipated cash flow requirements to maturities of four years or less. Restricted funds may be invested in securities exceeding six years. For the City's Police and Fire Pension Funds, the investment policy allows them to invest in securities that will mature no less than five years from the original purchase date.

Credit Risk

The City's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments. The City's investments in the Illinois Treasurer's Investment Pool maintain a rating of AAA by Standard and Poor's.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City. As of April 30, 2016, none of the City's deposits were exposed to custodial credit risk.

City of Dixon, Illinois

Notes to Financial Statements

Note 2 Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have more than 5.00% of its investments with any one issuer.

Note 3 Capital Assets

Capital asset activity for the year ended April 30, 2016, was as follows:

| | Balance at May 1, 2015 | Additions | Transfers/ Disposals | Balance at April 30, 2016 |
|---|---------------------------|--------------|-------------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,428,024 | \$ - | \$ - | \$ 2,428,024 |
| Construction in progress | 7,658,193 | 3,518,311 | 1,828,533 | 9,347,971 |
| Total capital assets not being depreciated | 10,086,217 | 3,518,311 | 1,828,533 | 11,775,995 |
| Capital assets being depreciated: | | | | |
| Buildings | 12,457,986 | 1,904,338 | 213,472 | 14,148,852 |
| Equipment | 5,452,286 | 551,692 | 83,478 | 5,920,500 |
| Infrastructure | 31,415,966 | 1,986,326 | 552,006 | 32,850,286 |
| Total capital assets being depreciated | 49,326,238 | 4,442,356 | 848,956 | 52,919,638 |
| Less accumulated depreciation: | | | | |
| Buildings | 5,500,623 | 280,840 | 213,472 | 5,567,991 |
| Equipment | 3,394,320 | 511,901 | 83,478 | 3,822,743 |
| Infrastructure | 16,518,712 | 1,118,164 | 552,006 | 17,084,870 |
| Total accumulated depreciation | 25,413,655 | 1,910,905 | 848,956 | 26,475,604 |
| Governmental activities capital assets, net | \$ 33,998,800 | \$ 6,049,762 | \$ 1,828,533 | \$ 38,220,029 |

City of Dixon, Illinois

Notes to Financial Statements

Note 3 Capital Assets (Continued)

| | Balance at May 1, 2015 | Additions | Transfers/ Disposals | Balance at April 30, 2016 |
|---|---------------------------|---------------------|-------------------------|------------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 309,339 | \$ - | \$ - | \$ 309,339 |
| Construction in progress | 457,387 | 754,517 | 433,605 | 778,299 |
| Total capital assets not being depreciated | 766,726 | 754,517 | 433,605 | 1,087,638 |
| Capital assets being depreciated: | | | | |
| Buildings | 21,539,765 | 22,810 | - | 21,562,575 |
| Equipment | 1,146,126 | 32,281 | 10,365 | 1,168,042 |
| Infrastructure | 35,742,878 | 579,848 | 16,372 | 36,306,354 |
| Total capital assets being depreciated | 58,428,769 | 634,939 | 26,737 | 59,036,971 |
| Less accumulated depreciation: | | | | |
| Buildings | 11,943,928 | 1,004,022 | - | 12,947,950 |
| Equipment | 842,307 | 96,820 | 10,365 | 928,762 |
| Infrastructure | 16,132,471 | 1,195,365 | 16,372 | 17,311,464 |
| Total accumulated depreciation | 28,918,706 | 2,296,207 | 26,737 | 31,188,176 |
| Business-type activities capital assets, net | \$ 30,276,789 | \$ (906,751) | \$ 433,605 | \$ 28,936,433 |

City of Dixon, Illinois

Notes to Financial Statements

Note 3 Capital Assets (Continued)

Depreciation expense was charged as direct expense to programs of the City as follows:

Governmental activities:

| | | |
|------------------------|----|-----------|
| General government | \$ | 95,741 |
| Public safety | | 475,144 |
| Highways and streets | | 1,214,917 |
| Culture and recreation | | 4,028 |
| Airport | | 100,374 |
| Cemetery | | 20,701 |

Total depreciation expense \$ 1,910,905

Business-type activities:

| | | |
|------------------|----|-----------|
| Sewer | \$ | 1,472,116 |
| Water department | | 824,091 |

Total depreciation expense \$ 2,296,207

Note 4 Payments to Ken Nelson Auto Plaza

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The agreement expires in May 2019. The amount of ROT rebate expenses during fiscal year ending April 30, 2016 was \$55,785.

Note 5 Legal Debt Margin

The following schedule illustrates the legal debt margin of the City as of April 30, 2016:

| | | |
|--|----|----------------|
| Assessed valuation - 2015 | | \$ 174,098,447 |
| Statutory debt limitation (8.625% of assessed valuation) | | \$ 15,015,991 |
| Total debt: | | |
| General Obligation Debt Certificates | \$ | - |
| EPA loans payable | | 10,580,255 |
| Notes payable | | 6,610,150 |
| Deduct bonds exempt from debt limitation computation: | | |
| EPA loans payable | | (10,580,255) |
| Notes payable | | (6,610,150) |
| Legal debt margin | | \$ 15,015,991 |

City of Dixon, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt and Obligations

Transactions for the year ended April 30, 2016 are summarized as follows:

Governmental Activities

| | Balance May 1, 2015 | Increase | Decrease | Balance April 30, 2016 | Due Within One Year |
|--|------------------------|---------------------|-------------|---------------------------|------------------------|
| Net pension obligation | \$ 15,344,254 | \$ 7,659,992 | - | \$ 23,004,246 | \$ - |
| Other post-employment benefits | 529,199 | 71,287 | - | 600,486 | - |
| Total governmental activities | \$ 15,873,453 | \$ 7,731,279 | \$ - | \$ 23,604,732 | \$ - |

Business-Type Activities

| | | | | | |
|---|----------------------|-------------|---------------------|----------------------|---------------------|
| EPA loans payable | \$ 11,294,795 | \$ - | \$ 714,540 | \$ 10,580,255 | \$ 726,453 |
| Notes payable | 7,617,934 | - | 1,007,783 | 6,610,151 | 1,033,494 |
| Total business-type activities | \$ 18,912,729 | \$ - | \$ 1,722,323 | \$ 17,190,406 | \$ 1,759,947 |

Governmental Activities

Net Pension Obligation

At April 30, 2016, the City had the following net pension liability (asset):

| | |
|------------------------------------|----------------------|
| Police Pension | \$ 11,124,359 |
| Firefighters' Pension | 11,535,659 |
| Illinois Municipal Retirement Fund | 344,228 |
| Total | \$ 23,004,246 |

City of Dixon, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt and Obligations (Continued)

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2016 consisted of the following:

| Project | Interest rate | Amount |
|---------------------------------------|----------------------|---------------|
| Waste Water Treatment Plant expansion | 2.535 % | \$ 6,610,150 |
| Total | | \$ 6,610,150 |

Presented below is a summary of notes payable debt service requirements to maturity by year:

| Year Ending April 30 | Waste Water Treatment Plant Expansion | |
|-------------------------------------|--|-----------------|
| | Principal | Interest |
| 2017 | \$ 1,033,494 | \$ 161,059 |
| 2018 | 1,059,859 | 134,694 |
| 2019 | 1,086,896 | 107,656 |
| 2020 | 1,114,624 | 79,929 |
| 2021 | 1,143,059 | 51,494 |
| Future years | 1,172,218 | 22,334 |
| Total | \$ 6,610,150 | \$ 557,166 |

City of Dixon, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt and Obligations (Continued)

Business-Type Activities (Continued)

EPA Loans Payable

The Water Department entered into a loan agreement on August 22, 2005, with the Environmental Protection Agency for improvements to the City of Dixon Public Water Supply facilities. The work includes the removal of two concrete water storage reservoirs and the construction of a new 1.25 million gallon storage reservoir along with a waterworks building. The loan bears a 2.50% interest rate with a term of 20 years with principal and interest payments due in April and October of each year. The City of Dixon has issued an ordinance stating costs are to be paid from the loan proceeds and repayment of the loan by the City of Dixon is to be repaid from revenues of the system and sales tax revenues. The ordinance also states that the loan does not constitute indebtedness of the City of Dixon. The following schedule discloses principal and interest requirements to maturity on the loan:

| Year Ending April 30 | Principal | Interest | Total |
|---------------------------------|--------------------|------------------|--------------------|
| 2017 | \$ 154,122 | \$ 44,694 | \$ 198,816 |
| 2018 | 157,998 | 40,818 | 198,816 |
| 2019 | 161,972 | 36,844 | 198,816 |
| 2020 | 166,047 | 32,769 | 198,816 |
| 2021 | 170,224 | 28,592 | 198,816 |
| Future years | 1,015,731 | 77,756 | 1,093,487 |
| Total | \$1,826,094 | \$261,473 | \$2,087,567 |

The Water Department entered into a loan agreement on November 19, 2007, with the Environmental Protection Agency for improvements to the City of Dixon Public Water Supply facilities. The work includes the construction of two water treatment plants to provide compliance with radium standards for the City of Dixon Public Water Supply. The loan bears a 2.50% interest rate with a term of 20 years with principal and interest payments due in March and September of each year. The following schedule discloses principal and interest requirements to maturity on the loan:

| Year Ending April 30 | Principal | Interest | Total |
|---------------------------------|--------------------|-------------------|--------------------|
| 2017 | \$ 254,726 | \$ 90,611 | \$ 345,337 |
| 2018 | 261,134 | 84,203 | 345,337 |
| 2019 | 267,703 | 77,634 | 345,337 |
| 2020 | 274,437 | 70,900 | 345,337 |
| 2021 | 281,341 | 63,996 | 345,337 |
| Future years | 2,348,386 | 241,641 | 2,590,027 |
| Total | \$3,687,727 | \$ 628,985 | \$4,316,712 |

City of Dixon, Illinois

Notes to Financial Statements

Note 6 Long-Term Debt and Obligations (Continued)

Business-Type Activities (Continued)

EPA Loans Payable (Continued)

The Water Department entered into a loan agreement on July 15, 2009 with the Environmental Protection Agency for the construction of two new 1,500 gallons per minute water treatment facilities to provide compliance with radium standards for the City of Dixon public water supply. The loan bears a zero percent interest rate with a term of 20 years, with principal payments due in December and June of each year. The following schedule discloses principal and interest requirements to maturity on the loan:

| Year Ending April 30 | Principal | Interest | Total |
|---------------------------------|--------------------|-----------------|--------------------|
| 2017 | \$ 165,809 | \$ - | \$ 165,809 |
| 2018 | 165,809 | - | 165,809 |
| 2019 | 165,809 | - | 165,809 |
| 2020 | 165,809 | - | 165,809 |
| 2021 | 165,809 | - | 165,809 |
| Future years | 1,658,097 | - | 1,658,097 |
| Total | \$2,487,142 | \$ - | \$2,487,142 |

The Water Department entered into a loan agreement on October 25, 2010, with the Environmental Protection Agency for the construction of a new 2,000 gallon per minute water treatment facility to provide compliance with radium standards for the City of Dixon public water supply. The loan bears a 1.25% simple interest rate with a term of 20 years, with principal and interest payments due in March and September of each year. The following schedule discloses principal and interest requirements to maturity on the loan:

| Year Ending April 30 | Principal | Interest | Total |
|---------------------------------|--------------------|-------------------|--------------------|
| 2017 | \$ 151,796 | \$ 31,769 | \$ 183,565 |
| 2018 | 153,700 | 29,865 | 183,565 |
| 2019 | 155,627 | 27,938 | 183,565 |
| 2020 | 157,578 | 25,987 | 183,565 |
| 2021 | 159,554 | 24,011 | 183,565 |
| Future years | 1,801,037 | 126,392 | 1,927,429 |
| Total | \$2,579,292 | \$ 265,962 | \$2,845,254 |

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Lease Agreement

The City maintains a lease agreement, as lessee, with Lee County, Illinois, for police dispatching, call taking and telecommunications services in the Law Enforcement Building. The lease is an annual term and self-renews each year. Either party may terminate the agreement upon giving six months prior written notice to the other party of its intent to terminate. Currently, the lease calls for monthly payments from the City in the amount of \$10,306.

Note 8 Compliance and Accountability

Budgets

All departments of the City submit requests to the City so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested budgets for the next fiscal year.

The proposed budget is presented to the City Council. The City Council holds public hearings and may add to, subtract from, or changes the budget. Prior to May 1, the budget is legally enacted through passage of an ordinance.

The budget may be changed by an affirmative vote of a majority of the City Council.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans

The City has three pension plans covering eligible employees – Police Pension Plan, Firefighters' Pension Plan, and Illinois Municipal Retirement Fund. Each plan's assets may be only used for the payment of benefits to the members of that plan, in accordance with the terms of the plan. Membership of each plan consisted of the following at April 30, 2016:

| | Police Pension | Firefighters' Pension |
|--|----------------|-----------------------|
| Inactive members and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them | 29 | 25 |
| Current employees | 30 | 17 |
| Total | 59 | 42 |

Police Pension Plan

Plan Description

Police sworn personnel are covered by the Police Pension Plan which is a single-employer defined benefit pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Section 5, Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary.

Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5% of final salary for each year of service.

Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50% of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3% of the amount of the pension payable at the time of the increase.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Police Pension Plan (Continued)

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the amounts necessary to finance the plan as determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Plan is fully funded.

Investment Policy

Illinois Compiled Statutes ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

The Fund's investment policy in accordance with the ILCS establishes the following target allocation across asset classes:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| US Cash | 3.00% | 0.00% |
| US Fixed Income | 32.00% | 0.21% |
| Emerging Markets Debt | 3.00% | 2.36% |
| US Large Cap Equity | 5.00% | 5.00% |
| US Small/Mid Cap Equity | 7.50% | 6.04% |
| US Preferred Securities | 4.00% | 3.02% |
| US Convertible Bonds | 6.00% | 4.05% |
| International Developed Markets Equity | 6.00% | 5.97% |
| Emerging Markets Equity | 9.00% | 7.52% |
| Real Estate | 7.50% | 6.02% |
| Tactical All Asset | 10.00% | 3.70% |
| MLP's | 4.00% | 3.20% |
| Floating Rate Notes | 3.00% | 3.10% |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Police Pension Plan (Continued)

Investment Policy (Continued)

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in April 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2016 are listed in the table above

Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of April 30, 2016 were as follows:

| | |
|---|--------------|
| Total pension liability | \$24,772,173 |
| Plan fiduciary net position | 13,647,814 |
| City's net pension liability | 11,124,359 |
| Plan fiduciary net position as a percentage of the total pension liability | 55.09% |

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

| | |
|---------------------------|------------------------------------|
| Actuarial Cost Method | Aggregate Entry Age Normal |
| Asset Valuation Method | Market Value of Assets |
| Wage Growth | 3.50% |
| Price Inflation | 2.50% |
| Salary Increases | 3.50% to 7.50% including inflation |
| Investment Rate of Return | 6.75% |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Police Pension Plan (Continued)

Net Pension Liability (Continued)

Retirement Age Retirement age was based on the L&A 2016 Police Retirement Rates Capped at age 65

Mortality Mortality rates were based on the L&A 2016 Illinois Police Mortality Rates

Discount Rate

The discount rate of 6.75% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan.

| Changes in Net Pension Liability | Total Pension Liability | Increase (Decrease) | |
|---|-------------------------|-----------------------------|-------------------------------|
| | | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance May 1, 2015 | \$23,812,439 | \$14,256,570 | \$9,555,869 |
| Service costs | 412,856 | - | 412,856 |
| Interest on total pension liability | 1,573,774 | - | 1,573,774 |
| Difference between expected and actual experience | 166,862 | - | 166,862 |
| Changes in assumptions | (199,219) | - | (199,219) |
| Employer contributions | - | 603,612 | (603,612) |
| Employee contributions | - | 197,842 | (197,842) |
| Net investment income | - | (394,244) | 394,244 |
| Benefit payments – net of refunds | (994,539) | (994,539) | - |
| Other changes (net transfer) | - | (21,426) | 21,426 |
| Net changes | 959,734 | (608,756) | 1,568,490 |
| Balances as of April 30, 2016 | \$24,772,173 | \$13,647,814 | \$11,124,359 |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Police Pension Plan (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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

| | 1% Decrease (5.75%) | Current Rate (6.75%) | 1% Increase (7.75%) |
|--|---------------------------|-------------------------|---------------------------|
| City's proportionate share of the Net Pension liability | \$15,124,738 | \$11,124,359 | \$7,907,390 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$1,119,432. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 138,142 | \$ - |
| Changes in assumptions | - | 164,930 |
| Net difference between projected and actual earnings on pension plan investments | 1,079,458 | - |
| Total | \$1,217,600 | \$ 164,930 |

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 April 30: | |
|----------------------|-----------|
| 2017 | \$264,296 |
| 2018 | 264,296 |
| 2019 | 264,296 |
| 2020 | 264,296 |
| 2021 | (4,512) |
| Thereafter | - |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Firefighters' Pension Plan

Plan Description

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that provides retirement benefits as well as death and disability benefits. Although this is a single-employer pension plan, the defined benefits and employee contributions levels are governed by the Illinois Compiled Statutes (Chapter 40, Section 5, Article 4) and may be amended only by the Illinois legislature.

Benefits Provided

Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the salary attached to the rank held on the last day of service. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such monthly salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit ranging from 15% of final salary for ten years of service to 45.6% for nineteen years of service.

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching at least the age of 55, by 3% of the amount of the pension payable at the time of the increase.

Contributions

Covered employees are required to contribute 9.455% of their salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts (not less than 17.500%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy

Illinois Compiled Statutes ILCS) limit the Firefighter's Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy

The Fund's investment policy in accordance with the ILCS establishes the following target allocation across asset classes:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| US Cash | 3.00% | 3.00% |
| US Fixed Income | 52.00% | 0.21% |
| Emerging Markets Debt | 2.50% | 2.36% |
| US Large Cap Equity | 5.00% | 5.00% |
| US Small/Mid Cap Equity | 5.00% | 6.04% |
| US Preferred Securities | 5.00% | 3.02% |
| International Developed Markets Equity | 5.00% | 5.97% |
| Emerging Markets Equity | 5.00% | 7.52% |
| Real Estate | 5.00% | 6.02% |
| Tactical All Asset | 5.00% | 3.70% |
| MLP's | 5.00% | 3.20% |
| Floating Rate Notes | 2.50% | 3.10% |

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy (Continued)

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in April 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2016 are listed in the table above.

Net Pension Liability

The components of the net pension liability of the Firefighters' Pension Plan as of April 30, 2016 were as follows:

| | |
|---|--------------|
| Total pension liability | \$19,453,215 |
| Plan fiduciary net position | 7,917,556 |
| City's net pension liability | 11,535,659 |
| Plan fiduciary net position as a percentage of the total pension liability | 40.70% |

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

| | |
|---------------------------|------------------------------------|
| Actuarial Cost Method | Aggregate Entry Age Normal |
| Asset Valuation Method | Market Value of Assets |
| Wage Growth | 3.50% |
| Price Inflation | 2.50% |
| Salary Increases | 3.50% to 6.54% including inflation |
| Investment Rate of Return | 6.03% |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Net Pension Liability (Continued)

Retirement Age Retirement age was based on the L&A 2016 Firefighters Retirement Rates Capped at age 65

Mortality Mortality rates were based on the L&A 2016 Illinois Firefighters Mortality Rates

Discount Rate

The discount rate of 6.03% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan.

| Changes in Net Pension Liability | Total Pension Liability | Increase (Decrease) | |
|---|-------------------------|-----------------------------|-------------------------------|
| | | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance May 1, 2015 | \$15,736,313 | \$8,301,678 | \$7,434,635 |
| Service costs | 318,494 | - | 318,494 |
| Interest on total pension liability | 922,776 | - | 922,776 |
| Difference between expected and actual experience | 886,994 | - | 886,994 |
| Changes in assumptions | 2,455,088 | - | 2,455,088 |
| Employer contributions | - | 460,600 | (460,600) |
| Employee contributions | - | 127,140 | (127,140) |
| Net investment income | - | (86,140) | 86,140 |
| Benefit payments – net of refunds | (866,450) | (866,450) | - |
| Other changes (net transfer) | - | (19,271) | 19,271 |
| Net changes | 3,716,902 | (384,122) | 4,101,024 |
| Balances as of April 30, 2016 | \$19,453,215 | \$7,917,556 | \$11,535,659 |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Firefighters' Pension Plan (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 6.03 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 (5.03 percent) or 1-percentage-point higher (7.03 percent) than the current rate:

| | 1% Decrease (5.03%) | Current Rate (6.03%) | 1% Increase (7.03%) |
|--|---------------------------|-------------------------|---------------------------|
| City's proportionate share of the Net Pension liability | \$14,370,025 | \$11,535,659 | \$9,227,699 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$1,264,004. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 744,390 | \$ - |
| Changes in assumptions | 2,060,379 | - |
| Net difference between projected and actual earnings on pension plan investments | 492,851 | - |
| Total | \$3,297,620 | \$ - |

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 April 30: | |
|----------------------|-----------|
| 2017 | \$660,526 |
| 2018 | 660,526 |
| 2019 | 660,526 |
| 2020 | 660,525 |
| 2021 | 537,313 |
| Thereafter | 118,204 |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Illinois Municipal Retirement Fund

Plan Description. The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report may be obtained on-line at www.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 \$111,572 increasing annually by 3 percent or the consumer price index, whichever is less.

Employees Covered by the Benefit Terms - At the December 31st 2015 valuation date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 61 |
| Inactive employees entitled to but not yet receiving benefits | 19 |
| Active employees | 50 |
| <hr/> | |
| Total | 130 |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Illinois 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, 2015, 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, 2015 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 | Market Value of Assets |
| Wage Growth | 4.0% |
| Price Inflation | 2.75% |
| Salary Increases | 3.75% to 14.50% including inflation |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013. |

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

Mortality For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement Fund annual actuarial valuation report.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study dated April 15, 2016 for the period January 1, 2015 through December 31, 2015. As a result of the December 31, 2015 actuarial experience study, new assumptions for the assumed rate of return, salary increase, inflation and related economic assumptions were adopted in the December 31, 2015 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.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

| Changes in Net Pension Liability | Total Pension Liability | Increase (Decrease) | |
|---|-------------------------|-----------------------------|-------------------------------|
| | | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance January 1, 2015 | \$17,163,855 | \$18,810,105 | \$(1,646,250) |
| Service costs | 308,841 | - | 308,841 |
| Interest on total pension liability | 1,266,534 | - | 1,266,534 |
| Difference between expected and actual experience | 506,183 | - | 506,183 |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 230,964 | (230,964) |
| Employee contributions | - | 138,345 | (138,345) |
| Net investment income | - | 92,818 | (92,818) |
| Benefit payments – net of refunds | (862,323) | (862,323) | - |
| Other changes (net transfer) | - | (371,047) | 371,047 |
| Net changes | 1,219,235 | (82,577) | 1,990,478 |
| Balances as of December 31, 2015 | \$18,383,090 | \$18,038,862 | \$344,228 |

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%) |
|---|---------------------|----------------------|---------------------|
| City's proportionate share of the Net Pension liability | \$2,574,046 | \$344,228 | \$(1,506,599) |

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>.

City of Dixon, Illinois

Notes to Financial Statements

Note 9 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the City recognized pension expense of \$808,557. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 384,455 | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,028,430 | - |
| Employer contributions subsequent to the measurement date | 61,815 | - |
| Total | \$1,474,700 | \$ - |

The City reported \$61,815 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2016. 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:

| | |
|------------|-----------|
| 2016 | \$378,836 |
| 2017 | 378,836 |
| 2018 | 378,836 |
| 2019 | 276,377 |
| 2020 | - |
| Thereafter | - |

Note 10 Other Post-Employment Benefits

The City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective May 1, 2008. This statement requires the costs of postemployment benefits other than pension benefits to be recognized over a period that approximates an employee's years of service. Additional disclosures required by this statement are included below:

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Other Post-Employment Benefits (Continued)

Plan Description

In addition to providing the pension benefits described in Note 9, the City provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

Benefits Provided

The City provides continued health insurance coverage at a reduced rate to all eligible retirees, which creates a subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose not to participate in the plan or continue under the City's plan paying the full cost of coverage.

Membership

At April 30, 2016, membership consisted of:

| | |
|--|------------|
| Retirees and beneficiaries receiving benefits | 11 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active vested plan members | 19 |
| Active nonvested plan members | 77 |
| Total | 107 |
| Number of participating employers | 1 |

Funding Policy

The City is not required to and does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Premium cost sharing arrangements vary depending on the bargaining unit and date of retirement. Qualified retirees pay a percentage of the premium cost for single and dependent coverage based on Medicare status and family status.

Annual OPEB Costs and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Other Post-Employment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

The City first had an actuarial valuation performed for the plan as of April 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2009. The City's annual OPEB cost (expense) of \$177,181 was equal to the ARC for the fiscal year 2009, as the transition liability was set at zero as of May 1, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------|-------------------------|-------------------------------|---|----------------------------|
| April 30, 2016 | \$202,036 | \$130,750 | 64.7 % | \$600,486 |
| April 30, 2015 | 193,969 | 129,205 | 66.6 % | 529,199 |
| April 30, 2014 | 265,287 | 65,684 | 24.8 % | 464,435 |
| April 30, 2011 | 181,348 | 113,481 | 0.00 % | 264,832 |
| April 30, 2010 | 179,265 | 111,398 | 0.00 % | 196,965 |

The net OPEB obligation as of April 30, 2016, was calculated as follows:

| | |
|--|-------------------|
| Annual required contribution | \$ 198,508 |
| Interest on net OPEB obligation | 21,168 |
| Adjustment to annual required contribution | (17,640) |
| Annual OPEB cost | 202,036 |
| Contributions made | 130,750 |
| Increase in net OPEB obligation | 71,286 |
| Net OPEB obligation, beginning of year | 529,199 |
| Net OPEB obligation, end of year | \$ 600,486 |

Funding Status and Funding Progress

The funded status of the plan as of April 30, 2016 was as follows:

| | |
|---|-------------|
| Actuarial accrued liability (AAL) | \$2,346,155 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$2,346,155 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Other Post-Employment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 4.00%, salary increases comprised of a wage inflation component of 4.00%, and a healthcare trend rate of 8.00% initially and an ultimate rate of 5.50%. The calculations assume a level-percentage-of-pay 30-year open amortization period for retirees.

The actuarial value of assets was not determined as the City has not advance funded its obligation.

Note 11 Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, allows them to defer a part of their compensation until future years. The City is not required to make any contributions to the plan. The amounts deferred, and earnings thereon, are not available to employees until termination, retirement, death or unforeseeable emergency.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Pursuant to GASB Statement No. 32, the assets and liabilities of this plan are not recorded as part of the City's books.

City of Dixon, Illinois

Notes to Basic Financial Statements

Note 12 Interfund Transfers/Balances

All interfund balances at April 30, 2016 were as follows:

| | Fund Owed | Fund Owing |
|---|---------------------|---------------------|
| General Fund | \$ 2,596,011 | \$ 400,000 |
| Capital Projects Fund | 1,500,000 | - |
| Medical Insurance Fund (Internal Service) | 400,000 | - |
| Water Fund | - | 307 |
| Sewer Fund | - | 307 |
| Nonmajor Governmental | - | 4,095,397 |
| Total interfund balances | \$ 4,496,011 | \$ 4,496,011 |

Interfund transfers during the year ended April 30, 2016, were as follows:

| | Transfers In | Transfers Out |
|------------------------------------|---------------------|---------------------|
| General Fund: | | |
| Capital Projects Fund | \$ - | \$ 1,675,300 |
| Nonmajor Governmental | - | 245,326 |
| Total General Fund | - | 1,920,626 |
| Capital Projects Fund: | | |
| General Fund | 1,675,300 | - |
| Nonmajor Governmental | 183,540 | - |
| DUI Fund | 9,207 | - |
| Library Trust Fund | 139,125 | - |
| Library Trust Fund: | | |
| Capital Projects Fund | - | 139,125 |
| DUI Fund: | | |
| Capital Projects Fund | - | 9,207 |
| Total Agency Fund | 2,007,172 | 148,332 |
| Nonmajor Governmental | | |
| Capital Projects Fund | - | 183,540 |
| General Fund | 245,326 | - |
| Water Fund | 450,000 | - |
| Sewer Fund | 224,000 | - |
| Total Nonmajor Governmental | 919,326 | 183,540 |
| Enterprise Funds | | |
| Water Fund: | | |
| Nonmajor Governmental | - | 450,000 |
| Sewer Fund: | | |
| Nonmajor Governmental | - | 224,000 |
| Total Enterprise Funds | - | 674,000 |
| Total operating transfers | \$ 2,926,498 | \$ 2,926,498 |

Transfers are used to (a) move unrestricted revenues collected in the funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and to (b) transfer capital assets between two funds.

City of Dixon, Illinois

Notes to Financial Statements

Note 13 Disbursements in Excess of Budget and Fund Deficits

Excess of expenditures over budget in individual funds

The following funds had an excess of expenditures over budget for the year ended April 30, 2016:

| | Budget | Actual |
|-----------------------------|---------------|---------------|
| Social Security Fund | 265,000 | 276,888 |
| Capital Projects Fund | 1,143,800 | 5,316,488 |
| Motor Fuel Tax Fund | 465,045 | 627,814 |
| Downtown TIF Fund | - | 282,591 |
| River Front TIF Fund | - | 76,007 |
| Police Vehicle Fund | 5,000 | 18,972 |
| Firefighter's Pension Fund | 880,000 | 939,398 |
| Foreign Fire Insurance Fund | - | 17,595 |

The Downtown Redevelopment Project TIF Fund and Riverfront Project TIF Fund had deficit fund balances at April 30, 2016 of \$1,617,391 and \$2,007,349 respectively.

Note 14 Sanitary Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that a final cover be placed on a landfill when closed and certain maintenance performed and functions monitored at the landfill site for thirty years after closure. The landfill site remains open, and the City of Dixon, Illinois has sold the landfill site to Allied Waste Industries of Illinois, Inc., and Allied Waste Industries of Illinois, Inc., is responsible for the closure and post closure care costs.

Note 15 Commitments and Contingencies

As of April 30, 2016, the City was not obligated under any commitments. Some contingencies are applicable at April 30, 2016. See footnote 19 regarding subsequent events for additional information.

City of Dixon, Illinois

Notes to Financial Statements

Note 16 Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured for property, general liability, workers compensation, and other risks accounted for in the General Fund.

The City is also exposed to risks of loss relating to medical insurance claims of its employees. The City is insured under a retrospectively rated policy for these medical claims.

There were no losses in excess of insurance coverage for any of the prior three years.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 17 Dixon Community Fire Protection District

The City of Dixon has filed objections related to taxes that the Dixon Community Fire Protection District (District) is receiving from certain property in Lee County. During the year ended April 30, 2011, the City and the District entered into an agreement whereby the District will make payments as follows:

- \$120,000 thirty days after entry of the agreement
- \$150,000 on or before September 15, 2011 and of the agreement, a payment computed based on the Equalized Assessed Value of the property annexed to the City of Dixon but not disconnected from the District

The term of the agreement is from April 30, 2011 through April 30, 2016 and shall be automatically extended for an additional two years unless either party gives written notice to terminate.

Note 18 Risks and Uncertainties

The Pension Trust Funds invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

City of Dixon, Illinois

Notes to Financial Statements

Note 19 Management Evaluation of Subsequent Events

Management has evaluated events subsequent to the year ended April 30, 2016 and up to the date of the financial statements. A major event has occurred which requires disclosure in these financial statements.

The City expects to collect additional funds through the sale of the former City Comptroller's personal assets that were purchased with funds that were misappropriated from the City. As of the date of this report, no amounts are probable and estimable. Accordingly, no receivable is included within the City's basic financial statements. The additional funds from the sale of the former City Comptroller's personal assets will be recognized as revenue when received in future years.

Note 20 Fund Balance Reporting

In fiscal year 2012, the City adopted accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 is a financial reporting requirement for local governments in the United States. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Below are definitions for how these balances are reported in the City's financial statements.

Nonspendable Fund Balance

Nonspendable Fund Balance is used to account for amounts which cannot currently be spent, including prepaid expenses, amounts held in inventory, balances of long-term notes and loans receivable, and value of land and other property acquired and held for resale. The City has several revenue sources received within different funds that are nonspendable for the following purposes:

| | | |
|--------------------|----|---------|
| Prepaid Expenses | \$ | 283,431 |
| Notes Receivable | | 305,813 |
| Inventory | | 9,319 |
| <hr/> | | |
| Total Nonspendable | \$ | 598,563 |
| <hr/> | | |

City of Dixon, Illinois

Notes to Financial Statements

Note 20 Fund Balance Reporting

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:

| | | |
|-------------------------|-----------|-------------------|
| Public Safety | \$ | 1,020,906 |
| Streets and Highways | | 362,148 |
| Culture and Recreation | | 349,426 |
| City Development | | 12,356,776 |
| Airport Operations | | 77,849 |
| Municipal Retirement | | 1,643,042 |
| Working Cash | | 699,978 |
| Social Security | | 2,055,745 |
| Total Restricted | \$ | 18,565,870 |

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.

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.

Note 21 Restricted Net Position

Restrictions of net position represent amounts that are not appropriable or are legally segregated for a specific purpose. Restricted net position is limited to outside third-party restrictions. The following restricted net position existed as of April 30, 2016.

| | | |
|--------------------------------------|-----------|-------------------|
| Public Safety | \$ | 1,020,906 |
| Streets and Highways | | 362,148 |
| Culture and Recreation | | 349,426 |
| City Development | | 12,356,776 |
| Airport Operations | | 77,849 |
| Municipal Retirement | | 1,643,042 |
| Working Cash | | 699,978 |
| Social Security | | 2,055,745 |
| Total Restricted Net Position | \$ | 18,565,870 |

City of Dixon, Illinois

Notes to Financial Statements

Note 22 Restatement of Fund Balances

In previous years compensated absences were shown as a liability on the balance sheet. However, compensated absences are a long-term liability and are not due and payable in the current period and therefore are not reported in the funds. The details of this restatement are as follows:

| | General Fund | Library Fund | Municipal Airport Fund |
|--|--------------------|------------------|---------------------------|
| Fund Balance – April 30, 2015 (as reported) | \$4,996,385 | \$309,831 | \$48,833 |
| Add: Compensated absences previously reported | 390,164 | 15,134 | 11,801 |
| Fund Balance – April 30, 2015 (as restated) | <u>\$5,386,549</u> | <u>\$324,965</u> | <u>\$60,634</u> |

Note 23 Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. These statements require the net pension liability and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

| | IMRF | Police Pension | Fire Pension | Governmental Activities Total |
|--|-------------|-------------------|-----------------|----------------------------------|
| Net Position – April 30, 2015 (as reported) | | | | \$56,163,273 |
| Add: Prior year net pension obligation | \$ 237,100 | \$ 44,951 | \$ 58,126 | \$340,177 |
| Add: Net pension asset | 1,646,250 | - | - | 1,646,250 |
| Less: Net pension liability | - | (9,555,869) | (7,434,635) | (16,990,504) |
| Total change in net position – April 30, 2015 | \$1,883,350 | \$(9,510,918) | \$(7,376,509) | (15,004,077) |
| Net Position – April 30, 2015 (as restated) | | | | <u>\$41,159,196</u> |

City of Dixon, Illinois

Notes to Financial Statements

Note 24 Pending Accounting Pronouncements

GASB issued Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement when a market price is not readily determinable, and establishes a 3-level hierarchy of fair value that will be disclosed in the notes to the financial statements, based on the presence or absence of observable market inputs. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68* addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015.

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.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures* requires governments that enter into tax abatement agreements to disclose the certain information about the agreements to allow readers of the financial statements to better access the revenue-generating capacity of the government. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015.

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.

City of Dixon, Illinois

Notes to Financial Statements

Note 24 Pending Accounting Pronouncements (Continued)

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.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

Required Supplementary Information

City of Dixon, Illinois

Schedules of Required Supplementary Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

IMRF

Last 10 Calendar Years

(schedule to be built prospectively from 2014)

| | 2015 | 2014 |
|--|--------------|--------------|
| Calendar year ending December 31, | | |
| Total pension liability: | | |
| Service cost | \$308,841 | \$300,939 |
| Interest on the total pension liability | 1,266,534 | 1,164,405 |
| Benefit changes | - | - |
| Difference between expected and actual experience | 506,183 | 132,759 |
| Assumption changes | - | 555,387 |
| Benefit payments and refunds | (862,323) | (729,131) |
| Net change in total pension liability | 1,219,235 | 1,424,359 |
| Total pension liability - beginning | 17,163,855 | 15,739,496 |
| Total pension liability - ending (a) | \$18,383,090 | \$17,163,855 |
| Plan fiduciary net position: | | |
| Employer contributions | \$230,964 | \$352,578 |
| Employee contributions | 138,345 | 125,434 |
| Pension plan net investment income | 92,818 | 1,087,808 |
| Benefit payments and refunds | (862,323) | (729,131) |
| Other | (371,047) | 14,939 |
| Net change in plan fiduciary net position | (771,243) | 851,628 |
| Plan fiduciary net position - beginning | 18,810,105 | 17,958,477 |
| Plan fiduciary net position - ending (b) | \$18,038,862 | \$18,810,105 |
| Net pension liability(asset) - Ending (a) - (b) | 344,228 | (1,646,250) |
| Plan fiduciary net position as a percentage of total pension liability | 98.13% | 109.59% |
| Covered valuation payroll | 2,975,220 | 2,802,380 |
| Net pension liability as a percentage of covered valuation payroll | 11.57% | -58.74% |

City of Dixon, Illinois

Schedules of Required Supplementary Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Police Pension

Last 10 Years

(schedule to be built prospectively from 2015)

| | 2016 | 2015 |
|--|--------------|--------------|
| Fiscal year ending April 30, | | |
| Total pension liability: | | |
| Service cost | \$412,856 | \$478,953 |
| Interest on the total pension liability | 1,573,774 | 1,394,324 |
| Benefit changes | - | - |
| Difference between expected and actual experience | 166,862 | 289,047 |
| Assumption changes | (199,219) | 2,215,611 |
| Benefit payments and refunds | (994,539) | (968,808) |
| Net change in total pension liability | 959,734 | 3,409,127 |
| Total pension liability - beginning | 23,812,439 | 20,403,312 |
| Total pension liability - ending (a) | \$24,772,173 | \$23,812,439 |
| Plan fiduciary net position: | | |
| Employer contributions | \$603,612 | \$525,350 |
| Employee contributions | 197,842 | 212,422 |
| Pension plan net investment income | (394,244) | 679,948 |
| Benefit payments and refunds | (994,539) | (968,808) |
| Administrative expense | (21,427) | (22,636) |
| Net change in plan fiduciary net position | (608,756) | 426,276 |
| Plan fiduciary net position - beginning | 14,256,570 | 13,830,294 |
| Plan fiduciary net position - ending (b) | \$13,647,814 | \$14,256,570 |
| Net pension liability(asset) - Ending (a) - (b) | 11,124,359 | 9,555,869 |
| Plan fiduciary net position as a percentage of total pension liability | 55.09% | 59.87% |
| Covered valuation payroll | 2,352,152 | 1,994,165 |
| Net pension liability as a percentage of covered valuation payroll | 472.94% | 479.19% |

City of Dixon, Illinois

Schedules of Required Supplementary Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Fire Pension

Last 10 Years

(schedule to be built prospectively from 2015)

| | 2016 | 2015 |
|--|--------------|--------------|
| Fiscal year ending April 30, | | |
| Total pension liability: | | |
| Service cost | \$318,494 | \$277,022 |
| Interest on the total pension liability | 922,776 | 958,772 |
| Benefit changes | - | - |
| Difference between expected and actual experience | 886,994 | 119,049 |
| Assumption changes | 2,455,088 | 1,079,603 |
| Benefit payments and refunds | (866,450) | (789,754) |
| Net change in total pension liability | 3,716,902 | 1,644,692 |
| Total pension liability - beginning | 15,736,313 | 14,091,621 |
| Total pension liability - ending (a) | \$19,453,215 | \$15,736,313 |
| Plan fiduciary net position: | | |
| Employer contributions | \$460,600 | \$406,847 |
| Employee contributions | 127,140 | 107,946 |
| Pension plan net investment income | (86,140) | 407,783 |
| Benefit payments and refunds | (866,450) | (787,267) |
| Administrative expense | (19,272) | (17,723) |
| Net change in plan fiduciary net position | (384,122) | 117,586 |
| Plan fiduciary net position - beginning | 8,301,678 | 8,184,092 |
| Plan fiduciary net position - ending (b) | \$7,917,556 | \$8,301,678 |
| Net pension liability(asset) - Ending (a) - (b) | 11,535,659 | 7,434,635 |
| Plan fiduciary net position as a percentage of total pension liability | 40.70% | 52.75% |
| Covered valuation payroll | 1,198,672 | 1,198,704 |
| Net pension liability as a percentage of covered valuation payroll | 962.37% | 620.22% |

City of Dixon, Illinois

Schedule of Funding Progress Other Post Employment Benefits

April 30, 2016

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------------------|----------------------------------|--|---------------------------------|--------------------------|---------------------------|---|
| Other Post-Employment Benefits | | | | | | |
| 4/30/2010 | - | \$ 1,615,997 | \$ 1,615,997 | 0.00% | \$ 5,402,360 | 29.91% |
| 4/30/2011 | - | 1,662,066 | 1,662,066 | 0.00% | 5,366,785 | 30.97% |
| 4/30/2014 | - | 2,786,851 | 2,786,851 | 0.00% | 6,016,923 | 46.32% |
| 4/30/2015 | - | 2,346,155 | 2,346,155 | 0.00% | 5,632,999 | 41.65% |
| 4/30/2016* | - | 2,346,155 | 2,346,155 | 0.00% | 5,632,999 | 41.65% |

Note - The City did not have actuarial studies done for the years ending 4/30/12 and 4/30/13, thus there is no data available for those years.

** - Data presented is based on the most recent actuarial valuation dated May 1, 2014*

City of Dixon, Illinois

Schedule of Employer Contributions IMRF, Police Pension Fund and Fire Pension Fund

April 30, 2016

| Actuarial Valuation Date | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|--------------------------|-------------------------------------|--|----------------------------------|--------------------------|---|
|--------------------------|-------------------------------------|--|----------------------------------|--------------------------|---|

IMRF

| | | | | | |
|------------|------------|--------------|-------------|--------------|-------|
| 12/31/2015 | \$ 199,340 | * \$ 230,964 | \$ (31,624) | \$ 2,975,220 | 7.76% |
|------------|------------|--------------|-------------|--------------|-------|

*Estimated based on contribution rate of 6.70% and covered valuation payroll of \$2,975,220.

Schedule to be built prospectively, The City implemented GASB Statement No. 68 in the fiscal year ending 4/30/2016

Police Pension Fund

| | | | | | |
|-----------|------------|------------|--------------|--------------|--------|
| 4/30/2007 | \$ 284,630 | \$ 392,277 | \$ (107,647) | \$ 1,290,523 | 30.40% |
| 4/30/2008 | 333,426 | 389,475 | (56,049) | 1,419,857 | 27.43% |
| 4/30/2009 | 488,480 | 410,274 | 78,206 | 1,474,079 | 27.83% |
| 4/30/2010 | 494,821 | 406,495 | 88,326 | 1,594,028 | 25.50% |
| 4/30/2011 | 416,399 | 416,399 | - | 1,546,962 | 26.92% |
| 4/30/2012 | 494,821 | 432,424 | 62,397 | 1,546,962 | 27.95% |
| 4/30/2013 | 416,399 | 443,397 | (26,998) | 1,681,857 | 26.36% |
| 4/30/2014 | 432,436 | 476,189 | (43,753) | 1,822,623 | 26.13% |
| 4/30/2015 | 532,391 | 525,350 | 7,041 | 1,994,165 | 26.34% |
| 4/30/2016 | 601,833 | 603,612 | (1,779) | 2,352,152 | 25.66% |

Fire Pension Fund

| | | | | | |
|-----------|------------|------------|-----------|------------|--------|
| 4/30/2007 | \$ 339,627 | \$ 270,445 | \$ 69,182 | \$ 819,518 | 33.00% |
| 4/30/2008 | 348,067 | 298,293 | 49,774 | 859,152 | 34.72% |
| 4/30/2009 | 494,370 | 337,210 | 157,160 | 887,705 | 37.99% |
| 4/30/2010 | 431,447 | 338,427 | 93,020 | 874,687 | 38.69% |
| 4/30/2011 | 338,437 | 338,437 | - | 900,489 | 37.58% |
| 4/30/2012 | 431,447 | 348,553 | 82,894 | 883,627 | 39.45% |
| 4/30/2013 | 338,437 | 354,399 | (15,962) | 1,091,163 | 32.48% |
| 4/30/2014 | 355,779 | 392,039 | (36,260) | 1,003,959 | 39.05% |
| 4/30/2015 | 472,264 | 406,847 | 65,417 | 1,198,704 | 33.94% |
| 4/30/2016 | 458,187 | 460,600 | (2,413) | 1,198,672 | 38.43% |

City of Dixon, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|--------------------|-----------------|---------------|------------------------|
| Revenues | | | | |
| General property taxes | \$ 2,288,000 | \$ 2,288,000 | \$ 2,282,999 | \$ (5,001) |
| Intergovernmental revenue: | | | | |
| Personal property replacement tax | 656,000 | 656,000 | 577,867 | (78,133) |
| Income tax and surcharge | 985,000 | 1,000,000 | 1,676,704 | 676,704 |
| Sales tax | 2,830,000 | 2,830,000 | 3,131,273 | 301,273 |
| Utility tax | 665,000 | 665,000 | 618,013 | (46,987) |
| Telecom tax | 75,000 | 75,000 | 63,259 | (11,741) |
| Gaming tax | 175,000 | 175,000 | 238,341 | 63,341 |
| Grant revenue | 88,000 | 88,000 | 22,786 | (65,214) |
| Motel tax | 66,000 | 66,000 | 75,940 | 9,940 |
| | 5,540,000 | 5,555,000 | 6,404,183 | 849,183 |
| | | | | |
| Licenses, permits, and other fees | 534,000 | 534,000 | 589,493 | 55,493 |
| Fines and penalties | 225,000 | 225,000 | 210,003 | (14,997) |
| Donations | 500 | 500 | - | (500) |
| Charges for services | 857,000 | 857,000 | 802,770 | (54,230) |
| Revenue from use of money and property | 6,000 | 6,000 | 9,879 | 3,879 |
| Other | 25,000 | 25,000 | 26,715 | 1,715 |
| | | | | |
| Total revenues - modified accrual basis | \$ 9,475,500 | \$ 9,490,500 | \$ 10,326,042 | \$ 835,542 |
| | | | | |
| Subtract beginning deferred revenues | | | (2,913,535) | |
| Add ending deferred revenues | | | 2,675,743 | |
| Add beginning receivables/accrued revenues | | | 4,227,653 | |
| Subtract ending receivables/accrued revenues | | | (3,697,231) | |
| | | | | |
| Total revenues - budget basis | | | \$ 10,618,672 | |
| Expenditures | | | | |
| <i>Department of Public Affairs</i> | | | | |
| Salaries | \$ 31,200 | \$ 31,200 | \$ 31,203 | \$ 3 |
| Supplies and services | 14,930 | 14,930 | 48,636 | 33,706 |
| Professional services and fees | 120,000 | 120,000 | 219,625 | 99,625 |
| Public relations | 3,000 | 3,000 | 3,266 | 266 |
| Travel expense | 8,000 | 8,000 | 3,330 | (4,670) |
| Dues and subscriptions | 3,000 | 3,000 | 3,289 | 289 |
| Donations | 111,000 | 126,000 | 126,962 | 962 |
| Fire and Police Commission | 11,500 | 11,500 | 4,489 | (7,011) |
| Miscellaneous | 2,000 | 2,000 | 3,049 | 1,049 |
| | 304,630 | 319,630 | 443,849 | 124,219 |

City of Dixon, Illinois

General Fund Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|--------------------|-----------------|-----------|------------------------|
| Expenditures (Continued) | | | | |
| <i>Dept. of Accounts and Finance</i> | | | | |
| Salaries | 394,693 | 449,693 | 431,090 | (18,603) |
| Maintenance | 20,000 | 20,000 | 13,561 | (6,439) |
| Supplies and services | 214,424 | 214,424 | 247,629 | 33,205 |
| Professional services and fees | 80,000 | 80,000 | 77,538 | (2,462) |
| Notices and publications | 6,000 | 6,000 | 2,069 | (3,931) |
| Insurance | 558,164 | 558,164 | 522,018 | (36,146) |
| Travel expense | 3,600 | 3,600 | 3,600 | - |
| Training | 9,000 | 9,000 | 12,345 | 3,345 |
| Continuing education reimbursement | 2,500 | 2,500 | 30 | (2,470) |
| Lease payments | 2,100 | 2,100 | 499 | (1,601) |
| Dues and subscriptions | 3,000 | 3,000 | 3,863 | 863 |
| | 1,293,481 | 1,348,481 | 1,314,242 | (34,239) |
| <i>Dept. of Information Technology</i> | | | | |
| Salaries | 59,774 | 59,774 | 50,371 | (9,403) |
| Supplies and services | 58,650 | 58,650 | 47,165 | (11,485) |
| Professional services and fees | 27,000 | 27,000 | 23,534 | (3,466) |
| Insurance | 14,300 | 14,300 | 11,123 | (3,177) |
| Training | 4,500 | 4,500 | 1,027 | (3,473) |
| | 164,224 | 164,224 | 133,220 | (31,004) |
| <i>Dept. of Police Protection</i> | | | | |
| Salaries | 2,352,780 | 2,352,780 | 2,361,528 | 8,748 |
| Maintenance | 35,500 | 35,500 | 44,383 | 8,883 |
| Supplies and services | 228,500 | 228,500 | 215,314 | (13,186) |
| Professional services and fees | 61,480 | 61,480 | 24,040 | (37,440) |
| Insurance | 361,030 | 361,030 | 373,220 | 12,190 |
| Police training | 16,000 | 16,000 | 14,198 | (1,802) |
| Miscellaneous | 5,200 | 5,200 | 1,136 | (4,064) |
| Travel expense | 12,000 | 12,000 | 13,616 | 1,616 |
| Dues and subscriptions | 2,500 | 2,500 | 2,529 | 29 |
| Clothing allowance | 6,500 | 6,500 | 7,500 | 1,000 |
| Continuing education reimbursement | 5,000 | 5,000 | 4,321 | (679) |
| Lease payments | 7,500 | 7,500 | 5,214 | (2,286) |
| Lee County rent | 164,000 | 164,000 | 134,083 | (29,917) |
| | 3,257,990 | 3,257,990 | 3,201,082 | (56,908) |

City of Dixon, Illinois

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|--------------------|-----------------|-----------|------------------------|
| Expenditures (Continued) | | | | |
| <i>Dept. of Fire Protection</i> | | | | |
| Salaries | 1,172,616 | 1,172,616 | 1,241,963 | 69,347 |
| Maintenance | 19,000 | 19,000 | 10,918 | (8,082) |
| Supplies and services | 99,950 | 99,950 | 52,909 | (47,041) |
| Insurance | 161,454 | 161,454 | 164,189 | 2,735 |
| Fire training | 25,000 | 25,000 | 25,232 | 232 |
| Dues and subscriptions | 3,800 | 3,800 | 2,323 | (1,477) |
| Travel expenses | 1,500 | 1,500 | 938 | (562) |
| Continuing education reimbursement | 8,000 | 8,000 | 4,766 | (3,234) |
| Grant match | 48,500 | 48,500 | - | (48,500) |
| Lease payments | 5,000 | 5,000 | 4,626 | (374) |
| | 1,544,820 | 1,544,820 | 1,507,864 | (36,956) |
| Dept. of Streets and Improvements | | | | |
| Salaries | 343,194 | 343,194 | 399,937 | 56,743 |
| Maintenance | 25,000 | 25,000 | 23,674 | (1,326) |
| Supplies and services | 371,530 | 371,530 | 242,664 | (128,866) |
| Insurance | 75,573 | 75,573 | 80,368 | 4,795 |
| Dues and subscriptions | - | - | 1,845 | 1,845 |
| Travel expenses | 200 | 200 | - | (200) |
| Clothing allowance | 3,000 | 3,000 | 3,000 | - |
| | 818,497 | 818,497 | 751,488 | (67,009) |
| Dept. of Building and Zoning | | | | |
| Salaries | 161,640 | 161,640 | 162,893 | 1,253 |
| Maintenance | 2,500 | 2,500 | 264 | (2,236) |
| Supplies and services | 37,300 | 37,300 | 34,866 | (2,434) |
| Insurance | 41,121 | 41,121 | 41,121 | - |
| Training | 2,000 | 2,000 | 1,396 | (604) |
| Lease payments | 500 | 500 | 424 | (76) |
| Dues and subscriptions | 400 | 400 | 150 | (250) |
| | 245,461 | 245,461 | 241,114 | (4,347) |

City of Dixon, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-------------------------------------|--------------------|-----------------|---------|------------------------|
| Expenditures (Continued) | | | | |
| <i>Dept. of Public Property</i> | | | | |
| Salaries | 301,757 | 301,757 | 270,436 | (31,321) |
| Maintenance | 74,000 | 74,000 | 52,733 | (21,267) |
| Supplies and services | 131,800 | 131,800 | 75,135 | (56,665) |
| Insurance | 50,382 | 50,382 | 50,356 | (26) |
| Dues and subscriptions | 1,500 | 1,500 | 1,026 | (474) |
| Engineering | 3,000 | 3,000 | - | (3,000) |
| Clothing allowance | 1,000 | 1,000 | 1,000 | - |
| | 563,439 | 563,439 | 450,686 | (112,753) |
| Dept. of Traffic Maintenance | | | | |
| Salaries | 71,134 | 71,134 | 69,462 | (1,672) |
| Maintenance | 10,155 | 10,155 | 11,525 | 1,370 |
| Supplies and services | 112,500 | 112,500 | 102,937 | (9,563) |
| Insurance | 15,930 | 15,930 | 15,848 | (82) |
| Training expense | 1,000 | 1,000 | 299 | (701) |
| Clothing allowance | 500 | 500 | 500 | - |
| | 211,219 | 211,219 | 200,571 | (10,648) |
| Dept. of Public Works | | | | |
| Salaries | 95,000 | 95,000 | 57,999 | (37,001) |
| Supplies and services | 5,650 | 5,650 | 5,040 | (610) |
| Professional services and fees | 13,300 | 19,800 | 14,817 | (4,983) |
| Insurance | 15,889 | 15,889 | 6,676 | (9,213) |
| Dues and subscriptions | 1,000 | 1,000 | - | (1,000) |
| Travel | 3,600 | 3,600 | - | (3,600) |
| Training | 2,000 | 2,000 | 1,239 | (761) |
| Tree commission | 15,000 | 15,000 | 7,335 | (7,665) |
| | 151,439 | 157,939 | 93,106 | (64,833) |

City of Dixon, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|---------------------|---------------------|--------------------|------------------------|
| Expenditures (Continued) | | | | |
| <i>Dept. of Culture and Recreation</i> | | | | |
| Salaries | 58,000 | 58,000 | 55,699 | (2,301) |
| Supplies, services, and professional services | 15,605 | 15,605 | 6,213 | (9,392) |
| Miscellaneous | 33,700 | 33,700 | 8,812 | (24,888) |
| Dues and subscriptions | 150 | 150 | 735 | 585 |
| Travel expenses | 2,000 | 2,000 | 580 | (1,420) |
| Advertising | 27,545 | 27,545 | 31,779 | 4,234 |
| | <u>137,000</u> | <u>137,000</u> | <u>103,818</u> | <u>(33,182)</u> |
| Total expenditures - modified accrual basis | \$ 8,692,200 | \$ 8,768,700 | 8,441,040 | \$ (327,660) |
| Add beginning accrued expenditures | | | 616,004 | |
| Subtract ending accrued expenditures | | | (754,997) | |
| Subtract beginning prepaid expenditures | | | (274,665) | |
| Add ending prepaid expenditures | | | 274,284 | |
| Total expenditures - budget basis | | | \$ 8,301,666 | |
| Excess of revenues over expenditures - appropriation basis | | | \$ 2,317,006 | |
| Other Financing Sources (Uses) | | | | |
| Operating transfers out | \$ (783,300) | \$ (721,800) | (1,920,626) | \$ (1,198,826) |
| | <u>\$ (783,300)</u> | <u>\$ (721,800)</u> | <u>(1,920,626)</u> | <u>\$ (1,198,826)</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis | | | \$ 396,380 | |

City of Dixon, Illinois

Illinois Municipal Retirement Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|--------------------|-----------------|--------------|------------------------|
| Revenues | | | | |
| Revenue from use of money and property | \$ 2,000 | \$ 2,000 | \$ 7,119 | \$ 5,119 |
| Total revenues - modified accrual basis | \$ 2,000 | \$ 2,000 | 7,119 | \$ 5,119 |
| Total revenues - budget basis | | | \$ 7,119 | |
| Expenditures | | | | |
| Payments to pensions | \$ 250,000 | \$ 250,000 | \$ 226,018 | \$ (23,982) |
| Total expenditures - modified accrual basis | \$ 250,000 | \$ 250,000 | 226,018 | \$ (23,982) |
| Total expenditures - budget basis | | | \$ 226,018 | |
| Excess of revenues over expenditures - budget basis | | | \$ (218,899) | |

City of Dixon, Illinois

Social Security Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original and Final Budget | Actual | Over (Under) Budget |
|---|---------------------------------|--------------|------------------------|
| Revenues | | | |
| Revenue from use of money and property | \$ 2,500 | \$ 8,311 | \$ 5,811 |
| Total revenues - modified accrual basis | \$ 2,500 | 8,311 | \$ 5,811 |
| Total revenues - budget basis | | \$ 8,311 | |
| Expenditures | | | |
| Payments to Social Security system | \$ 265,000 | \$ 276,888 | \$ 11,888 |
| Total expenditures - modified accrual basis | \$ 265,000 | 276,888 | \$ 11,888 |
| Total expenditures - budget basis | | \$ 276,888 | |
| Excess of revenues over expenditures - budget basis | | \$ (268,577) | |

City of Dixon, Illinois

Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

Year Ended April 30, 2016

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|---------------------|---------------------|-----------------------|------------------------|
| Revenues | | | | |
| Proceeds from partnership liquidation | \$ - | \$ - | \$ 668,583 | \$ 668,583 |
| Revenue from use of money and property | 10,000 | 10,000 | 42,251 | 32,251 |
| Total revenues - modified accrual basis | \$ 10,000 | \$ 10,000 | 710,834 | \$ 700,834 |
| Total revenues - budget basis | | | \$ 710,834 | |
| Expenditures | | | | |
| Maintenance | \$ - | \$ - | \$ - | \$ - |
| Supplies, services, and professional services | 104,300 | 104,300 | 56,930 | (47,370) |
| New property and equipment | 1,101,000 | 1,039,500 | 5,244,558 | 4,205,058 |
| Miscellaneous | - | - | 15,000 | 15,000 |
| Total expenditures - modified accrual basis | \$ 1,205,300 | \$ 1,143,800 | 5,316,488 | \$ 4,172,688 |
| Total expenditures - budget basis | | | \$ 5,316,488 | |
| Excess of revenues over expenditures - budget basis | | | \$ (4,605,654) | |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | \$ 675,300 | \$ 613,800 | 2,007,172 | \$ 1,393,372 |
| Operating transfers out | - | - | - | - |
| Total other financing sources (uses) | 675,300 | 613,800 | 2,007,172 | 1,393,372 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis | | | (2,598,482) | |
| Special Item | | | | |
| Proceeds from sale of fixed assets | \$ 20,000 | \$ 20,000 | 8,759 | \$ (11,241) |
| Excess (deficiency) of revenues, other financing sources, and special items over expenditures and other financing uses - budget basis | | | \$ (2,589,723) | |

City of Dixon, Illinois

Notes to Required Supplementary Information

Note 1 Basis of Accounting

Annual budgets are adopted for all governmental funds using the cash basis of accounting, which is a different basis of accounting other than generally accepted in the United States of America, but is allowed under Illinois Compiled Statutes for Cities.

Note 2 Excess of Disbursements Over Appropriations

The following major funds had an excess of disbursements over appropriations:

| | <u>Actual</u> | <u>Budget</u> |
|-----------------------|---------------|---------------|
| Social Security Fund | \$ 276,888 | \$ 265,000 |
| Capital Projects Fund | 5,316,488 | 1,143,800 |

Other Information

City of Dixon, Illinois

Non-Major Funds Combining Balance Sheet

April 30, 2016

| | General Government | | |
|--|--------------------------------------|-----------------------|-------------------|
| | TIF Districts | | |
| | Downtown Redevelopment Project | Riverfront Project | Working Cash |
| Assets | | | |
| Cash and cash equivalents | \$ 173,988 | \$ 12,651 | \$ - |
| Investments | - | - | 699,020 |
| Receivables: | | | |
| General property taxes | 140,741 | 193,656 | - |
| Sales taxes | - | - | - |
| Motor fuel tax allotments | - | - | - |
| Accounts, less allowance for estimated uncollectibles | - | - | - |
| Interest | - | - | 958 |
| Notes receivable | 305,813 | - | - |
| Prepaid insurance | - | - | - |
| Total Assets | \$ 620,542 | \$ 206,307 | \$ 699,978 |
| Liabilities | | | |
| Vouchers payable | \$ 22,192 | \$ - | \$ - |
| Accrued liabilities: | | | |
| Payroll | - | - | - |
| Interfund payable | 2,075,000 | 2,020,000 | - |
| Total liabilities | 2,097,192 | 2,020,000 | - |
| Deferred Inflow of Resources | | | |
| Deferred property tax revenue | 140,741 | 193,656 | - |
| Total Deferred Inflows of Resources | 140,741 | 193,656 | - |
| Total Liabilities and Deferred Inflows of Resources | 2,237,933 | 2,213,656 | - |
| Fund Balances | | | |
| Nonspendable: | | | |
| Notes receivable | 305,813 | - | - |
| Prepaid expenses | - | - | - |
| Unrestricted | (1,923,204) | (2,007,349) | - |
| Restricted: | | | |
| Special revenue | - | - | 699,978 |
| Total fund balances | (1,617,391) | (2,007,349) | 699,978 |
| Total Liabilities and Fund Balances | \$ 620,542 | \$ 206,307 | \$ 699,978 |

| Special Revenue | | | | | | |
|----------------------|------------------------|-------------------|-------------------|-------------------|------------------------|---------------------|
| Highways and Streets | Culture and Recreation | Airport | Public Safety | | | |
| Motor Fuel Tax | Infrastructure | Library | Municipal Airport | Emergency Vehicle | Foreign Fire Insurance | Total |
| \$ 23,781 | \$ 168,690 | \$ 356,032 | \$ 78,834 | \$ 218,675 | \$ 113,518 | \$ 1,146,169 |
| - | - | - | - | 605,421 | - | 1,304,441 |
| - | - | 479,642 | - | - | - | 814,039 |
| - | 196,872 | - | - | - | - | 196,872 |
| 35,805 | - | - | - | - | - | 35,805 |
| - | - | 1,050 | 1,373 | 93,727 | - | 96,150 |
| - | - | - | - | 511 | - | 1,469 |
| - | - | - | - | - | - | 305,813 |
| - | - | - | 9,147 | - | - | 9,147 |
| \$ 59,586 | \$ 365,562 | \$ 836,724 | \$ 89,354 | \$ 918,334 | \$ 113,518 | \$ 3,909,905 |
| \$ - | \$ - | \$ 9,020 | \$ 1,173 | \$ 3,316 | \$ - | \$ 35,701 |
| - | - | 7,342 | 1,185 | 7,233 | - | 15,760 |
| - | - | - | - | 397 | - | 4,095,397 |
| - | - | 16,362 | 2,358 | 10,946 | - | 4,146,858 |
| - | 63,000 | 470,936 | - | - | - | 868,333 |
| - | 63,000 | 470,936 | - | - | - | 868,333 |
| - | 63,000 | 487,298 | 2,358 | 10,946 | - | 5,015,191 |
| - | - | - | - | - | - | 305,813 |
| - | - | - | 9,147 | - | - | 9,147 |
| - | - | - | - | - | - | (3,930,553) |
| 59,586 | 302,562 | 349,426 | 77,849 | 907,388 | 113,518 | 2,510,307 |
| 59,586 | 302,562 | 349,426 | 86,996 | 907,388 | 113,518 | (1,105,286) |
| \$ 59,586 | \$ 365,562 | \$ 836,724 | \$ 89,354 | \$ 918,334 | \$ 113,518 | \$ 3,909,905 |

City of Dixon, Illinois

Non-Major Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended April 30, 2016

| | General Government | | |
|--|--------------------------------------|-----------------------|-----------------|
| | TIF Districts | | |
| | Downtown Redevelopment Project | Riverfront Project | Working Cash |
| Revenues | | | |
| General property taxes | \$ 138,815 | \$ 179,753 | \$ - |
| Sales taxes | | | |
| Personal property replacement tax | - | - | - |
| Motor fuel tax allotments | - | - | - |
| Foreign fire insurance tax | - | - | - |
| User fees | - | - | - |
| Revenue from use of money and property | 168 | 24 | 4,542 |
| Miscellaneous | - | - | - |
| Grants | - | - | - |
| Total revenues | 138,983 | 179,777 | 4,542 |
| Expenditures | | | |
| Salaries | - | - | - |
| Maintenance | - | - | - |
| Supplies, services and professional services | - | - | - |
| Fuel, gas, and oil | - | - | - |
| Insurance | - | - | - |
| Miscellaneous | 27,763 | 76,007 | - |
| Real estate taxes | - | - | - |
| Engineering | - | - | - |
| Capital outlay: Infrastructure | 254,828 | - | - |
| Total expenditures | 282,591 | 76,007 | - |
| Excess (deficiency) of revenues over (under) expenditures | (143,608) | 103,770 | 4,542 |
| Other Financing Sources (Uses) | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (143,608) | 103,770 | 4,542 |
| Fund Balance (Deficit), Beginning of Year | (1,473,783) | (2,111,119) | 695,436 |
| Prior period adjustment (see notes to financial statements) | - | - | - |
| Fund Balance, End of Year | \$ (1,617,391) | \$ (2,007,349) | \$ 699,978 |

| Special Revenue | | | | | | |
|----------------------|------------------------|------------|-------------------|-------------------|------------------------|----------------|
| Highways and Streets | Culture and Recreation | Airport | Public Safety | | | |
| Motor Fuel Tax | Infrastructure | Library | Municipal Airport | Emergency Vehicle | Foreign Fire Insurance | Total |
| \$ - | \$ - | \$ 461,196 | \$ - | \$ - | \$ - | \$ 779,764 |
| | 839,236 | | | | | 839,236 |
| | | 45,842 | | | | 45,842 |
| 402,433 | | | | | | 402,433 |
| | | | | | 25,604 | 25,604 |
| | | 26,431 | | 327,474 | | 353,905 |
| 27 | | 1 | 62,417 | 2,702 | 79 | 69,960 |
| | | 4,219 | 1,167 | | | 5,386 |
| | | | | | | |
| 402,460 | 839,236 | 537,689 | 63,584 | 330,176 | 25,683 | 2,522,130 |
| | | 281,341 | 62,067 | 216,320 | | 559,728 |
| | | 17,473 | 16,719 | 4,796 | | 38,988 |
| | | 137,321 | 21,437 | 32,021 | 17,595 | 208,374 |
| | | 1,009 | 3,365 | 3,087 | | 7,461 |
| | | 76,084 | 22,959 | 28,157 | | 127,200 |
| | | | 5,155 | | | 108,925 |
| | | | 1,120 | | | 1,120 |
| | | | 12,400 | | | 12,400 |
| 627,814 | | | | | | 882,642 |
| 627,814 | | 513,228 | 145,222 | 284,381 | 17,595 | 1,946,838 |
| (225,354) | 839,236 | 24,461 | (81,638) | 45,795 | 8,088 | 575,292 |
| | 137,326 | | 108,000 | | | 245,326 |
| | (674,000) | | | (183,540) | | (857,540) |
| | (536,674) | | 108,000 | (183,540) | | (612,214) |
| (225,354) | 302,562 | 24,461 | 26,362 | (137,745) | 8,088 | (36,922) |
| 284,940 | | 309,831 | 48,833 | 1,045,133 | 105,430 | (1,095,299) |
| | | 15,134 | 11,801 | | | 26,935 |
| \$ 59,586 | \$ 302,562 | \$ 349,426 | \$ 86,996 | \$ 907,388 | \$ 113,518 | \$ (1,105,286) |

City of Dixon, Illinois

Private Purpose Trust Funds Combining Statement of Net Position

April 30, 2016

| | Cemetery Endowment | Local Organizations | Library Trust | Total |
|---|-----------------------|------------------------|-------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 60,934 | \$ 66,402 | \$ 143,652 | \$ 270,988 |
| Investments | 505,884 | - | 295,532 | 801,416 |
| Receivables: | | | | |
| Accounts | 6,440 | - | - | 6,440 |
| Interest | 72 | - | 328 | 400 |
| Total Assets | \$ 573,330 | \$ 66,402 | \$ 439,512 | \$ 1,079,244 |
| Liabilities | | | | |
| Funds payable to other organizations | | \$ 55,582 | | |
| Total liabilities | \$ - | \$ 55,582 | \$ - | \$ 55,582 |
| Net Position - Held in Trust | | | | |
| Restricted for perpetual endowment | 573,330 | - | - | 573,330 |
| Unrestricted | - | 10,820 | 439,512 | 450,332 |
| Net position | 573,330 | 10,820 | 439,512 | 1,023,662 |
| Total Liabilities and Net Position | \$ 573,330 | \$ 66,402 | \$ 439,512 | \$ 1,079,244 |

City of Dixon, Illinois

Private Purpose Trust Funds Combining Statement of Revenues, Expenditures And Changes in Net Position

Year Ended April 30, 2016

| | Cemetery Endowment | Local Organizations | Library Trust | Total |
|---|-----------------------|------------------------|------------------|--------------|
| Additions | | | | |
| Interest income | \$ 2,928 | \$ 5 | \$ 5,031 | \$ 7,964 |
| Revenue from use of money and property | 26,240 | 8,156 | 21,760 | 56,156 |
| Total revenues | 29,168 | 8,161 | 26,791 | 64,120 |
| Deductions | | | | |
| Transfer to other funds | | | 139,125 | 139,125 |
| Miscellaneous | - | 8,531 | 11,971 | 20,502 |
| Total expenditures | - | 8,531 | 151,096 | 159,627 |
| Change in Net Position | 29,168 | (370) | (124,305) | (95,507) |
| Net Position Held in Trust | | | | |
| Beginning of Year | 544,162 | 11,190 | 563,817 | 1,119,169 |
| Net Position Held in Trust | | | | |
| End of Year | \$ 573,330 | \$ 10,820 | \$ 439,512 | \$ 1,023,662 |

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Plan Net Position

April 30, 2016

| | Pension Trust Funds | | |
|--|---------------------|--------------------------|---------------|
| | Police Pension | Firefighters' Pension | Total |
| Assets | | | |
| Cash | \$ 194,932 | \$ 158,813 | \$ 353,745 |
| Investments | 13,412,478 | 7,724,130 | 21,136,608 |
| Prepaid investment fees | 17,420 | 11,978 | 29,398 |
| Investment income receivable | 24,064 | 22,635 | 46,699 |
| Total Assets | 13,648,894 | 7,917,556 | 21,566,450 |
| Liabilities | | | |
| Vouchers payable | 1,080 | - | 1,080 |
| Net Position Held in Trust for Pension Benefits | \$ 13,647,814 | \$ 7,917,556 | \$ 21,565,370 |

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Changes in Plan Net Position

Year Ended April 30, 2016

| | Pension Trust Funds | | |
|---|---------------------|--------------------------|---------------|
| | Police Pension | Firefighters' Pension | Total |
| Additions | | | |
| Contributions | | | |
| Employer | \$ 603,612 | \$ 460,600 | \$ 1,064,212 |
| Plan members | 197,842 | 127,140 | 324,982 |
| Total contributions | 801,454 | 587,740 | 1,389,194 |
| Total additions | 801,454 | 587,740 | 1,389,194 |
| Deductions | | | |
| Benefit payments | 994,540 | 866,449 | 1,860,989 |
| Management fees | 87,644 | 53,676 | 141,320 |
| Administrative and audit fee | 16,667 | 15,910 | 32,577 |
| Other | 4,760 | 3,363 | 8,123 |
| Total deductions | 1,103,611 | 939,398 | 2,043,009 |
| Net Investment income (expense) | (306,599) | (32,463) | (339,062) |
| Changes in Plan Net Position | (608,756) | (384,121) | (992,877) |
| Net Position Held in Trust for Pension Benefits, Beginning of Year | 14,256,570 | 8,301,677 | 22,558,247 |
| Net Position Held in Trust for Pension Benefits, End of Year | \$ 13,647,814 | \$ 7,917,556 | \$ 21,565,370 |

City of Dixon, Illinois

Agency Funds Combining Balance Sheet

April 30, 2016

| | Police Vehicle | Confiscated Property | DUI | Total |
|----------------------------|---------------------------|---------------------------------|------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ (216) | \$ 99,018 | \$ 15,324 | \$ 114,126 |
| Total Assets | \$ (216) | \$ 99,018 | \$ 15,324 | \$ 114,126 |
| Liabilities | | | | |
| Available for distribution | \$ (216) | \$ 99,018 | \$ 15,324 | \$ 114,126 |
| Total Liabilities | \$ (216) | \$ 99,018 | \$ 15,324 | \$ 114,126 |

City of Dixon, Illinois

Agency Funds Combining Statement of Cash Receipts and Disbursements

Year Ended April 30, 2016

| | Police Vehicle | Confiscated Property | DUI | Total |
|-----------------------------------|---------------------------|---------------------------------|------------|--------------|
| Cash and Investments | | | | |
| Balance, Beginning of Year | \$ 14,907 | \$ 69,796 | \$ 11,995 | \$ 96,698 |
| Receipts | 3,849 | 29,578 | 12,536 | 45,963 |
| Disbursements | (18,972) | (356) | (9,207) | (28,535) |
| Cash and Investments | | | | |
| Balance, End of Year | \$ (216) | \$ 99,018 | \$ 15,324 | \$ 114,126 |

City of Dixon, Illinois

Schedule of Assessed Valuations, Rates, Extensions and Collections

Tax Years 2015, 2014, and 2013

| Fund | 2015 | | | |
|------------------------|--------------------|----------|----------------|-----------------|
| | Assessed valuation | Tax rate | Tax extensions | Tax collections |
| Corporate | \$ 174,098,447 | .2079 | \$ 361,951 | \$ - |
| Police Protection | 174,098,447 | .5619 | 978,259 | - |
| Fire Protection | 86,899,577 | - | - | - |
| Audit | 174,098,447 | .0184 | 32,034 | - |
| Road and Bridge | 174,098,447 | - | - | - |
| Band | 174,098,447 | - | - | - |
| Library | 174,098,447 | .2412 | 419,925 | - |
| Cemetery | 174,098,447 | .0250 | 43,525 | - |
| Fire Pension | 86,899,577 | .5565 | 483,596 | - |
| Police Pension | 174,098,447 | .4785 | 833,061 | - |
| Civil Defense | 174,098,447 | - | - | - |
| Claim and Judgment Tax | 174,098,447 | .2786 | 485,038 | - |
| Library Maintenance | 174,098,447 | .0293 | 51,011 | - |
| TIF District 1 | 2,514,943 | - | 140,741 | - |
| TIF District 3 | 4,009,862 | - | 193,656 | - |
| | | 2.3973 | \$ 4,022,797 | \$ - |

| 2014 | | | | 2013 | | | |
|--------------------|----------|----------------|-----------------|--------------------|----------|----------------|-----------------|
| Assessed valuation | Tax rate | Tax extensions | Tax collections | Assessed valuation | Tax rate | Tax extensions | Tax collections |
| \$ 173,941,155 | .4375 | 760,993 | \$ 763,137 | \$ 167,792,189 | .4375 | \$ 734,091 | \$ 736,788 |
| 173,941,155 | .5979 | 1,039,994 | 1,042,925 | 167,792,189 | .6000 | 1,006,753 | 1,010,453 |
| 87,560,636 | .0685 | 59,979 | 21,298 | 86,525,924 | .0779 | 67,404 | 67,754 |
| 173,941,155 | .0241 | 41,920 | 42,039 | 167,792,189 | .0268 | 44,968 | 45,135 |
| 173,941,155 | - | - | 69,098 | 167,792,189 | - | - | 69,383 |
| 173,941,155 | - | - | - | 167,792,189 | .0119 | 19,967 | 20,041 |
| 173,941,155 | .2357 | 409,979 | 411,134 | 167,792,189 | .1788 | 300,012 | 301,114 |
| 173,941,155 | .0250 | 43,485 | 43,609 | 167,792,189 | .0250 | 41,948 | 42,103 |
| 87,560,636 | .5233 | 458,205 | 460,539 | 86,525,924 | .4677 | 404,682 | 406,785 |
| 173,941,155 | .3460 | 601,836 | 603,531 | 167,792,189 | .3119 | 523,344 | 525,267 |
| 173,941,155 | - | - | - | 167,792,189 | .0125 | 20,974 | 21,051 |
| 173,941,155 | .1725 | 300,048 | 300,893 | 167,792,189 | .2384 | 400,017 | 401,487 |
| 173,941,155 | .0287 | 49,921 | 50,062 | 167,792,189 | .0268 | 44,968 | 45,135 |
| 2,586,579 | - | 268,204 | 138,815 | 2,661,424 | - | 324,268 | 275,416 |
| 3,981,783 | - | 180,209 | 179,753 | 4,049,626 | - | 190,677 | 178,091 |
| | 2.4592 | \$ 4,214,773 | \$ 4,126,833 | | 2.4152 | \$ 4,124,073 | \$ 4,146,003 |

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 Dixon
Dixon, 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 Dixon, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise City of Dixon, Illinois' basic financial statements and have issued our report thereon dated September 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dixon, 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 Dixon, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dixon, 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 that may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

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 Dixon'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 Dixon, Illinois' Response to Findings

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68, during the year ended April 30, 2016. Statement No. 68 and No. 71 changed how pensions are recorded and the footnotes related to the retirement system the City participates in.

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

Dixon, Illinois
September 19, 2016

City of Dixon, Illinois

Schedule of Responses

For the Year Ended April 30, 2016

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.

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 Dixon, Illinois for the year ended April 30, 2015, and have issued our report thereon dated September 19, 2016. 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 Dixon, 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 Dixon, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

Wipfli LLP

Dixon, Illinois
September 19, 2016