



Wipfli LLP  
215 East First Street  
Commerce Towers Suite 200  
Dixon, IL 61021-3166  
815.315.0854  
fax 815.288.0584  
www.wipfli.com

October 21, 2019

To the Mayor and Board of Commissioners  
City of Dixon, Illinois  
121 West Second Street  
Dixon, IL 61021

Dear Mayor and Board of Commissioners:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the remaining aggregate remaining fund information of the City of Dixon, Illinois (the "City") for the year ended April 30, 2019. Professional standards require that we provide you with the following information related to our audit:

***Our Responsibility Under Auditing Standards Generally Accepted in the United States and Government Auditing Standards***

As stated in our engagement letter dated May 10, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Required Supplementary Information Accompanying Audited Financial Statements**

We applied certain limited procedures to the budgetary comparison schedules, multiyear schedule of changes in net pension liability and related ratios - Illinois Municipal Retirement Fund, Police Pension Fund and Fire Pension Fund and multiyear schedule of contributions (IMRF, Police Pension Fund, and Fire Pension Fund), and the schedule of funding progress and employer contributions – OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Other Information in Documents Containing Audited Financial Statements**

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, appearing in the financial statements.

We are not aware of any documents or other information containing audited financial statements, and furthermore management has not requested us to devote attention to any documents containing audited financial statements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to your representative, Becky Fredericks, in our meeting about planning matters on July 15, 2019, in addition to our engagement letter dated May 10, 2019, accepted by Mayor Liandro Arellano Jr.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- The method of determining fixed asset useful lives
- The method of determining accounts receivable and allowance for doubtful accounts
- The method of determining accounts payables
- The disclosure, accrual of pension plan information, and deferred inflows and deferred outflows are dependent upon actuarial assumptions used by the Illinois Municipal Retirement System, Police Pension and Fire Pension.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures of pension information in the notes to the financial statements because the disclosures are subject to actuarial methods and assumptions.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A listing of the adjusting journal entries is attached to this letter.

### **Disagreements With Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 21, 2019, a copy of which accompanies this letter.

### **Management Consultations With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of the City of Dixon, Illinois (the "City") as of and for the year ended April 30, 2019, in accordance with auditing standards generally accepted in the United States, we considered the City of Dixon, Illinois' internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

We consider the following deficiencies in internal control to be significant deficiencies:

### **Improper Segregation of Duties**

Criteria - Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition – 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.

Cause – The City has a limited number of staff to allow for adequate segregation of duties.

Effects or Potential Effects – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Recommendation – It does not appear to be economically feasible to hire additional personnel to help segregate the accounting functions. However, the Board's close supervision and review of accounting information appears to be the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

View of responsible officials and planned corrective actions – The City's management and Board of Commissioner'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 county's accounting and financial reporting. There is no anticipated completion date for this item.

### **Financial Statements Preparation**

Criteria – *Governmental Auditing Standards* require that management prepare the financial statements with footnote disclosures.

Condition – The City relies on the external auditors to prepare the financial statements with footnote disclosures.

Cause - The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with the modified accrual basis of accounting.

Effects or Potential Effects – The completeness of the financial statement disclosures and the accuracy of the overall financial presentation is negatively impacted as external auditors do not have the same comprehensive understanding of the City as its internal financial staff.

Recommendation - It does not appear to be economically feasible to hire additional personnel to help prepare the financial statements and required footnote disclosures in accordance with accounting principles generally accepted in the United States of America. However, the City's management and Board of Commissioner'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.

View of responsible officials and planned corrective actions - The City's management and Board of Commissioner'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. There is no anticipated completion date for this item.

We appreciate the opportunity to be of service to City of Dixon, Illinois.

This communication is intended solely for the information and use of management, Mayor and Board of Commissioners, and others within the City, and includes a description of the scope of our testing of internal control over financial reporting and the results of that testing. The communication related to considering the City's internal control over financial reporting is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

# City of Dixon, Illinois

Dixon, Illinois

## Annual Financial Report

April 30, 2019

# City of Dixon, Illinois

April 30, 2019

---

## Table of Contents

<b>Independent Auditors' Report</b>	1-3
<b>Basic Financial Statements</b>	
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	16-62
<b>Required Supplementary Information</b>	
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – IMRF	63



# City of Dixon, Illinois

April 30, 2019

---

## Table of Contents

### Required Supplementary Information (Continued)

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – Police Pension	64
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – Fire Pension	65
Schedule of Employer Contributions – IMRF, Police Pension Fund and Fire Pension Fund	66
Multiyear Schedule of Changes in Total OPEB Liability and Related Ratios	67
General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	68-72
Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	73
Notes to Required Supplementary Information	74-75

### Other Information

<i>Non-Major Funds</i>	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77

# City of Dixon, Illinois

April 30, 2019

---

## Table of Contents

### Other Information (Continued)

#### *Private Purpose Trust Funds*

Combining Statement of Net Position 78

Combining Statement of Revenues, Expenditures, and Changes  
in Net Position 79

#### *Pension Trust Funds*

Combining Statement of Plan Net Position 80

Combining Statement of Changes in Plan Net Position 81

Schedule of Assessed Valuations, Rates, Extensions, and Collections 82

**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** 83-85

Schedule of Responses 86

**Independent Auditor's Report on Compliance with State of Illinois  
Public Act 85-1142** 87

## 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, 2019, 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, 2019, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended April 30, 2019. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress, schedule of change in employer's net pension liability and related ratios, schedule of employer contributions and budgetary comparison information on pages 63 – 74 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 75 - 80 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 October 21, 2019, 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  
October 21, 2019

# City of Dixon, Illinois

## Statement of Net Position

April 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,574,543	\$ 5,080,510	\$ 10,655,053
Investments	11,025,674	1,930,895	12,956,569
General property taxes receivable	3,095,074	-	3,095,074
Due from State of Illinois	1,537,666	-	1,537,666
Motor fuel tax receivable	34,824	-	34,824
Accounts receivable, net	126,705	1,079,041	1,205,746
Other receivables	242,875	-	242,875
Internal balances	4,000,000	(4,000,000)	-
Interest receivable	48,910	9,661	58,571
Due from Bay Valley Foods	-	350,174	350,174
Inventory	12,365	215,333	227,698
Prepaid insurance	159,594	7,486	167,080
Nondepreciable			
Land and improvements	2,611,985	309,339	2,921,324
Construction in progress	3,280,313	2,525,762	5,806,075
Depreciable, net of accumulated depreciation	31,865,897	23,710,686	55,576,583
<b>Total Assets</b>	<b>63,616,425</b>	<b>31,218,887</b>	<b>94,835,312</b>
<b>Deferred Outflows of Resources</b>			
Pension items - Pension Trust Funds	5,089,335	-	5,089,335
Pension items - IMRF	1,037,606	526,859	1,564,465
Other postemployment benefit resources	74,552	37,849	112,401
<b>Total Deferred Outflows of Resources</b>	<b>6,201,493</b>	<b>564,708</b>	<b>6,766,201</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>69,817,918</b>	<b>31,783,595</b>	<b>101,601,513</b>
<b>Liabilities</b>			
Cash overdraft	146,944	-	146,944
Vouchers payable	156,270	69,213	225,483
Accrued payroll and taxes	130,860	29,750	160,610
Accrued interest	-	42,737	42,737
Consumer deposits	5,610	409,566	415,176
Landlord deposits	-	19,039	19,039
Compensated absences	436,849	53,445	490,294
Net pension liability - IMRF	478,672	243,053	721,725
Net OPEB liability	3,425,768	1,739,211	5,164,979
Net pension liability - Pension Trust Funds	25,470,285	-	25,470,285
Long-term notes and bonds payable:			
Due within one year	-	1,878,496	1,878,496
Due in more than one year	-	9,915,454	9,915,454
<b>Total Liabilities</b>	<b>30,251,258</b>	<b>14,399,964</b>	<b>44,651,222</b>
<b>Deferred Inflows of Resources</b>			
Deferred sales tax income	310,087	-	310,087
Deferred rental income	25,000	-	25,000
Deferred property tax revenue	3,155,426	-	3,155,426
Deferred revenue	-	350,174	350,174
Pension items - Pension Trust Funds	1,615,887	-	1,615,887
<b>Total Deferred Inflows of Resources</b>	<b>5,106,400</b>	<b>350,174</b>	<b>5,456,574</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>35,357,658</b>	<b>14,750,138</b>	<b>50,107,796</b>
<b>Net Position</b>			
Net Investment in Capital Assets	37,758,195	14,751,837	52,510,032
Restricted for:			
Special revenue	6,745,981	-	6,745,981
Capital projects	12,819,912	-	12,819,912
Unrestricted	(22,863,828)	2,281,620	(20,582,208)
<b>Net position</b>	<b>\$ 34,460,260</b>	<b>\$ 17,033,457</b>	<b>\$ 51,493,717</b>

# City of Dixon, Illinois

## Statement of Activities

Year Ended April 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 3,242,217	\$ 837,053	\$ 2,297	\$ 98,996
Public safety	7,440,186	755,039	-	-
Highways and streets	2,931,560	-	399,376	-
Traffic development	76,953	-	-	-
Culture and recreation	1,136,292	27,595	139,266	-
Public works	56,823	-	-	-
Airport	161,214	-	-	-
Cemetery	19,523	66,811	-	-
<b>Total governmental activities</b>	<b>15,064,768</b>	<b>1,686,498</b>	<b>540,939</b>	<b>98,996</b>
Business-type Activities:				
Sewer	2,684,234	3,159,481	-	-
Water Department	2,288,711	3,293,650	-	-
<b>Total business-type activities</b>	<b>4,972,945</b>	<b>6,453,131</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 20,037,713</b>	<b>\$ 8,139,629</b>	<b>\$ 540,939</b>	<b>\$ 98,996</b>
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				
<b>Total general revenues</b>				
Transfers				
<b>Total general revenues and transfers</b>				
Special Item - gain on sale of fixed assets				
Change in Net Position				
Net Position, Beginning of Year, restated				
<b>Net Position, End of Year</b>				

See notes to financial statements

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	\$ (2,303,871)	\$ -	\$ (2,303,871)
	(6,685,147)	-	(6,685,147)
	(2,532,184)	-	(2,532,184)
	(76,953)	-	(76,953)
	(969,431)	-	(969,431)
	(56,823)	-	(56,823)
	(161,214)	-	(161,214)
	47,288	-	47,288
	<u>(12,738,335)</u>	<u>-</u>	<u>(12,738,335)</u>
	-	475,247	475,247
	-	1,004,939	1,004,939
	-	1,480,186	1,480,186
	<u>(12,738,335)</u>	<u>1,480,186</u>	<u>(11,258,149)</u>
	2,952,695	-	2,952,695
	4,452,888	-	4,452,888
	718,640	-	718,640
	1,627,662	-	1,627,662
	30,251	-	30,251
	77,679	-	77,679
	656,348	-	656,348
	46,721	-	46,721
	297,712	-	297,712
	324,869	156,643	481,512
	140,584	-	140,584
	12,810	-	12,810
	<u>11,338,859</u>	<u>156,643</u>	<u>11,495,502</u>
	<u>(335,000)</u>	<u>-</u>	<u>(335,000)</u>
	<u>11,003,859</u>	<u>156,643</u>	<u>11,160,502</u>
	21,460	-	21,460
	<u>(1,713,016)</u>	<u>1,636,829</u>	<u>(76,187)</u>
	<u>36,173,276</u>	<u>15,396,628</u>	<u>51,569,904</u>
	<u>\$ 34,460,260</u>	<u>\$ 17,033,457</u>	<u>\$ 51,493,717</u>



# City of Dixon, Illinois

## Balance Sheet Governmental Funds

April 30, 2019

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 2,029,316	\$ 743,444	\$ 2,801,783	\$ 5,574,543
Investments	-	7,039,282	3,986,392	11,025,674
Receivables:				
General property tax	2,086,161	-	1,008,913	3,095,074
State income tax	497,540	-	-	497,540
Sales tax	830,833	-	209,293	1,040,126
Motor fuel tax allotments	-	-	34,824	34,824
Utility tax	115,664	-	-	115,664
Accounts	710	-	125,995	126,705
Other taxes	86,607	-	-	86,607
Fees	15,000	-	-	15,000
Interest	-	37,833	11,077	48,910
Other receivables	25,604	-	-	25,604
Interfund receivables	2,800,000	5,046,990	-	7,846,990
Inventory	12,365	-	-	12,365
Prepaid expenses	155,649	-	3,945	159,594
<b>Total Assets</b>	<b>\$ 8,655,449</b>	<b>\$ 12,867,549</b>	<b>\$ 8,182,222</b>	<b>\$ 29,705,220</b>
<b>Liabilities</b>				
Cash overdraft	\$ -	\$ -	\$ 146,944	\$ 146,944
Vouchers payable	70,781	47,637	37,852	156,270
Consumer deposits	-	-	5,610	5,610
Accrued liabilities:				
Payroll and payroll withholdings	114,855	-	16,005	130,860
Interfund payables	-	-	3,846,990	3,846,990
<b>Total Liabilities</b>	<b>185,636</b>	<b>47,637</b>	<b>4,053,401</b>	<b>4,286,674</b>
<b>Deferred Inflows of Resources</b>				
Deferred state tax revenues	310,087	-	-	310,087
Deferred rental income	-	-	25,000	25,000
Deferred property tax revenue	2,086,161	-	1,069,265	3,155,426
<b>Total Deferred Inflows of Resources</b>	<b>2,396,248</b>	<b>-</b>	<b>1,094,265</b>	<b>3,490,513</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,581,884</b>	<b>47,637</b>	<b>5,147,666</b>	<b>7,777,187</b>
<b>Fund Balance</b>				
Nonspendable:				
Prepaid expenses	155,649	-	3,945	159,594
Inventory	12,365	-	-	12,365
Restricted:				
Special Revenue	-	-	6,745,981	6,745,981
Capital Projects	-	12,819,912	-	12,819,912
Unassigned (Deficit)	5,905,551	-	(3,715,370)	2,190,181
<b>Total fund balance</b>	<b>6,073,565</b>	<b>12,819,912</b>	<b>3,034,556</b>	<b>21,928,033</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 8,655,449</b>	<b>\$ 12,867,549</b>	<b>\$ 8,182,222</b>	<b>\$ 29,705,220</b>

# City of Dixon, Illinois

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

Year Ended April 30, 2019

---

Total governmental fund balances	\$	21,928,033
----------------------------------	----	------------

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 \$30,207,004		37,758,195
---	--	------------

Accrued long-term employee benefits are not due and payable in the current period and therefore are not reported as liabilities of the funds, but are included as liabilities and deferred items in the statement of net position

Accrued net pension liability and related deferred resources	(21,996,837)
Accrued net pension liability and related deferred resources - IMRF	558,934
Accrued other post employment benefits liability and related deferred resource	(3,351,216)

Long-term liabilities not due and payable with the current resources are not reported in the funds:

Accrued compensated absences	(436,849)
------------------------------	-----------

---

Net position - governmental activities	\$	34,460,260
--	----	------------

---

# City of Dixon, Illinois

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

Year Ended April 30, 2019

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 2,046,296	\$ -	\$ 906,399	\$ 2,952,695
Sales taxes	-	-	913,343	913,343
Foreign fire insurance tax	-	-	30,251	30,251
Intergovernmental revenues	7,010,483	-	591,462	7,601,945
Licenses and permits	633,483	-	-	633,483
Fines and penalties	231,103	-	60,299	291,402
Donations	2,297	-	-	2,297
Charges for services	270,381	-	491,232	761,613
Revenue from use of money and property	52,952	166,436	187,231	406,619
Proceeds from partnership liquidation	-	12,810	-	12,810
Other	26,286	-	32,548	58,834
<b>Total revenues</b>	<b>10,273,281</b>	<b>179,246</b>	<b>3,212,765</b>	<b>13,665,292</b>
<b>Expenditures</b>				
General government	2,312,699	196,981	200,309	2,709,989
Public safety:				
Police protection and community relations	3,369,377	-	-	3,369,377
Fire fighting and prevention and emergency vehicle	1,562,735	-	354,193	1,916,928
Highways and streets	846,492	-	88,590	935,082
Traffic development	74,173	-	-	74,173
Public works	43,238	-	-	43,238
Culture and recreation	252,616	-	732,899	985,515
Airport operations	-	-	78,881	78,881
Capital outlay	-	853,909	2,465,317	3,319,226
Payments to pensions	-	-	116,200	116,200
Payments to Social Security System	-	-	202,236	202,236
<b>Total expenditures</b>	<b>8,461,330</b>	<b>1,050,890</b>	<b>4,238,625</b>	<b>13,750,845</b>
Excess (deficiency) of revenues over expenditures	1,811,951	(871,644)	(1,025,860)	(85,553)
Other Financing Sources (Uses)				
Operating transfers in	30,000	415,000	-	445,000
Operating transfers out	(750,000)	-	(30,000)	(780,000)
<b>Total other financing sources (uses)</b>	<b>(720,000)</b>	<b>415,000</b>	<b>(30,000)</b>	<b>(335,000)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,091,951	(456,644)	(1,055,860)	(420,553)
Special Item				
Proceeds from sale of fixed assets	-	21,460	-	21,460
Changes in Fund Balances	1,091,951	(435,184)	(1,055,860)	(399,093)
Fund Balance, Beginning of Year, restated	4,981,614	13,255,096	4,090,416	22,327,126
<b>Fund Balance, End of Year</b>	<b>\$ 6,073,565</b>	<b>\$ 12,819,912</b>	<b>\$ 3,034,556</b>	<b>\$ 21,928,033</b>

# 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, 2019

---

Net change in fund balance - governmental funds \$ (399,093)

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

Capital outlays are reported as expenditures. However, in the statement of  
activities, the cost of those assets is allocated over their useful lives as  
depreciation expense. Donated capital assets are only reported in the  
statement of activities. This is the amount by which newly capitalized fixed  
assets exceeds depreciation expense in the period.

Capital outlay	3,319,226
Depreciation expense	(2,582,920)

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as an  
expenditure in the governmental funds.

Change in other post-employment benefits	(720,327)
Change in non current accrued compensated absences	(24,659)
Change in net pension liability and deferred pension sources	(1,487,418)
Change in net pension liability and deferred pension sources - IMRF	182,175

---

Change in net position of governmental activities \$ (1,713,016)

---

# City of Dixon, Illinois

## Statement of Net Position Proprietary Funds

April 30, 2019

	Sewerage Fund	Water Department Fund	Total	Governmental Activities - Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,980,984	\$ 3,099,526	\$ 5,080,510	\$ 240,678
Investments	1,114,188	816,707	1,930,895	-
Receivables:				
Accounts, net	555,679	523,362	1,079,041	-
Interest	5,033	4,628	9,661	-
Inventory	-	215,333	215,333	-
Due from Bay Valley Foods	350,174	-	350,174	-
Prepaid insurance	2,563	4,923	7,486	-
<b>Total current assets</b>	<b>4,008,621</b>	<b>4,664,479</b>	<b>8,673,100</b>	<b>240,678</b>
<b>Property and Equipment</b>				
Assets not depreciated:				
Land	160,266	149,073	309,339	-
Construction in progress	302,103	2,223,659	2,525,762	-
<b>Total assets not depreciated</b>	<b>462,369</b>	<b>2,372,732</b>	<b>2,835,101</b>	<b>-</b>
Assets being depreciated:				
Buildings	21,472,311	90,264	21,562,575	-
Equipment	705,094	352,573	1,057,667	-
Infrastructure	12,357,844	26,031,848	38,389,692	-
Vehicles	217,319	475,423	692,742	-
	34,752,568	26,950,108	61,702,676	-
Less accumulated depreciation	(26,444,259)	(11,547,731)	(37,991,990)	-
<b>Net property and equipment being depreciated</b>	<b>8,308,309</b>	<b>15,402,377</b>	<b>23,710,686</b>	<b>-</b>
<b>Net property and equipment</b>	<b>8,770,678</b>	<b>17,775,109</b>	<b>26,545,787</b>	<b>-</b>
<b>Total Assets</b>	<b>12,779,299</b>	<b>22,439,588</b>	<b>35,218,887</b>	<b>240,678</b>
<b>Deferred Outflows of Resources</b>				
Pension items - IMRF	189,282	337,577	526,859	-
Other postemployment benefit resources	13,596	24,253	37,849	-
<b>Total Deferred Outflows or Resources</b>	<b>202,878</b>	<b>361,830</b>	<b>564,708</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 12,982,177</b>	<b>\$ 22,801,418</b>	<b>\$ 35,783,595</b>	<b>\$ 240,678</b>

See notes to financial statements

# City of Dixon, Illinois

## Statement of Net Position (Continued) Proprietary Funds

April 30, 2019

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
<b>Liabilities</b>				
Current liabilities:				
Vouchers payable	\$ 37,703	\$ 31,510	\$ 69,213	\$ 50,000
Due to other funds	1,400,000	2,600,000	4,000,000	-
Accrued liabilities:				
Payroll	10,881	18,869	29,750	-
Compensated absences	17,124	36,321	53,445	-
Interest	28,824	13,913	42,737	-
Consumer deposits	-	409,566	409,566	-
Landlord deposits	-	19,039	19,039	-
Notes payable - current portion	1,114,624	-	1,114,624	-
EPA loans payable - current portion	-	763,872	763,872	-
<b>Total current liabilities</b>	<b>2,609,156</b>	<b>3,893,090</b>	<b>6,502,246</b>	<b>50,000</b>
Long-term liabilities:				
Notes payable	2,315,277	-	2,315,277	-
EPA loans payable	-	7,600,177	7,600,177	-
Net pension liability - IMRF	87,320	155,733	243,053	-
Net OPEB liability	624,775	1,114,436	1,739,211	-
<b>Total long-term liabilities</b>	<b>3,027,372</b>	<b>8,870,346</b>	<b>11,897,718</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,636,528</b>	<b>12,763,436</b>	<b>18,399,964</b>	<b>50,000</b>
<b>Deferred Inflow of Resources</b>				
Deferred revenue	350,174	-	350,174	-
<b>Total Deferred Inflow of Resources</b>	<b>350,174</b>	<b>-</b>	<b>350,174</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>5,986,702</b>	<b>12,763,436</b>	<b>18,750,138</b>	<b>50,000</b>
<b>Net Position</b>				
Net Investment in Capital Assets	5,340,777	9,411,060	14,751,837	-
Unrestricted	1,654,698	626,922	2,281,620	190,678
<b>Net position</b>	<b>\$ 6,995,475</b>	<b>\$ 10,037,982</b>	<b>\$ 17,033,457</b>	<b>\$ 190,678</b>

# City of Dixon, Illinois

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

Year Ended April 30, 2019

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
<b>Operating Revenues:</b>				
User fees	\$ 3,127,526	\$ 3,013,080	\$ 6,140,606	\$ -
Penalties	30,890	42,616	73,506	-
Employee contributions	-	-	-	995
Labor and merchandise	-	7,675	7,675	-
Grant revenue	-	219,467	219,467	-
Miscellaneous	1,065	10,812	11,877	2,970
<b>Total operating revenues</b>	<b>3,159,481</b>	<b>3,293,650</b>	<b>6,453,131</b>	<b>3,965</b>
<b>Operating Expenses:</b>				
Salaries	429,279	731,415	1,160,694	-
Employee benefits	(49,883)	(316,300)	(366,183)	-
Maintenance of site and buildings	134,981	112,452	247,433	-
Supplies and services	93,668	205,089	298,757	-
Electricity	264,449	274,201	538,650	-
Fuel, gas and oil	19,798	31,786	51,584	-
Professional service and fees	80,747	58,125	138,872	-
Insurance	121,739	184,163	305,902	-
Clothing allowance	1,985	4,450	6,435	-
Bad debt expense	1,255	935	2,190	-
Dues and subscriptions	16,539	2,854	19,393	-
Travel and education expense	1,596	4,124	5,720	-
Depreciation	1,456,647	854,253	2,310,900	-
Other Expense	12,912	-	12,912	-
<b>Total operating expenses</b>	<b>2,585,712</b>	<b>2,147,547</b>	<b>4,733,259</b>	<b>-</b>
<b>Operating Income (Expense)</b>	<b>573,769</b>	<b>1,146,103</b>	<b>1,719,872</b>	<b>3,965</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest earned	59,812	96,831	156,643	5,458
Interest expense	(98,522)	(141,164)	(239,686)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(38,710)</b>	<b>(44,333)</b>	<b>(83,043)</b>	<b>5,458</b>
<b>Other financing sources - transfers in (out)</b>	<b>(1,400,000)</b>	<b>1,400,000</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(864,941)</b>	<b>2,501,770</b>	<b>1,636,829</b>	<b>9,423</b>
<b>Net Position, Beginning of Year, restated</b>	<b>7,860,416</b>	<b>7,536,212</b>	<b>15,396,628</b>	<b>181,255</b>
<b>Net Position, End of Year</b>	<b>\$ 6,995,475</b>	<b>\$ 10,037,982</b>	<b>\$ 17,033,457</b>	<b>\$ 190,678</b>

# City of Dixon, Illinois

## Statement of Cash Flows Proprietary Funds

Year Ended April 30, 2019

	Sewerage Fund	Water Dept. Fund	Totals
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 3,086,345	\$ 3,386,577	\$ 6,472,922
Payments to employees	(535,393)	(1,140,486)	(1,675,879)
Payments to suppliers	(698,495)	(757,152)	(1,455,647)
Net cash provided by (used in) operating activities	1,852,457	1,488,939	3,341,396
<b>Cash Flows From Noncapital Financing Activities</b>			
Proceeds from reimbursement agreement	191,004	-	191,004
Advances from (to) other funds	(1,400,000)	1,400,000	-
Net cash provided by (used in) noncapital financing activities	(1,208,996)	1,400,000	191,004
<b>Cash Flows From Capital Financing Activities</b>			
Principal paid on notes payable	(1,086,896)	(751,112)	(1,838,008)
Payment of interest on debt	(107,656)	(142,415)	(250,071)
Net disposition/(acquisition) of capital assets	(276,283)	(2,654,377)	(2,930,660)
Net cash provided by (used in) capital financing activities	(1,470,835)	(3,547,904)	(5,018,739)
<b>Cash Flows From Investing Activities</b>			
Net sales (purchases) of investments	(4,411)	(7,647)	(12,058)
Interest income	56,335	95,327	151,662
Net cash provided by (used in) investing activities	51,924	87,680	139,604
Net Increase (Decrease) in and Cash Equivalents	(775,450)	(571,285)	(1,346,735)
Cash and Cash Equivalents, Beginning of Year	2,756,434	3,670,811	6,427,245
Cash and Cash Equivalents, End of Year	\$ 1,980,984	\$ 3,099,526	\$ 5,080,510
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 573,769	\$ 1,146,103	\$ 1,719,872
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,456,647	854,253	2,310,900
Effects of changes in operating assets and liabilities			
Accounts receivable	(73,136)	84,754	11,618
Prepaid insurance	6,571	18,761	25,332
Accounts payable	(5,280)	(214,034)	(219,314)
Consumer deposits	-	8,173	8,173
Accrued liabilities	(106,114)	(409,071)	(515,185)
Net cash provided by (used in) operating activities	\$ 1,852,457	\$ 1,488,939	\$ 3,341,396



# City of Dixon, Illinois

## Statement of Net Position Fiduciary Funds

Year Ended April 30, 2019

	Pension Trust Funds	Private Purpose Trust Funds	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 219,192	\$ 251,212	\$ 470,404
Investments	23,579,606	967,313	24,546,919
Receivables:			
Accounts	-	5,385	5,385
Investment income	58,444	4,187	62,631
Prepaid investment fees	20,546	-	20,546
<b>Total Assets</b>	<b>23,877,788</b>	<b>1,228,097</b>	<b>25,105,885</b>
<b>Liabilities</b>			
Vouchers payable	1,169	-	1,169
Funds payable to other organizations	-	67,216	67,216
<b>Total Liabilities</b>	<b>1,169</b>	<b>67,216</b>	<b>68,385</b>
<b>Net Position</b>			
Net position held in trust for pension benefits	23,876,619	-	23,876,619
Net position held in trust for other purposes	-	1,160,881	1,160,881
<b>Total Net Position</b>	<b>\$ 23,876,619</b>	<b>\$ 1,160,881</b>	<b>\$ 25,037,500</b>

# City of Dixon, Illinois

## Statement of Changes in Net Position Fiduciary Funds

Year Ended April 30, 2019

	Pension Trust	Private-Purpose Trust
<b>Additions</b>		
Contributions:		
Employer	\$ 1,380,697	\$ -
Plan members	375,970	-
Total contributions	1,756,667	-
Total additions	1,756,667	-
<b>Deductions</b>		
Benefit payments	2,406,926	-
Administrative and audit fee	215,825	-
Other	-	22,062
Total deductions	2,622,751	22,062
Net Investment income (expense)	901,900	54,088
Excess of additions over deductions	35,816	32,026
<b>Other financing sources</b>		
Operating transfers in	335,000	-
Change in Net Position	370,816	32,026
Net Position Held in Trust, Beginning of Year	23,505,803	1,128,855
Net Position Held in Trust, End of Year	\$ 23,876,619	\$ 1,160,881

# 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.

**Police Vehicle Fund** – This fund is used to account for the revenues and expenditures associated with the police vehicle. Financing is provided by fines.

**Confiscated Property Fund** – This fund is used to account for the revenues and expenditures associated with confiscated properties. Financing is provided by sale of confiscated properties.

**DUI Fund** – This fund is used to account for the revenues and expenditures associated with DUIs. Financing is provided by DUI fines.

# City of Dixon, Illinois

## Notes to Financial Statements

---

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

#### **Basis of Accounting**

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

#### *Accrual*

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

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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

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

#### *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, 2019, 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 2017 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2019 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 2017 and 2018 levies were passed by the Council on December 4, 2017, and December 3, 2018, 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, 2019, \$490,294 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.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### **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.

#### **Other Post-Employment (“OPEB”) Obligations**

The City’s net OPEB Obligation is recognized as a liability and OPEB expense is expensed, as determined by the City’s actuary, in the government-wide financial statements and proprietary fund financial statements.

### **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, 2019, the City’s bank balance was \$25,900,671, 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.

# City of Dixon, Illinois

## Notes to Financial Statements

---

### Note 3 Investments

As of April 30, 2019, 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	\$13,893,211	\$13,893,211	\$ -	\$ -	\$ -
U.S. Treasuries and Agencies	5,496,310	119,702	1,954,219	818,070	2,604,319
Corporate Bonds	3,485,624	170,063	1,160,099	1,572,573	582,889
Mutual Funds and Other Equities	13,389,429	13,389,429	-	-	-
<b>Total</b>	<b>\$36,264,574</b>	<b>\$27,572,405</b>	<b>\$3,114,318</b>	<b>\$2,390,643</b>	<b>\$3,187,208</b>

#### 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, 2019, the City had \$10,558,372 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.

# City of Dixon, Illinois

## Notes to Financial Statements

---

### **Note 3      Investments (Continued)**

#### **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.

# 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, 2019, was as follows:

	Balance at May 1, 2018	Additions	Transfers/ Disposals	Balance at April 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,605,954	\$ 6,031	\$ -	\$ 2,611,985
Construction in progress	415,507	2,886,397	(21,591)	3,280,313
<b>Total capital assets not being depreciated</b>	<b>3,021,461</b>	<b>2,892,428</b>	<b>(21,591)</b>	<b>5,892,298</b>
Capital assets being depreciated:				
Buildings	12,922,923	-	-	12,922,923
Equipment	6,148,863	413,886	(29,800)	6,532,949
Infrastructure	42,595,438	-	21,591	42,617,029
<b>Total capital assets being depreciated</b>	<b>61,667,224</b>	<b>413,886</b>	<b>(8,209)</b>	<b>62,072,901</b>
Less accumulated depreciation:				
Buildings	(4,924,254)	(349,818)	-	(5,274,072)
Equipment	(4,339,641)	(606,975)	42,712	(4,903,904)
Infrastructure	(18,402,901)	(1,626,127)	-	(20,029,028)
<b>Total accumulated depreciation</b>	<b>(27,666,796)</b>	<b>(2,582,920)</b>	<b>42,712</b>	<b>(30,207,004)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 37,021,889</b>	<b>\$ 723,394</b>	<b>\$ 12,912</b>	<b>\$ 37,758,195</b>



# City of Dixon, Illinois

## Notes to Financial Statements

### Note 4 Capital Assets (Continued)

	Balance at May 1, 2018	Additions	Transfers/ Disposals	Balance at April 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 309,339	\$ -	\$ -	\$ 309,339
Construction in progress	211,195	2,416,636	(102,069)	2,525,762
<b>Total capital assets not being depreciated</b>	<b>520,534</b>	<b>2,416,636</b>	<b>(102,069)</b>	<b>2,835,101</b>
Capital assets being depreciated:				
Buildings	21,562,575	-	-	21,562,575
Equipment	1,731,328	77,816	(58,736)	1,750,408
Infrastructure	37,838,501	551,190	-	38,389,691
<b>Total capital assets being depreciated</b>	<b>61,132,404</b>	<b>629,006</b>	<b>(58,736)</b>	<b>61,702,674</b>
Less accumulated depreciation:				
Buildings	(14,956,500)	(1,004,275)	-	(15,960,775)
Equipment	(1,047,878)	(127,220)	45,824	(1,129,274)
Infrastructure	(19,722,535)	(1,179,405)	-	(20,901,940)
<b>Total accumulated depreciation</b>	<b>(35,726,913)</b>	<b>(2,310,900)</b>	<b>45,824</b>	<b>(37,991,989)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 25,926,025</b>	<b>\$ 734,742</b>	<b>\$ (206,629)</b>	<b>\$ 26,545,786</b>

# 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	\$	175,716
Public safety		509,943
Highways and streets		1,795,559
Culture and recreation		4,028
Airport		78,151
Cemetery		19,523
<b>Total depreciation expense</b>	<b>\$</b>	<b>2,582,920</b>
Business-type activities:		
Sewer	\$	1,456,647
Water department		854,253
<b>Total depreciation expense</b>	<b>\$</b>	<b>2,310,900</b>

### 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, 2019 was \$63,268.

On April 18, 2016, the City was informed of a Memorandum of Understanding dated June 19, 2006, with UPM Raflatac, 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. For calendar year 2018, the utility tax rebate paid was \$15,676.

### Note 6 Legal Debt Margin

The following schedule illustrates the legal debt margin of the City as of April 30, 2019:

Assessed valuation - 2018	\$	184,254,507
Statutory debt limitation (8.625% of assessed valuation)	\$	15,891,951
Total debt:		
General Obligation Debt Certificates	\$	-
EPA loans payable		8,364,049
Notes payable		3,429,901
Deduct debt exempt from debt limitation computation:		
EPA loans payable		(8,364,049)
Notes payable		(3,429,901)
<b>Legal debt margin</b>	<b>\$</b>	<b>15,891,951</b>

# City of Dixon, Illinois

## Notes to Financial Statements

---

### Note 7 Long-Term Debt and Obligations

Transactions for the year ended April 30, 2019 are summarized as follows:

#### *Governmental Activities*

	<b>Balance May 1, 2018</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance April 30, 2019</b>	<b>Due Within One Year</b>
Net pension liability	\$ 20,316,993	\$ 5,875,017	\$ -	\$ 26,192,010	\$ -
Net OPEB liability *	2,697,470	728,298	-	3,425,768	-
<b>Total governmental activities</b>	<b>\$ 23,014,463</b>	<b>\$ 6,603,315</b>	<b>\$ -</b>	<b>\$ 29,617,778</b>	<b>\$ -</b>

\*Restated beginning balance

#### *Business-Type Activities*

EPA loans payable	\$ 9,115,160	\$ -	\$ 751,111	\$ 8,364,049	\$ 763,871
Notes payable	4,516,798	-	1,086,897	3,429,901	1,114,624
<b>Total business-type activities</b>	<b>\$ 13,631,958</b>	<b>\$ -</b>	<b>\$ 1,838,008</b>	<b>\$ 11,793,950</b>	<b>\$ 1,878,495</b>

#### *Governmental Activities*

#### Net Pension Liability

At April 30, 2019, the City had the following net pension liability (asset):

Police Pension	\$ 14,587,289
Firefighters' Pension	10,882,996
Illinois Municipal Retirement Fund	721,725
<b>Total</b>	<b>\$ 26,192,010</b>

# 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, 2019 consisted of the following:

<b>Project</b>	<b>Interest rate</b>	<b>Amount</b>
Waste Water Treatment Plant expansion	2.535 %	\$ 3,429,901
Total		\$ 3,429,901

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

<b>Year Ending April 30</b>	<b>Waste Water Treatment Plant Expansion</b>	
	<b>Principal</b>	<b>Interest</b>
2020	1,114,624	79,929
2021	1,143,058	51,494
2022	1,172,219	22,333
Future years	-	-
Total	\$ 3,429,901	\$ 153,756

# 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:

<b>Year Ending April 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2024	183,397	15,419	198,816
Future years	478,931	18,109	497,040
<b>Total</b>	<b>\$1,352,001</b>	<b>\$139,117</b>	<b>\$1,491,118</b>

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:

<b>Year Ending April 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2024	303,112	42,225	345,337
Future years	1,461,181	92,835	1,554,016
<b>Total</b>	<b>\$2,904,164</b>	<b>\$ 376,537</b>	<b>\$3,280,701</b>

# 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:

<b>Year Ending April 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 165,809	\$ -	\$ 165,809
2021	165,809	-	165,809
2022	165,809	-	165,809
2023	165,809	-	165,809
2024	165,809	-	165,809
Future years	1,160,668	-	1,160,668
<b>Total</b>	<b>\$1,989,713</b>	<b>\$ -</b>	<b>\$1,989,713</b>

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:

<b>Year Ending April 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2024	165,632	17,933	183,565
Future years	1,310,270	66,466	1,376,736
<b>Total</b>	<b>\$2,118,170</b>	<b>\$ 176,389</b>	<b>\$2,294,559</b>

# 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, 2019:

	Police Pension	Firefighters' Pension
Inactive members and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	31	27
Current employees	31	17
<b>Total</b>	<b>62</b>	<b>44</b>

#### 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Cash	3.00%	0.89%
US Fixed Income	32.00%	1.29%
US Large Cap Equity	9.00%	3.60%
US Small/Mid Cap Equity	8.00%	4.12%
International Developed Markets Equity	11.00%	5.45%
Emerging Markets Equity	7.50%	6.79%
Real Estate	10.00%	4.66%
US Corp High Yield	5.50%	3.04%
MLP's	4.00%	7.26%
Hedge Funds	10.00%	3.29%

# 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 2019, 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, 2019, 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, 2019 were as follows:

Total pension liability	\$29,926,872
Plan fiduciary net position	15,339,582
City's net pension liability	14,587,289
Plan fiduciary net position as a percentage of the total pension liability	51.0%

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, 2019, using the following actuarial methods and assumptions:

- Actuarial Cost Method Aggregate Entry Age Normal
- Asset Valuation Method 5-Year Smoothed Market Value
- Wage Growth 3.50%
- Price Inflation 2.50%
- Salary Increases 3.50% to 10.00%
- 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 RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate

# 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 6.34% 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, 2018	\$26,472,557	\$15,172,786	\$11,299,771
Service costs	495,807	-	495,807
Interest on total pension liability	1,740,912	-	1,740,912
Actuarial experience	904,453	-	904,453
Changes in assumptions	1,675,677	-	1,675,677
Employer contributions	-	881,817	(881,817)
Employee contributions	-	213,083	(213,083)
Other contribution	-	41,128	(41,128)
Net investment income	-	441,523	(441,523)
Benefit payments – net of refunds	(1,362,534)	(1,362,534)	-
Administrative expense	-	(48,220)	48,220
<b>Net changes</b>	<b>3,454,315</b>	<b>166,797</b>	<b>3,287,518</b>
Balances as of April 30, 2019	\$29,926,872	\$15,339,583	\$14,587,289

# 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 6.34 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 (5.34 percent) or 1-percentage-point higher (7.34 percent) than the current rate:

	1% Decrease (5.34%)	Current Rate (6.34%)	1% Increase (7.34%)
City's proportionate share of the Net Pension liability	\$19,394,199	\$14,587,290	\$10,749,186

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended April 30, 2019, the City recognized pension expense of \$1,733,905. At April 30, 2019, 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	\$ 887,131	\$ -
Changes in assumptions	1,423,695	282,979
Net difference between projected and actual earnings on pension plan investments	893,616	83,836
Total	\$ 3,204,442	\$ 366,815

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:	
2020	\$718,068
2021	449,262
2022	521,894
2023	508,223
2024	387,990
Thereafter	252,190

# 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Cash	3.00%	0.89%
US Fixed Income	52.00%	1.29%
US Large Cap Equity	8.50%	3.60%
US Small/Mid Cap Equity	7.00%	4.12%
International Developed Markets Equity	8.00%	5.45%
Emerging Markets Equity	5.50%	6.79%
Real Estate	7.00%	4.66%
US Corp High Yield Instruments	3.00%	3.04%
MLP's	3.00%	7.26%
Hedge Funds	3.00%	3.29%

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 2019, 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, 2019, 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, 2019, were as follows:

Total pension liability	\$19,420,035
Plan fiduciary net position	8,537,037
City's net pension liability	10,882,996
Plan fiduciary net position as a percentage of the total pension liability	44.0%

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, 2019, using the following actuarial methods and assumptions.

- Actuarial Cost Method Aggregate Entry Age Normal
- Asset Valuation Method 5-Year Smoothed Market Value
- 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 RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as appropriate

# 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 6.75% 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, 2018	\$19,429,890	\$8,333,019	\$11,096,871
Service costs	350,116	-	350,116
Interest on total pension liability	1,229,000	-	1,229,000
Actuarial experience	77,049	-	77,049
Changes in assumptions	(621,628)	-	(621,628)
Employer contributions	-	833,880	(833,880)
Employee contributions	-	120,904	(120,904)
Other contributions	-	855	(855)
Net investment income	-	313,447	(313,447)
Benefit payments – net of refunds	(1,044,393)	(1,044,393)	-
Administrative expense	-	(20,674)	20,674
Net changes	(9,856)	204,019	(213,875)
Balances as of April 30, 2019	\$19,420,034	\$8,537,038	\$10,882,996



# 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 6.75 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	\$13,575,600	\$10,882,996	\$8,685,527

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended April 30, 2019, the City recognized pension expense of \$1,469,208. At April 30, 2019, 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	\$ 466,867	\$ 2,103
Changes in assumptions	876,252	1,246,969
Net difference between projected and actual earnings on pension plan investments	541,774	-
<b>Total</b>	<b>\$1,884,893</b>	<b>\$1,249,072</b>

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

<b>Year ended April 30:</b>	
2020	\$529,266
2021	406,052
2022	(26,721)
2023	(158,053)
2024	(86,330)
Thereafter	(28,393)

# 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](http://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, 2018 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	26
Active employees	52
<hr/>	
Total	144

**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 2018 was 6.95%. For the fiscal year ended April 30, 2019, the City contributed \$204,081 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, 2018. 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, 2018:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- 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 7.25%.
- **Projected Retirement Age** was from the Experience-based Table of Rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant 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)

- **Mortality** For non-disabled retirees, 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 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-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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.
- 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 December 31, 2018:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	37%	7.15%
International Equity	18%	7.25%
Fixed Income	28%	3.75%
Real Estate	9%	6.25%
Alternative Investments	7%	3.20-8.50%
Cash Equivalents	1%	2.50%
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 7.25% 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 (to the extent that the plan's 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 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Changes in Net Pension Liability	Total Pension Liability	Increase (Decrease)	
		Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance January 1, 2018	\$18,794,441	\$20,874,090	\$(2,079,649)
Service costs	268,927	-	268,927
Interest on total pension liability	1,374,153	-	1,374,153
Difference between expected and actual experience	136,653	-	136,653
Changes in assumptions	512,792	-	512,792
Employer contributions	-	204,088	(204,088)
Employee contributions	-	132,143	(132,143)
Net investment income	-	(1,308,627)	1,308,627
Benefit payments – net of refunds	(1,213,732)	(1,213,732)	-
Other changes (net transfer)	-	463,620	(463,620)
<b>Net changes</b>	<b>1,078,793</b>	<b>(1,722,508)</b>	<b>2,801,301</b>
Balances as of December 31, 2018	\$19,873,234	\$19,151,582	\$ 721,652

**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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 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 (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the Net Pension liability	\$3,036,286	\$721,652	\$(1,196,960)

**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, 2019, the Plan recognized pension expense of \$31,033. At April 30, 2019, 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	\$ 135,040	\$ 59,210
Changes in assumptions	382,711	281,378
Net difference between projected and actual earnings on pension plan investments	2,594,133	1,241,255
Employer contributions subsequent to the measurement date	34,267	-
<b>Total</b>	<b>\$ 3,146,151</b>	<b>\$ 1,581,843</b>

The City reported \$34,267 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, 2020. 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:

2020	\$431,293
2021	213,828
2022	313,189
2023	571,731
2024	-
Thereafter	-

# City of Dixon, Illinois

## Notes to Financial Statements

---

### Note 11 Other Postemployment Benefits

*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.

*Employees Covered by the Benefit Terms.* At April 30, 2019 (most recent actuarial study), the following employees were covered by the benefit terms:

Total active employees	93
Inactive employees currently receiving benefit payments	18
<u>Total</u>	<u>111</u>
<u>Number of participating employers</u>	<u>1</u>

#### **Total OPEB Liability**

The City's total OPEB Liability of \$5,164,979 was measured as of April 30, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial Methods and Assumptions.* The total OPEB liability in the April 30, 2019 actuarial valuation (most recent) was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.79%
Salary Rate Increase	3.00%
Inflation Rate	2.50%
Health Care Trend and Retiree Contribution	Medical Plan Trends has an initial rate of 4.20% that ultimately increases to 6.50%, and then down to 5.00% over 10 years.

# City of Dixon, Illinois

## Notes to Financial Statements

---

### Note 11 Other Postemployment Benefits (Continued)

Mortality	<p>Active IMRF Mortality follows rates from the December 31, 2017 IMRF Actuarial Valuation Report for male and female Regular employees.</p> <p>Retiree and Spousal IMRF Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 study with rates that are generationally improved using the MP-2017 Improvement rates.</p> <p>Active Firefighter and Active Police follows the Sex Distinct Raw Rates as Developed in the RP-2014 study with rates that are generationally improved use the MP-2016 Improvement rates.</p> <p>Retiree Firefighter and Retiree Police follows the L&amp;A Assumption Study for Firefighters 2016 and Police 2016. These rates are experience weighted with raw rate developed in the RP-2014 study with rates that are generationally improved using the MP-2016 Improvement rates.</p> <p>Disabled Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 study for disabled participants with rates that are generationally improved using the MP-2016 Improvement rates.</p>
Retirement Rates	Rates from the December 31, 2017 IMRF Actuarial Valuation Report for male and female Regular employees.
Disability Rates	Rates from the December 31, 2017 IMRF Actuarial Valuation Report for male and female Regular employees.
Starting Claims Costs	Starting costs for the City's Plan were developed based on the blended premiums charged for coverage. The insurance carrier charges actives and retirees the same premium rates. According to GASB, when an Employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees. As such, premiums were estimated for under-65 retirees and their spouses as if they were rated on a stand-alone basis. The results were then disaggregated into age-specific starting costs based on average ages and assumptions on the relationship between costs and increasing age.
Coverage Status	Active employees are assumed to continue into retirement at their current coverage level as that in the active medical plan.
Election at Retirement	70% of future retirees will elect medical coverage at retirement.
Spousal election	Premiums charged to spouses in the current year are assumed to cover the full cost of claims developed. For this reason, the implicit cost of retirees electing spouse coverage in retirement was not valued.



# City of Dixon, Illinois

## Notes to Financial Statements

### Note 11 Other Postemployment Benefits (Continued)

*Eligibility provisions.* The following minimum requirements must be met for employees to participate in coverage:

Full-time Employees – Non-Union, Teamster, and IBEW:

- Tier I IMRF Full-Time City employees age 55 with at least 8 years of service are covered
- Tier II IMRF Full-Time City employees age 62 with at least 10 years of service are covered

Full-time Employees - Police

- Tier I Full-Time Police Officers, at least 50 years old with at least 20 years of service are covered
- Tier II Full-Time Police Officers, at least 55 years old with at least 10 years of service are covered

Full-time Employees – Fire:

- Tier I – Full-Time Firefighters, at least 50 years old with at least 20 years of service are covered
- Tier II – Full-Time Firefighters, at least 55 years old with at least 10 years of service are covered

*Medical Coverage.* Retirees and their eligible dependents are allowed to remain on the City's insurance plans. The City will pay 50% of the cost of Single coverage. If family coverage is elected, the City will contribute the equivalent of 50% of Single coverage. If Employee retires before meeting the aforementioned service requirements, the Retiree pays 100% of the cost of coverage. Coverage continues until Medicare eligibility is reached.

*Discount Rate.* The City does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 3.79% is used, which is based on The Bond Buyer 20-Bond GO Index as of April 25, 2019.

<b>Changes to Net OPEB Liability.</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balances as of 5/1/2018	\$5,000,871	\$-	\$5,000,871
Service cost	95,850	-	95,850
Interest on total OPEB liability	193,597	-	193,597
Difference between expected & actual experience	-	-	-
Changes of assumptions and other inputs	123,432	-	123,432
Benefit payments	(248,771)	-	(248,771)
Other changes	-	-	-
<b>Net changes</b>	<b>164,108</b>	<b>-</b>	<b>164,108</b>
Balances as of 4/30/2019	\$5,164,979	\$-	\$5,164,979

# City of Dixon, Illinois

## Notes to Financial Statements

### Note 11 Other Postemployment Benefits (Continued)

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.79 percent) or 1-percentage-point higher (4.79 percent) than the current discount rate:

	<b>1% Increase (2.79%)</b>	<b>Current Discount (3.79%)</b>	<b>1% Decrease (4.79%)</b>
Total OPEB Liability	\$5,947,865	\$5,164,979	\$4,534,895

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	<b>1% Increase (5.5% decreasing to 4.0%)</b>	<b>Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)</b>	<b>1% Decrease (7.5% decreasing to 6.0%)</b>
Total OPEB Liability	\$4,422,498	\$5,164,979	\$6,095,862

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended April 30, 2019, the City recognized OPEB expense of \$300,478. At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$-
Changes of assumptions	112,401	-
Total	\$112,401	\$-

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### Fiscal year ended April 30:

2020	\$11,031
2021	11,031
2022	11,031
2023	11,031
2024	11,031
Thereafter	57,246
Total	\$112,401

# City of Dixon, Illinois

## Notes to Financial Statements

---

### **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, 2019 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	5,046,990	-
Nonmajor Governmental	-	3,846,990
<b>Total interfund balances</b>	<b>\$ 7,846,990</b>	<b>\$ 7,846,990</b>

Interfund transfers during the year ended April 30, 2019, were as follows:

	Transfers In	Transfers Out
<b>General Fund:</b>		
Capital Projects Fund	\$ -	\$ 415,000
Nonmajor Governmental	30,000	-
Fiduciary Funds	-	335,000
<b>Total General Fund</b>	<b>30,000</b>	<b>750,000</b>
<b>Capital Projects Fund:</b>		
General Fund	415,000	-
<b>Total Capital Project Fund</b>	<b>415,000</b>	<b>-</b>
<b>Proprietary Fund:</b>		
Water Fund	1,400,000	-
Sewer Fund	-	1,400,000
<b>Total Proprietary Fund</b>	<b>1,400,000</b>	<b>1,400,000</b>
<b>Agency Fund:</b>		
Fire Pension Fund	335,000	-
<b>Total Agency Fund</b>	<b>335,000</b>	<b>-</b>
<b>Nonmajor Governmental</b>		
General Fund	-	30,000
<b>Total Nonmajor Governmental</b>	<b>-</b>	<b>30,000</b>
<b>Total operating transfers</b>	<b>\$ 2,180,000</b>	<b>\$ 2,180,000</b>

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, 2019:

	<b>Budget</b>	<b>Actual</b>
Municipal Library Fund	657,116	696,563
Downtown TIF Fund	30,000	119,710
Local Organizations Fund	-	35
Firefighter's Pension Fund	1,080,000	1,120,150
Police Pension Fund	1,433,000	1,502,601
Confiscated Property Fund	35,000	38,267
Grant Fund	-	83,208

The Downtown Redevelopment Project TIF Fund, Riverfront Project TIF Fund and Grant Fund had deficit fund balances at April 30, 2019 of \$2,138,950, \$1,563,826 and \$12,594, respectively.

### Note 15 Commitments and Contingencies

As of April 30, 2019, the City was not obligated under any commitments or contingencies.

### Note 16 Restatement of Net Position and Fund Balance

Net position has been restated as a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. The City has restated net position of governmental activities and the business-type activities as of April 30, 2018, to present deferred outflows of resources and other postemployment benefits. Governmental Activities Net Position and has also been restated as a result of the reclassification of agency funds as special revenue funds.

The details of these restatements are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net Position at April 30, 2018	\$37,881,867	\$17,643,177
Recognition of other post employment benefits liability	(2,697,470)	(2,303,401)
Recognition of deferred outflows of resources	66,580	56,852
Reversal of net OPEB obligation – 4/30/18	759,152	-
Reclassification of agency funds	163,147	-
<b>Net Position, restated at April 30, 2018</b>	<b>\$36,173,276</b>	<b>\$15,396,628</b>

# City of Dixon, Illinois

## Notes to Financial Statements

---

### Note 16 Restatement of Net Position and Fund Balance

Non-major fund balance has been restated as a result of the reclassification of agency funds as special revenue funds. The details of this restatement is as follows:

	<b>Non-Major Special Revenue Fund Balance</b>
Fund balance at April 30, 2018	\$3,927,269
Reclassification of Agency Funds	163,147
Fund balance, restated at April 30, 2018	\$4,090,416

### 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.

# City of Dixon, Illinois

## Notes to Financial Statements

---

### **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.

### **Note 20      Management Evaluation of Subsequent Events**

On June 6, 2019, the City entered into a street resurfacing project contract. The total amount of the contract is \$977,540.

During the 2020 fiscal year, the City transferred \$3,000,000 from various funds to the Fire Pension Fund to improve its funding status.

### **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	\$	159,594
Inventory		12,365
		<hr/>
Total Nonspendable	\$	171,959
		<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	\$ 966,394
Streets and Highways	1,884,907
Culture and Recreation	450,845
City Development	12,819,912
Airport Operations	57,501
Municipal Retirement	1,244,304
Working Cash	727,880
Social Security	1,414,150
<u>Total Restricted</u>	<u>\$ 19,565,893</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, 2019.

Public Safety	\$ 966,394
Streets and Highways	1,884,907
Culture and Recreation	450,845
City Development	12,819,912
Airport Operations	57,501
Municipal Retirement	1,244,304
Working Cash	727,880
Social Security	1,414,150
<u>Total Restricted</u>	<u>\$ 19,565,893</u>



# City of Dixon, Illinois

## Notes to Financial Statements

---

### **Note 23      Impact of Pending Accounting Pronouncements**

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. 87, Leases, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not determined the effect of this Statement.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not determined the effect of this Statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, provides more relevant information about capital assets and the cost of borrowing for a reporting period. This Statement's objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not determined the effect of this Statement.

GASB Statement No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61, improves accounting and financial reporting by presenting majority equity interest in legally separate organizations that were previously reported inconsistently. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. 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.

## 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)

	2018	2017	2016	2015	2014
Calendar year ending December 31,					
Total pension liability:					
Service cost	\$ 268,927	\$ 284,642	\$ 308,819	\$ 308,841	\$ 300,939
Interest on the total pension liability	1,374,153	1,377,750	1,351,187	1,266,534	1,164,405
Difference between expected and actual experience	136,653	28,071	(221,534)	506,183	132,759
Assumption changes	512,792	(573,172)	-	-	555,387
Benefit payments and refunds	(1,213,732)	(1,101,061)	(1,043,351)	(862,323)	(729,131)
Net change in total pension liability	1,078,793	16,230	395,121	1,219,235	1,424,359
Total pension liability - beginning	18,794,441	18,778,211	18,383,090	17,163,855	15,739,496
Total pension liability - ending (a)	\$ 19,873,234	\$ 18,794,441	\$ 18,778,211	\$ 18,383,090	\$ 17,163,855
Plan fiduciary net position:					
Employer contributions	\$ 204,088	\$ 232,885	\$ 218,999	\$ 230,964	\$ 352,578
Employee contributions	132,143	122,895	124,671	138,345	125,434
Pension plan net investment income	(1,308,627)	3,421,226	1,204,046	92,818	1,087,808
Benefit payments and refunds	(1,213,732)	(1,101,061)	(1,043,351)	(862,323)	(729,131)
Other	463,620	(414,783)	69,701	(371,047)	14,939
Net change in plan fiduciary net position	(1,722,508)	2,261,162	574,066	(771,243)	851,628
Plan fiduciary net position - beginning	20,874,090	18,612,928	18,038,862	18,810,105	17,958,477
Plan fiduciary net position - ending (b)	\$ 19,151,582	\$ 20,874,090	\$ 18,612,928	\$ 18,038,862	\$ 18,810,105
Net pension liability(asset) - Ending (a) - (b)	\$ 721,652	\$ (2,079,649)	\$ 165,283	\$ 344,228	\$ (1,646,250)
Plan fiduciary net position as a percentage of total pension liability	96.37%	111.07%	99.12%	98.13%	109.59%
Covered valuation payroll	2,936,510	2,767,256	2,770,457	2,975,220	2,802,380
Net pension liability as a percentage of covered valuation payroll	24.58%	-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)

	2019	2018	2017	2016	2015
Fiscal year ending April 30,					
Total pension liability:					
Service cost	\$ 495,807	\$ 518,965	\$ 486,150	\$ 412,856	\$ 478,953
Interest on the total pension liability	1,740,912	1,677,271	1,637,470	1,573,774	1,394,324
Difference between expected and actual experience	904,453	49,731	74,160	166,862	289,047
Assumption changes	1,675,677	-	(472,916)	(199,219)	2,215,611
Benefit payments and refunds	(1,362,534)	(1,243,744)	(1,026,703)	(994,539)	(968,808)
Net change in total pension liability	3,454,315	1,002,223	698,161	959,734	3,409,127
Total pension liability - beginning	26,472,557	25,470,334	24,772,173	23,812,439	20,403,312
Total pension liability - ending (a)	\$ 29,926,872	\$ 26,472,557	\$ 25,470,334	\$ 24,772,173	\$ 23,812,439
Plan fiduciary net position:					
Employer contributions	\$ 881,817	\$ 806,549	\$ 812,591	\$ 603,612	\$ 525,350
Employee contributions	213,083	207,122	205,454	197,842	212,422
Other contributions	41,128	-	19,282	-	-
Pension plan net investment income	441,523	710,623	1,129,702	(394,244)	679,948
Benefit payments and refunds	(1,362,534)	(1,243,744)	(1,026,703)	(994,539)	(968,808)
Administrative expense	(48,220)	(52,220)	(43,684)	(21,427)	(22,636)
Net change in plan fiduciary net position	166,797	428,330	1,096,642	(608,756)	426,276
Plan fiduciary net position - beginning	15,172,786	14,744,456	13,647,814	14,256,570	13,830,294
Plan fiduciary net position - ending (b)	\$ 15,339,583	\$ 15,172,786	\$ 14,744,456	\$ 13,647,814	\$ 14,256,570
Net pension liability(asset) - Ending (a) - (b)	\$ 14,587,289	\$ 11,299,771	\$ 10,725,878	\$ 11,124,359	\$ 9,555,869
Plan fiduciary net position as a percentage of total pension liability	51.26%	57.32%	57.89%	55.09%	59.87%
Covered valuation payroll	2,011,701	1,943,673	2,256,530	2,352,152	1,994,165
Net pension liability as a percentage of covered valuation payroll	725.12%	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)

	2019	2018	2017	2016	2015
Fiscal year ending April 30,					
Total pension liability:					
Service cost	\$ 350,116	\$ 343,536	\$ 322,569	\$ 318,494	\$ 277,022
Interest on the total pension liability	1,229,000	1,195,760	1,233,566	922,776	958,772
Difference between expected and actual experience	77,049	(3,005)	155,238	886,994	119,049
Assumption changes	(621,628)	-	(1,315,004)	2,455,088	1,079,603
Benefit payments and refunds	(1,044,393)	(1,005,429)	(950,556)	(866,450)	(789,754)
Net change in total pension liability	(9,856)	530,862	(554,187)	3,716,902	1,644,692
Total pension liability - beginning	19,429,890	18,899,028	19,453,215	15,736,313	14,091,621
Total pension liability - ending (a)	\$ 19,420,034	\$ 19,429,890	\$ 18,899,028	\$ 19,453,215	\$ 15,736,313
Plan fiduciary net position:					
Employer contributions	\$ 833,880	\$ 871,125	\$ 685,507	\$ 460,600	\$ 406,847
Employee contributions	120,904	122,115	114,570	127,140	107,946
Other contributions	855	-	-	-	-
Pension plan net investment income	313,447	178,563	440,768	(86,140)	407,783
Benefit payments and refunds	(1,044,393)	(1,005,429)	(950,556)	(866,450)	(787,267)
Administrative expense	(20,674)	(20,587)	(20,613)	(19,272)	(17,723)
Net change in plan fiduciary net position	204,019	145,787	269,676	(384,122)	117,586
Plan fiduciary net position - beginning	8,333,019	8,187,232	7,917,556	8,301,678	8,184,092
Plan fiduciary net position - ending (b)	\$ 8,537,038	\$ 8,333,019	\$ 8,187,232	\$ 7,917,556	\$ 8,301,678
Net pension liability(asset) - Ending (a) - (b)	\$ 10,882,996	\$ 11,096,871	\$ 10,711,796	\$ 11,535,659	\$ 7,434,635
Plan fiduciary net position as a percentage of total pension liability	43.96%	42.89%	43.32%	40.70%	52.75%
Covered valuation payroll	1,239,803	1,197,877	1,435,299	1,198,672	1,198,704
Net pension liability as a percentage of covered valuation payroll	877.80%	926.38%	746.31%	962.37%	620.22%

# City of Dixon, Illinois

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

April 30, 2019

Fiscal Year Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Actual Contributions as a % of Covered- Valuation Payroll
<b>IMRF</b>					
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%
2019	204,087 *	204,088	(1)	2,936,510	6.95%

\*Estimated based on contribution rate of 6.95% and covered valuation payroll of \$2,936,510.

### Police Pension Fund

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%
2019	903,812	881,817	21,995	2,011,701	43.83%

### 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%
2019	835,519	833,880	1,639	1,239,803	67.26%

# City of Dixon, Illinois

Schedules of Required Supplementary Information  
 Multiyear Schedule of Changes in Total OPEB Liability and Related Ratios  
 Last 10 Years  
 (Schedule to be built prospectively from 2019)

	2019	2018	2017	2016	2015
Fiscal year ending April 30,					
Total pension liability:					
Service cost	\$ 95,850	\$ -	\$ -	\$ -	\$ 95,850
Interest on the total OPEB liability	193,597	-	-	-	193,597
Difference between expected and actual experience	-	-	-	-	-
Assumption changes	123,432	-	-	-	123,432
Benefit payments and refunds	(248,771)	-	-	-	(248,771)
Net change in total OPEB liability	164,108	-	-	-	164,108
Total OPEB liability - beginning	5,000,871	-	-	-	5,000,871
Total OPEB liability - ending (a)	\$ 5,164,979	\$ -	\$ -	\$ -	\$ 5,164,979
OPEB plan net position:					
Employer contributions	\$ 248,771	\$ -	\$ -	\$ -	\$ 248,771
Employee contributions	-	-	-	-	-
Other contributions	-	-	-	-	-
Benefit payments	(248,771)	-	-	-	(248,771)
Administrative expense	-	-	-	-	-
Net change in OPEB plan net position	-	-	-	-	-
OPEB plan net position - beginning	-	-	-	-	(248,771)
OPEB plan net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ (248,771)
Employer's Net OPEB liability(asset) - Ending (a) - (b)	\$ 5,164,979	\$ -	\$ -	\$ -	\$ 5,413,750
OPEB plan net position as a percentage of total pension liability	0.00%				
Covered valuation payroll	5,678,373				
Employer's Net OPEB liability as a percentage of covered valuation payroll	90.96%				

# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
General property taxes	\$ 2,019,500	\$ 2,019,500	\$ 2,046,296	\$ 26,796
Intergovernmental revenue:				
Personal property replacement tax	610,000	610,000	665,820	55,820
Income tax and surcharge	1,410,000	1,410,000	1,627,662	217,662
Sales tax	3,264,700	3,264,700	3,539,545	274,845
Utility tax	639,000	639,000	656,348	17,348
Telecom tax	48,000	48,000	46,721	(1,279)
Gaming tax	280,000	280,000	297,712	17,712
Grant revenue	101,000	101,000	98,996	(2,004)
Motel tax	75,000	75,000	77,679	2,679
	6,427,700	6,427,700	7,010,483	582,783
Licenses, permits, and other fees	623,000	623,000	633,483	10,483
Fines and penalties	210,000	210,000	231,103	21,103
Donations		-	2,297	2,297
Charges for services	250,000	250,000	270,381	20,381
Revenue from use of money and property	49,000	49,000	52,952	3,952
Other	20,000	20,000	26,286	6,286
Total revenues - modified accrual basis	\$ 9,599,200	\$ 9,599,200	10,273,281	\$ 674,081
Subtract beginning deferred revenues			(2,395,348)	
Add ending deferred revenues			2,396,248	
Add beginning receivables/accrued revenues			3,444,574	
Subtract ending receivables/accrued revenues			(3,648,123)	
Total revenues - budget basis			\$ 10,070,632	
<b>Expenditures</b>				
<i>Department of Public Affairs</i>				
Salaries	\$ 35,150	\$ 35,150	\$ 37,391	\$ 2,241
Supplies and services	6,350	6,350	5,199	(1,151)
Professional services and fees	202,300	202,300	175,509	(26,791)
Insurance	822	822	-	(822)
Public relations	-	-	358	358
Travel expense	13,950	13,950	7,709	(6,241)
Dues and subscriptions	4,150	4,150	1,835	(2,315)
Donations	77,000	77,000	72,588	(4,412)
Fire and Police Commission	11,500	11,500	9,544	(1,956)
	351,222	351,222	310,133	(41,089)



# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued)</b>				
<i>Dept. of Accounts and Finance</i>				
Salaries	381,472	379,072	380,754	1,682
Maintenance	12,200	12,200	10,730	(1,470)
Supplies and services	419,700	420,900	201,880	(219,020)
Professional services and fees	87,275	87,275	82,821	(4,454)
Notices and publications	-	-	1,826	1,826
Insurance	340,536	340,536	494,642	154,106
Travel expense	500	500	6,500	6,000
Training	25,205	21,605	9,958	(11,647)
Continuing education reimbursement	4,000	4,000	708	(3,292)
Dues and subscriptions	3,705	3,705	1,903	(1,802)
	1,274,593	1,269,793	1,191,722	(78,071)
<i>Dept. of Information Technology</i>				
Salaries	65,362	65,362	58,921	(6,441)
Supplies and services	34,320	34,320	33,642	(678)
Professional services and fees	72,705	72,705	72,654	(51)
Insurance	14,036	14,036	13,442	(594)
Training	4,200	4,200	1,092	(3,108)
	190,623	190,623	179,751	(10,872)
<i>Dept. of Police Protection</i>				
Salaries	2,536,067	2,536,067	2,473,649	(62,418)
Maintenance	53,000	53,000	59,219	6,219
Supplies and services	368,014	368,014	181,163	(186,851)
Professional services and fees	28,415	41,508	35,417	(6,091)
Insurance	461,862	461,862	404,255	(57,607)
Police training	28,000	28,000	32,151	4,151
Miscellaneous	2,000	2,000	2,053	53
Dues and subscriptions	2,500	2,500	2,631	131
Clothing allowance	4,750	4,750	4,959	209
Continuing education reimbursement	4,000	4,000	-	(4,000)
Lee County rent	-	-	173,880	173,880
	3,488,608	3,501,701	3,369,377	(132,324)

# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b><i>Expenditures (Continued)</i></b>				
<i>Dept. of Fire Protection</i>				
Salaries	1,278,632	1,293,632	1,264,070	(29,562)
Maintenance	20,000	20,000	20,554	554
Supplies and services	69,950	69,950	54,578	(15,372)
Insurance	178,622	178,622	190,501	11,879
Fire training	26,500	26,500	26,299	(201)
Dues and subscriptions	2,900	2,900	3,131	231
Continuing education reimbursement	6,000	6,000	3,602	(2,398)
Grant match	15,000	-	-	-
	1,597,604	1,597,604	1,562,735	(34,869)
<b><i>Dept. of Streets and Improvements</i></b>				
Salaries	443,641	473,141	493,624	20,483
Maintenance	40,000	63,500	66,457	2,957
Supplies and services	252,200	221,000	202,217	(18,783)
Insurance	98,260	98,260	78,458	(19,802)
Dues and subscriptions	1,850	1,850	1,581	(269)
Travel expenses	7,000	-	-	-
Clothing allowance	3,500	3,500	4,155	655
	846,451	861,251	846,492	(14,759)
<b><i>Dept. of Building and Zoning</i></b>				
Salaries	159,391	163,391	163,145	(246)
Maintenance	2,000	2,000	722	(1,278)
Supplies and services	32,600	6,600	9,892	3,292
Insurance	41,927	41,927	31,791	(10,136)
Training	2,800	2,800	2,502	(298)
Lease payments	450	450	228	(222)
Dues and subscriptions	265	265	165	(100)
	239,433	217,433	208,445	(8,988)

# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued)</b>				
<i>Dept. of Public Property</i>				
Salaries	236,556	240,756	241,877	1,121
Maintenance	56,000	68,960	66,723	(2,237)
Supplies and services	104,100	90,400	83,606	(6,794)
Insurance	26,472	26,612	28,069	1,457
Dues and subscriptions	1,400	1,400	632	(768)
Training expense	2,800	2,800	1,243	(1,557)
Clothing allowance	1,000	1,000	498	(502)
	428,328	431,928	422,648	(9,280)
<b>Dept. of Traffic Maintenance</b>				
Salaries	12,300	8,500	6,942	(1,558)
Maintenance	8,000	8,000	6,019	(1,981)
Supplies and services	76,100	65,100	61,212	(3,888)
	96,400	81,600	74,173	(7,427)
<b>Dept. of Public Works</b>				
Salaries	73,477	73,477	33,918	(39,559)
Supplies and services	700	1,900	174	(1,726)
Insurance	7,991	7,991	3,802	(4,189)
Dues and subscriptions	350	350	346	(4)
Travel	1,200	1,200	2,350	1,150
Training	4,000	4,000	2,648	(1,352)
	87,718	88,918	43,238	(45,680)

# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued)</b>				
<i>Dept. of Culture and Recreation</i>				
Salaries	500	500	132	(368)
Maintenance	-	-	399	399
Supplies, services, and professional services	20,000	20,000	-	(20,000)
Dues and subscriptions	1,000	1,000	485	(515)
Donation expense	256,000	256,000	251,600	(4,400)
	277,500	277,500	252,616	(24,884)
<b>Total expenditures - modified accrual basis</b>	<b>\$ 8,878,480</b>	<b>\$ 8,869,573</b>	<b>8,461,330</b>	<b>\$ (408,243)</b>
Add beginning accrued expenditures			248,487	
Subtract ending accrued expenditures			(202,575)	
Subtract beginning prepaid expenditures			(303,419)	
Add ending prepaid expenditures			155,649	
<b>Total expenditures - budget basis</b>			<b>\$ 8,359,472</b>	
<b>Excess of revenues over expenditures - appropriation basis</b>			<b>\$ 1,711,160</b>	
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ 30,000	\$ 30,000	30,000	\$ -
Operating transfers out	(750,000)	(750,000)	(750,000)	-
	\$ (720,000)	\$ (720,000)	(720,000)	\$ -
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis</b>			<b>\$ 991,160</b>	

# 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Proceeds from partnership liquidation	\$ -	\$ -	\$ 12,810	\$ 12,810
Revenue from use of money and property	65,000	65,000	166,436	101,436
<b>Total revenues - modified accrual basis</b>	<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>179,246</b>	<b>\$ 114,246</b>
<b>Total revenues - budget basis</b>			<b>\$ 179,246</b>	
<b>Expenditures</b>				
Supplies, services, and professional services	\$ 301,000	\$ 265,907	\$ 196,981	\$ (68,926)
New property and equipment	1,984,000	2,034,980	853,909	(1,181,071)
<b>Total expenditures - modified accrual basis</b>	<b>\$ 2,285,000</b>	<b>\$ 2,300,887</b>	<b>1,050,890</b>	<b>\$ (1,249,997)</b>
<b>Total expenditures - budget basis</b>			<b>\$ 1,050,890</b>	
<b>Excess of revenues over expenditures - budget basis</b>			<b>\$ (871,644)</b>	
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ 450,000	\$ 388,500	415,000	\$ 26,500
<b>Total other financing sources (uses)</b>	<b>450,000</b>	<b>388,500</b>	<b>415,000</b>	<b>26,500</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis</b>			<b>(456,644)</b>	
<b>Special Item</b>				
Proceeds from sale of fixed assets	\$ 10,000	\$ 10,000	21,460	\$ 11,460
<b>Excess (deficiency) of revenues, other financing sources, and special items over expenditures and other financing uses - budget basis</b>			<b>\$ (435,184)</b>	

# City of Dixon, Illinois

## Notes to Required Supplementary Information

---

### **Note 1      Basis of Accounting**

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

### **Note 2      Excess of Disbursements Over Appropriations**

There are no major funds that had excess of disbursements over appropriations.

### **Note 3      Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate for IMRF \***

Valuation Date:  
Notes:

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

#### Methods and Assumptions Used to Determine 2018 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 25-year closed period Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 20 years for most employers (three employers were financed over 29 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.



# Other Information



# City of Dixon, Illinois

## Non-Major Funds Combining Balance Sheet

April 30, 2019

	General Government				Highways and Streets		
	TIF Districts		Illinois Municipal Retirement	Social Security	Working Cash	Motor Fuel Tax	Infrastructure
	Downtown Redevelopment Project	Riverfront Project					
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ 282,164	\$ 19,197	\$ (118,217)	\$ -	\$ 90,853	\$ 1,650,008
Investments	-	-	1,222,517	1,529,493	724,307	-	-
Receivables:							
General property taxes	178,702	265,989	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	209,293
Motor fuel tax allotments	-	-	-	-	-	34,824	-
Accounts, less allowance for estimated uncollectibles	-	-	-	-	-	-	-
Interest	-	-	2,590	2,874	3,573	-	-
Prepaid insurance	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 178,702</b>	<b>\$ 548,153</b>	<b>\$ 1,244,304</b>	<b>\$ 1,414,150</b>	<b>\$ 727,880</b>	<b>\$ 125,677</b>	<b>\$ 1,859,301</b>
<b>Liabilities</b>							
Cash overdraft	\$ 137,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	-	-	-	-	-	-	25,313
Accrued liabilities:							
Payroll	-	-	-	-	-	-	-
Consumer deposits	-	-	-	-	-	-	-
Interfund payable	2,001,000	1,845,990	-	-	-	-	-
<b>Total liabilities</b>	<b>2,138,950</b>	<b>1,845,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,313</b>
<b>Deferred Inflow of Resources</b>							
Deferred rental income	-	-	-	-	-	-	-
Deferred property tax revenue	178,702	265,989	-	-	-	-	74,758
<b>Total Deferred Inflows of Resources</b>	<b>178,702</b>	<b>265,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,758</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,317,652</b>	<b>2,111,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,071</b>
<b>Fund Balances</b>							
Nonspendable:							
Prepaid expenses	-	-	-	-	-	-	-
Unrestricted	(2,138,950)	(1,563,826)	-	-	-	-	-
Restricted:							
Special revenue	-	-	1,244,304	1,414,150	727,880	125,677	1,759,230
<b>Total fund balances</b>	<b>(2,138,950)</b>	<b>(1,563,826)</b>	<b>1,244,304</b>	<b>1,414,150</b>	<b>727,880</b>	<b>125,677</b>	<b>1,759,230</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 178,702</b>	<b>\$ 548,153</b>	<b>\$ 1,244,304</b>	<b>\$ 1,414,150</b>	<b>\$ 727,880</b>	<b>\$ 125,677</b>	<b>\$ 1,859,301</b>

Special Revenue									
Culture and Recreation			Airport		Public Safety				
Library	Performing Arts	Grant	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	Police Vehicle	Confiscated Property	DUI	Total
\$ 258,722	\$ 70,336	\$ -	\$ 60,886	\$ 215,907	\$ 116,748	\$ 16,659	\$ 110,570	\$ 27,950	\$ 2,801,783
-	-	-	-	510,075	-	-	-	-	3,986,392
564,222	-	-	-	-	-	-	-	-	1,008,913
-	-	-	-	-	-	-	-	-	209,293
-	-	-	-	-	-	-	-	-	34,824
287	-	-	27,739	97,969	-	-	-	-	125,995
-	-	-	-	2,040	-	-	-	-	11,077
-	-	-	3,945	-	-	-	-	-	3,945
<b>\$ 823,231</b>	<b>\$ 70,336</b>	<b>\$ -</b>	<b>\$ 92,570</b>	<b>\$ 825,991</b>	<b>\$ 116,748</b>	<b>\$ 16,659</b>	<b>\$ 110,570</b>	<b>\$ 27,950</b>	<b>\$ 8,182,222</b>
\$ -	\$ -	\$ 8,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,944
827	-	3,600	234	7,878	-	-	-	-	37,852
8,827	-	-	280	6,898	-	-	-	-	16,005
-	-	-	5,610	-	-	-	-	-	5,610
-	-	-	-	-	-	-	-	-	3,846,990
9,654	-	12,594	6,124	14,776	-	-	-	-	4,053,401
-	-	-	25,000	-	-	-	-	-	25,000
549,816	-	-	-	-	-	-	-	-	1,069,265
549,816	-	-	25,000	-	-	-	-	-	1,094,265
559,470	-	12,594	31,124	14,776	-	-	-	-	5,147,666
-	-	-	3,945	-	-	-	-	-	3,945
-	-	(12,594)	-	-	-	-	-	-	(3,715,370)
263,761	70,336	-	57,501	811,215	116,748	16,659	110,570	27,950	6,745,981
263,761	70,336	(12,594)	61,446	811,215	116,748	16,659	110,570	27,950	3,034,556
<b>\$ 823,231</b>	<b>\$ 70,336</b>	<b>\$ -</b>	<b>\$ 92,570</b>	<b>\$ 825,991</b>	<b>\$ 116,748</b>	<b>\$ 16,659</b>	<b>\$ 110,570</b>	<b>\$ 27,950</b>	<b>\$ 8,182,222</b>

# City of Dixon, Illinois

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

Year Ended April 30, 2019

	General Government					Highways and Streets	
	TIF Districts		Illinois Municipal Retirement	Social Security	Working Cash	Motor Fuel Tax	Infrastructure
	Downtown Redevelopment Project	Riverfront Project					
<b>Revenues</b>							
General property taxes	\$ 158,393	\$ 227,447	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	913,343
Personal property replacement tax	-	-	-	-	-	-	-
Motor fuel tax allotments	-	-	-	-	-	399,376	-
Foreign fire insurance tax	-	-	-	-	-	-	-
User fees	-	-	-	-	-	-	-
Revenue from use of money and property	120	173	19,629	21,680	11,975	241	48,576
Fines	-	-	-	-	-	-	-
Confiscated property	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>158,513</b>	<b>227,620</b>	<b>19,629</b>	<b>21,680</b>	<b>11,975</b>	<b>399,617</b>	<b>961,919</b>
<b>Expenditures</b>							
Salaries	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Supplies, services and professional services	-	-	-	-	-	-	-
Fuel, gas, and oil	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Miscellaneous	113,679	86,630	-	-	-	-	13,590
Real estate taxes	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	75,000	-
Payments to pensions	-	-	116,200	-	-	-	-
Payments to Social Security system	-	-	-	202,236	-	-	-
Capital outlay:							
Land	6,031	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	675,000	1,169,965
<b>Total expenditures</b>	<b>119,710</b>	<b>86,630</b>	<b>116,200</b>	<b>202,236</b>	<b>-</b>	<b>750,000</b>	<b>1,183,555</b>
Excess (deficiency) of revenues over (under) expenditures	38,803	140,990	(96,571)	(180,556)	11,975	(350,383)	(221,636)
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balar</b>	<b>38,803</b>	<b>140,990</b>	<b>(96,571)</b>	<b>(180,556)</b>	<b>11,975</b>	<b>(350,383)</b>	<b>(221,636)</b>
<b>Fund Balance (Deficit), Beginning of Year</b>	<b>(2,177,753)</b>	<b>(1,704,816)</b>	<b>1,340,875</b>	<b>1,594,706</b>	<b>715,905</b>	<b>476,060</b>	<b>1,980,866</b>
Prior period adjustment (see Note to financial statements)	-	-	-	-	-	-	-
<b>Fund Balance, End of Year</b>	<b>\$ (2,138,950)</b>	<b>\$ (1,563,826)</b>	<b>\$ 1,244,304</b>	<b>\$ 1,414,150</b>	<b>\$ 727,880</b>	<b>\$ 125,677</b>	<b>\$ 1,759,230</b>

Special Revenue									
Culture and Recreation			Airport		Public Safety				
Library	Performing Arts	Grant	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	Police Vehicle	Confiscated Property	DUI	Total
\$ 520,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,399
-	-	-	-	-	-	-	-	-	913,343
52,820	-	-	-	-	-	-	-	-	52,820
-	-	-	-	-	-	-	-	-	399,376
-	-	-	-	-	30,251	-	-	-	30,251
27,595	-	-	-	463,637	-	-	-	-	491,232
7,971	-	-	66,549	10,190	127	-	-	-	187,231
-	-	-	-	-	-	5,078	-	10,953	16,031
-	-	-	-	-	-	-	44,268	-	44,268
17,309	12,793	-	1,036	1,410	-	-	-	-	32,548
19,666	-	119,600	-	-	-	-	-	-	139,266
645,920	12,793	119,600	67,585	475,237	30,378	5,078	44,268	10,953	3,212,765
320,138	23,703	19,948	10,440	222,532	-	-	-	-	596,761
53,399	-	-	18,547	1,462	-	-	-	-	73,408
-	-	18,651	-	-	-	-	-	-	18,651
171,031	13,973	7,679	19,598	34,144	21,073	-	38,267	-	305,765
900	-	-	2,236	2,919	-	-	-	-	6,055
65,981	-	-	13,098	33,796	-	-	-	-	112,875
30	536	-	1,000	-	-	-	-	-	215,465
-	-	-	747	-	-	-	-	-	747
-	-	36,930	13,215	-	-	-	-	-	125,145
-	-	-	-	-	-	-	-	-	116,200
-	-	-	-	-	-	-	-	-	202,236
-	-	-	-	-	-	-	-	-	6,031
85,084	-	-	-	529,237	-	-	-	-	2,459,286
696,563	38,212	83,208	78,881	824,090	21,073	-	38,267	-	4,238,625
(50,643)	(25,419)	36,392	(11,296)	(348,853)	9,305	5,078	6,001	10,953	(1,025,860)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(30,000)	-	(30,000)
-	-	-	-	-	-	-	(30,000)	-	(30,000)
(50,643)	(25,419)	36,392	(11,296)	(348,853)	9,305	5,078	(23,999)	10,953	(1,055,860)
314,404	95,755	(48,986)	72,742	1,160,068	107,443	-	-	-	3,927,269
-	-	-	-	-	-	11,581	134,569	16,997	163,147
\$ 263,761	\$ 70,336	\$ (12,594)	\$ 61,446	\$ 811,215	\$ 116,748	\$ 16,659	\$ 110,570	\$ 27,950	\$ 3,034,556

# City of Dixon, Illinois

## Private Purpose Trust Funds Combining Statement of Net Position

April 30, 2019

	Cemetery Endowment	Local Organizations	Library Trust	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 127,067	\$ 77,908	\$ 46,237	\$ 251,212
Investments	590,712	-	376,601	967,313
Receivables:				
Accounts	5,385	-	-	5,385
Interest	3,728	-	459	4,187
<b>Total Assets</b>	<b>\$ 726,892</b>	<b>\$ 77,908</b>	<b>\$ 423,297</b>	<b>\$ 1,228,097</b>
<b>Liabilities</b>				
Funds payable to other organizations	\$ -	\$ 66,855	\$ -	\$ 66,855
Accounts payable	-	361	-	361
<b>Total liabilities</b>	<b>-</b>	<b>67,216</b>	<b>-</b>	<b>67,216</b>
<b>Net Position - Held in Trust</b>				
Restricted for perpetual endowment	726,892	-	-	726,892
Unrestricted	-	10,692	423,297	433,989
<b>Net position</b>	<b>726,892</b>	<b>10,692</b>	<b>423,297</b>	<b>1,160,881</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 726,892</b>	<b>\$ 77,908</b>	<b>\$ 423,297</b>	<b>\$ 1,228,097</b>

# City of Dixon, Illinois

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

Year Ended April 30, 2019

	Cemetery Endowment	Local Organizations	Library Trust	Total
<b>Additions</b>				
Interest income	\$ 9,870	\$ 5	\$ 6,244	\$ 16,119
Revenue from use of money and property	15,981	-	21,988	37,969
Total revenues	25,851	5	28,232	54,088
<b>Deductions</b>				
Transfer to other funds	-	-	-	-
Miscellaneous	-	35	22,027	22,062
Total expenditures	-	35	22,027	22,062
Change in Net Position	25,851	(30)	6,205	32,026
Net Position Held in Trust				
Beginning of Year	701,041	10,722	417,092	1,128,855
Net Position Held in Trust				
End of Year	\$ 726,892	\$ 10,692	\$ 423,297	\$ 1,160,881

# City of Dixon, Illinois

## Pension Trust Funds Combining Statement of Plan Net Position

April 30, 2019

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
<b>Assets</b>			
Cash	\$ 112,811	\$ 106,381	\$ 219,192
Investments	15,182,942	8,396,664	23,579,606
Prepaid investment fees	13,666	6,880	20,546
Investment income receivable	30,781	27,663	58,444
Total Assets	15,340,200	8,537,588	23,877,788
<b>Liabilities</b>			
Vouchers payable	619	550	1,169
Net Position Held in Trust for Pension Benefits	\$ 15,339,581	\$ 8,537,038	\$ 23,876,619

# City of Dixon, Illinois

## Pension Trust Funds Combining Statement of Changes in Plan Net Position

Year Ended April 30, 2019

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
<b>Additions</b>			
Contributions			
Employer	\$ 881,817	\$ 498,880	\$ 1,380,697
Plan members	254,211	121,759	375,970
Total contributions	1,136,028	620,639	1,756,667
Total additions	1,136,028	620,639	1,756,667
<b>Deductions</b>			
Benefit payments	1,362,534	1,044,392	2,406,926
Administrative and audit fee	140,067	75,758	215,825
Total deductions	1,502,601	1,120,150	2,622,751
Net Investment income (expense)	533,369	368,531	901,900
Excess of additions over deductions	166,796	(130,980)	35,816
<b>Other financing sources</b>			
Operating transfers in	-	335,000	335,000
Changes in Plan Net Position	166,796	204,020	370,816
Net Position Held in Trust for			
Pension Benefits, Beginning of Year	15,172,785	8,333,018	23,505,803
Net Position Held in Trust for			
Pension Benefits, End of Year	\$ 15,339,581	\$ 8,537,038	\$ 23,876,619



# City of Dixon, Illinois

## Schedule of Assessed Valuations, Rates, Extensions and Collections

Tax Years 2018, 2017, and 2016

Fund	Assessed valuation	2018		
		Tax rate	Tax extensions	Tax collections
Corporate	\$ 184,254,507	.1864	\$ 343,450	\$ -
Police Protection	184,254,507	.6000	1,105,527	-
Fire Protection	91,130,295	-	-	-
Audit	184,254,507	.0174	32,060	-
Road and Bridge	184,254,507	-	-	-
Performing Arts	184,254,507	-	-	-
Library	184,254,507	.2843	523,836	-
Cemetery	184,254,507	.0250	46,064	-
Fire Pension	91,130,295	.5602	510,512	-
Police Pension	184,254,507	.5379	991,105	-
Civil Defense	184,254,507	-	-	-
Claim and Judgment Tax	184,254,507	.2152	396,516	-
Library Maintenance	184,254,507	.0141	25,980	-
Public Benefit	184,254,507	.0500	92,127	-
TIF District 1		-	178,702	-
TIF District 3		-	265,989	-
		2.4905	\$ 4,511,868	\$ -

2017				2016			
Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections
\$ 180,318,521	.1614	\$ 291,034	\$ 283,743	\$ 173,630,129	.1848	\$ 320,868	\$ 311,094
180,318,521	.5012	903,756	1,054,824	173,630,129	.6000	1,041,781	1,010,042
88,568,294	-	-	-	86,379,385	-	-	-
180,318,521	.0189	34,080	33,228	173,630,129	.0196	34,032	32,996
180,318,521	-	-	69,824	173,630,129	-	-	67,900
180,318,521	-	-	-	173,630,129	-	-	-
180,318,521	.2820	508,498	495,770	173,630,129	.2588	449,355	435,665
180,318,521	.0250	45,080	43,951	173,630,129	.0250	43,408	42,084
88,568,294	.5639	499,437	498,500	86,379,385	.5653	488,303	485,807
180,318,521	.5012	903,756	881,132	173,630,129	.4788	831,341	806,012
180,318,521	-	-	-	173,630,129	-	-	-
180,318,521	.2643	476,582	464,651	173,630,129	.2695	467,933	453,676
180,318,521	.0141	25,425	24,790	173,630,129	.0299	51,915	50,333
180,318,521	.0500	90,159	87,903	173,630,129	.0500	86,815	84,171
	-	156,853	158,393	2,514,943	-	141,997	140,457
	-	237,121	227,447	4,009,862	-	206,476	205,316
	2.3820	\$ 4,171,781	\$ 4,324,156		2.4817	\$ 4,164,224	\$ 4,125,553

## **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, 2019, 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 October 21, 2019.

### **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  
October 21, 2019

# City of Dixon, Illinois

## Schedule of Responses

For the Year Ended April 30, 2019

---

### **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.



Wipfli LLP  
215 East First St – Suite 200  
Dixon, IL 61021

815.315.0854  
Fax 815.288.0584

www.wipfli.com

## 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, 2019, and have issued our report thereon dated October 21, 2019. 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  
October 21, 2019