

City of Dixon, Illinois

Dixon, Illinois

Annual Financial Report

April 30, 2017

City of Dixon, Illinois

April 30, 2017

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, Illinois as of and for the year ended April 30, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress, schedule of change in employer's net pension liability and related ratios, schedule of employer contributions and budgetary comparison information on pages 60 – 73 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' basic financial statements. The combining nonmajor fund statements listed in the table of contents on pages 74 – 81 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2017, on our consideration of the City of Dixon, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dixon, Illinois' internal control over financial reporting and compliance.

Wipfli LLP

Dixon, Illinois
September 22, 2017

City of Dixon, Illinois

Statement of Net Position

April 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,264,854	\$ 2,755,280	\$ 10,020,134
Investments	13,313,345	1,203,446	14,516,791
General property taxes receivable	2,921,752	-	2,921,752
Due from State of Illinois	1,514,973	-	1,514,973
Motor fuel tax receivable	34,444	-	34,444
Accounts receivable, net	114,491	1,222,638	1,337,129
Other receivables	282,492	-	282,492
Internal balances	780	(780)	-
Interest receivable	10,820	2,566	13,386
Due from Bay Valley Foods	-	732,182	732,182
Notes receivable	302,836	-	302,836
Inventory	5,731	220,963	226,694
Prepaid insurance	296,859	75,070	371,929
Nondepreciable			
Land and improvements	2,428,024	309,339	2,737,363
Construction in progress	9,216,744	52,572	9,269,316
Depreciable, net of accumulated depreciation	25,762,545	26,945,217	52,707,762
Total Assets	63,470,690	33,518,493	96,989,183
Deferred Outflows of Resources			
Pension items - IMRF	1,054,595	-	1,054,595
Pension items - Pension Trust Funds	3,803,709	-	3,803,709
Total Deferred Outflows of Resources	4,858,304	-	4,858,304
Total Assets and Deferred Outflows of Resources	68,328,994	33,518,493	101,847,487
Liabilities			
Cash overdraft	136,414	-	136,414
Vouchers payable	271,485	58,178	329,663
Accrued payroll and taxes	119,968	20,990	140,958
Accrued interest	-	63,252	63,252
Accrued liabilities	81,537	-	81,537
Consumer deposits	-	402,125	402,125
Landlord deposits	-	16,871	16,871
Compensated absences	399,087	62,387	461,474
Other post-employment benefits	686,119	-	686,119
Net pension obligation - IMRF	165,283	-	165,283
Net pension obligation - Pension Trust Funds	21,437,674	-	21,437,674
Long-term notes and bonds payable:			
Due within one year	-	1,772,135	1,772,135
Due in more than one year	-	13,658,324	13,658,324
Total Liabilities	23,297,567	16,054,262	39,351,829
Deferred Inflows of Resources			
Deferred sales tax income	519,718	-	519,718
Deferred property tax revenue	2,975,780	-	2,975,780
Deferred revenue	-	732,182	732,182
Pension items - Pension Trust Funds	1,805,080	-	1,805,080
Total Deferred Inflows of Resources	5,300,578	732,182	6,032,760
Total Liabilities and Deferred Inflows of Resources	28,598,145	16,786,444	45,384,589
Net Position			
Net Investment in Capital Assets	37,407,313	11,876,669	49,283,982
Restricted for:			
Special revenue	6,887,476	-	6,887,476
Capital projects	13,509,575	-	13,509,575
Unrestricted	(18,073,515)	4,855,380	(13,218,135)
Net position	\$ 39,730,849	\$ 16,732,049	\$ 56,462,898

See notes to financial statements

City of Dixon, Illinois

Statement of Activities

Year Ended April 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,945,160	\$ 1,215,208	\$ -	\$ 208,131
Public safety	5,584,380	611,041	-	-
Highways and streets	1,911,982	-	398,773	-
Traffic development	192,843	-	-	-
Culture and recreation	744,390	29,590	12,128	-
Public works	90,067	-	-	-
Airport	244,411	-	-	-
Cemetery	24,371	57,108	-	-
Other post-employment benefits	85,633	-	-	-
Payments to IMRF	182,635	-	-	-
Payments to Social Security System	260,587	-	-	-
Net change in compensated absences	(18,012)	-	-	-
Net change in pension trust funds	1,129,317	-	-	-
Net change in IMRF	241,160	-	-	-
Total governmental activities	13,618,924	1,912,947	410,901	208,131
Business-type Activities:				
Sewer	2,613,542	2,788,743	-	-
Water Department	2,429,568	2,613,105	-	-
Total business-type activities	5,043,110	5,401,848	-	-
Total primary government	\$ 18,662,034	\$ 7,314,795	\$ 410,901	\$ 208,131

General Revenues:

Property tax
 Sales tax
 Personal property replacement tax
 Income tax and surcharge
 Foreign fire insurance tax
 Motel tax
 Utility tax
 Telecom tax
 Gaming tax
 Interest
 Other
 Proceeds from partnership liquidation

Total general revenues

Transfers

Total general revenues and transfers

Special Item - gain on sale of fixed assets

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See notes to financial statements

Net (Expense) Revenue and Change in Net Position			
Primary Government			
	Governmental Activities	Business-type Activities	Total
\$	(1,521,821)	\$ -	\$ (1,521,821)
	(4,973,339)	-	(4,973,339)
	(1,513,209)	-	(1,513,209)
	(192,843)	-	(192,843)
	(702,672)	-	(702,672)
	(90,067)	-	(90,067)
	(244,411)	-	(244,411)
	32,737	-	32,737
	(85,633)	-	(85,633)
	(182,635)	-	(182,635)
	(260,587)	-	(260,587)
	18,012	-	18,012
	(1,129,317)	-	(1,129,317)
	(241,160)	-	(241,160)
	(11,086,945)	-	(11,086,945)
	-	175,201	175,201
	-	183,537	183,537
	-	358,738	358,738
	(11,086,945)	358,738	(10,728,207)
	2,801,734	-	2,801,734
	4,023,072	-	4,023,072
	879,410	-	879,410
	1,487,159	-	1,487,159
	27,211	-	27,211
	72,474	-	72,474
	639,487	-	639,487
	53,661	-	53,661
	260,098	-	260,098
	117,079	16,712	133,791
	88,729	-	88,729
	189,251	-	189,251
	10,639,365	16,712	10,656,077
	(177,000)	-	(177,000)
	10,462,365	16,712	10,479,077
	31,039	-	31,039
	(593,541)	375,450	(218,091)
	40,324,390	16,356,599	56,680,989
\$	39,730,849	\$ 16,732,049	\$ 56,462,898

City of Dixon, Illinois

Balance Sheet Governmental Funds

April 30, 2017

	General Fund	Illinois Municipal Retirement
Assets		
Cash and cash equivalents	\$ -	\$ 259,678
Investments	-	1,206,009
Receivables:		
General property tax	2,063,037	-
State income tax	563,785	-
Sales tax	758,298	-
Motor fuel tax allotments	-	-
Utility tax	121,829	-
Accounts	1,200	-
Other taxes	84,098	-
Fees	45,000	-
Interest	-	93
Other receivables	31,565	-
Interfund receivables	4,096,329	-
Notes receivable	-	-
Inventory	5,731	-
Prepaid expenses	288,467	-
Total Assets	\$ 8,059,339	\$ 1,465,780
Liabilities		
Cash overdraft	\$ 136,414	\$ -
Vouchers payable	168,640	-
Accrued liabilities:		
Payroll and payroll withholdings	106,982	-
Other	81,537	-
Interfund payables	-	-
Total Liabilities	493,573	-
Deferred Inflows of Resources		
Deferred state tax revenues	519,718	-
Deferred property tax revenue	2,063,037	-
Total Deferred Inflows of Resources	2,582,755	-
Total Liabilities and Deferred Inflows of Resources	3,076,328	-
Fund Balance		
Nonspendable:		
Notes and other receivables	-	-
Prepaid expenses	288,467	-
Inventory	5,731	-
Restricted:		
Special Revenue	-	1,465,780
Capital Projects	-	-
Unassigned (Deficit)	4,688,813	-
Total fund balance	4,983,011	1,465,780
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,059,339	\$ 1,465,780

See notes to financial statements

Social Security		Capital Projects		Non-Major Governmental Funds		Total Governmental Funds	
\$	294,299	\$	4,510,389	\$	2,200,488	\$	7,264,854
	1,507,507		9,085,907		1,513,922		13,313,345
	-		-		858,715		2,921,752
	-		-		-		563,785
	-		-		192,890		951,188
	-		-		34,444		34,444
	-		-		-		121,829
	-		-		113,291		114,491
	-		-		-		84,098
	-		-		-		45,000
	116		9,390		1,221		10,820
	-		-		-		31,565
	-		-		-		4,096,329
	-		-		302,836		302,836
	-		-		-		5,731
	-		-		8,392		296,859
\$	1,801,922	\$	13,605,686	\$	5,226,199	\$	30,158,926
\$	-	\$	-	\$	-	\$	136,414
	-		96,111		6,734		271,485
	-		-		12,986		119,968
	-		-		-		81,537
	-		-		4,095,549		4,095,549
	-		96,111		4,115,269		4,704,953
	-		-		-		519,718
	-		-		912,743		2,975,780
	-		-		912,743		3,495,498
	-		96,111		5,028,012		8,200,451
	-		-		302,836		302,836
	-		-		8,392		296,859
	-		-		-		5,731
	1,801,922		-		3,619,774		6,887,476
	-		13,509,575		-		13,509,575
	-		-		(3,732,815)		955,998
	1,801,922		13,509,575		198,187		21,958,475
\$	1,801,922	\$	13,605,686	\$	5,226,199	\$	30,158,926

City of Dixon, Illinois

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

Year Ended April 30, 2017

Total governmental fund balances	\$	21,958,475
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 \$25,780,237		37,407,313
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Other post-employment benefits		(686,119)
Compensated absences		(399,087)
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position		(165,283)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position		1,054,595
Net pension liability for the Pension Trust Funds is shown as a liability on the statement of net position		(21,437,674)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for the Pension Trust Funds are recognized as deferred outflows and inflows of resources on the statement of net position		1,998,629
Net position - governmental activities	\$	39,730,849

City of Dixon, Illinois

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

Year Ended April 30, 2017

	General Fund	Illinois Municipal Retirement
Revenues		
General property taxes	\$ 2,008,097	\$ -
Sales taxes	-	-
Foreign fire insurance tax	-	-
Intergovernmental revenues	6,725,330	-
Licenses and permits	610,304	-
Fines and penalties	205,076	-
Charges for services	662,012	-
Revenue from use of money and property	27,459	5,373
Proceeds from partnership liquidation	-	-
Other	19,084	-
Total revenues	10,257,362	5,373
Expenditures		
General government	2,457,029	-
Public safety:		
Police protection and community relations	3,285,591	-
Fire fighting and prevention and emergency vehicle	1,525,297	-
Highways and streets	608,911	-
Traffic development	192,843	-
Public works	90,067	-
Culture and recreation	186,919	-
Airport operations	-	-
Capital outlay	-	-
Payments to pensions	-	182,635
Payments to Social Security System	-	-
Total expenditures	8,346,657	182,635
Excess (deficiency) of revenues over expenditures	1,910,705	(177,262)
Other Financing Sources (Uses)		
Operating transfers in	-	-
Operating transfers out	(2,278,619)	-
Total other financing sources (uses)	(2,278,619)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(367,914)	(177,262)
Special Item		
Proceeds from sale of fixed assets	-	-
Changes in Fund Balances	(367,914)	(177,262)
Fund Balance, Beginning of Year	5,350,925	1,643,042
Fund Balance, End of Year	\$ 4,983,011	\$ 1,465,780

See notes to financial statements

Social Security		Capital Projects		Non-Major Governmental Funds		Total Governmental Funds	
\$	-	\$	-	\$	793,637	\$	2,801,734
	-		-		833,125		833,125
	-		-		27,211		27,211
	-		-		475,938		7,201,268
	-		-		-		610,304
	-		-		-		205,076
	-		-		435,555		1,097,567
	6,764		67,462		75,434		182,492
	-		189,251		-		189,251
	-		-		4,232		23,316
	6,764		256,713		2,645,132		13,171,344
	-		166,836		139,815		2,763,680
	-		-		-		3,285,591
	-		-		283,607		1,808,904
	-		-		-		608,911
	-		-		-		192,843
	-		-		-		90,067
	-		-		553,443		740,362
	-		-		144,037		144,037
	-		967,735		322,757		1,290,492
	-		-		-		182,635
	260,587		-		-		260,587
	260,587		1,134,571		1,443,659		11,368,109
	(253,823)		(877,858)		1,201,473		1,803,235
	-		1,999,619		102,000		2,101,619
	-		-		-		(2,278,619)
	-		1,999,619		102,000		(177,000)
	(253,823)		1,121,761		1,303,473		1,626,235
	-		31,039		-		31,039
	(253,823)		1,152,800		1,303,473		1,657,274
	2,055,745		12,356,775		(1,105,286)		20,301,201
\$	1,801,922	\$	13,509,575	\$	198,187	\$	21,958,475

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, 2017

Net change in fund balances - total governmental funds \$ 1,657,274

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

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

Capital outlay	1,290,492
Depreciation expense	(2,103,209)

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

Change in other post-employment benefits obligation	(85,633)
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The change in compensated absences is only reported in the statement of activities.	18,012
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The change in net pension liability for the Illinois Municipal Retirement Fund is only reported in the statement of activities	178,945
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The change in deferred inflows and outflows for the Illinois Municipal Retirement Fund is only reported in the statement of activities	(420,105)
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The change in net pension liability for the Pension Trust Funds is only reported in the statement of activities	1,222,344
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The change in deferred inflows and outflows for the Pension Trust Funds is only reported in the statement of activities	(2,351,661)
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Change in net position of governmental activities	\$ (593,541)
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City of Dixon, Illinois

Statement of Net Position Proprietary Funds

April 30, 2017

	Sewerage Fund	Water Department Fund	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,555,628	\$ 1,199,652	\$ 2,755,280	\$ 43,097
Investments:				
Unrestricted	702,310	501,136	1,203,446	302,026
Receivables:				
Accounts, net	665,334	557,304	1,222,638	-
Interest	1,590	976	2,566	134
Inventory	-	220,963	220,963	-
Due from Bay Valley Foods	732,182	-	732,182	-
Due from other funds	-	-	-	-
Prepaid insurance	21,804	53,266	75,070	-
Total current assets	3,678,848	2,533,297	6,212,145	345,257
Property and Equipment				
Assets not depreciated:				
Land	160,266	149,073	309,339	-
Construction in progress	1,255	51,317	52,572	-
Total assets not depreciated	161,521	200,390	361,911	-
Assets being depreciated:				
Buildings	21,472,311	90,264	21,562,575	-
Equipment	342,012	197,950	539,962	-
Infrastructure	12,201,087	25,401,962	37,603,049	-
Vehicles	242,545	401,298	643,843	-
	34,257,955	26,091,474	60,349,429	-
Less accumulated depreciation	(23,545,847)	(9,858,365)	(33,404,212)	-
Net property and equipment being depreciated	10,712,108	16,233,109	26,945,217	-
Net property and equipment	10,873,629	16,433,499	27,307,128	-
Total Assets	\$ 14,552,477	\$ 18,966,796	\$ 33,519,273	\$ 345,257

See notes to financial statements

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City of Dixon, Illinois

Statement of Net Position (Continued) Proprietary Funds

April 30, 2017

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
Liabilities				
Current liabilities				
Vouchers payable	\$ 23,374	\$ 34,804	\$ 58,178	\$ 138,252
Cash overdraft	-	-	-	7,659
Due to other funds	390	390	780	-
Accrued liabilities:				
Payroll	8,929	12,061	20,990	-
Compensated absences	20,613	41,774	62,387	-
Interest	46,865	16,387	63,252	-
Consumer deposits	-	402,125	402,125	-
Landlord deposits	-	16,871	16,871	-
Notes payable - current portion	1,033,494	-	1,033,494	-
EPA loans payable - current portion	-	738,641	738,641	-
Total current liabilities	1,133,665	1,263,053	2,396,718	145,911
Long-term liabilities:				
Notes payable	4,543,163	-	4,543,163	-
EPA loans payable	-	9,115,161	9,115,161	-
Total long-term liabilities	4,543,163	9,115,161	13,658,324	-
Total liabilities	5,676,828	10,378,214	16,055,042	145,911
Deferred Inflow of Resources				
Deferred revenue	732,182	-	732,182	-
Total Deferred Inflow of Resources	732,182	-	732,182	-
Total Liabilities and Deferred Inflows of Resources	6,409,010	10,378,214	16,787,224	145,911
Net Position				
Net Investment in Capital Assets net of related debt	5,296,972	6,579,697	11,876,669	-
Unrestricted	2,846,495	2,008,885	4,855,380	199,346
Net position	\$ 8,143,467	\$ 8,588,582	\$ 16,732,049	\$ 199,346

See notes to financial statements

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City of Dixon, Illinois

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

April 30, 2017

	Sewerage Fund	Water Dept. Fund	Total	Governmental Activities - Internal Service Funds
Operating Revenues				
User fees	\$ 2,788,339	\$ 2,519,840	\$ 5,308,179	\$ -
Employee contributions	-	-	-	1,386,363
Labor and merchandise	-	35,908	35,908	-
Miscellaneous	404	57,357	57,761	-
Total operating revenues	2,788,743	2,613,105	5,401,848	1,386,363
Operating Expenses				
Salaries	320,527	642,697	963,224	-
Employee benefits	19,287	43,006	62,293	-
Maintenance of site and buildings	145,114	73,793	218,907	-
Supplies and services	93,729	185,732	279,461	-
Electricity	237,204	217,317	454,521	-
Fuel, gas and oil	15,575	25,244	40,819	-
Professional service and fees	35,816	32,651	68,467	60,833
Insurance	107,698	208,960	316,658	313,602
Clothing allowance	1,473	4,073	5,546	-
Miscellaneous	281	918	1,199	4,636
Bad debt expense	3,566	2,402	5,968	-
Dues and subscriptions	16,717	2,627	19,344	-
Travel and education expense	1,895	4,214	6,109	-
Medical claims	-	-	-	1,403,917
Depreciation	1,462,745	820,056	2,282,801	-
Total operating expenses	2,461,627	2,263,690	4,725,317	1,782,988
Operating Income	327,116	349,415	676,531	(396,625)
Nonoperating Revenues (Expenses)				
Interest earned	7,898	8,814	16,712	2,624
Interest expense	(151,915)	(165,878)	(317,793)	-
Total nonoperating revenues (expenses)	(144,017)	(157,064)	(301,081)	2,624
Change in Net Position	183,099	192,351	375,450	(394,001)
Net Position, Beginning of Year	7,960,368	8,396,231	16,356,599	593,347
Net Position, End of Year	\$ 8,143,467	\$ 8,588,582	\$ 16,732,049	\$ 199,346

City of Dixon, Illinois

Statement of Cash Flows Proprietary Funds

Year Ended April 30, 2017

	Sewerage Fund	Water Dept. Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,523,263	\$ 2,602,996	\$ 5,126,259
Payments to employees	(327,574)	(638,509)	(966,083)
Payments to suppliers	(689,377)	(936,141)	(1,625,518)
Net cash provided by (used in) operating activities	1,506,312	1,028,346	2,534,658
Cash Flows From Noncapital Financing Activities			
Proceeds from reimbursement agreement	191,004	-	191,004
Advances from (to) other funds	83	83	166
Net cash provided by (used in) noncapital financing activities	191,087	83	191,170
Cash Flows From Capital Financing Activities			
Principal paid on notes payable	(1,033,494)	(726,453)	(1,759,947)
Payment of interest on debt	(161,059)	(167,074)	(328,133)
Net disposition/(acquisition) of capital assets	(158,099)	(495,400)	(653,499)
Net cash provided by (used in) capital financing activities	(1,352,652)	(1,388,927)	(2,741,579)
Cash Flows From Investing Activities			
Net sales (purchases) of investments	(200,804)	879,680	678,876
Interest income	6,748	8,380	15,128
Net cash provided by (used in) investing activities	(194,056)	888,060	694,004
Net Increase (Decrease) in and Cash Equivalents	150,691	527,562	678,253
Cash and Cash Equivalents, Beginning of Year	1,404,937	672,090	2,077,027
Cash and Cash Equivalents, End of Year	\$ 1,555,628	\$ 1,199,652	\$ 2,755,280
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 327,116	\$ 349,415	\$ 676,531
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,462,745	820,056	2,282,801
Effects of changes in operating assets and liabilities			
Accounts receivable	(265,480)	(18,217)	(283,697)
Prepaid insurance	909	151	1,060
Accounts payable	(11,931)	(135,355)	(147,286)
Consumer deposits	-	8,108	8,108
Accrued liabilities	(7,047)	4,188	(2,859)
Net cash provided by (used in) operating activities	\$ 1,506,312	\$ 1,028,346	\$ 2,534,658

City of Dixon, Illinois

Statement of Net Position Fiduciary Funds

April 30, 2017

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds	Total
Assets				
Cash and cash equivalents	\$ 338,595	\$ 143,590	\$ 164,533	\$ 646,718
Investments	22,523,041	949,548	-	23,472,589
Receivables:				
Accounts	-	6,375	-	6,375
Investment income	48,226	650	-	48,876
Prepaid investment fees	26,940	-	-	26,940
Total Assets	22,936,802	1,100,163	164,533	24,201,498
Liabilities				
Vouchers payable	5,113	-	-	5,113
Funds payable to other organizations	-	39,581	-	39,581
Available for distribution	-	-	164,533	164,533
Total Liabilities	5,113	39,581	164,533	209,227
Net Position				
Net position held in trust for pension benefits	22,931,689	-	-	22,931,689
Net position held in trust for other purposes	-	1,060,582	-	1,060,582
Total Net Position	\$ 22,931,689	\$ 1,060,582	\$ -	\$ 23,992,271

City of Dixon, Illinois

Statement of Changes in Net Position Fiduciary Funds

April 30, 2017

	Pension Trust	Private-Purpose Trust
Additions		
Contributions:		
Employer	\$ 1,298,098	\$ -
Plan members	339,306	-
Total contributions	1,637,404	-
Total additions	1,637,404	-
Deductions		
Benefit payments	1,977,259	-
Administrative and audit fee	64,294	-
Other	-	7,453
Transfer to other funds	-	23,000
Total deductions	2,041,553	30,453
Net Investment income (expense)	1,570,468	67,373
Other financing sources		
Operating transfers in	200,000	-
Change in Net Position	1,366,319	36,920
Net Position Held in Trust, Beginning of Year	21,565,370	1,023,662
Net Position Held in Trust, End of Year	\$ 22,931,689	\$ 1,060,582

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

Basic Financial Statements – Government-Wide Statements

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Basic Financial Statements – Government-Wide Statements (Continued)

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

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

The City does not allocate indirect costs.

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

Basic Financial Statements – Fund Financial Statements

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

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

The following fund types are used by the City:

Governmental Fund Types

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Basic Financial Statements – Government-Wide Statements (Continued)

Governmental Fund Types (continued)

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

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Proprietary Fund Types

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

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The City maintains two enterprise funds.

Fiduciary Fund Types

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

City of Dixon, Illinois

Notes to Financial Statements

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

Basic Financial Statements – Government-Wide Statements (Continued)

Fiduciary Fund Types (continued)

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

Reporting Major, Nonmajor and Fiduciary Fund Statements

The City reports the following major funds:

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

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

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

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Reporting Major, Nonmajor and Fiduciary Fund Statements

The City reports the following non-major funds:

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

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

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

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

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

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

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Basis of Accounting (continued)

Budgets and Budgetary Accounting

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

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

Cash Equivalents

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

Investments

State statutes authorize the government to invest in the following:

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Accounts Receivable

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

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the City could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. An allowance for doubtful accounts has been provided to uncollectible accounts receivable in the amount of \$16,000.

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, 2017, 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 2015 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2017 on the budgetary cash basis. Recognition of the revenue is deferred until the year it is intended to finance. The City's property tax is levied each year at the time the budget for the ensuring year is passed and is extended against the assessed valuation of the City on January 1 of that year. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable on two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

Long-Term Obligations

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

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

City of Dixon, Illinois

Notes to Financial Statements

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

Long-Term Obligations (continued)

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

Fund Equity/Net Position

Government-wide Statements

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

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

Fund Statements

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

Interfund Transactions

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Non-union personnel accrue unused vacation time when earned by the employee. Each employee is allowed to carryover five days to the subsequent fiscal year. As of April 30, 2017, \$461,474 of accrued vacation is included in accrued employee compensation. Union personnel are prohibited from carrying over any unused vacation time.

Proprietary Funds Revenues and Expenses

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

Use of Estimates

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

Note 2 Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2017, the City's bank balance was \$26,603,126 and the entire balance was insured and collateralized with securities in the City's name.

Note 3 Investments

As of April 30, 2017, 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	\$15,768,263	\$15,768,263	\$ -	\$ -	\$ -
U.S. Treasuries and Agencies	4,665,561	89,932	1,842,731	1,013,973	1,718,925
Corporate Bonds	4,060,009	14,994	1,181,010	2,309,752	554,253
Mutual Funds and Other Equities	13,797,471	13,797,471	-	-	-
Total	\$38,291,304	\$29,670,660	\$3,023,741	\$3,323,725	\$2,273,178

City of Dixon, Illinois

Notes to Financial Statements

Note 3 Investments (Continued)

Investments in the Illinois Funds

The State Treasurer maintains the Illinois Treasurer's Investment Pool (Pool) at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At April 30, 2017, the City had \$9,318,347 in the Pool, which approximates fair value.

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City. As of April 30, 2017, none of the City's deposits were exposed to custodial credit risk.

City of Dixon, Illinois

Notes to Financial Statements

Note 3 Investments (Continued)

Concentration of Credit Risk

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

Note 4 Capital Assets

Capital asset activity for the year ended April 30, 2017, was as follows:

	Balance at May 1, 2016	Additions	Transfers/ Disposals	Balance at April 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,428,024	\$ -	\$ -	\$ 2,428,024
Construction in progress	9,347,971	789,788	921,015	9,216,744
Total capital assets not being depreciated	11,775,995	789,788	921,015	11,644,768
Capital assets being depreciated:				
Buildings	14,148,852	18,707	1,308,521	12,859,038
Equipment	5,920,500	231,086	337,861	5,813,725
Infrastructure	32,850,286	1,171,928	1,152,195	32,870,019
Total capital assets being depreciated	52,919,638	1,421,721	2,798,577	51,542,782
Less accumulated depreciation:				
Buildings	5,567,991	368,554	1,308,520	4,628,025
Equipment	3,822,743	553,106	337,861	4,037,988
Infrastructure	17,084,870	1,181,549	1,152,195	17,114,224
Total accumulated depreciation	26,475,604	2,103,209	2,798,576	25,780,237
Governmental activities capital assets, net	\$ 38,220,029	\$ 108,300	\$ 921,016	\$ 37,407,313

City of Dixon, Illinois

Notes to Financial Statements

Note 4 Capital Assets (Continued)

	Balance at May 1, 2016	Additions	Transfers/ Disposals	Balance at April 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 309,339	\$ -	\$ -	\$ 309,339
Construction in progress	778,299	24,662	750,389	52,572
Total capital assets not being depreciated	1,087,638	24,662	750,389	361,911
Capital assets being depreciated:				
Buildings	21,562,575	-	-	21,562,575
Equipment	1,168,042	82,527	66,764	1,183,805
Infrastructure	36,306,354	1,296,695	-	37,603,049
Total capital assets being depreciated	59,036,971	1,379,222	66,764	60,349,429
Less accumulated depreciation:				
Buildings	12,947,950	1,004,275	-	13,952,225
Equipment	928,761	73,994	66,764	935,991
Infrastructure	17,311,464	1,204,532	-	18,515,996
Total accumulated depreciation	31,188,175	2,282,801	66,764	33,404,212
Business-type activities capital assets, net	\$ 28,936,434	\$ (878,917)	\$ 750,389	\$ 27,307,128

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	\$ 181,480
Public safety	489,885
Highways and streets	1,303,071
Culture and recreation	4,028
Airport	100,374
Cemetery	24,371
<hr/>	
Total depreciation expense	\$ 2,103,209
<hr/>	
Business-type activities:	
Sewer	\$ 1,464,562
Water department	820,056
<hr/>	
Total depreciation expense	\$ 2,284,618
<hr/>	

Note 5 Economic Development Agreements

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The agreement expires in May 2019. The amount of ROT rebate expenses during fiscal year ending April 30, 2016 was \$80,600.

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. The City was in arrears in regards to the initial agreement and a schedule was implemented to account for these back payments. As of April 30, 2017, \$29,352 had been paid for calendar years 2010 and 2011. For calendar years, 2012 through 2016, the City recognized a payable of \$81,537.

Note 6 Legal Debt Margin

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

Assessed valuation - 2016	\$ 173,630,129
Statutory debt limitation (8.625% of assessed valuation)	\$ 14,975,599
Total debt:	
General Obligation Debt Certificates	\$ -
EPA loans payable	9,853,802
Notes payable	5,576,657
Deduct bonds exempt from debt limitation computation:	
EPA loans payable	(9,853,802)
Notes payable	(5,576,657)
Legal debt margin	\$ 14,975,599

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt and Obligations

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

Governmental Activities

	Balance May 1, 2016	Increase	Decrease	Balance April 30, 2017	Due Within One Year
Net pension obligation	\$ 23,004,246	\$ -	1,401,289	\$ 21,602,957	\$ -
Other post-employment benefits	600,486	85,633	-	686,119	-
Total governmental activities	\$ 23,604,732	\$ 85,633	\$ 1,401,289	\$ 22,289,076	\$ -

Business-Type Activities

EPA loans payable	\$ 10,580,255	\$ -	\$ 726,453	\$ 9,853,802	\$ 738,641
Notes payable	6,610,151	-	1,033,494	5,576,657	1,059,859
Total business-type activities	\$ 17,190,406	\$ -	\$ 1,759,947	\$ 15,430,459	\$ 1,798,500

Governmental Activities

Net Pension Obligation

At April 30, 2017, the City had the following net pension liability (asset):

Police Pension	\$ 10,725,878
Firefighters' Pension	10,711,796
Illinois Municipal Retirement Fund	165,283
Total	\$ 21,602,957

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, 2017 consisted of the following:

Project	Interest rate	Amount
Waste Water Treatment Plant expansion	2.535 %	\$ 5,576,657
Total		\$ 5,576,657

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

Year Ending April 30	Waste Water Treatment Plant Expansion	
	Principal	Interest
2018	\$ 1,059,859	\$ 134,694
2019	1,086,896	107,656
2020	1,114,624	79,929
2021	1,143,059	51,494
2022	1,172,219	22,333
Future years	-	-
Total	\$ 5,576,657	\$ 396,106

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt and Obligations (Continued)

Business-Type Activities (Continued)

EPA Loans Payable

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

Year Ending April 30	Principal	Interest	Total
2018	\$ 157,998	\$ 40,818	\$ 198,816
2019	161,972	36,843	198,815
2020	166,047	32,769	198,816
2021	170,224	28,592	198,816
2022	174,506	24,309	198,815
Future years	841,224	53,447	894,671
Total	\$1,671,971	\$216,778	\$1,888,749

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

Year Ending April 30	Principal	Interest	Total
2018	\$ 261,134	\$ 84,203	\$ 345,337
2019	267,703	77,634	345,337
2020	274,437	70,900	345,337
2021	281,341	63,996	345,337
2022	288,419	56,918	345,337
Future years	2,059,967	184,733	2,244,700
Total	\$3,433,001	\$ 538,384	\$3,971,385

City of Dixon, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt and Obligations (Continued)

Business-Type Activities (Continued)

EPA Loans Payable (Continued)

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

Year Ending April 30	Principal	Interest	Total
2018	\$ 165,809	\$ -	\$ 165,809
2019	165,809	-	165,809
2020	165,809	-	165,809
2021	165,809	-	165,809
2022	165,809	-	165,809
Future years	1,492,288	-	1,492,288
Total	\$2,321,333	\$ -	\$2,321,333

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

Year Ending April 30	Principal	Interest	Total
2018	\$ 153,700	\$ 29,865	\$ 183,565
2019	155,627	27,938	183,565
2020	157,578	25,986	183,564
2021	159,554	24,010	183,564
2022	161,555	22,010	183,565
Future years	1,639,483	104,382	1,743,865
Total	\$2,427,497	\$ 234,191	\$2,661,688

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 \$12,406.

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, 2017:

	Police Pension	Firefighters’ Pension
Inactive members and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	32	26
Current employees	31	17
Total	63	43

Police Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Police Pension Plan (Continued)

Contributions

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

Investment Policy

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 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 2017 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, 2017 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, 2017 were as follows:

Total pension liability	\$25,470,334
Plan fiduciary net position	14,744,456
City's net pension liability	10,725,878
Plan fiduciary net position as a percentage of the total pension liability	57.9%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

Actuarial Cost Method	Aggregate Entry Age Normal
Asset Valuation Method	Market Value of Assets
Wage Growth	3.50%
Price Inflation	2.50%
Salary Increases	3.50% to 10.00% including inflation
Investment Rate of Return	6.75%

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Police Pension Plan (Continued)

Net Pension Liability (Continued)

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

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

Discount Rate

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

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

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

Changes in Net Pension Liability	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance May 1, 2016	\$24,772,173	\$13,647,814	\$11,124,359
Service costs	486,150	-	486,150
Interest on total pension liability	1,637,470	-	1,637,470
Difference between expected and actual experience	74,160	-	74,160
Changes in assumptions	(472,916)	-	(472,916)
Employer contributions	-	812,591	(812,591)
Employee contributions	-	205,454	(205,454)
Other contribution	-	19,282	(19,282)
Net investment income	-	1,129,702	(1,129,702)
Benefit payments – net of refunds	(1,026,703)	(1,026,703)	-
Other changes (net transfer)	-	(43,684)	43,684
Net changes	698,161	1,096,641	(398,480)
Balances as of April 30, 2017	\$25,470,334	\$14,744,456	\$10,725,878

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Police Pension Plan (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
City's proportionate share of the Net Pension liability	\$14,648,103	\$10,725,878	\$7,429,682

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2017, the City recognized pension expense of \$1,174,009. At April 30, 2017, 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	\$ 170,409	\$ -
Changes in assumptions	-	519,557
Net difference between projected and actual earnings on pension plan investments	809,593	167,672
Total	\$ 980,002	\$ 687,229

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:	
2018	\$151,551
2019	151,551
2020	151,551
2021	(117,257)
2022	(44,621)
Thereafter	-

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Firefighters' Pension Plan

Plan Description

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

Benefits Provided

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

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

Contributions

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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	3.00%	0.00%
US Fixed Income	52.00%	0.21%
Emerging Markets Debt	2.50%	2.36%
US Large Cap Equity	5.00%	5.00%
US Small/Mid Cap Equity	5.00%	6.04%
US Preferred Securities	5.00%	3.02%
International Developed Markets Equity	5.00%	5.97%
Emerging Markets Equity	5.00%	7.52%
Real Estate	5.00%	6.02%
Tactical All Asset	5.00%	3.70%
MLP's	5.00%	3.20%
Floating Rate Notes	2.50%	3.10%

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

City of Dixon, Illinois

Notes to Financial Statements

Note 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 2017 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, 2017 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, 2017 were as follows:

Total pension liability	\$18,899,028
Plan fiduciary net position	8,187,232
City's net pension liability	10,711,796
Plan fiduciary net position as a percentage of the total pension liability	43.3%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal (Level %)
Asset Valuation Method	Market Value of Assets
Total Payroll Increases	3.50%
Price Inflation	2.50%
Salary Increases	3.50% to 6.54%
Investment Rate of Return	6.50%

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Net Pension Liability (Continued)

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

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

Discount Rate

The discount rate of 6.50% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance May 1, 2016	\$19,435,215	\$7,917,556	\$11,535,659
Service costs	322,569	-	322,569
Interest on total pension liability	1,233,566	-	1,233,566
Difference between expected and actual experience	155,238	-	155,238
Changes in assumptions	(1,315,004)	-	(1,315,004)
Employer contributions	-	685,507	(685,507)
Employee contributions	-	114,570	(114,570)
Net investment income	-	440,768	(440,768)
Benefit payments – net of refunds	(950,556)	(950,556)	-
Other changes (net transfer)	-	(20,613)	20,613
Net changes	(554,187)	269,676	(823,863)
Balances as of April 30, 2017	\$18,899,028	\$8,187,232	\$10,711,796

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Net Pension liability	\$13,397,540	\$10,711,796	\$8,528,109

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2017, the City recognized pension expense of \$1,453,408. At April 30, 2017, 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	\$ 733,749	\$ -
Changes in assumptions	1,665,670	1,117,851
Net difference between projected and actual earnings on pension plan investments	424,288	-
Total	\$2,823,707	\$1,117,851

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:	
2018	\$500,311
2019	500,311
2020	500,311
2021	377,096
2022	(55,674)
Thereafter	(116,498)

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 a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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

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

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees Covered by the Benefit Terms –

As of December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	21
Active employees	48
<hr/>	
Total	134

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 2016 was 6.60%. For the fiscal year ended April 30, 2017, the City contributed \$244,929 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, 2016. 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, 2016:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

City of Dixon, Illinois

Notes to Financial Statements

Note 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-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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, 2016:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in Net Pension Liability	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance January 1, 2016	\$18,383,090	\$18,038,862	\$(344,228)
Service costs	308,819	-	308,819
Interest on total pension liability	1,351,187	-	1,351,187
Difference between expected and actual experience	(221,534)	-	(221,534)
Changes in assumptions	-	-	-
Employer contributions	-	218,999	(218,999)
Employee contributions	-	124,671	(124,671)
Net investment income	-	1,204,046	(1,204,046)
Benefit payments – net of refunds	(1,043,351)	(1,043,351)	-
Other changes (net transfer)	-	69,701	(69,701)
Net changes	395,121	574,066	(178,945)
Balances as of December 31, 2016	\$18,778,211	\$18,612,928	\$165,283

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

City of Dixon, Illinois

Notes to Financial Statements

Note 10 Pension Plans (Continued)

Illinois Municipal Retirement Fund (Continued)

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the Net Pension liability	\$2,397,179	\$165,283	\$(1,681,877)

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, 2017, the Plan recognized pension expense of \$244,929. At April 30, 2017, 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	\$ 262,727	\$ 167,426
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	871,517	-
Employer contributions subsequent to the measurement date	87,777	-
Total	\$1,222,021	\$ 167,426

The City reported \$87,777 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2017	\$262,000
2018	349,777
2019	247,318
2020	19,946
2021	-
Thereafter	-

City of Dixon, Illinois

Notes to Financial Statements

Note 11 Other Post-Employment Benefits

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

Plan Description

In addition to providing the pension benefits described in Note 10, the City provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

Benefits Provided

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

Membership

At April 30, 2017, membership consisted of:

Retirees and beneficiaries receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active vested plan members	7
Active nonvested plan members	87
Total	106
Number of participating employers	1

Funding Policy

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

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

City of Dixon, Illinois

Notes to Financial Statements

Note 11 Other Post-Employment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation

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

The City had an actuarial valuation performed for the plan as of April 30, 2017 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2017. The City's annual OPEB cost (expense) of \$213,520 was equal to the ARC for the fiscal year 2017. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2017	\$213,520	\$127,887	60.0 %	\$686,119
April 30, 2016	202,036	130,750	64.7 %	600,486
April 30, 2015	193,969	129,205	66.6 %	529,199
April 30, 2014	265,287	65,684	24.8 %	464,435
April 30, 2011	181,348	113,481	0.00 %	264,832

The net OPEB obligation as of April 30, 2017, was calculated as follows:

Annual required contribution	\$ 209,517
Interest on net OPEB obligation	24,019
Adjustment to annual required contribution	(20,016)
Annual OPEB cost	213,520
Contributions made	(127,887)
Increase in net OPEB obligation	85,633
Net OPEB obligation, beginning of year	600,486
Net OPEB obligation, end of year	\$ 686,119

Funding Status and Funding Progress

The funded status of the plan as of April 30, 2017 was as follows:

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

City of Dixon, Illinois

Notes to Financial Statements

Note 11 Other Post-Employment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the April 30, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 4.00%, salary increases comprised of a wage inflation component of 4.00%, and a healthcare trend rate of 5.60% initially and an ultimate rate of 5.50%. The calculations assume a level-percentage-of-pay 30-year open amortization period for retirees.

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

Note 12 Deferred Compensation Plan

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

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

City of Dixon, Illinois

Notes to Basic Financial Statements

Note 13 Interfund Transfers/Balances

All interfund balances at April 30, 2017 were as follows:

	Fund Owed	Fund Owing
General Fund	\$ 4,096,329	\$ -
Water Fund	-	390
Sewer Fund	-	390
Nonmajor Governmental	-	4,095,549
Total interfund balances	\$ 4,096,329	\$ 4,096,329

Interfund transfers during the year ended April 30, 2017, were as follows:

	Transfers In	Transfers Out
General Fund:		
Capital Projects Fund	\$ -	\$ 1,999,619
Nonmajor Governmental	-	79,000
Fiduciary Funds	-	200,000
Total General Fund	-	2,278,619
Capital Projects Fund:		
General Fund	1,999,619	-
Library Trust Fund:		
Capital Projects Fund	-	23,000
Fire Pension Fund	200,000	-
Total Agency Fund	2,199,619	23,000
Nonmajor Governmental		
General Fund	102,000	-
Total Nonmajor Governmental	102,000	-
Total operating transfers	\$ 2,301,619	\$ 2,301,619

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, 2017:

	Budget	Actual
Municipal Airport Fund	118,895	144,037
Medical Insurance Fund	1,200,000	1,782,988
Local Organizations Fund	-	6
Firefighter's Pension Fund	820,000	971,168
Firefighter's Pension Fund	1,042,000	1,070,385
DUI Fund	-	6,720

The Downtown Redevelopment Project TIF Fund and Riverfront Project TIF Fund had deficit fund balances at April 30, 2017 of \$1,538,524 and \$1,891,455, respectively.

Note 15 Commitments and Contingencies

On March 9, 2017, the City entered into a contingent purchase contract with Dixon Iron & Metal, LLC for the option to purchase property located at 78 Monroe Avenue, Dixon, Illinois for \$310,000. A due diligence period exists of 240 days. During this time, a determination will be made as to whether this property is suitable for purchase by the City. As of April 30, 2017, \$4,293 has been paid and is included as construction in progress.

City of Dixon, Illinois

Notes to Financial Statements

Note 16 Risk Management

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

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

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

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

Note 17 Dixon Community Fire Protection District

The City of Dixon has filed objections related to taxes that the Dixon Community Fire Protection District (District) is receiving from certain property in Lee County. During the year ended April 30, 2011, the City and the District entered into an agreement whereby the District will make 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, 2017 and shall be automatically extended for an additional two years unless either party gives written notice to terminate.

Note 18 Risks and Uncertainties

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

City of Dixon, Illinois

Notes to Financial Statements

Note 19 Management Evaluation of Subsequent Events

On July 5, 2017, the City entered into an agreement with the Dixon Chamber of Commerce and Main Street to assist with the operation and management of the real estate, improvements and amenities commonly known as the Dixon Riverfront – Heritage Crossing. This agreement calls for a payment of \$54,000 within 15 days of the execution of this agreement and \$250,000 to be paid in four equal quarterly installments beginning within 15 days of the agreement and final payment to be made on or before April 1, 2018.

Note 20 Fund Balance Reporting

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

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

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

Nonspendable Fund Balance

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

Prepaid Expenses	\$	296,859
Notes Receivable		302,836
Inventory		5,731
<hr/>		
Total Nonspendable	\$	605,426
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City of Dixon, Illinois

Notes to Financial Statements

Note 20 Fund Balance Reporting (Continued)

Restricted Fund Balance

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

Public Safety	\$	1,174,694
Streets and Highways		1,274,193
Culture and Recreation		387,492
City Development		13,509,575
Airport Operations		77,739
Municipal Retirement		1,465,780
Working Cash		705,656
Social Security		1,801,922
<u>Total Restricted</u>	<u>\$</u>	<u>20,397,051</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 21 Restricted Net Position

Restrictions of net position represent amounts that are not appropriable or are legally segregated for a specific purpose. Restricted net position is limited to outside third-party restrictions. The following restricted net position existed as of April 30, 2017.

Public Safety	\$	1,174,694
Streets and Highways		1,274,193
Culture and Recreation		387,492
City Development		13,509,575
Airport Operations		77,739
Municipal Retirement		1,465,780
Working Cash		705,656
Social Security		1,801,922
<u>Total Restricted Net Position</u>	<u>\$</u>	<u>20,397,051</u>

City of Dixon, Illinois

Notes to Financial Statements

Note 22 Impact of Pending Accounting Pronouncements

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

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City has not determined the effect of this Statement.

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

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

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

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

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

Required Supplementary Information

City of Dixon, Illinois

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

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

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

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

City of Dixon, Illinois

Schedule of Funding Progress Other Post Employment Benefits

April 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Other Post-Employment Benefits						
4/30/2011	-	\$ 1,662,066	\$ 1,662,066	0.00%	\$ 5,366,785	30.97%
4/30/2014	-	2,786,851	2,786,851	0.00%	6,016,923	46.32%
4/30/2015	-	2,346,155	2,346,155	0.00%	5,632,999	41.65%
4/30/2016	-	2,346,155	2,346,155	0.00%	5,632,999	41.65%
4/30/2017*	-	2,458,354	2,458,354	0.00%	5,623,958	43.71%

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

** - Data presented is based on the most recent actuarial valuation dated May 1, 2016*

City of Dixon, Illinois

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

April 30, 2017

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
IMRF					
2015	\$ 199,340 *	\$ 230,964	\$ (31,624)	\$ 2,975,220	7.76%
2016	182,850 *	218,999	(36,149)	2,770,457	7.90%

*Estimated based on contribution rate of 6.60% and covered valuation payroll of \$2,770,457.

The City implemented GASB Statement No. 68 in April 30, 2016.

Police Pension Fund

4/30/2008	333,426	389,475	(56,049)	1,419,857	27.43%
4/30/2009	488,480	410,274	78,206	1,474,079	27.83%
4/30/2010	494,821	406,495	88,326	1,594,028	25.50%
4/30/2011	416,399	416,399	-	1,546,962	26.92%
4/30/2012	494,821	432,424	62,397	1,546,962	27.95%
4/30/2013	416,399	443,397	(26,998)	1,681,857	26.36%
4/30/2014	432,436	476,189	(43,753)	1,822,623	26.13%
4/30/2015	532,391	525,350	7,041	1,994,165	26.34%
4/30/2016	601,833	603,612	(1,779)	2,048,608	29.46%
4/30/2017	833,033	812,591	20,442	2,256,530	36.01%

Fire Pension Fund

4/30/2008	348,067	298,293	49,774	859,152	34.72%
4/30/2009	494,370	337,210	157,160	887,705	37.99%
4/30/2010	431,447	338,427	93,020	874,687	38.69%
4/30/2011	338,437	338,437	-	900,489	37.58%
4/30/2012	431,447	348,553	82,894	883,627	39.45%
4/30/2013	338,437	354,399	(15,962)	1,091,163	32.48%
4/30/2014	355,779	392,039	(36,260)	1,003,959	39.05%
4/30/2015	472,264	406,847	65,417	1,198,704	33.94%
4/30/2016	458,187	460,600	(2,413)	1,198,672	38.43%
4/30/2017	556,036	685,507	(129,471)	1,435,299	47.76%

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
General property taxes	\$ 2,115,000	\$ 2,115,000	\$ 2,008,097	\$ (106,903)
Intergovernmental revenue:				
Personal property replacement tax	692,000	692,000	814,373	122,373
Income tax and surcharge	1,000,000	1,000,000	1,487,159	487,159
Sales tax	3,030,000	3,030,000	3,189,947	159,947
Utility tax	675,000	675,000	639,487	(35,513)
Telecom tax	70,000	70,000	53,661	(16,339)
Gaming tax	240,000	240,000	260,098	20,098
Grant revenue	96,650	96,650	208,131	111,481
Motel tax	75,000	75,000	72,474	(2,526)
	5,878,650	5,878,650	6,725,330	846,680
Licenses, permits, and other fees	559,000	559,000	610,304	51,304
Fines and penalties	240,000	240,000	205,076	(34,924)
Donations	500	500	-	(500)
Charges for services	905,000	905,000	662,012	(242,988)
Revenue from use of money and property	38,200	38,200	27,459	(10,741)
Other	20,000	20,000	19,084	(916)
Total revenues - modified accrual basis	\$ 9,756,350	\$ 9,756,350	10,257,362	\$ 501,012
Subtract beginning deferred revenues			(2,675,743)	
Add ending deferred revenues			2,582,755	
Add beginning receivables/accrued revenues			3,697,231	
Subtract ending receivables/accrued revenues			(3,645,470)	
Total revenues - budget basis			\$ 10,216,135	
Expenditures				
<i>Department of Public Affairs</i>				
Salaries	\$ 31,200	\$ 31,200	\$ 31,382	\$ 182
Supplies and services	15,540	15,540	12,401	(3,139)
Professional services and fees	155,000	155,000	221,939	66,939
Public relations	1,000	1,000	186	(814)
Travel expense	6,700	6,700	8,283	1,583
Dues and subscriptions	4,250	4,250	1,560	(2,690)
Donations	38,000	38,000	148,230	110,230
Fire and Police Commission	11,500	11,500	9,325	(2,175)
	263,190	263,190	433,306	170,116

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Accounts and Finance</i>				
Salaries	457,158	457,158	412,464	(44,694)
Maintenance	18,200	18,200	18,129	(71)
Supplies and services	235,917	235,917	203,510	(32,407)
Professional services and fees	60,660	60,660	65,513	4,853
Notices and publications	1,300	1,300	1,264	(36)
Insurance	571,527	571,527	522,986	(48,541)
Travel expense	4,800	4,800	6,000	1,200
Training	13,500	13,500	9,155	(4,345)
Continuing education reimbursement	2,500	2,500	4,708	2,208
Lease payments	400	400	570	170
Dues and subscriptions	3,450	3,450	2,439	(1,011)
	1,369,412	1,369,412	1,246,738	(122,674)
Dept. of Information Technology				
Salaries	82,192	82,192	59,611	(22,581)
Supplies and services	26,850	26,850	12,562	(14,288)
Professional services and fees	31,500	31,500	31,252	(248)
Insurance	22,160	22,160	12,779	(9,381)
Training	4,525	4,525	2,746	(1,779)
	167,227	167,227	118,950	(48,277)
Dept. of Police Protection				
Salaries	2,444,193	2,444,193	2,454,655	10,462
Maintenance	45,821	45,821	54,032	8,211
Supplies and services	216,243	216,243	196,310	(19,933)
Professional services and fees	32,440	32,440	12,746	(19,694)
Insurance	415,347	415,347	402,765	(12,582)
Police training	16,000	16,000	8,628	(7,372)
Miscellaneous	2,500	2,500	1,758	(742)
Travel expense	12,500	12,500	14,100	1,600
Dues and subscriptions	2,500	2,500	2,012	(488)
Clothing allowance	6,750	6,750	6,750	-
Continuing education reimbursement	5,000	5,000	2,000	(3,000)
Lease payments	5,719	5,719	4,017	(1,702)
Lee County rent	164,000	164,000	125,818	(38,182)
	3,369,013	3,369,013	3,285,591	(83,422)

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Fire Protection</i>				
Salaries	1,229,370	1,229,370	1,234,991	5,621
Maintenance	19,000	19,000	18,041	(959)
Supplies and services	101,295	101,295	52,860	(48,435)
Pension	200,000	200,000	-	(200,000)
Insurance	160,876	160,876	182,340	21,464
Fire training	25,000	25,000	23,855	(1,145)
Dues and subscriptions	1,690	1,690	3,198	1,508
Travel expenses	1,500	1,500	324	(1,176)
Continuing education reimbursement	8,000	8,000	5,038	(2,962)
Grant match	35,000	35,000	-	(35,000)
Lease payments	5,000	5,000	4,650	(350)
	1,786,731	1,786,731	1,525,297	(261,434)
Dept. of Streets and Improvements				
Salaries	417,214	417,214	293,403	(123,811)
Maintenance	20,000	20,000	77,449	57,449
Supplies and services	277,841	277,841	167,814	(110,027)
Insurance	90,527	90,527	62,638	(27,889)
Dues and subscriptions	-	-	1,580	1,580
Travel expenses	4,000	4,000	2,745	(1,255)
Clothing allowance	3,000	3,000	3,282	282
	812,582	812,582	608,911	(203,671)
Dept. of Building and Zoning				
Salaries	164,898	164,898	164,648	(250)
Maintenance	2,500	2,500	749	(1,751)
Supplies and services	45,955	45,955	10,065	(35,890)
Insurance	40,965	40,965	41,663	698
Training	2,000	2,000	1,356	(644)
Lease payments	450	450	311	(139)
Dues and subscriptions	350	350	264	(86)
	257,118	257,118	219,056	(38,062)

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Public Property</i>				
Salaries	345,950	345,950	261,275	(84,675)
Maintenance	62,000	62,000	67,474	5,474
Supplies and services	90,800	90,800	67,290	(23,510)
Insurance	50,190	50,190	40,458	(9,732)
Dues and subscriptions	1,100	1,100	1,287	187
Engineering	1,000	1,000	-	(1,000)
Training expense	2,000	2,000	695	(1,305)
Clothing allowance	1,000	1,000	500	(500)
	554,040	554,040	438,979	(115,061)
Dept. of Traffic Maintenance				
Salaries	74,943	74,943	82,817	7,874
Maintenance	6,000	6,000	9,321	3,321
Supplies and services	105,579	105,579	83,691	(21,888)
Insurance	15,870	15,870	16,524	654
Training expense	1,500	1,500	-	(1,500)
Clothing allowance	500	500	490	(10)
	204,392	204,392	192,843	(11,549)
Dept. of Public Works				
Salaries	64,722	64,722	71,259	6,537
Supplies and services	7,450	7,450	885	(6,565)
Professional services and fees	20,400	20,400	3,969	(16,431)
Insurance	12,548	12,548	13,444	896
Dues and subscriptions	1,500	1,500	184	(1,316)
Travel	-	-	126	126
Training	2,500	2,500	200	(2,300)
	109,120	109,120	90,067	(19,053)

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)				
<i>Dept. of Culture and Recreation</i>				
Salaries	59,600	59,600	49,432	(10,168)
Maintenance	-	10,000	-	(10,000)
Supplies, services, and professional services	19,925	17,975	7,957	(10,018)
Miscellaneous	12,200	12,200	13,349	1,149
Dues and subscriptions	2,600	2,050	132	(1,918)
Travel expenses	1,100	1,100	510	(590)
Donation expense	95,000	107,500	110,093	2,593
Dixon 1 build out	-	30,000	-	(30,000)
Advertising	64,100	14,100	5,446	(8,654)
	254,525	254,525	186,919	(67,606)
Total expenditures - modified accrual basis	\$ 9,147,350	\$ 9,147,350	8,346,657	\$ (800,693)
Add beginning accrued expenditures			754,997	
Subtract ending accrued expenditures			(349,259)	
Subtract beginning prepaid expenditures			(274,284)	
Add ending prepaid expenditures			288,467	
Total expenditures - budget basis			\$ 8,766,578	
Excess of revenues over expenditures - appropriation basis			\$ 1,449,557	
Other Financing Sources (Uses)				
Operating transfers out	\$ (609,000)	\$ (609,000)	(2,278,619)	\$ (1,669,619)
	\$ (609,000)	\$ (609,000)	(2,278,619)	\$ (1,669,619)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis			\$ (829,062)	

City of Dixon, Illinois

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

Year Ended April 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Revenue from use of money and property	\$ 5,000	\$ 2,000	\$ 5,373	\$ 3,373
Total revenues - modified accrual basis	\$ 5,000	\$ 2,000	5,373	\$ 3,373
Total revenues - budget basis			\$ 5,373	
Expenditures				
Payments to pensions	\$ 250,000	\$ 250,000	\$ 182,635	\$ (67,365)
Total expenditures - modified accrual basis	\$ 250,000	\$ 250,000	182,635	\$ (67,365)
Total expenditures - budget basis			\$ 182,635	
Excess of revenues over expenditures - budget basis			\$ (177,262)	

City of Dixon, Illinois

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

Year Ended April 30, 2017

	Original and Final Budget	Actual	Over (Under) Budget
Revenues			
Revenue from use of money and property	\$ 5,000	\$ 6,764	\$ 1,764
Total revenues - modified accrual basis	\$ 5,000	6,764	\$ 1,764
Total revenues - budget basis		\$ 6,764	
Expenditures			
Payments to Social Security system	\$ 280,000	\$ 260,587	\$ (19,413)
Total expenditures - modified accrual basis	\$ 280,000	260,587	\$ (19,413)
Total expenditures - budget basis		\$ 260,587	
Excess of revenues over expenditures - budget basis		\$ (253,823)	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Proceeds from partnership liquidation	\$ -	\$ -	\$ 189,251	\$ 189,251
Revenue from use of money and property	14,000	14,000	67,462	53,462
Total revenues - modified accrual basis	\$ 14,000	\$ 14,000	256,713	\$ 242,713
Total revenues - budget basis			\$ 256,713	
Expenditures				
Maintenance	\$ -	\$ -	\$ -	\$ -
Supplies, services, and professional services	68,500	68,500	156,836	88,336
New property and equipment	1,507,500	1,446,000	967,735	(478,265)
Miscellaneous	-	-	10,000	10,000
Total expenditures - modified accrual basis	\$ 1,576,000	\$ 1,514,500	1,134,571	\$ (379,929)
Total expenditures - budget basis			\$ 1,134,571	
Excess of revenues over expenditures - budget basis			\$ (877,858)	
Other Financing Sources (Uses)				
Operating transfers in	\$ 715,000	\$ 653,500	1,999,619	\$ 1,346,119
Total other financing sources (uses)	715,000	653,500	1,999,619	1,346,119
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budget basis			1,121,761	
Special Item				
Proceeds from sale of fixed assets	\$ 10,000	\$ 10,000	31,039	\$ 21,039
Excess (deficiency) of revenues, other financing sources, and special items over expenditures and other financing uses - budget basis			\$ 1,152,800	

City of Dixon, Illinois

Notes to Required Supplementary Information

Note 1 Basis of Accounting

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

Other Information

City of Dixon, Illinois

Non-Major Funds Combining Balance Sheet

April 30, 2017

	General Government		
	TIF Districts		
	Downtown Redevelopment Project	Riverfront Project	Working Cash
Assets			
Cash and cash equivalents	\$ 233,640	\$ 128,545	\$ -
Investments	-	-	705,267
Receivables:			
General property taxes	141,997	206,476	-
Sales taxes	-	-	-
Motor fuel tax allotments	-	-	-
Accounts, less allowance for estimated uncollectibles	-	-	-
Interest	-	-	389
Notes receivable	302,836	-	-
Prepaid insurance	-	-	-
Total Assets	\$ 678,473	\$ 335,021	\$ 705,656
Liabilities			
Vouchers payable	\$ -	\$ -	\$ -
Accrued liabilities:			
Payroll	-	-	-
Interfund payable	2,075,000	2,020,000	-
Total liabilities	2,075,000	2,020,000	-
Deferred Inflow of Resources			
Deferred property tax revenue	141,997	206,476	-
Toal Deferred Inflows of Resources	141,997	206,476	-
Total Liabilities and Deferred Inflows of Resources	2,216,997	2,226,476	-
Fund Balances			
Nonspendable:			
Notes receivable	302,836	-	-
Prepaid expenses	-	-	-
Unrestricted	(1,841,360)	(1,891,455)	-
Restricted:			
Special revenue	-	-	705,656
Total fund balances	(1,538,524)	(1,891,455)	705,656
Total Liabilities, Deferred Inflows and Fund Balances	\$ 678,473	\$ 335,021	\$ 705,656

Special Revenue						
Highways and Streets		Culture and Recreation		Airport	Public Safety	
Motor Fuel Tax	Infrastructure	Library	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	Total
\$ 101,213	\$ 1,008,646	\$ 387,784	\$ 78,279	\$ 133,506	\$ 128,875	\$ 2,200,488
-	-	-	-	808,655	-	1,513,922
-	-	510,242	-	-	-	858,715
-	192,890	-	-	-	-	192,890
34,444	-	-	-	-	-	34,444
-	-	287	2,375	110,629	-	113,291
-	-	-	-	832	-	1,221
-	-	-	-	-	-	302,836
-	-	-	8,392	-	-	8,392
\$ 135,657	\$ 1,201,536	\$ 898,313	\$ 89,046	\$ 1,053,622	\$ 128,875	\$ 5,226,199
\$ -	\$ -	\$ 3,405	\$ 2,915	\$ 414	\$ -	\$ 6,734
-	-	6,146	-	6,840	-	12,986
-	-	-	-	549	-	4,095,549
-	-	9,551	2,915	7,803	-	4,115,269
-	63,000	501,270	-	-	-	912,743
-	63,000	501,270	-	-	-	912,743
-	63,000	510,821	2,915	7,803	-	5,028,012
-	-	-	-	-	-	302,836
-	-	-	8,392	-	-	8,392
-	-	-	-	-	-	(3,732,815)
135,657	1,138,536	387,492	77,739	1,045,819	128,875	3,619,774
135,657	1,138,536	387,492	86,131	1,045,819	128,875	198,187
\$ 135,657	\$ 1,201,536	\$ 898,313	\$ 89,046	\$ 1,053,622	\$ 128,875	\$ 5,226,199

City of Dixon, Illinois

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

Year Ended April 30, 2017

	General Government		
	TIF Districts		
	Downtown Redevelopment Project	Riverfront Project	Working Cash
Revenues			
General property taxes	\$ 140,741	\$ 193,656	\$ -
Sales taxes	-	-	-
Personal property replacement tax	-	-	-
Motor fuel tax allotments	-	-	-
Foreign fire insurance tax	-	-	-
User fees	-	-	-
Revenue from use of money and property	127	52	5,678
Miscellaneous	-	-	-
Grants	-	-	-
Total revenues	140,868	193,708	5,678
Expenditures			
Salaries	-	-	-
Maintenance	33,853	-	-
Supplies, services and professional services	-	-	-
Fuel, gas, and oil	-	-	-
Insurance	-	-	-
Miscellaneous	28,148	77,814	-
Real estate taxes	-	-	-
Engineering	-	-	-
Capital outlay: Infrastructure	-	-	-
Total expenditures	62,001	77,814	-
Excess (deficiency) of revenues over (under) expenditures	78,867	115,894	5,678
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	78,867	115,894	5,678
Fund Balance (Deficit), Beginning of Year	(1,617,391)	(2,007,349)	699,978
Fund Balance, End of Year	\$ (1,538,524)	\$ (1,891,455)	\$ 705,656

Special Revenue						
Highways and Streets		Culture and Recreation	Airport	Public Safety		
Motor Fuel Tax	Infrastructure	Library	Municipal Airport	Emergency Vehicle	Foreign Fire Insurance	Total
\$ -	\$ -	\$ 459,240	\$ -	\$ -	\$ -	\$ 793,637
-	833,125	-	-	-	-	833,125
-	-	65,037	-	-	-	65,037
398,773	-	-	-	-	-	398,773
-	-	-	-	-	27,211	27,211
-	-	29,590	-	405,965	-	435,555
55	2,849	51	62,403	3,760	459	75,434
-	-	2,463	1,769	-	-	4,232
-	-	12,128	-	-	-	12,128
398,828	835,974	568,509	64,172	409,725	27,670	2,645,132
-	-	286,579	31,618	214,902	-	533,099
-	-	22,953	9,348	3,224	-	69,378
-	-	157,486	45,568	18,663	12,313	234,030
-	-	292	1,829	3,151	-	5,272
-	-	86,133	15,769	31,354	-	133,256
-	-	-	-	-	-	105,962
-	-	-	1,105	-	-	1,105
-	-	-	38,800	-	-	38,800
322,757	-	-	-	-	-	322,757
322,757	-	553,443	144,037	271,294	12,313	1,443,659
76,071	835,974	15,066	(79,865)	138,431	15,357	1,201,473
-	-	23,000	79,000	-	-	102,000
-	-	-	-	-	-	-
-	-	23,000	79,000	-	-	102,000
76,071	835,974	38,066	(865)	138,431	15,357	1,303,473
59,586	302,562	349,426	86,996	907,388	113,518	(1,105,286)
\$ 135,657	\$ 1,138,536	\$ 387,492	\$ 86,131	\$ 1,045,819	\$ 128,875	\$ 198,187

City of Dixon, Illinois

Private Purpose Trust Funds Combining Statement of Net Position

April 30, 2017

	Cemetery Endowment	Local Organizations	Library Trust	Total
Assets				
Cash and cash equivalents	\$ 22,693	\$ 50,395	\$ 70,502	\$ 143,590
Investments	584,490	-	365,058	949,548
Receivables:				
Accounts	6,375	-	-	6,375
Interest	196	-	454	650
Total Assets	\$ 613,754	\$ 50,395	\$ 436,014	\$ 1,100,163
Liabilities				
Funds payable to other organizations	\$ -	\$ 39,494	\$ -	\$ 39,494
Accounts payable	-	87	-	87
Total liabilities	-	39,581	-	39,581
Net Position - Held in Trust				
Restricted for perpetual endowment	613,754	-	-	613,754
Unrestricted	-	10,814	436,014	446,828
Net position	613,754	10,814	436,014	1,060,582
Total Liabilities and Net Position	\$ 613,754	\$ 50,395	\$ 436,014	\$ 1,100,163

City of Dixon, Illinois

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

Year Ended April 30, 2017

	Cemetery Endowment	Local Organizations	Library Trust	Total
Additions				
Interest income	\$ 4,399	\$ -	\$ 5,758	\$ 10,157
Revenue from use of money and property	36,025	-	21,191	57,216
Total revenues	\$ 40,424	\$ -	\$ 26,949	\$ 67,373
Deductions				
Transfer to other funds	\$ -	\$ -	\$ 23,000	\$ 23,000
Miscellaneous	-	6	7,447	7,453
Total expenditures	-	6	30,447	30,453
Change in Net Position	40,424	(6)	(3,498)	36,920
Net Position Held in Trust				
Beginning of Year	573,330	10,820	439,512	1,023,662
Net Position Held in Trust				
End of Year	\$ 613,754	\$ 10,814	\$ 436,014	\$ 1,060,582

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Plan Net Position

April 30, 2017

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
Assets			
Cash	\$ 184,922	\$ 153,673	\$ 338,595
Investments	14,521,759	8,001,282	22,523,041
Prepaid investment fees	16,757	10,183	26,940
Investment income receivable	25,187	23,039	48,226
Total Assets	14,748,625	8,188,177	22,936,802
Liabilities			
Vouchers payable	4,168	945	5,113
Net Position Held in Trust for Pension Benefits	\$ 14,744,457	\$ 8,187,232	\$ 22,931,689

City of Dixon, Illinois

Pension Trust Funds Combining Statement of Changes in Plan Net Position

Year Ended April 30, 2017

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
Additions			
Contributions			
Employer	\$ 812,591	\$ 485,507	\$ 1,298,098
Plan members	224,736	114,570	339,306
Total contributions	1,037,327	600,077	1,637,404
Total additions	1,037,327	600,077	1,637,404
Deductions			
Benefit payments	1,026,703	950,556	1,977,259
Administrative and audit fee	43,682	20,612	64,294
Total deductions	1,070,385	971,168	2,041,553
Net Investment income (expense)	1,129,701	440,767	1,570,468
Excess of additions over deductions	1,096,643	69,676	1,166,319
Other financing sources			
Operating transfers in	-	200,000	200,000
Changes in Plan Net Position	1,096,643	269,676	1,366,319
Net Position Held in Trust for Pension Benefits, Beginning of Year	13,647,814	7,917,556	21,565,370
Net Position Held in Trust for Pension Benefits, End of Year	\$ 14,744,457	\$ 8,187,232	\$ 22,931,689

City of Dixon, Illinois

Agency Funds Combining Balance Sheet

April 30, 2017

	Police Vehicle	Confiscated Property	DUI	Total
Assets				
Cash and cash equivalents	\$ 6,264	\$ 140,446	\$ 17,823	\$ 164,533
Total Assets	\$ 6,264	\$ 140,446	\$ 17,823	\$ 164,533
Liabilities				
Available for distribution	\$ 6,264	\$ 140,446	\$ 17,823	\$ 164,533
Total Liabilities	\$ 6,264	\$ 140,446	\$ 17,823	\$ 164,533

City of Dixon, Illinois

Agency Funds Combining Statement of Cash Receipts and Disbursements

Year Ended April 30, 2017

	Police Vehicle	Confiscated Property	DUI	Total
Cash and Investments				
Balance, Beginning of Year	\$ (216)	\$ 99,018	\$ 15,324	\$ 114,126
Receipts	6,480	46,228	9,219	61,927
Disbursements	-	(4,800)	(6,720)	(11,520)
Cash and Investments				
Balance, End of Year	\$ 6,264	\$ 140,446	\$ 17,823	\$ 164,533

City of Dixon, Illinois

Schedule of Assessed Valuations, Rates, Extensions and Collections

Tax Years 2016, 2015, and 2014

Fund	Assessed valuation	2016		
		Tax rate	Tax extensions	Tax collections
Corporate	\$ 173,630,129	.1848	\$ 320,868	\$ -
Police Protection	173,630,129	.6000	1,041,781	-
Fire Protection	86,379,385	-	-	-
Audit	173,630,129	.0196	34,032	-
Road and Bridge	173,630,129	-	-	-
Band	173,630,129	-	-	-
Library	173,630,129	.2588	449,355	-
Cemetery	173,630,129	.0250	43,408	-
Fire Pension	86,379,385	.5653	488,303	-
Police Pension	173,630,129	.4788	831,341	-
Civil Defense	173,630,129	-	-	-
Claim and Judgment Tax	173,630,129	.2695	467,933	-
Library Maintenance	173,630,129	.0299	51,915	-
Public Benefit	173,630,129	.0500	86,815	-
TIF District 1	2,464,924	-	141,997	-
TIF District 3	4,006,690	-	206,476	-
		2.4817	\$ 4,164,224	\$ -

2015			
Assessed valuation	Tax rate	Tax extensions	Tax collections
\$ 174,098,447	.2079	361,951	\$ 352,964
174,098,447	.5619	978,259	953,965
86,899,577	-	-	-
174,098,447	.0184	32,034	31,238
174,098,447	-	-	68,444
174,098,447	-	-	-
174,098,447	.2412	419,925	409,497
174,098,447	.0250	43,525	42,444
86,899,577	.5565	483,596	485,378
174,098,447	.4785	833,061	812,371
174,098,447	-	-	-
174,098,447	.2786	485,038	472,992
174,098,447	.0293	51,011	49,744
174,098,447	.0500	87,049	84,888
2,514,943	-	140,741	140,741
4,009,862	-	193,656	193,656
2.4473		\$ 4,109,846	\$ 4,098,322

2014			
Assessed valuation	Tax rate	Tax extensions	Tax collections
\$ 173,941,155	.4375	\$ 760,993	\$ 763,137
173,941,155	.5979	1,039,994	1,042,925
87,560,636	.0685	59,979	21,298
173,941,155	.0241	41,920	42,039
173,941,155	-	-	69,098
173,941,155	-	-	-
173,941,155	.2357	409,979	411,134
173,941,155	.0250	43,485	43,609
87,560,636	.5233	458,205	460,539
173,941,155	.3460	601,836	603,531
173,941,155	-	-	-
173,941,155	.1725	300,048	300,893
173,941,155	.0287	49,921	50,062
173,941,155	-	-	-
2,586,579	-	268,204	138,815
3,981,783	-	180,209	179,753
2.4592		\$ 4,214,773	\$ 4,126,833

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, 2017, and the related notes to the financial statements, which collectively comprise City of Dixon, Illinois’ basic financial statements and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dixon, Illinois’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dixon, Illinois’ internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dixon, Illinois’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies that may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

Segregation of Duties

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

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

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

Financial Statements Preparation

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dixon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dixon, Illinois' Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Dixon, Illinois
September 22, 2017

City of Dixon, Illinois

Schedule of Responses

For the Year Ended April 30, 2017

Financial Statement Findings

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

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

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

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

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

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Dixon, Illinois for the year ended April 30, 2017, and have issued our report thereon dated September 22, 2017. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the TIF district pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Wipfli LLP

Dixon, Illinois
September 22, 2017