

City of Dixon, Illinois

Dixon, Illinois

Annual Financial Report

April 30, 2018

City of Dixon, Illinois

April 30, 2018

Table of Contents

Independent Auditors' Report	1-3
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10-11
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Statement of Net Position – Fiduciary Funds	14
Statement of Changes in Net Position – Fiduciary Funds	15
Notes to Basic Financial Statements	16-59
Required Supplementary Information	
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – IMRF	60

City of Dixon, Illinois

April 30, 2018

Table of Contents

Required Supplementary Information (Continued)

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – Police Pension	61
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – Fire Pension	62
Schedule of Funding Progress – Other Post-Employment Benefits	63
Schedule of Employer Contributions – IMRF, Police Pension Fund and Fire Pension Fund	64
General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	65-69
Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	70
Notes to Required Supplementary Information	71
Other Information	
<i>Non-Major Funds</i> Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73

City of Dixon, Illinois

April 30, 2018

Table of Contents

Other Information (Continued)

Private Purpose Trust Funds

Combining Statement of Net Position	74
Combining Statement of Revenues, Expenditures, and Changes in Net Position	75

Pension Trust Funds

Combining Statement of Plan Net Position	76
Combining Statement of Changes in Plan Net Position	77

Agency Funds

Combining Balance Sheet	78
Combining Statement of Cash Receipts and Disbursements	79

Schedule of Assessed Valuations, Rates, Extensions, and Collections	80
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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 <u>Government Auditing Standards</u>	81-83
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Schedule of Responses	84
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Independent Auditor's Report on Compliance with State of Illinois Public Act 85-1142	85
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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, 2018, 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, 2018, 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.

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 60 – 71 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, 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' financial statements as a whole. The combining nonmajor fund statements listed in the table of contents on pages 72 - 79 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 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 26, 2018, 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 26, 2018

City of Dixon, Illinois

Statement of Net Position

April 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,405,981	\$ 6,427,245	\$ 11,833,226
Investments	11,996,340	1,918,837	13,915,177
General property taxes receivable	3,026,981	-	3,026,981
Due from State of Illinois	1,371,528	-	1,371,528
Motor fuel tax receivable	36,017	-	36,017
Accounts receivable, net	97,307	1,281,665	1,378,972
Other receivables	201,478	-	201,478
Internal balances	4,000,000	(4,000,000)	-
Interest receivable	14,393	4,680	19,073
Due from Bay Valley Foods	-	541,178	541,178
Notes receivable	52	-	52
Inventory	10,500	201,616	212,116
Net pension asset - IMRF	1,121,768	957,881	2,079,649
Prepaid insurance	309,760	32,818	342,578
Nondepreciable			
Land and improvements	2,605,954	309,339	2,915,293
Construction in progress	415,507	211,195	626,702
Depreciable, net of accumulated depreciation	34,000,428	25,405,490	59,405,918
Total Assets	64,613,994	33,291,944	97,905,938
Deferred Outflows of Resources			
Pension items - Pension Trust Funds	3,337,497	-	3,337,497
Total Deferred Outflows of Resources	3,337,497	-	3,337,497
Total Assets and Deferred Outflows of Resources	67,951,491	33,291,944	101,243,435
Liabilities			
Cash overdraft	559,129	-	559,129
Vouchers payable	194,178	274,810	468,988
Accrued payroll and taxes	129,045	25,793	154,838
Accrued interest	-	53,122	53,122
Consumer deposits	5,770	403,561	409,331
Landlord deposits	-	16,871	16,871
Compensated absences	412,190	65,312	477,502
Other post-employment benefits	759,152	-	759,152
Net pension liability - Pension Trust Funds	22,396,642	-	22,396,642
Long-term notes and bonds payable:			
Due within one year	-	1,838,007	1,838,007
Due in more than one year	-	11,793,951	11,793,951
Total Liabilities	24,456,106	14,471,427	38,927,533
Deferred Inflows of Resources			
Deferred sales tax income	306,716	-	306,716
Deferred rental income	25,000	-	25,000
Deferred property tax revenue	3,086,530	-	3,086,530
Deferred revenue	-	541,178	541,178
Pension items - IMRF	744,998	636,162	1,381,160
Pension items - Pension Trust Funds	1,450,274	-	1,450,274
Total Deferred Inflows of Resources	5,613,518	1,177,340	6,790,858
Total Liabilities and Deferred Inflows of Resources	30,069,624	15,648,767	45,718,391
Net Position			
Net Investment in Capital Assets	37,021,889	12,294,066	49,315,955
Restricted for:			
Special revenue	7,852,483	-	7,852,483
Capital projects	13,255,096	-	13,255,096
Unrestricted	(20,247,602)	5,349,111	(14,898,491)
Net position	\$ 37,881,867	\$ 17,643,177	\$ 55,525,044

See notes to financial statements

City of Dixon, Illinois

Statement of Activities

Year Ended April 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 3,384,703	\$ 1,024,026	\$ -	\$ 123,714
Public safety	6,937,708	635,273	-	-
Highways and streets	2,529,645	-	401,714	-
Traffic development	109,344	-	-	-
Culture and recreation	1,071,365	30,685	62,216	-
Public works	15,410	-	-	-
Airport	160,765	-	-	-
Cemetery	23,969	83,181	-	-
Total governmental activities	14,232,909	1,773,165	463,930	123,714
Business-type Activities:				
Sewer	2,719,106	2,995,069	-	-
Water Department	2,655,956	2,840,549	-	-
Total business-type activities	5,375,062	5,835,618	-	-
Total primary government	\$ 19,607,971	\$ 7,608,783	\$ 463,930	\$ 123,714

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
Total general revenues

Transfers

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

See notes to financial statements

Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (2,236,963)	\$ -	\$	(2,236,963)
(6,302,435)	-		(6,302,435)
(2,127,931)	-		(2,127,931)
(109,344)	-		(109,344)
(978,464)	-		(978,464)
(15,410)	-		(15,410)
(160,765)	-		(160,765)
59,212	-		59,212
(11,872,100)	-		(11,872,100)
-	275,963		275,963
-	184,593		184,593
-	460,556		460,556
(11,872,100)	460,556		(11,411,544)
2,840,945	-		2,840,945
4,201,048	-		4,201,048
664,289	-		664,289
1,642,477	-		1,642,477
26,572	-		26,572
74,661	-		74,661
636,965	-		636,965
46,112	-		46,112
280,280	-		280,280
226,365	40,955		267,320
142,573	-		142,573
19,071	-		19,071
10,801,358	40,955		10,842,313
(385,000)	-		(385,000)
10,416,358	40,955		10,457,313
16,377	-		16,377
(1,439,365)	501,511		(937,854)
39,730,849	16,732,049		56,462,898
(409,617)	409,617		-
\$ 37,881,867	\$ 17,643,177	\$	55,525,044

City of Dixon, Illinois

Balance Sheet Governmental Funds

April 30, 2018

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,050,939	\$ -	\$ 4,355,042	\$ 5,405,981
Investments	-	8,057,001	3,939,339	11,996,340
Receivables:				
General property tax	2,088,632	-	938,349	3,026,981
State income tax	347,519	-	-	347,519
Sales tax	818,065	-	205,944	1,024,009
Motor fuel tax allotments	-	-	36,017	36,017
Utility tax	114,654	-	-	114,654
Accounts	775	-	96,543	97,318
Other taxes	59,926	-	-	59,926
Fees	15,000	-	-	15,000
Interest	-	11,469	2,924	14,393
Other receivables	11,898	-	-	11,898
Interfund receivables	2,800,000	5,536,000	-	8,336,000
Notes receivable	-	-	52	52
Inventory	10,500	-	-	10,500
Prepaid expenses	303,419	-	6,341	309,760
Total Assets	\$ 7,621,327	\$ 13,604,470	\$ 9,580,551	\$ 30,806,348
Liabilities				
Cash overdraft	\$ -	\$ 333,338	\$ 225,791	\$ 559,129
Vouchers payable	129,327	16,036	48,815	194,178
Consumer deposits	-	-	5,770	5,770
Accrued liabilities:				
Payroll and payroll withholdings	115,038	-	14,007	129,045
Interfund payables	-	-	4,336,000	4,336,000
Total Liabilities	244,365	349,374	4,630,383	5,224,122
Deferred Inflows of Resources				
Deferred state tax revenues	306,716	-	-	306,716
Deferred rental income	-	-	25,000	25,000
Deferred property tax revenue	2,088,632	-	997,898	3,086,530
Total Deferred Inflows of Resources	2,395,348	-	1,022,898	3,418,246
Total Liabilities and Deferred Inflows of Resources	2,639,713	349,374	5,653,281	8,642,368
Fund Balance				
Nonspendable:				
Notes and other receivables	-	-	52	52
Prepaid expenses	303,419	-	6,341	309,760
Inventory	10,500	-	-	10,500
Restricted:				
Special Revenue	-	-	7,852,483	7,852,483
Capital Projects	-	13,255,096	-	13,255,096
Unassigned (Deficit)	4,667,695	-	(3,931,607)	736,088
Total fund balance	4,981,614	13,255,096	3,927,269	22,163,979
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,621,327	\$ 13,604,470	\$ 9,580,551	\$ 30,806,348

See notes to financial statements

City of Dixon, Illinois

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

Year Ended April 30, 2018

Total governmental fund balances	\$	22,163,979
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 \$27,666,796		37,021,890
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Other post-employment benefits		(759,152)
Compensated absences		(412,190)
Net pension asset for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position		1,121,757
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		(744,998)
Net pension liability for the Pension Trust Funds is shown as a liability on the statement of net position		(22,396,642)
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		1,887,223
Net position - governmental activities	\$	37,881,867

See notes to financial statements

City of Dixon, Illinois

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

Year Ended April 30, 2018

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 2,009,174	\$ -	\$ 831,771	\$ 2,840,945
Sales taxes	-	-	874,893	874,893
Foreign fire insurance tax	-	-	26,572	26,572
Intergovernmental revenues	6,745,828	-	512,755	7,258,583
Licenses and permits	629,794	-	-	629,794
Fines and penalties	237,911	-	-	237,911
Charges for services	477,413	-	428,047	905,460
Revenue from use of money and property	63,331	111,249	116,386	290,966
Proceeds from partnership liquidation	-	19,071	-	19,071
Other	23,909	-	54,063	77,972
Total revenues	10,187,360	130,320	2,844,487	13,162,167
Expenditures				
General government	2,501,311	200,235	294,402	2,995,948
Public safety:				
Police protection and community relations	3,335,532	-	-	3,335,532
Fire fighting and prevention and emergency vehicle	1,530,596	-	326,674	1,857,270
Highways and streets	824,567	-	74,530	899,097
Traffic development	108,641	-	-	108,641
Public works	13,140	-	-	13,140
Culture and recreation	334,359	-	659,439	993,798
Airport operations	-	-	74,867	74,867
Capital outlay	-	1,260,297	690,433	1,950,730
Payments to pensions	-	-	136,689	136,689
Payments to Social Security System	-	-	222,323	222,323
Total expenditures	8,648,146	1,460,532	2,479,357	12,588,035
Excess (deficiency) of revenues over expenditures	1,539,214	(1,330,212)	365,130	574,132
Other Financing Sources (Uses)				
Operating transfers in	-	1,059,357	111,251	1,170,608
Operating transfers out	(1,540,608)	-	(15,000)	(1,555,608)
Total other financing sources (uses)	(1,540,608)	1,059,357	96,251	(385,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,394)	(270,855)	461,381	189,132
Special Item				
Proceeds from sale of fixed assets	-	16,377	-	16,377
Changes in Fund Balances	(1,394)	(254,478)	461,381	205,509
Fund Balance, Beginning of Year	4,983,008	13,509,574	3,465,888	21,958,470
Fund Balance, End of Year	\$ 4,981,614	\$ 13,255,096	\$ 3,927,269	\$ 22,163,979

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, 2018

Net change in fund balances - total governmental funds	\$ 205,509
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	1,950,730
Depreciation expense	(2,336,155)
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.	
Change in other post-employment benefits obligation	(73,033)
The change in compensated absences is only reported in the statement of activities.	(13,103)
The change in net pension liability for the Illinois Municipal Retirement Fund is only reported in the statement of activities	1,210,911
The change in deferred inflows and outflows for the Illinois Municipal Retirement Fund is only reported in the statement of activities	(1,313,847)
The change in net pension liability for the Pension Trust Funds is only reported in the statement of activities	(958,971)
The change in deferred inflows and outflows for the Pension Trust Funds is only reported in the statement of activities	(111,406)
<u>Change in net position of governmental activities</u>	<u>\$ (1,439,365)</u>

City of Dixon, Illinois

Statement of Net Position Proprietary Funds

April 30, 2018

	Sewerage Fund	Water Department Fund	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,756,434	\$ 3,670,811	\$ 6,427,245	\$ 231,255
Investments:				
Unrestricted	1,109,777	809,060	1,918,837	-
Receivables:				
Accounts, net	673,549	608,116	1,281,665	-
Interest	1,556	3,124	4,680	-
Inventory	-	201,616	201,616	-
Due from Bay Valley Foods	541,178	-	541,178	-
Net pension asset - IMRF	303,835	654,046	957,881	-
Prepaid insurance	9,134	23,684	32,818	-
Total current assets	5,395,463	5,970,457	11,365,920	231,255
Property and Equipment				
Assets not depreciated:				
Land	160,266	149,073	309,339	-
Construction in progress	92,349	118,846	211,195	-
Total assets not depreciated	252,615	267,919	520,534	-
Assets being depreciated:				
Buildings	21,472,311	90,264	21,562,575	-
Equipment	705,094	352,573	1,057,667	-
Infrastructure	12,311,911	25,526,590	37,838,501	-
Vehicles	242,545	431,116	673,661	-
	34,731,861	26,400,543	61,132,404	-
Less accumulated depreciation	(25,033,436)	(10,693,478)	(35,726,914)	-
Net property and equipment being depreciated	9,698,425	15,707,065	25,405,490	-
Net property and equipment	9,951,040	15,974,984	25,926,024	-
Total Assets	\$ 15,346,503	\$ 21,945,441	\$ 37,291,944	\$ 231,255

See notes to financial statements

10

City of Dixon, Illinois

Statement of Net Position (Continued) Proprietary Funds

April 30, 2018

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
Liabilities				
Current liabilities:				
Vouchers payable	\$ 42,983	\$ 231,827	\$ 274,810	\$ 50,000
Due to other funds	1,400,000	2,600,000	4,000,000	-
Accrued liabilities:				
Payroll	9,871	15,922	25,793	-
Compensated absences	22,919	42,393	65,312	-
Interest	37,958	15,164	53,122	-
Consumer deposits	-	403,561	403,561	-
Landlord deposits	-	16,871	16,871	-
Notes payable - current portion	1,086,895	-	1,086,895	-
EPA loans payable - current portion	-	751,112	751,112	-
Total current liabilities	2,600,626	4,076,850	6,677,476	50,000
Long-term liabilities:				
Notes payable	3,429,902	-	3,429,902	-
EPA loans payable	-	8,364,049	8,364,049	-
Total long-term liabilities	3,429,902	8,364,049	11,793,951	-
Total liabilities	6,030,528	12,440,899	18,471,427	50,000
Deferred Inflow of Resources				
Deferred revenue	541,178	-	541,178	-
Pension items - IMRF	201,787	434,375	636,162	-
Total Deferred Inflow of Resources	742,965	434,375	1,177,340	-
Total Liabilities and Deferred Inflows of Resources	6,773,493	12,875,274	19,648,767	50,000
Net Position				
Net Investment in Capital Assets	5,434,243	6,859,823	12,294,066	-
Unrestricted	3,138,767	2,210,344	5,349,111	181,255
Net position	\$ 8,573,010	\$ 9,070,167	\$ 17,643,177	\$ 181,255

See notes to financial statements

11

City of Dixon, Illinois

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

Year Ended April 30, 2018

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
Operating Revenues:				
User fees	\$ 2,995,069	\$ 2,774,174	\$ 5,769,243	\$ -
Employee contributions	-	-	-	964,953
Labor and merchandise	-	18,361	18,361	-
Miscellaneous	-	48,014	48,014	-
Total operating revenues	2,995,069	2,840,549	5,835,618	964,953
Operating Expenses:				
Salaries	398,413	679,403	1,077,816	-
Employee benefits	66,168	141,805	207,973	-
Maintenance of site and buildings	122,063	104,118	226,181	-
Supplies and services	73,787	173,481	247,268	-
Electricity	260,588	269,013	529,601	-
Fuel, gas and oil	16,770	30,669	47,439	-
Professional service and fees	23,931	44,510	68,441	51,889
Insurance	124,534	210,079	334,613	230,562
Clothing allowance	2,245	4,636	6,881	-
Miscellaneous	-	1,914	1,914	360
Bad debt expense	351	656	1,007	-
Dues and subscriptions	16,875	3,150	20,025	-
Travel and education expense	5	3,746	3,751	-
Medical claims	-	-	-	702,308
Depreciation	1,487,589	835,113	2,322,702	-
Total operating expenses	2,593,319	2,502,293	5,095,612	985,119
Operating Income (Expense)	401,750	338,256	740,006	(20,166)
Nonoperating Revenues (Expenses)				
Interest earned	23,652	17,303	40,955	2,075
Interest expense	(125,787)	(153,663)	(279,450)	-
Total nonoperating revenues (expenses)	(102,135)	(136,360)	(238,495)	2,075
Change in Net Position	299,615	201,896	501,511	(18,091)
Net Position, Beginning of Year	8,143,467	8,588,582	16,732,049	199,346
Prior period adjustment (see notes to financial statements)	129,928	279,689	409,617	-
Net Position, End of Year	\$ 8,573,010	\$ 9,070,167	\$ 17,643,177	\$ 181,255

See notes to financial statements

City of Dixon, Illinois

Statement of Cash Flows Proprietary Funds

Year Ended April 30, 2018

	Sewerage Fund	Water Dept. Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,795,848	\$ 2,791,174	\$ 5,587,022
Payments to employees	(367,284)	(614,906)	(982,190)
Payments to suppliers	(675,038)	(741,825)	(1,416,863)
Net cash provided by (used in) operating activities	1,753,526	1,434,443	3,187,969
Cash Flows From Noncapital Financing Activities			
Proceeds from reimbursement agreement	191,004	-	191,004
Advances from (to) other funds	1,399,610	2,599,610	3,999,220
Net cash provided by (used in) noncapital financing activities	1,590,614	2,599,610	4,190,224
Cash Flows From Capital Financing Activities			
Principal paid on notes payable	(1,059,859)	(738,641)	(1,798,500)
Payment of interest on debt	(134,694)	(154,886)	(289,580)
Net disposition/(acquisition) of capital assets	(565,000)	(376,598)	(941,598)
Net cash provided by (used in) capital financing activities	(1,759,553)	(1,270,125)	(3,029,678)
Cash Flows From Investing Activities			
Net sales (purchases) of investments	(407,467)	(307,924)	(715,391)
Interest income	23,686	15,155	38,841
Net cash provided by (used in) investing activities	(383,781)	(292,769)	(676,550)
Net Increase (Decrease) in and Cash Equivalents	1,200,806	2,471,159	3,671,965
Cash and Cash Equivalents, Beginning of Year	1,555,628	1,199,652	2,755,280
Cash and Cash Equivalents, End of Year	\$ 2,756,434	\$ 3,670,811	\$ 6,427,245
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 401,750	\$ 338,256	\$ 740,006
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,487,589	835,113	2,322,702
Effects of changes in operating assets and liabilities			
Accounts receivable	(199,221)	(50,811)	(250,032)
Prepaid insurance	12,670	29,582	42,252
Accounts payable	19,609	216,370	235,979
Consumer deposits	-	1,436	1,436
Accrued liabilities	31,129	64,497	95,626
Net cash provided by (used in) operating activities	\$ 1,753,526	\$ 1,434,443	\$ 3,187,969

See notes to financial statements

13

City of Dixon, Illinois

Statement of Net Position Fiduciary Funds

Year Ended April 30, 2018

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds	Total
Assets				
Cash and cash equivalents	\$ 567,416	\$ 219,893	\$ 163,147	\$ 950,456
Investments	22,860,292	959,774	-	23,820,066
Receivables:				
Accounts	-	9,470	-	9,470
Investment income	53,199	658	-	53,857
Prepaid investment fees	27,261	-	-	27,261
Total Assets	23,508,168	1,189,795	163,147	24,861,110
Liabilities				
Vouchers payable	2,365	-	-	2,365
Funds payable to other organizations	-	60,940	-	60,940
Available for distribution	-	-	163,147	163,147
Total Liabilities	2,365	60,940	163,147	226,452
Net Position				
Net position held in trust for pension benefits	23,505,803	-	-	23,505,803
Net position held in trust for other purposes	-	1,128,855	-	1,128,855
Total Net Position	\$ 23,505,803	\$ 1,128,855	\$ -	\$ 24,634,658

City of Dixon, Illinois

Statement of Changes in Net Position Fiduciary Funds

Year Ended April 30, 2018

	Pension Trust	Private-Purpose Trust
Additions		
Contributions:		
Employer	\$ 1,292,674	\$ -
Plan members	329,237	-
Total contributions	1,621,911	-
Total additions	1,621,911	-
Deductions		
Benefit payments	2,249,173	-
Administrative and audit fee	227,511	-
Other	-	43,292
Total deductions	2,476,684	43,292
Net Investment income (expense)	1,043,888	111,565
Excess of additions over deductions	189,115	-
Other financing sources		
Operating transfers in	385,000	-
Change in Net Position	574,115	68,273
Net Position Held in Trust, Beginning of Year	22,931,688	1,060,582
Net Position Held in Trust, End of Year	\$ 23,505,803	\$ 1,128,855

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.

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.

Internal Service Fund is used to account for activity that provides goods or services to other funds, departments or agencies of the primary government, or to other governments, on a cost reimbursement basis.

The City maintains two enterprise funds and one internal service fund.

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.

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.

The City reports the following non-major funds:

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.

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.

City of Dixon, Illinois

Notes to Financial Statements

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

Reporting Major, Nonmajor and Fiduciary Fund Statements (Continued)

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.

Performing Arts Fund – This fund is used to account for the revenues and expenditures associated with the operation of various performing arts events. Financing is provided by contributions from the public.

Grant Fund – This fund is used to account for the revenue and expenses associated with grants received for specific projects.

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.

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.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

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.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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.

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.

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

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 \$284,000.

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, 2018, 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 2016 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2018 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 ensuing year is passed and is extended against the assessed valuation of the City on January 1 of that year. The 2016 and 2017 levies were passed by the Council on December 5, 2016, and December 4, 2017, respectively. 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 “net investment in capital assets.”

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, 2018, \$477,502 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 Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2018, the City's bank balance was \$27,679,656, including certificates of deposit which are shown on the financial statement as investments. The entire balance was insured and collateralized with securities in the City's name.

Note 3 Investments

As of April 30, 2018, the City's investments were as follows:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 – 5	6 – 10	10 or more
Certificates of Deposit	\$14,875,588	\$14,875,588	\$ -	\$ -	\$ -
U.S. Treasuries and Agencies	5,357,427	774,516	2,020,956	536,165	2,025,790
Corporate Bonds	3,677,180	115,853	1,055,115	1,906,779	599,433
Mutual Funds and Other Equities	13,825,685	13,825,685	-	-	-
Total	\$37,735,880	\$29,591,642	\$3,076,071	\$2,442,944	\$2,625,223

City of Dixon, Illinois

Notes to Financial Statements

Note 3 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, 2018, the City had \$11,323,591 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, 2018, none of the City's deposits were exposed to custodial credit risk.

City of Dixon, Illinois

Notes to Financial Statements

Note 3 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 4 Capital Assets

Capital asset activity for the year ended April 30, 2018, was as follows:

	Balance at May 1, 2017	Additions	Transfers/ Disposals	Balance at April 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,428,024	\$ 177,930	\$ -	\$ 2,605,954
Construction in progress	9,216,744	928,548	(9,729,785)	415,507
Total capital assets not being depreciated	11,644,768	1,106,478	(9,729,785)	3,021,461
Capital assets being depreciated:				
Buildings	12,859,037	118,174	(54,288)	12,922,923
Equipment	5,813,725	647,433	(312,295)	6,148,863
Infrastructure	32,870,019	78,646	9,646,773	42,595,438
Total capital assets being depreciated	51,542,781	844,253	9,280,190	61,667,224
Less accumulated depreciation:				
Buildings	(4,628,023)	(350,519)	54,288	(4,924,254)
Equipment	(4,037,988)	(613,948)	312,295	(4,339,641)
Infrastructure	(17,114,224)	(1,371,689)	83,012	(18,402,901)
Total accumulated depreciation	(25,780,235)	(2,336,156)	449,595	(27,666,796)
Governmental activities capital assets, net	\$ 37,407,314	\$ (385,425)	\$ -	\$ 37,021,889

City of Dixon, Illinois

Notes to Financial Statements

Note 4 Capital Assets (Continued)

	Balance at May 1, 2017	Additions	Transfers/ Disposals	Balance at April 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 309,339	\$ -	\$ -	\$ 309,339
Construction in progress	52,572	158,623	-	211,195
Total capital assets not being depreciated	361,911	158,623	-	520,534
Capital assets being depreciated:				
Buildings	21,562,575	-	-	21,562,575
Equipment	1,183,805	547,523	-	1,731,328
Infrastructure	37,603,049	235,452	-	37,838,501
Total capital assets being depreciated	60,349,429	782,975	-	61,132,404
Less accumulated depreciation:				
Buildings	(13,952,225)	(1,004,275)	-	(14,956,500)
Equipment	(935,991)	(111,888)	-	(1,047,879)
Infrastructure	(18,515,996)	(1,206,539)	-	(19,722,535)
Total accumulated depreciation	(33,404,212)	(2,322,702)	-	(35,726,914)
Business-type activities capital assets, net	\$ 27,307,128	\$ (1,381,104)	\$ -	\$ 25,926,024

City of Dixon, Illinois

Notes to Financial Statements

Note 4 Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 172,143
Public safety	513,490
Highways and streets	1,538,888
Culture and recreation	4,027
Airport	83,638
Cemetery	23,969
<hr/>	
Total depreciation expense	\$ 2,336,155
<hr/>	
Business-type activities:	
Sewer	\$ 1,487,589
Water department	835,113
<hr/>	
Total depreciation expense	\$ 2,322,702
<hr/>	

Note 5 Economic Development Agreements

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, 2018 was \$85,051.

On April 18, 2016, the City was informed of a Memorandum of Understanding dated June 19, 2006, with UPM Rafiatac, Inc. (the "Company") which provides economic development incentives as consideration of the Company's construction and continued operation of the facility in the area. The agreement calls for a payment from the City to the Company of 60% of municipal taxes paid to the City by the Company in respect of electric and gas utilities during the calendar year beginning 2010 through 2019. The City was in arrears in regards to the initial agreement and a schedule was implemented to account for these back payments. As of April 30, 2018, all payment had been made as obligated. For calendar year 2017, the utility tax rebate paid was \$15,749.

Note 6 Legal Debt Margin

The following schedule illustrates the legal debt margin of the City as of April 30, 2018:

Assessed valuation - 2017	\$ 180,318,521
Statutory debt limitation (8.625% of assessed valuation)	\$ 15,552,472
Total debt:	
General Obligation Debt Certificates	\$ -
EPA loans payable	9,115,161
Notes payable	4,516,798
Deduct debt exempt from debt limitation computation:	
EPA loans payable	(9,115,161)
Notes payable	(4,516,798)
Legal debt margin	\$ 15,552,472

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt and Obligations

Transactions for the year ended April 30, 2018 are summarized as follows:

Governmental Activities

	Balance May 1, 2017	Increase	Decrease	Balance April 30, 2018	Due Within One Year
Net pension liability	\$ 21,602,957	\$ -	1,285,964	\$ 20,316,993	\$ -
Other post-employment benefits	686,119	73,033	-	759,152	-
Total governmental activities	\$ 22,289,076	\$ 73,033	\$ 1,285,964	\$ 21,076,145	\$ -

Business-Type Activities

EPA loans payable	\$ 9,853,802	\$ -	\$ 738,642	\$ 9,115,160	\$ 751,111
Notes payable	5,576,657	-	1,059,859	4,516,798	1,086,896
Total business-type activities	\$ 15,430,459	\$ -	\$ 1,798,501	\$ 13,631,958	\$ 1,838,007

Governmental Activities

Net Pension Liability

At April 30, 2018, the City had the following net pension liability (asset):

Police Pension	\$ 11,299,771
Firefighters' Pension	11,096,871
Illinois Municipal Retirement Fund	(2,079,649)
Total	\$ 20,316,993

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt and Obligations (Continued)

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2018 consisted of the following:

Project	Interest rate	Amount
Waste Water Treatment Plant expansion	2.535 %	\$ 4,516,798
Total		\$ 4,516,798

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
2019	\$ 1,086,896	\$ 107,656
2020	1,114,624	79,929
2021	1,143,059	51,494
2022	1,172,219	22,333
Future years	-	-
Total	\$ 4,516,798	\$ 261,412

City of Dixon, Illinois

Notes to Financial Statements

Note 7 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
2019	\$ 161,972	\$ 36,843	\$ 198,815
2020	166,047	32,769	198,816
2021	170,224	28,592	198,816
2022	174,506	24,309	198,815
2023	178,896	19,919	198,815
Future years	662,328	33,528	695,856
Total	\$1,513,973	\$175,960	\$1,689,933

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
2019	\$ 267,703	\$ 77,634	\$ 345,337
2020	274,437	70,900	345,337
2021	281,341	63,996	345,337
2022	288,419	56,918	345,337
2023	295,674	49,663	345,337
Future years	1,764,293	135,070	1,899,363
Total	\$3,171,867	\$ 454,181	\$3,626,048

City of Dixon, Illinois

Notes to Financial Statements

Note 7 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
2019	\$ 165,809	\$ -	\$ 165,809
2020	165,809	-	165,809
2021	165,809	-	165,809
2022	165,809	-	165,809
2023	165,809	-	165,809
Future years	1,326,478	-	1,326,478
Total	\$2,155,523	\$ -	\$2,155,523

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
2019	\$ 155,627	\$ 27,938	\$ 183,565
2020	157,578	25,986	183,564
2021	159,554	24,010	183,564
2022	161,555	22,010	183,565
2023	163,581	19,984	183,565
Future years	1,475,902	84,398	1,560,300
Total	\$2,273,797	\$ 204,326	\$2,478,123

City of Dixon, Illinois

Notes to Financial Statements

Note 8 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 \$14,490.

Note 9 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 10 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, 2018:

	Police Pension	Firefighters' Pension
Inactive members and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	31	26
Current employees	31	17
Total	62	43

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 10 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%	1.60%
US Fixed Income	32.00%	1.59%
US Large Cap Equity	9.00%	5.69%
US Small/Mid Cap Equity	8.00%	6.59%
International Developed Markets Equity	11.00%	9.28%
Emerging Markets Equity	7.50%	8.17%
Real Estate	10.00%	6.80%
US Corp High Yield	5.50%	3.22%
MLP's	4.00%	8.53%
Hedge Funds	10.00%	4.67%

City of Dixon, Illinois

Notes to Financial Statements

Note 10 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 2018 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, 2018 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, 2018 were as follows:

Total pension liability	\$26,472,557
Plan fiduciary net position	15,172,785
City's net pension liability	11,299,772
Plan fiduciary net position as a percentage of the total pension liability	57.3%

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, 2018 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 9.98% including inflation
- Investment Rate of Return 6.75%
- 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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Police Pension Plan (Continued)

Net Pension Liability (Continued)

- Disability Rate Disability Rates based on the L&A 2016 Illinois Disability Rates
- Termination Rate Termination Rates Based on the L&A 2016 Illinois Police Termination Rates
- Percent Married 80.0%

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, 2017	\$25,470,334	\$14,744,456	\$10,725,878
Service costs	518,965	-	518,965
Interest on total pension liability	1,677,271	-	1,677,271
Actuarial experience	49,731	-	49,731
Changes in assumptions	-	-	-
Employer contributions	-	806,549	(806,549)
Employee contributions	-	207,122	(207,122)
Other contribution	-	-	-
Net investment income	-	710,623	(710,623)
Benefit payments – net of refunds	(1,243,744)	(1,243,744)	-
Administrative expense	-	(52,220)	52,220
Net changes	1,002,223	428,330	573,893
Balances as of April 30, 2018	\$26,472,557	\$15,172,786	\$11,299,771

City of Dixon, Illinois

Notes to Financial Statements

Note 10 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	\$15,458,510	\$11,299,772	\$7,958,649

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2018, the City recognized pension expense of \$1,271,017. At April 30, 2018, 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	\$ 169,413	\$ -
Changes in assumptions	-	401,268
Net difference between projected and actual earnings on pension plan investments	759,808	125,754
Total	\$ 929,221	\$ 527,022

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:	
2019	\$215,406
2020	214,404
2021	(53,402)
2022	19,230
2023	5,561
Thereafter	-

City of Dixon, Illinois

Notes to Financial Statements

Note 10 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 10 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%	1.60%
US Fixed Income	52.00%	1.59%
US Large Cap Equity	8.50%	5.69%
US Small/Mid Cap Equity	7.00%	6.59%
International Developed Markets Equity	8.00%	9.28%
Emerging Markets Equity	5.50%	8.17%
Real Estate	7.00%	6.80%
US Corp High Yield Instruments	3.00%	3.22%
MLP's	3.00%	8.53%
Hedge Funds	3.00%	4.67%

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 10 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 2018 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, 2018 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, 2018 were as follows:

Total pension liability	\$19,429,891
Plan fiduciary net position	8,333,018
City's net pension liability	11,096,873
Plan fiduciary net position as a percentage of the total pension liability	42.9%

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, 2018 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 6.50%
- 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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Net Pension Liability (Continued)

- Disability Rate Disability Rates based on the L&A 2016 Illinois Firefighters Disability Rates
- Termination Rate Termination Rates Based on the L&A 2016 Illinois Firefighters Termination Rates
- Percent Married 80.0%

Discount Rate

The discount rate of 6.50% 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, 2017	\$18,899,028	\$8,187,232	\$10,711,796
Service costs	343,536	-	343,536
Interest on total pension liability	1,195,760	-	1,195,760
Actuarial experience	(3,005)	-	(3,005)
Changes in assumptions	-	-	-
Employer contributions	-	871,125	(871,125)
Employee contributions	-	122,115	(122,115)
Net investment income	-	178,563	(178,563)
Benefit payments – net of refunds	(1,005,429)	(1,005,429)	-
Administrative expense	-	(20,587)	20,587
Net changes	530,863	145,787	385,075
Balances as of April 30, 2018	\$19,429,890	\$8,333,019	\$11,096,871

City of Dixon, Illinois

Notes to Financial Statements

Note 10 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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Net Pension liability	\$13,852,582	\$11,096,873	\$8,854,666

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2018, the City recognized pension expense of \$1,477,033. At April 30, 2018, 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	\$ 567,870	\$ 2,554
Changes in assumptions	1,270,961	920,698
Net difference between projected and actual earnings on pension plan investments	569,445	-
Total	\$2,408,276	\$923,252

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:	
2019	\$570,369
2020	570,368
2021	447,154
2022	14,381
2023	(116,949)
Thereafter	(299)

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund

Plan Description. The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees Covered by the Benefit Terms –

As of December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	23
Active employees	49
<hr/>	
Total	138

Contributions – As set by statute, the City's Regular Plan Members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for Calendar year 2017 was 8.42%. For the fiscal year ended April 30, 2018, the City contributed \$253,411 to the plan. The City also contributes for disability benefits, death benefits and the supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability - The City's Net Pension Liability was measured as of December 31, 2017. The total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Aggregate Entry Age Normal.
- The **Amortization Method** used was Level Percentage of Payroll, Closed.
- **Remaining Amortization** Period for non-taxing bodies is 10-year rolling period while taxing bodies (Regular, SLEP & ECO) are 26-year closed period.
- The **Asset Valuation Method** used was 5-Year smoothed market at 20% corridor.
- The **Wage Growth** was anticipated to be 3.50%.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
 - For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

There were no benefit changes during the year. A detailed description of the actuarial assumptions and methods can be found in the December 31, 2017 Illinois Municipal Retirement Fund annual actuarial valuation report.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study dated April 6, 2018 for the period January 1, 2017 through December 31, 2017. As a result of the December 31, 2017 actuarial experience study, new assumptions for the assumed rate of return, salary increase, inflation and related economic assumptions were adopted in the December 31, 2017 actuarial valuation to more closely reflect actual experience.

The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of April 30, 2018:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

Changes in Net Pension Liability	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance January 1, 2017	\$18,778,211	\$18,612,928	\$165,283
Service costs	284,642	-	284,642
Interest on total pension liability	1,377,750	-	1,377,750
Difference between expected and actual experience	28,071	-	28,071
Changes in assumptions	(573,172)	-	(573,172)
Employer contributions	-	232,885	(232,885)
Employee contributions	-	122,895	(122,895)
Net investment income	-	3,421,226	(3,421,226)
Benefit payments – net of refunds	(1,101,061)	(1,101,061)	-
Other changes (net transfer)	-	(414,783)	414,783
Net changes	16,230	2,261,162	(2,244,932)
Balances as of December 31, 2017	\$18,794,441	\$20,874,090	\$(2,079,649)

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:

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the Net Pension liability	\$62,763	\$(2,079,649)	\$(3,861,638)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2018, the Plan recognized pension expense of \$253,411. At April 30, 2018, 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	\$ 161,925	\$ 113,318
Changes in assumptions	-	427,275
Net difference between projected and actual earnings on pension plan investments	589,360	1,655,007
Employer contributions subsequent to the measurement date	63,155	-
Total	\$ 814,440	\$ 2,195,600

The City reported \$63,155 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, 2018. 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 April 30:

2019	\$(202,727)
2020	(305,186)
2021	(522,651)
2022	(413,751)
2023	-
Thereafter	-

City of Dixon, Illinois

Notes to Financial Statements

Note 11 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:

Plan Description

In addition to providing the pension benefits described in Note 10, 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, 2018, membership consisted of:

Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	-
Active vested plan members	7
Active nonvested plan members	80
Total	102
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.

City of Dixon, Illinois

Notes to Financial Statements

Note 11 Other Post-Employment Benefits (Continued)

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.

The City had an actuarial valuation performed for the plan as of April 30, 2018 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, 2018. The City's annual OPEB cost (expense) of \$222,472 and an ARC of \$217,898. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2018 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2018	\$217,898	\$149,439	68.6 %	\$759,152
April 30, 2017	213,520	127,887	60.0 %	686,119
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

The net OPEB obligation as of April 30, 2018, was calculated as follows:

Annual required contribution	\$ 217,898
Interest on net OPEB obligation	27,445
Adjustment to annual required contribution	(22,871)
Annual OPEB cost	222,472
Contributions made	(149,439)
Increase in net OPEB obligation	73,033
Net OPEB obligation, beginning of year	686,119
Net OPEB obligation, end of year	\$ 759,152

Funding Status and Funding Progress

The funded status of the plan as of April 30, 2018 was as follows:

Actuarial accrued liability (AAL)	\$2,458,354
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$2,458,354
Funded ratio (actuarial value of plan assets/AAL)	0.00%

City of Dixon, Illinois

Notes to Financial Statements

Note 11 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, 2018 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 5.60% 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 12 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 13 Interfund Transfers/Balances

All interfund balances at April 30, 2018 were as follows:

	Fund Owed	Fund Owing
General Fund	\$ 2,800,000	\$ -
Water Fund	-	2,600,000
Sewer Fund	-	1,400,000
Capital Projects Fund	5,536,000	-
Nonmajor Governmental	-	4,336,000
Total interfund balances	\$ 8,336,000	\$ 8,336,000

Interfund transfers during the year ended April 30, 2018, were as follows:

	Transfers In	Transfers Out
General Fund:		
Capital Projects Fund	\$ -	\$ 1,044,357
Nonmajor Governmental	-	111,251
Fiduciary Funds	-	385,000
Total General Fund	-	1,540,608
Capital Projects Fund:		
General Fund	1,044,357	-
Emergency Vehicle	15,000	-
Total Capital Project Fund	1,059,357	-
Agency Fund:		
Fire Pension Fund	385,000	-
Total Agency Fund	385,000	-
Nonmajor Governmental		
General Fund	111,251	15,000
Total Nonmajor Governmental	111,251	15,000
Total operating transfers	\$ 1,555,608	\$ 1,555,608

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 14 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, 2018:

	Budget	Actual
Municipal Library Fund	599,353	734,070
Downtown TIF Fund	54,000	780,061
Local Organizations Fund	-	95
Firefighter's Pension Fund	1,030,000	1,082,441
Police Pension Fund	1,175,000	1,394,242
Confiscated Property Fund	30,000	51,326
Foreign Fire Insurance Fund	18,000	48,512
Library Trust Fund	33,000	43,197

The Downtown Redevelopment Project TIF Fund, Riverfront Project TIF Fund and Grant Fund had deficit fund balances at April 30, 2018 of \$2,177,753, \$1,704,816 and \$48,986, respectively.

Note 15 Commitments and Contingencies

As of April 30, 2018, the City was not obligated under any commitments or contingencies.

Note 16 Restatement of Net Position

Net position has been restated as a result of reclassifying the IMRF net pension liability and related deferred outflows and inflows, to allocate the respective balances between governmental and business-type activities. The details of this restatement are as follows:

	Governmental Activities	Business-type Activities
Net Position – April 30, 2017 (as reported)	\$39,730,849	\$16,732,049
Reclassify net pension liability	76,129	(76,129)
Reclassify deferred outflows of resources	(485,746)	485,746
Total change in net position – April 30, 2017	(409,617)	409,617
Net Position – April 30, 2017 (as restated)	\$39,321,232	\$17,141,666

City of Dixon, Illinois

Notes to Financial Statements

Note 17 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 18 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 yearly 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, 2019 and shall be automatically extended for an additional two years unless either party gives written notice to terminate.

Note 19 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 20 Management Evaluation of Subsequent Events

In May 2018, the City entered into a public works general maintenance contract. The total amount of the contract is \$1.2 million. The project has an estimated completion date of October 2018.

Note 21 Fund Balance Reporting

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	\$	309,760
Notes Receivable		52
Inventory		10,500
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Total Nonspendable	\$	320,312
<hr/>		

City of Dixon, Illinois

Notes to Financial Statements

Note 21 Fund Balance Reporting (Continued)

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	\$	1,267,511
Streets and Highways		2,456,926
Culture and Recreation		410,159
City Development		13,255,096
Airport Operations		66,401
Municipal Retirement		1,340,875
Working Cash		715,905
Social Security		1,594,706
<u>Total Restricted</u>	<u>\$</u>	<u>21,107,579</u>

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 22 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, 2017.

Public Safety	\$	1,267,511
Streets and Highways		2,456,926
Culture and Recreation		410,159
City Development		13,255,096
Airport Operations		66,401
Municipal Retirement		1,340,875
Working Cash		715,905
Social Security		1,594,706
<u>Total Restricted</u>	<u>\$</u>	<u>21,107,579</u>

City of Dixon, Illinois

Notes to Financial Statements

Note 23 Impact of Pending Accounting Pronouncements

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

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017. The City has not determined the effect of this Statement.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018. The City has not determined the effect of this Statement.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not determined the effect of this Statement.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not determined the effect of this Statement.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not determined the effect of this Statement.

Required Supplementary Information

City of Dixon, Illinois

Schedules of Required Supplementary Information
 Multiyear Schedule of Changes in Net Pension Liability and Related Ratios
 IMRF Regular Plan
 Last 10 Calendar Years
 (Schedule to be built prospectively from 2014)

	2017	2016	2015	2014
Calendar year ending December 31,				
Total pension liability:				
Service cost	\$ 284,642	\$ 308,819	\$308,841	\$300,939
Interest on the total pension liability	1,377,750	1,351,187	1,266,534	1,164,405
Difference between expected and actual experience	28,071	(221,534)	506,183	132,759
Assumption changes	(573,172)	-	-	555,387
Benefit payments and refunds	(1,101,061)	(1,043,351)	(862,323)	(729,131)
Net change in total pension liability	16,230	395,121	1,219,235	1,424,359
Total pension liability - beginning	18,778,211	18,383,090	17,163,855	15,739,496
Total pension liability - ending (a)	\$ 18,794,441	\$ 18,778,211	\$18,383,090	\$17,163,855
Plan fiduciary net position:				
Employer contributions	\$ 232,885	\$ 218,999	\$230,964	\$352,578
Employee contributions	122,895	124,671	138,345	125,434
Pension plan net investment income	3,421,226	1,204,046	92,818	1,087,808
Benefit payments and refunds	(1,101,061)	(1,043,351)	(862,323)	(729,131)
Other	(414,783)	69,701	(371,047)	14,939
Net change in plan fiduciary net position	2,261,162	574,066	(771,243)	851,628
Plan fiduciary net position - beginning	18,612,928	18,038,862	18,810,105	17,958,477
Plan fiduciary net position - ending (b)	\$ 20,874,090	\$ 18,612,928	\$18,038,862	\$18,810,105
Net pension liability(asset) - Ending (a) - (b)	\$ (2,079,649)	\$ 165,283	\$ 344,228	\$ (1,646,250)
Plan fiduciary net position as a percentage of total pension liability	111.07%	99.12%	98.13%	109.59%
Covered valuation payroll	2,767,256	2,770,457	2,975,220	2,802,380
Net pension liability as a percentage of covered valuation payroll	-75.15%	5.97%	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)

	2018	2017	2016	2015
Fiscal year ending April 30,				
Total pension liability:				
Service cost	\$ 518,965	\$ 486,150	\$ 412,856	\$ 478,953
Interest on the total pension liability	1,677,271	1,637,470	1,573,774	1,394,324
Difference between expected and actual experience	49,731	74,160	166,862	289,047
Assumption changes	-	(472,916)	(199,219)	2,215,611
Benefit payments and refunds	(1,243,744)	(1,026,703)	(994,539)	(968,808)
Net change in total pension liability	1,002,223	698,161	959,734	3,409,127
Total pension liability - beginning	25,470,334	24,772,173	23,812,439	20,403,312
Total pension liability - ending (a)	\$ 26,472,557	\$ 25,470,334	\$24,772,173	\$23,812,439
Plan fiduciary net position:				
Employer contributions	\$ 806,549	\$ 812,591	\$603,612	\$525,350
Employee contributions	207,122	205,454	197,842	212,422
Other contributions	-	19,282	-	-
Pension plan net investment income	710,623	1,129,702	(394,244)	679,948
Benefit payments and refunds	(1,243,744)	(1,026,703)	(994,539)	(968,808)
Administrative expense	(52,220)	(43,684)	(21,427)	(22,636)
Net change in plan fiduciary net position	428,330	1,096,642	(608,756)	426,276
Plan fiduciary net position - beginning	14,744,456	13,647,814	14,256,570	13,830,294
Plan fiduciary net position - ending (b)	\$ 15,172,786	\$ 14,744,456	\$13,647,814	\$14,256,570
Net pension liability(asset) - Ending (a) - (b)	\$ 11,299,771	\$ 10,725,878	\$ 11,124,359	\$ 9,555,869
Plan fiduciary net position as a percentage of total pension liability	57.32%	57.89%	55.09%	59.87%
Covered valuation payroll	1,943,673	2,256,530	2,352,152	1,994,165
Net pension liability as a percentage of covered valuation payroll	581.36%	475.33%	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)

	2018	2017	2016	2015
Fiscal year ending April 30,				
Total pension liability:				
Service cost	\$ 343,536	\$ 322,569	\$ 318,494	\$ 277,022
Interest on the total pension liability	1,195,760	1,233,566	922,776	958,772
Difference between expected and actual experience	(3,005)	155,238	886,994	119,049
Assumption changes	-	(1,315,004)	2,455,088	1,079,603
Benefit payments and refunds	(1,005,429)	(950,556)	(866,450)	(789,754)
Net change in total pension liability	530,862	(554,187)	3,716,902	1,644,692
Total pension liability - beginning	18,899,028	19,453,215	15,736,313	14,091,621
Total pension liability - ending (a)	\$ 19,429,890	\$ 18,899,028	\$ 19,453,215	\$ 15,736,313
Plan fiduciary net position:				
Employer contributions	\$ 871,125	\$ 685,507	\$ 460,600	\$ 406,847
Employee contributions	122,115	114,570	127,140	107,946
Pension plan net investment income	178,563	440,768	(86,140)	407,783
Benefit payments and refunds	(1,005,429)	(950,556)	(866,450)	(787,267)
Administrative expense	(20,587)	(20,613)	(19,272)	(17,723)
Net change in plan fiduciary net position	145,787	269,676	(384,122)	117,586
Plan fiduciary net position - beginning	8,187,232	7,917,556	8,301,678	8,184,092
Plan fiduciary net position - ending (b)	\$ 8,333,019	\$ 8,187,232	\$ 7,917,556	\$ 8,301,678
Net pension liability(asset) - Ending (a) - (b)	\$ 11,096,871	\$ 10,711,796	\$ 11,535,659	\$ 7,434,635
Plan fiduciary net position as a percentage of total pension liability	42.89%	43.32%	40.70%	52.75%
Covered valuation payroll	1,197,877	1,435,299	1,198,672	1,198,704
Net pension liability as a percentage of covered valuation payroll	926.38%	746.31%	962.37%	620.22%

City of Dixon, Illinois

Schedule of Funding Progress Other Post Employment Benefits

April 30, 2018

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)	UNFUND AS A Percentage of Covered Payroll ((b-a)/c)
Other Post-Employment Benefits						
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%
4/30/2017*	-	2,458,354	2,458,354	0.00%	5,623,958	43.71%
4/30/2018*	-	2,458,354	2,458,354	0.00%	5,623,958	43.71%

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, 2016*

City of Dixon, Illinois

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

April 30, 2018

Fiscal Year Ending April 30,	Actuarially Determind Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Actual Contributions as a % of Covered- Valuation Payroll
IMRF					
2016	\$ 199,340	\$ 230,964	\$ (31,624)	\$ 2,975,220	7.76%
2017	182,850	218,999	(36,149)	2,770,457	7.90%
2018	212,525 *	232,885	(20,360)	2,767,256	8.42%

*Estimated based on contribution rate of 7.68% and covered valuation payroll of \$2,767,256.

Police Pension Fund

2008	333,426	389,475	(56,049)	1,419,857	27.43%
2009	488,480	410,274	78,206	1,474,079	27.83%
2010	494,821	406,495	88,326	1,594,028	25.50%
2011	416,399	416,399	-	1,546,962	26.92%
2012	494,821	432,424	62,397	1,546,962	27.95%
2013	416,399	443,397	(26,998)	1,681,857	26.36%
2014	432,436	476,189	(43,753)	1,822,623	26.13%
2015	532,391	525,350	7,041	1,994,165	26.34%
2016	601,833	603,612	(1,779)	2,048,608	29.46%
2017	833,033	812,591	20,442	2,256,530	36.01%
2018	831,327	806,549	24,778	1,943,673	41.50%

Fire Pension Fund

2008	348,067	298,293	49,774	859,152	34.72%
2009	494,370	337,210	157,160	887,705	37.99%
2010	431,447	338,427	93,020	874,687	38.69%
2011	338,437	338,437	-	900,489	37.58%
2012	431,447	348,553	82,894	883,627	39.45%
2013	338,437	354,399	(15,962)	1,091,163	32.48%
2014	355,779	392,039	(36,260)	1,003,959	39.05%
2015	472,264	406,847	65,417	1,198,704	33.94%
2016	458,187	460,600	(2,413)	1,198,672	38.43%
2017	556,036	685,507	(129,471)	1,435,299	47.76%
2018	757,371	871,125	(113,754)	1,197,877	72.72%

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
General property taxes	\$ 2,061,125	\$ 2,061,125	\$ 2,009,174	\$ (51,951)
Intergovernmental revenue:				
Personal property replacement tax	576,000	576,000	615,464	39,464
Income tax and surcharge	1,550,000	1,550,000	1,642,477	92,477
Sales tax	3,135,000	3,135,000	3,326,155	191,155
Utility tax	620,000	620,000	636,965	16,965
Telecom tax	48,000	48,000	46,112	(1,888)
Gaming tax	250,000	250,000	280,280	30,280
Grant revenue	131,200	131,200	123,714	(7,486)
Motel tax	75,000	75,000	74,661	(339)
	6,385,200	6,385,200	6,745,828	360,628
Licenses, permits, and other fees	578,000	578,000	629,794	51,794
Fines and penalties	210,000	210,000	237,911	27,911
Donations	-	-	-	-
Charges for services	570,000	570,000	477,413	(92,587)
Revenue from use of money and property	25,500	25,500	63,331	37,831
Other	17,000	17,000	23,909	6,909
Total revenues - modified accrual basis	\$ 9,846,825	\$ 9,846,825	10,187,360	\$ 340,535
Subtract beginning deferred revenues			(2,582,755)	
Add ending deferred revenues			2,395,348	
Add beginning receivables/accrued revenues			3,645,470	
Subtract ending receivables/accrued revenues			(3,444,574)	
Total revenues - budget basis			\$ 10,200,849	
 Expenditures				
<i>Department of Public Affairs</i>				
Salaries	\$ 31,200	\$ 31,200	\$ 37,705	\$ 6,505
Supplies and services	30,800	34,800	18,315	(16,485)
Professional services and fees	135,000	131,000	164,286	33,286
Public relations	500	500	387	(113)
Travel expense	9,100	9,100	6,451	(2,649)
Dues and subscriptions	4,030	4,030	2,057	(1,973)
Donations	38,000	38,000	48,829	10,829
Fire and Police Commission	11,500	11,500	7,863	(3,637)
	260,130	260,130	285,893	25,763

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Accounts and Finance</i>				
Salaries	422,312	430,687	455,629	24,942
Maintenance	19,200	19,200	11,158	(8,042)
Supplies and services	200,030	200,030	221,814	21,784
Professional services and fees	84,850	84,850	75,753	(9,097)
Notices and publications	4,800	4,800	1,810	(2,990)
Insurance	551,667	551,667	563,633	11,966
Travel expense	6,500	6,500	4,750	(1,750)
Training	19,560	19,560	10,303	(9,257)
Continuing education reimbursement	4,000	4,000	2,993	(1,007)
Lease payments	400	400	-	(400)
Dues and subscriptions	3,590	3,590	2,744	(846)
	1,316,909	1,325,284	1,350,587	25,303
<i>Dept. of Information Technology</i>				
Salaries	67,392	69,357	62,569	(6,788)
Supplies and services	11,150	11,150	10,896	(254)
Professional services and fees	75,820	75,820	75,134	(686)
Insurance	11,248	11,248	11,895	647
Training	4,200	4,200	3,717	(483)
	169,810	171,775	164,211	(7,564)
<i>Dept. of Police Protection</i>				
Salaries	2,510,467	2,503,467	2,447,292	(56,175)
Maintenance	45,821	45,821	72,485	26,664
Supplies and services	335,945	335,945	174,450	(161,495)
Professional services and fees	39,440	39,440	7,536	(31,904)
Insurance	423,140	423,140	413,835	(9,305)
Police training	16,000	16,000	18,532	2,532
Miscellaneous	2,000	2,000	2,285	285
Travel expense	15,000	15,000	17,889	2,889
Dues and subscriptions	2,500	2,500	3,339	839
Clothing allowance	6,750	6,750	1,166	(5,584)
Continuing education reimbursement	5,000	5,000	2,000	(3,000)
Lease payments	528	528	843	315
Lee County rent	164,000	164,000	173,880	9,880
	3,566,591	3,559,591	3,335,532	(224,059)

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Fire Protection</i>				
Salaries	1,264,888	1,256,498	1,228,290	(28,208)
Maintenance	17,000	17,000	17,178	178
Supplies and services	89,470	89,470	54,547	(34,923)
Pension	385,000	385,000	-	(385,000)
Insurance	178,772	178,772	194,007	15,235
Fire training	25,000	25,000	25,944	944
Dues and subscriptions	2,855	2,855	3,544	689
Travel expenses	1,500	1,500	562	(938)
Continuing education reimbursement	8,000	8,000	1,592	(6,408)
Grant match	15,000	15,000	-	(15,000)
Lease payments	4,500	4,500	4,932	432
	1,991,985	1,983,595	1,530,596	(452,999)
Dept. of Streets and Improvements				
Salaries	429,486	429,486	423,534	(5,952)
Maintenance	25,000	25,000	76,075	51,075
Supplies and services	296,099	296,099	230,329	(65,770)
Insurance	96,370	96,370	84,040	(12,330)
Dues and subscriptions	3,350	3,350	2,021	(1,329)
Travel expenses	7,950	7,950	4,406	(3,544)
Clothing allowance	3,000	3,000	4,162	1,162
	861,255	861,255	824,567	(36,688)
Dept. of Building and Zoning				
Salaries	167,928	169,978	161,976	(8,002)
Maintenance	1,500	1,500	8	(1,492)
Supplies and services	44,105	44,105	14,873	(29,232)
Insurance	42,829	42,829	41,090	(1,739)
Training	2,000	2,000	720	(1,280)
Lease payments	450	450	171	(279)
Dues and subscriptions	350	350	1,337	987
	259,162	261,212	220,175	(41,037)

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Public Property</i>				
Salaries	299,738	293,238	293,961	723
Maintenance	65,000	65,000	59,196	(5,804)
Supplies and services	103,100	113,100	87,471	(25,629)
Insurance	35,736	35,736	30,584	(5,152)
Dues and subscriptions	1,120	1,120	1,205	85
Engineering	9,000	9,000	6,167	(2,833)
Training expense	2,000	2,000	1,060	(940)
Clothing allowance	1,000	1,000	800	(200)
	516,694	520,194	480,444	(39,750)
Dept. of Traffic Maintenance				
Salaries	77,821	77,821	3,310	(74,511)
Maintenance	7,000	7,000	-	(7,000)
Supplies and services	131,303	131,303	104,138	(27,165)
Insurance	16,666	16,666	693	(15,973)
Training expense	1,500	1,500	-	(1,500)
Clothing allowance	500	500	500	-
	234,790	234,790	108,641	(126,149)
Dept. of Public Works				
Salaries	-	1,500	10,689	9,189
Supplies and services	-	-	112	112
Insurance	-	-	1,664	1,664
Travel	-	-	36	36
Training	-	-	639	639
	-	1,500	13,140	11,640

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Culture and Recreation</i>				
Salaries	29,000	29,000	916	(28,084)
Maintenance	-	-	4,379	4,379
Supplies, services, and professional services	2,500	2,500	1,528	(972)
Miscellaneous	-	-	5,949	5,949
Dues and subscriptions	1,000	1,000	475	(525)
Travel expenses	1,000	1,000	-	(1,000)
Donation expense	270,000	270,000	321,112	51,112
	303,500	303,500	334,359	30,859
Total expenditures - modified accrual basis	\$ 9,480,826	\$ 9,482,826	8,648,145	\$ (834,681)
Add beginning accrued expenditures			349,259	
Subtract ending accrued expenditures			(248,487)	
Subtract beginning prepaid expenditures			(288,467)	
Add ending prepaid expenditures			303,419	
Total expenditures - budget basis			\$ 8,763,869	
Excess of revenues over expenditures - appropriation basis			\$ 1,436,980	
Other Financing Sources (Uses)				
Operating transfers out	\$ (530,000)	\$ (530,000)	(1,540,608)	\$ (1,010,608)
	\$ (530,000)	\$ (530,000)	(1,540,608)	\$ (1,010,608)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis			\$ (103,628)	

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Proceeds from partnership liquidation	\$ 2,000	\$ -	\$ 19,071	\$ 19,071
Revenue from use of money and property	32,000	34,000	111,249	77,249
Total revenues - modified accrual basis	\$ 34,000	\$ 34,000	130,320	\$ 96,320
Total revenues - budget basis			\$ 130,320	
Expenditures				
Maintenance	\$ -	\$ -	\$ -	\$ -
Supplies, services, and professional services	247,760	247,760	189,500	(58,260)
New property and equipment	3,838,094	3,838,094	1,260,297	(2,577,797)
Miscellaneous	-	-	10,735	10,735
Total expenditures - modified accrual basis	\$ 4,085,854	\$ 4,085,854	1,460,532	\$ (2,625,322)
Total expenditures - budget basis			\$ 1,460,532	
Excess of revenues over expenditures - budget basis			\$ (1,330,212)	
Other Financing Sources (Uses)				
Operating transfers in	\$ 545,000	\$ 483,500	1,059,357	\$ 575,857
Total other financing sources (uses)	545,000	483,500	1,059,357	575,857
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis			(270,855)	
Special Item				
Proceeds from sale of fixed assets	\$ 105,000	\$ 105,000	16,377	\$ (88,623)
Excess (deficiency) of revenues, other financing sources, and special items over expenditures and other financing uses - budget basis			\$ (254,478)	

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.

Other Information

City of Dixon, Illinois

Non-Major Funds Combining Balance Sheet

April 30, 2018

	General Government				
	TIF Districts				
	Downtown Redevelopment Project	Riverfront Project	Illinois Municipal Retirement	Social Security	Working Cash
Assets					
Cash and cash equivalents	\$ -	\$ 630,184	\$ 130,216	\$ 81,007	\$ -
Investments	-	-	1,210,429	1,513,400	715,510
Receivables:					
General property taxes	156,854	237,121	-	-	-
Sales taxes	-	-	-	-	-
Motor fuel tax allotments	-	-	-	-	-
Accounts, less allowance for estimated uncollectibles	-	-	-	-	-
Interest	-	-	230	299	395
Notes receivable	52	-	-	-	-
Prepaid insurance	-	-	-	-	-
Total Assets	\$ 156,906	\$ 867,305	\$ 1,340,875	\$ 1,594,706	\$ 715,905
Liabilities					
Cash overdraft	\$ 176,805	\$ -	\$ -	\$ -	\$ -
Vouchers payable	-	-	-	-	-
Accrued liabilities:					
Payroll	-	-	-	-	-
Consumer deposits	-	-	-	-	-
Interfund payable	2,001,000	2,335,000	-	-	-
Total liabilities	2,177,805	2,335,000	-	-	-
Deferred Inflow of Resources					
Deferred rental income	-	-	-	-	-
Deferred property tax revenue	156,854	237,121	-	-	-
Total Deferred Inflows of Resources	156,854	237,121	-	-	-
Total Liabilities and Deferred Inflows of Resources	2,334,659	2,572,121	-	-	-
Fund Balances					
Nonspendable:					
Notes receivable	52	-	-	-	-
Prepaid expenses	-	-	-	-	-
Unrestricted	(2,177,805)	(1,704,816)	-	-	-
Restricted:					
Special revenue	-	-	1,340,875	1,594,706	715,905
Total fund balances	(2,177,753)	(1,704,816)	1,340,875	1,594,706	715,905
Total Liabilities, Deferred Inflows and Fund Balances	\$ 156,906	\$ 867,305	\$ 1,340,875	\$ 1,594,706	\$ 715,905

Special Revenue

Highways and Streets		Culture and Recreation			Airport	Public Safety		Total
Motor Fuel Tax	Infrastructure	Library	Performing Arts	Grant	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	Total
\$ 482,282	\$ 1,847,660	\$ 313,119	\$ 95,755	\$ -	\$ 71,035	\$ 596,341	\$ 107,443	\$ 4,355,042
-	-	-	-	-	-	500,000	-	3,939,339
-	-	544,374	-	-	-	-	-	938,349
-	205,944	-	-	-	-	-	-	205,944
36,017	-	-	-	-	-	-	-	36,017
-	-	287	-	-	26,749	69,507	-	96,543
-	-	-	-	-	-	2,000	-	2,924
-	-	-	-	-	-	-	-	52
-	-	-	-	-	6,341	-	-	6,341
\$ 518,299	\$ 2,053,604	\$ 857,780	\$ 95,755	\$ -	\$ 104,125	\$ 1,167,848	\$ 107,443	\$ 9,580,551
\$ -	\$ -	\$ -	\$ -	\$ 48,986	\$ -	\$ -	\$ -	\$ 225,791
42,239	2,737	1,815	-	-	373	1,651	-	48,815
-	-	7,638	-	-	240	6,129	-	14,007
-	-	-	-	-	5,770	-	-	5,770
-	-	-	-	-	-	-	-	4,336,000
42,239	2,737	9,453	-	48,986	6,383	7,780	-	4,630,383
-	-	-	-	-	25,000	-	-	25,000
-	70,000	533,923	-	-	-	-	-	997,898
-	70,000	533,923	-	-	25,000	-	-	1,022,898
42,239	72,737	543,376	-	48,986	31,383	7,780	-	5,653,281
-	-	-	-	-	-	-	-	52
-	-	-	-	-	6,341	-	-	6,341
-	-	-	-	(48,986)	-	-	-	(3,931,607)
476,060	1,980,866	314,404	95,755	-	66,401	1,160,068	107,443	7,852,483
476,060	1,980,866	314,404	95,755	(48,986)	72,742	1,160,068	107,443	3,927,269
\$ 518,299	\$ 2,053,604	\$ 857,780	\$ 95,755	\$ -	\$ 104,125	\$ 1,167,848	\$ 107,443	\$ 9,580,551

City of Dixon, Illinois

Non-Major Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended April 30, 2018

	General Government				
	TIF Districts		Illinois Municipal Retirement	Social Security	Working Cash
	Downtown Redevelopment Project	Riverfront Project			
Revenues					
General property taxes	\$ 140,457	\$ 205,316	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Personal property replacement tax	-	-	-	-	-
Motor fuel tax allotments	-	-	-	-	-
Foreign fire insurance tax	-	-	-	-	-
User fees	-	-	-	-	-
Revenue from use of money and property	376	134	11,784	15,107	10,248
Miscellaneous	-	-	-	-	-
Grants	-	-	-	-	-
Total revenues	140,833	205,450	11,784	15,107	10,248
Expenditures					
Salaries	-	-	-	-	-
Maintenance	-	-	-	-	-
Supplies, services and professional services	-	-	-	-	-
Fuel, gas, and oil	-	-	-	-	-
Insurance	-	-	-	-	-
Miscellaneous	275,591	18,811	-	-	-
Real estate taxes	-	-	-	-	-
Engineering	-	-	-	-	-
Payments to pensions	-	-	136,689	-	-
Payments to Social Security system	-	-	-	222,323	-
Capital outlay:					
Land	177,930	-	-	-	-
Infrastructure	326,540	-	-	-	-
Total expenditures	780,061	18,811	136,689	222,323	-
Excess (deficiency) of revenues over (under) expenditures	(639,228)	186,639	(124,905)	(207,216)	10,248
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(639,228)	186,639	(124,905)	(207,216)	10,248
Fund Balance (Deficit), Beginning of Year	(1,538,525)	(1,891,455)	1,465,780	1,801,922	705,657
Fund Balance, End of Year	\$ (2,177,753)	\$ (1,704,816)	\$ 1,340,875	\$ 1,594,706	\$ 715,905

Special Revenue

Highways and Streets		Culture and Recreation			Airport	Public Safety		Total
Motor Fuel Tax	Infrastructure	Library	Performing Arts	Grant	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	
\$ -	\$ -	\$ 485,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 831,771
-	874,893	-	-	-	-	-	-	874,893
-	-	48,825	-	-	-	-	-	48,825
401,714	-	-	-	-	-	-	-	401,714
-	-	-	-	-	-	-	26,572	26,572
-	-	30,685	-	-	-	397,362	-	428,047
75	17,517	187	-	-	54,351	6,099	508	116,386
-	-	33,072	9,913	-	7,128	3,950	-	54,063
-	-	62,216	-	-	-	-	-	62,216
401,789	892,410	660,983	9,913	-	61,479	407,411	27,080	2,844,487
-	-	310,250	24,974	6,623	10,640	212,451	-	564,938
11,360	-	26,850	-	-	6,586	2,766	-	47,562
-	-	201,042	-	11,510	20,576	25,970	48,512	307,610
-	-	749	-	-	1,182	3,535	-	5,466
-	-	76,946	-	-	13,366	33,440	-	123,752
-	13,144	60	435	-	16,301	-	-	324,342
-	-	-	-	-	603	-	-	603
50,026	-	-	-	-	5,613	-	-	55,639
-	-	-	-	-	-	-	-	136,689
-	-	-	-	-	-	-	-	222,323
-	-	-	-	-	-	-	-	177,930
-	36,937	118,173	-	30,853	-	-	-	512,503
61,386	50,081	734,070	25,409	48,986	74,867	278,162	48,512	2,479,357
340,403	842,329	(73,087)	(15,496)	(48,986)	(13,388)	129,249	(21,432)	365,130
-	-	-	111,251	-	-	-	-	111,251
-	-	-	-	-	-	(15,000)	-	(15,000)
-	-	-	111,251	-	-	(15,000)	-	96,251
340,403	842,329	(73,087)	95,755	(48,986)	(13,388)	114,249	(21,432)	461,381
135,657	1,138,537	387,491	-	-	86,130	1,045,819	128,875	3,465,888
\$ 476,060	\$ 1,980,866	\$ 314,404	\$ 95,755	\$ (48,986)	\$ 72,742	\$ 1,160,068	\$ 107,443	\$ 3,927,269

City of Dixon, Illinois

Private Purpose Trust Funds Combining Statement of Net Position

April 30, 2018

	Cemetery Endowment	Local Organizations	Library Trust	Total
Assets				
Cash and cash equivalents	\$ 101,994	\$ 71,662	\$ 46,237	\$ 219,893
Investments	589,380	-	370,394	959,774
Receivables:				
Accounts	9,470	-	-	9,470
Interest	197	-	461	658
Total Assets	\$ 701,041	\$ 71,662	\$ 417,092	\$ 1,189,795
Liabilities				
Funds payable to other organizations	\$ -	\$ 59,365	\$ -	\$ 59,365
Accounts payable	-	1,575	-	1,575
Total liabilities	-	60,940	-	60,940
Net Position - Held in Trust				
Restricted for perpetual endowment	701,041	-	-	701,041
Unrestricted	-	10,722	417,092	427,814
Net position	701,041	10,722	417,092	1,128,855
Total Liabilities and Net Position	\$ 701,041	\$ 71,662	\$ 417,092	\$ 1,189,795

City of Dixon, Illinois

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

Year Ended April 30, 2018

	Cemetery Endowment	Local Organizations	Library Trust	Total
Additions				
Interest income	\$ 5,852	\$ 2	\$ 5,362	\$ 11,216
Revenue from use of money and property	81,436	-	18,913	100,349
Total revenues	87,288	2	24,275	111,565
Deductions				
Transfer to other funds	-	-	-	-
Miscellaneous	-	95	43,197	43,292
Total expenditures	-	95	43,197	43,292
Change in Net Position	87,288	(93)	(18,922)	68,273
Net Position Held in Trust				
Beginning of Year	613,753	10,815	436,014	1,060,582
Net Position Held in Trust End of Year	\$ 701,041	\$ 10,722	\$ 417,092	\$ 1,128,855

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Plan Net Position

April 30, 2018

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
Assets			
Cash	\$ 389,413	\$ 178,003	\$ 567,416
Investments	14,740,162	8,120,130	22,860,292
Prepaid investment fees	16,925	10,336	27,261
Investment income receivable	28,086	25,113	53,199
Total Assets	15,174,586	8,333,582	23,508,168
Liabilities			
Vouchers payable	1,801	564	2,365
Net Position Held in Trust for Pension Benefits	\$ 15,172,785	\$ 8,333,018	\$ 23,505,803

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Changes in Plan Net Position

Year Ended April 30, 2018

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
Additions			
Contributions			
Employer	\$ 806,549	\$ 486,125	\$ 1,292,674
Plan members	207,122	122,115	329,237
Total contributions	1,013,671	608,240	1,621,911
Total additions	1,013,671	608,240	1,621,911
Deductions			
Benefit payments	1,243,744	1,005,429	2,249,173
Administrative and audit fee	150,498	77,013	227,511
Total deductions	1,394,242	1,082,442	2,476,684
Net Investment income (expense)	808,900	234,988	1,043,888
Excess of additions over deductions	428,329	(239,214)	189,115
Other financing sources			
Operating transfers in	-	385,000	385,000
Changes in Plan Net Position	428,329	145,786	574,115
Net Position Held in Trust for			
Pension Benefits, Beginning of Year	14,744,456	8,187,232	22,931,688
Net Position Held in Trust for			
Pension Benefits, End of Year	\$ 15,172,785	\$ 8,333,018	\$ 23,505,803

City of Dixon, Illinois

Agency Funds Combining Balance Sheet

April 30, 2018

	Police Vehicle	Confiscated Property	DUI	Total
Assets				
Cash and cash equivalents	\$ 11,581	\$ 134,569	\$ 16,997	\$ 163,147
Total Assets	\$ 11,581	\$ 134,569	\$ 16,997	\$ 163,147
Liabilities				
Available for distribution	\$ 11,581	\$ 134,569	\$ 16,997	\$ 163,147
Total Liabilities	\$ 11,581	\$ 134,569	\$ 16,997	\$ 163,147

City of Dixon, Illinois

Agency Funds Combining Statement of Cash Receipts and Disbursements

Year Ended April 30, 2018

	Police Vehicle	Confiscated Property	DUI	Total
Cash and Investments				
Balance, Beginning of Year	\$ 6,264	\$ 140,446	\$ 13,973	\$ 160,683
Receipts	5,317	36,403	11,766	53,486
Disbursements	-	(42,280)	(8,742)	(51,022)
Cash and Investments				
Balance, End of Year	\$ 11,581	\$ 134,569	\$ 16,997	\$ 163,147

City of Dixon, Illinois

Schedule of Assessed Valuations, Rates, Extensions and Collections

Tax Years 2017, 2016, and 2015

Fund	Assessed valuation	2017		
		Tax rate	Tax extensions	Tax collections
Corporate	\$ 180,318,521	.1614	\$ 291,034	\$ -
Police Protection	180,318,521	.5012	1,081,911	-
Fire Protection	88,568,294	-	-	-
Audit	180,318,521	.0189	34,080	-
Road and Bridge	180,318,521	-	-	-
Performing Arts	180,318,521	-	-	-
Library	180,318,521	.2820	508,498	-
Cemetery	180,318,521	.0250	45,080	-
Fire Pension	88,568,294	.5639	499,437	-
Police Pension	180,318,521	.5012	903,756	-
Civil Defense	180,318,521	-	-	-
Claim and Judgment Tax	180,318,521	.2643	476,582	-
Library Maintenance	180,318,521	.0141	25,425	-
Public Benefit	180,318,521	.0500	90,159	-
TIF District 1		-	156,853	-
TIF District 3		-	237,121	-
		2.3820	\$ 4,349,936	\$ -

2016				2015			
Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections
\$ 173,630,129	.1848	\$ 320,868	\$ 311,094	\$ 174,098,447	.2079	\$ 361,951	\$ 352,964
173,630,129	.6000	1,041,781	1,010,042	174,098,447	.5619	978,259	953,965
86,379,385	-	-	-	86,899,577	-	-	-
173,630,129	.0196	34,032	32,996	174,098,447	.0184	32,034	31,238
173,630,129	-	-	67,900	174,098,447	-	-	68,444
173,630,129	-	-	-	174,098,447	-	-	-
173,630,129	.2588	449,355	435,665	174,098,447	.2412	419,925	409,497
173,630,129	.0250	43,408	42,084	174,098,447	.0250	43,525	42,444
86,379,385	.5653	488,303	485,807	86,899,577	.5565	483,596	485,378
173,630,129	.4788	831,341	806,012	174,098,447	.4785	833,061	812,371
173,630,129	-	-	-	174,098,447	-	-	-
173,630,129	.2695	467,933	453,676	174,098,447	.2786	485,038	472,992
173,630,129	.0299	51,915	50,333	174,098,447	.0293	51,011	49,744
173,630,129	.0500	86,815	84,171	174,098,447	.0500	87,049	84,888
2,464,924	-	141,997	140,457	2,514,943	-	140,741	140,741
4,006,690	-	206,476	205,316	4,009,862	-	193,656	193,656
	2.4817	\$ 4,164,224	\$ 4,125,553		2.4473	\$ 4,109,846	\$ 4,098,322

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, 2018, 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 26, 2018.

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.

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 26, 2018

City of Dixon, Illinois

Schedule of Responses

For the Year Ended April 30, 2018

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, 2018, and have issued our report thereon dated September 26, 2018. 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 26, 2018