

CITY OF POLO, ILLINOIS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED APRIL 30, 2017



CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 Polo, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 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 Polo, 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 of America.

Emphasis-of-Matter

During fiscal year ended April 30, 2017, the City of Polo, Illinois, changed the fund classification of the previously reported internal service fund to a special revenue fund. As a result of the fund type change, the City of Polo, Illinois reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Management has omitted *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 missing 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 Polo, Illinois' basic financial statements. The combining nonmajor fund financial statements and the schedule of property tax assessed valuations, rates, extensions and collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The Schedule of Property Tax Assessed Valuations, Rates, Extensions, and Collections 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Dixon, Illinois
August 29, 2017

CITY OF POLO, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 157,308	\$ 235,391	\$ 392,699
Investments	1,096,202	2,470,915	3,567,117
Taxes Receivable	394,082	-	394,082
Intergovernmental Receivables	114,209	211,340	325,549
Customer Receivables (Less Allowance for Uncollectible Accounts of \$1,350)	12,184	13,849	26,033
Interest Receivable	5,820	6,014	11,834
Material Inventory	-	29,009	29,009
Prepaid Expenses	44,644	-	44,644
Capital Assets:			
Land	98,047	244,205	342,252
Construction in Progress	-	206,047	206,047
Other Capital Assets, Net	562,754	9,044,937	9,607,691
Total Assets	<u>2,485,250</u>	<u>12,461,707</u>	<u>14,946,957</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension Liability	167,908	58,027	225,935
LIABILITIES			
Accounts Payable	7,769	22,389	30,158
Accrued Payroll	17,680	9,177	26,857
Accrued Interest	-	9,163	9,163
Refundable Deposits	-	35,081	35,081
Accrued Compensated Absences	1,540	2,220	3,760
Long-Term Liabilities:			
Due Within One Year	10,637	374,070	384,707
Due in More than One Year	11,807	5,769,562	5,781,369
Net Pension Liability	196,164	68,221	264,385
Total Liabilities	<u>245,597</u>	<u>6,289,883</u>	<u>6,535,480</u>
DEFERRED INFLOWS OF RESOURCES			
Subsequent Year's Property Taxes	394,082	-	394,082
Deferred Amount Related to Pension Liability	32,834	12,144	44,978
Total Deferred Inflows of Resources	<u>426,916</u>	<u>12,144</u>	<u>439,060</u>
NET POSITION			
Net Investment in Capital Assets	638,357	3,351,557	3,989,914
Restricted for:			
General Government	81,771	-	81,771
Public Safety	4,535	-	4,535
Public Works and Transportation	37,534	-	37,534
Culture and Recreation	7,123	-	7,123
Insurance	62,781	-	62,781
Unrestricted	1,148,544	2,866,150	4,014,694
Total Net Position	<u>\$ 1,980,645</u>	<u>\$ 6,217,707</u>	<u>\$ 8,198,352</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 374,247	\$ 44,296	\$ -	\$ (329,951)	\$ -	\$ (329,951)
Public Safety	412,092	7,493	-	(404,599)	-	(404,599)
Public Works and Transportation	374,190	-	-	(374,190)	-	(374,190)
Culture and Recreation	143,708	28,546	-	(115,162)	-	(115,162)
Interest on Long-Term Debt	347	-	-	(347)	-	(347)
Total Governmental Activities	<u>1,304,584</u>	<u>80,335</u>	<u>-</u>	<u>(1,224,249)</u>	<u>-</u>	<u>(1,224,249)</u>
Business-Type Activities:						
Water	292,028	309,028	141,940	-	158,940	158,940
Sewer	665,182	612,840	-	-	(52,342)	(52,342)
Sanitation	197,313	216,295	-	-	18,982	18,982
Total Business-Type Activities	<u>1,154,523</u>	<u>1,138,163</u>	<u>141,940</u>	<u>-</u>	<u>125,580</u>	<u>125,580</u>
Total Primary Government	<u>\$ 2,459,107</u>	<u>\$ 1,218,498</u>	<u>\$ 141,940</u>	<u>(1,224,249)</u>	<u>125,580</u>	<u>(1,098,669)</u>
GENERAL REVENUES						
Property Taxes, Levied for General Purposes				387,361	-	387,361
Sales Tax				218,824	-	218,824
Personal Property Replacement Tax				21,907	-	21,907
Income Tax and Surcharge				216,438	-	216,438
Simplified Telecommunications Tax				15,533	-	15,533
Video Gaming Tax				19,372	-	19,372
Utility Tax				106,725	-	106,725
Motor Fuel Tax				59,691	-	59,691
Investment Income				7,037	12,406	19,443
Other				10,365	14,902	25,267
Total General Revenues				<u>1,063,253</u>	<u>27,308</u>	<u>1,090,561</u>
Transfers				<u>379,757</u>	<u>(379,757)</u>	<u>-</u>
CHANGE IN NET POSITION				<u>218,761</u>	<u>(226,869)</u>	<u>(8,108)</u>
Net Position - Beginning of Year				<u>1,761,884</u>	<u>6,444,576</u>	<u>8,206,460</u>
NET POSITION - END OF YEAR				<u>\$ 1,980,645</u>	<u>\$ 6,217,707</u>	<u>\$ 8,198,352</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 6,489	\$ 150,819	\$ 157,308
Investments	1,096,202	-	1,096,202
Receivables, Less Allowance for Uncollectible Accounts:			
Real Estate Taxes	147,703	246,379	394,082
State of Illinois	109,053	5,156	114,209
Customer Receivables	12,184	-	12,184
Accrued Interest	5,820	-	5,820
Due from Other Funds	5,400	-	5,400
Prepaid Expenses	-	44,644	44,644
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,382,851</u>	<u>\$ 446,998</u>	<u>\$ 1,829,849</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 6,294	\$ 1,475	\$ 7,769
Accrued Payroll	17,680	-	17,680
Due to Other Funds	-	5,400	5,400
Total Liabilities	<u>23,974</u>	<u>6,875</u>	<u>30,849</u>
DEFERRED INFLOWS OF RESOURCES			
Subsequent Year's Property Taxes	<u>147,703</u>	<u>246,379</u>	<u>394,082</u>
FUND BALANCES			
Restricted:			
General Government	-	81,771	81,771
Public Safety	-	4,535	4,535
Public Works and Transportation	-	37,534	37,534
Culture and Recreation	-	7,123	7,123
Insurance	-	62,781	62,781
Unassigned	1,211,174	-	1,211,174
Total Fund Balances	<u>1,211,174</u>	<u>193,744</u>	<u>1,404,918</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,382,851</u>	<u>\$ 446,998</u>	<u>\$ 1,829,849</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
APRIL 30, 2017**

Total Governmental Fund Balances	\$ 1,404,918
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 \$1,006,361	660,801
Net Deferred Outflows and Inflows of Resources for Net Pension Liability	135,074
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Leases Payable	(22,444)
Compensated Absences	(1,540)
Net Pension Liability	(196,164)
 Total Net Position - Governmental Activities	 <u><u>\$ 1,980,645</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF POLO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 368,159	\$ 238,026	\$ 606,185
Intergovernmental	379,975	59,691	439,666
Licenses and Permits	18,150	-	18,150
Fines and Penalties	7,493	-	7,493
Charges for Services	54,692	-	54,692
Investment Income	6,893	144	7,037
Other	9,565	800	10,365
Total Revenues	<u>844,927</u>	<u>298,661</u>	<u>1,143,588</u>
EXPENDITURES			
Current:			
General Government	147,451	210,154	357,605
Public Safety	370,864	-	370,864
Highway and Streets	269,638	78,310	347,948
Culture and Recreation	111,408	2,337	113,745
Debt Service:			
Principal	11,085	-	11,085
Interest	347	-	347
Capital Outlay	141,967	-	141,967
Total Expenditures	<u>1,052,760</u>	<u>290,801</u>	<u>1,343,561</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(207,833)	7,860	(199,973)
OTHER FINANCING SOURCES (USES)			
Transfer In	-	11,287	11,287
Transfer Out	-	(16,530)	(16,530)
Lease Proceeds	23,628	-	23,628
Total Other Financing Sources (Uses)	<u>23,628</u>	<u>(5,243)</u>	<u>18,385</u>
NET CHANGE IN FUND BALANCES	(184,205)	2,617	(181,588)
Fund Balances - Beginning of Year As Previously Reported	1,395,379	130,004	1,525,383
Restatement	<u>-</u>	<u>61,123</u>	<u>61,123</u>
Fund Balances - Beginning of Year As Restated	<u>1,395,379</u>	<u>191,127</u>	<u>1,586,506</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,211,174</u>	<u>\$ 193,744</u>	<u>\$ 1,404,918</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (181,588)

Amounts reported for governmental activities in the statement of activities 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, \$141,967, was more than depreciation expense, \$71,849, in the current year.

70,118

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:

Issuance of Debt	(23,628)
Payment and Transfer of Debt	399,761
Compensated Absences	4,660
	4,660

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

(50,562)

Change in Net Position of Governmental Activities

\$ 218,761

CITY OF POLO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2017

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 147,689	\$ 87,702	\$ 235,391
Investments	2,438,789	32,126	2,470,915
Customer Receivables (Less Allowance for Uncollectible Accounts of \$1,350)	11,745	2,104	13,849
USDA Grant Receivable	211,340	-	211,340
Accrued Interest	5,961	53	6,014
Material Inventory	29,009	-	29,009
Total Current Assets	<u>2,844,533</u>	<u>121,985</u>	<u>2,966,518</u>
Property, Plant, and Equipment:			
Land	219,518	24,687	244,205
Building	31,180	7,895	39,075
Water and Sewer Plants	9,802,965	-	9,802,965
Equipment	219,042	11,154	230,196
Vehicle	38,166	-	38,166
Water Tower	1,549,772	-	1,549,772
Construction in Progress	206,047	-	206,047
	<u>12,066,690</u>	<u>43,736</u>	<u>12,110,426</u>
Accumulated Depreciation	2,603,820	11,417	2,615,237
Total Property, Plant, and Equipment	<u>9,462,870</u>	<u>32,319</u>	<u>9,495,189</u>
Total Assets	<u>12,307,403</u>	<u>154,304</u>	<u>12,461,707</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension Liability	<u>58,027</u>	<u>-</u>	<u>58,027</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,365,430</u>	<u>\$ 154,304</u>	<u>\$ 12,519,734</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 8,007	\$ 14,382	\$ 22,389
Accrued Payroll	9,177	-	9,177
Accrued Compensated Absence	2,220	-	2,220
Accrued Interest Payable	9,163	-	9,163
Refundable Deposits	35,081	-	35,081
Long-Term Liabilities - Current Maturities	374,070	-	374,070
Total Current Liabilities	<u>437,718</u>	<u>14,382</u>	<u>452,100</u>
Noncurrent Liabilities:			
Net Pension Liability	68,221	-	68,221
Long-Term Liabilities - net of Current Maturities	5,769,562	-	5,769,562
	<u>5,837,783</u>	<u>-</u>	<u>5,837,783</u>
Total Liabilities	<u>6,275,501</u>	<u>14,382</u>	<u>6,289,883</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount Related to Pension Liability	<u>12,144</u>	<u>-</u>	<u>12,144</u>
NET POSITION			
Net Investment in Capital Assets	3,319,238	32,319	3,351,557
Unrestricted	2,758,547	107,603	2,866,150
Total Net Position	<u>6,077,785</u>	<u>139,922</u>	<u>6,217,707</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,365,430</u>	<u>\$ 154,304</u>	<u>\$ 12,519,734</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2017**

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
OPERATING REVENUE			
Charges for Services	\$ 921,868	\$ 214,154	\$ 1,136,022
Extra Pickups	-	2,141	2,141
Miscellaneous	14,902	-	14,902
Total Operating Revenue	<u>936,770</u>	<u>216,295</u>	<u>1,153,065</u>
OPERATING EXPENSES			
General and Administration	217,488	1,645	219,133
Power and Heating	50,972	-	50,972
Repair and Maintenance	57,994	358	58,352
Collection Expense	-	194,265	194,265
Other Operating Expense	84,712	782	85,494
Depreciation	457,360	263	457,623
Total Operating Expenses	<u>868,526</u>	<u>197,313</u>	<u>1,065,839</u>
NET OPERATING INCOME	68,244	18,982	87,226
NONOPERATING REVENUES (EXPENSES)			
Interest Income	12,234	172	12,406
Interest Expense	(88,684)	-	(88,684)
Total Nonoperating Revenues (Expenses)	<u>(76,450)</u>	<u>172</u>	<u>(76,278)</u>
INCOME BEFORE GRANTS AND TRANSFERS	(8,206)	19,154	10,948
USDA GRANT	141,940	-	141,940
TRANSFER OF DEBT	(385,000)	-	(385,000)
TRANSFERS IN	5,243	-	5,243
CHANGE IN NET POSITION	(246,023)	19,154	(226,869)
Net Position - Beginning of Year	<u>6,323,808</u>	<u>120,768</u>	<u>6,444,576</u>
NET POSITION - END OF YEAR	<u>\$ 6,077,785</u>	<u>\$ 139,922</u>	<u>\$ 6,217,707</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF POLO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2017**

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 935,403	\$ 216,046	\$ 1,151,449
Payments to Employees	(192,692)	-	(192,692)
Payments to Suppliers	(157,002)	(197,466)	(354,468)
Payments for Premiums, Claims, and Related Services	(67,938)	-	(67,938)
Net Cash Provided by Operating Activities	<u>517,771</u>	<u>18,580</u>	<u>536,351</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Transfers to Other Funds	5,243	-	5,243
Net Cash Used by Noncapital Financing Activities	<u>5,243</u>	<u>-</u>	<u>5,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Long-Term Debt	(365,119)	-	(365,119)
Grants Used in Capital Assets	(141,940)	-	(141,940)
Interest Paid on Debt Certificates	(89,284)	-	(89,284)
Acquisition and Construction of Land and Capital Assets	(10,282)	(11,645)	(21,927)
Net Cash Used by Capital and Related Financing Activities	<u>(606,625)</u>	<u>(11,645)</u>	<u>(618,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments	(2,094,922)	(15,788)	(2,110,710)
Sales of Investments	2,186,321	15,676	2,201,997
Interest Received	8,545	151	8,696
Net Cash Provided by Investing Activities	<u>99,944</u>	<u>39</u>	<u>99,983</u>
NET CHANGE IN CASH	16,333	6,974	23,307
Cash - Beginning of Year	<u>131,356</u>	<u>80,728</u>	<u>212,084</u>
CASH - END OF YEAR	<u>\$ 147,689</u>	<u>\$ 87,702</u>	<u>\$ 235,391</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 68,244	\$ 18,982	\$ 87,226
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	457,360	263	457,623
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	(1,290)	(249)	(1,539)
Deferred Outflows	19,343	-	19,343
Material Inventory	1,654	-	1,654
Deferred Inflows	12,144	-	12,144
Accounts Payable	(29,269)	(416)	(29,685)
Accrued Payroll	2,318	-	2,318
Accrued Compensated Absences	1,382	-	1,382
Net Pension Liability	(14,038)	-	(14,038)
Refundable Deposits	(77)	-	(77)
Net Cash Provided by Operating Activities	<u>\$ 517,771</u>	<u>\$ 18,580</u>	<u>\$ 536,351</u>

See accompanying Notes to Basic Financial Statements.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Polo, Illinois (City) is a municipal corporation governed by an elected mayor and City Council. The City provides a range of services, including public safety, water and sewer, parks, public works, and general government functions.

The basic financial statements of the City of Polo, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these basic financial statements present the City (the primary government). In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is based upon the significance of its operational or financial relationship with the primary government. There are no entities which qualify as a component unit of the City.

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 government-wide financial statements report on all of the nonfiduciary activities of the primary government.

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

The government-wide statement of activities reports both the gross and net cost of each of the City's functions (public safety, public works, etc.) and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Program revenues must be directly associated with the function (public safety, public works, 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.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the basic financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or enterprise fund 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

Governmental fund types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through 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.

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 Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The City maintains twelve nonmajor special revenue funds.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Eight special revenue funds receive property tax allocations that are legally restricted to pay expenditures for a special purpose.

- Retirement and Social Security Fund is legally restricted to pay only the cost of City employees participating in the Social Security system. At April 30, 2017, the restricted balance was \$10,839.
- Unemployment Fund is legally restricted to pay only the cost of unemployment insurance for City employees. At April 30, 2017, the restricted balance was \$5,488.
- Liability and Workers Comp Fund is legally restricted to pay only the cost of City health insurance and worker's compensation. At April 30, 2017, the restricted balance was \$62,781.
- IMRF (Illinois Municipal Retirement Fund) Fund is legally restricted to pay for the cost of the amount appropriated for the City's contributions. At April 30, 2017, the restricted balance was \$29,912.
- TIF Fund, TIF Developer's Fund, Christopher J Eaton Special Account Fund, and PNC Inc. Special Account Fund are used to account for the revenues and expenditures associated with the tax increment financing district. Financing is provided by property taxes. At April 30, 2017, the restricted balance was \$35,532.

The other four special revenue funds have been restricted for the following purposes:

- Motor Fuel Tax Fund receives a portion of revenue from the State Motor Fuel Tax that is distributed each month to the City, according to population for the construction, maintenance, and extension of municipal streets. At April 30, 2017, the restricted balance was \$37,534.
- Park Board Fund and Park Board Pool Fund are memorial money that has been received from individuals who have restricted these funds to be used for city park and pool improvements. At April 30, 2017, the restricted balance was \$7,123.
- Police Department Drug Fund is DUI and drug related arrest money that has been restricted to purchase equipment for City police officers. At April 30, 2017, the restricted balance was \$4,535.

Proprietary Fund Types

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The following is a description of the proprietary funds of the City:

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Proprietary Fund Types (Continued)

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.

The City's two enterprise funds are the Water and Sewer Fund and the Sanitation Fund.

Reporting Major, Nonmajor, and Fiduciary Fund Statements

The City reports the following major funds:

Governmental 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.

Proprietary Funds

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

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

Measurement Focus and Basis of Accounting

Measurement focus and basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic 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 are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues except for property taxes are recognized when earned and expenses are recognized when incurred. Property taxes are recognized in the period for which the taxes are levied for budgetary purposes.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Modified Accrual

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; - both measurable and available. "Available" means collectible within the current period or within 180 days after year-end, except for property taxes, which must be collected within 60 days to be considered available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due or matured.

Property taxes are recognized as a receivable and deferred inflows of resources at the time they are levied and the current taxes receivable represent the 2016 levy. 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 associated with the current fiscal period are considered to be susceptible to accrual, to the extent that any purpose restriction has been met for intergovernmental revenue, and so have been recognized as revenues of the current period. Sales, income, and motor fuel taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Budgets and Budgetary Accounting

The City prepares an appropriation ordinance and budget for the general, special revenue, and enterprise funds. The appropriation ordinance represents the legal spending limits for the City. The budget is used to control those limits.

The City's appropriation ordinance and budget is prepared on a cash basis method 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.

The appropriation ordinance and budget was passed on July 18, 2016. The budget lapses at the end of each fiscal year. The City does not utilize an encumbrance system.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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

- a) Prior to August 1, the City prepares an annual appropriation ordinance and budget for the fiscal year commencing May 1 of that year. The budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Legal spending and management control for City monies is at the fund level. The City may amend the ordinance after the first half of the year by a two-thirds vote of all City Council members. The Council may make transfers between line items, but no appropriation may be reduced below an amount sufficient to cover such obligation.

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 three months or less. Any maturity dates over three months are presented as investments.

Investments

Investments in certificates of deposit are presented at cost. Fair market value of investments at April 30, 2017 is not materially different from cost basis.

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 are also classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventory

Inventory is valued at lower of cost (first-in, first-out method) or market and consists primarily of water and sewer supplies held for future use.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated 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:

Buildings	10 to 40 Years
Water and Sewer Plant	7 to 40 Years
Equipment	5 to 10 Years
Vehicles	5 to 10 Years
Infrastructure	10 to 20 Years

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 on or before the second Tuesday in December each year on all taxable real property located in the City. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond April 30, 2017 are recorded as prepaid items.

Compensated Absences

City employees are granted sick leave, personal time, and vacation days. Vacation days vary by employee and accumulation of vacation days is ordinarily not allowed. Sick leave is earned by full time employees at a rate of 12 days per year and can be accumulated up to 240 days. Upon termination of employment, City employees are paid for any accumulated unused sick leave at a rate of \$10 per day up to 100 accumulated unused sick leave days. Personal time is earned at a rate of three days per year and accumulation of personal time is ordinarily not allowed.

Vested or accumulated sick leave pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. Vested or accumulated sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees. A liability in the governmental funds is reported only if the benefit has matured.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

The City would report decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position or governmental fund balance sheet. The City has one type of item for the deferred amounts related to pensions.

Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items for the deferred inflows of resources. Property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year, as it is not legally available as of fiscal year end and for amounts related to pensions.

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 an EPA loan payable, debt certificates, leases payable, and accrued compensated absences.

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 long-term debt is the same in the fund statements as it is in the government-wide statements.

Issuance costs not relating to insurance are expensed.

Fund Balance/Net Position

Fund Balance

Fund balance is categorized to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance/Net Position (Continued)

Fund Balance (Continued)

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council, the City of Polo's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or by a City official or body to which the City Board delegates the authority.

Unassigned – This classification includes the residual fund balance for the General Fund and includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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 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 POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of basic 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the basic financial statements, as well as the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

The City’s investment policy allows them to invest in any type of security allowed for in Illinois statutes regarding the investment of public funds. The policy states that investments shall be made that reflect the cash flow needs of the type being invested. In general, the City may invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act. At year-end, the carrying amount of the City’s cash and deposits, including cash on hand and certificates of deposit, was \$3,959,816 and the bank balances totaled \$3,989,489. Cash on hand was \$427.

As of April 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>
Certificates of Deposit	<u>\$ 3,567,117</u>	<u>\$ 3,280,414</u>	<u>\$ 286,703</u>

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 and American Share Insurance 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 POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 3 CAPITAL ASSETS

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

	<u>Balance,</u> <u>May 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance,</u> <u>April 30, 2017</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 82,218	\$ 15,829	\$ -	\$ 98,047
Total Capital Assets not Being Depreciated	82,218	15,829	-	98,047
Capital Assets being Depreciated:				
Buildings	613,670	31,276	-	644,946
Equipment	782,021	94,862	133,941	742,942
Infrastructure	181,227	-	-	181,227
Total Capital Assets being Depreciated	1,576,918	126,138	133,941	1,569,115
Less Accumulated Depreciation:				
Buildings	311,168	22,150	-	333,318
Equipment	681,172	41,381	133,941	588,612
Infrastructure	76,113	8,318	-	84,431
Total Accumulated Depreciation	1,068,453	71,849	133,941	1,006,361
Total Capital Assets Being Depreciated, Net	508,465	54,289	-	562,754
Governmental Activities Capital Assets, Net	<u>\$ 590,683</u>	<u>\$ 70,118</u>	<u>\$ -</u>	<u>\$ 660,801</u>

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance, May 1, 2016	Additions	Disposals	Balance, April 30, 2017
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 228,929	\$ 15,276	\$ -	\$ 244,205
Construction in Progress	92,331	113,716	-	206,047
Total Capital Assets not Being Depreciated	321,260	128,992	-	450,252
Capital Assets Being Depreciated:				
Buildings	15,389	23,686	-	39,075
Equipment	302,565	11,189	83,558	230,196
Vehicles	38,166	-	-	38,166
Water and Sewer Plant	9,803,080	-	115	9,802,965
Water Tower	1,549,772	-	-	1,549,772
Total Capital Assets Being Depreciated	11,708,972	34,875	83,673	11,660,174
Less Accumulated Depreciation:				
Buildings	15,390	790	-	16,180
Equipment	265,793	7,625	83,558	189,860
Vehicles	33,281	3,908	-	37,189
Water and Sewer Plant	1,536,152	406,556	115	1,942,593
Water Tower	390,671	38,744	-	429,415
Total Accumulated Depreciation	2,241,287	457,623	83,673	2,615,237
Total Capital Assets Being Depreciated, Net	9,467,685	(422,748)	-	9,044,937
Business-Type Activities Capital Assets, Net	<u>\$ 9,788,945</u>	<u>\$ (293,756)</u>	<u>\$ -</u>	<u>\$ 9,495,189</u>

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

Governmental Activities:	
General Government	\$ 2,329
Public Safety	16,285
Highways and Streets	27,795
Culture and Recreation	25,440
Total Depreciation Expense	<u>\$ 71,849</u>
Business-Type Activities:	
Water and Sewer	\$ 457,360
Sanitation	263
Total Depreciation Expense	<u>\$ 457,623</u>

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 4 LONG-TERM DEBT

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

	Balance, May 1, 2016	Additions	Retirements/ Transfers	Balance, April 30, 2017	Due Within 1 Year
Governmental Activities:					
Capital Leases Payable	\$ 9,901	\$ 23,628	\$ 11,085	\$ 22,444	\$ 10,637
Debt Certificates Payable	385,000	-	385,000	-	-
Compensated Absences	6,200	1,540	6,200	1,540	1,540
Total	<u>\$ 401,101</u>	<u>\$ 25,168</u>	<u>\$ 402,285</u>	<u>\$ 23,984</u>	<u>\$ 12,177</u>
Business-Type Activities:					
EPA Loan Payable	\$ 6,123,751	\$ -	\$ 315,119	\$ 5,808,632	\$ 319,070
Debt Certificates Payable	-	385,000	50,000	335,000	55,000
Compensated Absences	838	2,220	838	2,220	2,220
Total	<u>\$ 6,124,589</u>	<u>\$ 387,220</u>	<u>\$ 365,957</u>	<u>\$ 6,145,852</u>	<u>\$ 376,290</u>

During 2017, the City of Polo transferred the debt certificates obligation from the Governmental Activities to the Business-Type Activities due to the debt being paid from resources out of the Water & Sewer Fund and will continue to be in the future.

Governmental Activities

Capital Leases Payable

The City entered into a capital lease agreement for \$19,582 with Exchange State Bank for the purchase of a police vehicle, dated May 5, 2014, due September 1, 2017. Payments are \$5,211 each, including interest at 3.5% due annually on September 1, with a bargain purchase option of \$1 due with the final payment on September 1, 2017. As of April 30, 2017, the balance is \$5,036.

The City entered into a capital lease agreement for \$23,628 with Exchange State Bank for the purchase of a police vehicle, dated May 16, 2016, due May 16, 2019. Payments are \$6,220 each, including interest at 3.5% due annually on May 16, with a bargain purchase option of \$1 due with the final payment on May 16, 2019. As of April 30, 2017, the balance is \$17,408.

Future minimum lease payments are as follows:

<u>Year Ended April 30.</u>	<u>Total</u>
2018	\$ 11,432
2019	6,221
2020	6,221
Less: Amount Representing Interest	(1,430)
Present Value of Minimum Lease Payments	<u>\$ 22,444</u>

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 4 LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Capital Leases Payable (Continued)

The assets acquired through the capital leases are as follows:

	Governmental Activities
Assets:	
2014 Dodge Ram Lease	\$ 19,582
Less: Accumulated Depreciation	(11,096)
	8,486
2016 Dodge Charger	23,628
Less: Accumulated Depreciation	(4,705)
	18,923
Total	\$ 27,409

Business-Type Activities

Debt Certificates

On May 1, 2014, the City of Polo issued General Obligation Refunding Bonds Series 2014 of \$480,000 (par value), due in annual installments of \$45,000 to \$60,000 due on January 1 of each year with interest at 2.00% to 3.80% due January 1 and July 1 each year through January 1, 2023. Payments are due as follows:

Year Ended April 30,	Principal	Interest
2018	\$ 55,000	\$ 9,336
2019	50,000	8,070
2020	55,000	6,920
2021	55,000	5,380
2022	60,000	3,840
2023	60,000	1,920
Total	\$ 335,000	\$ 35,466

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 4 LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Loan Payable

On August 18, 2011, the City of Polo, Illinois entered into a loan agreement with the Illinois Environmental Protection Agency for construction of a new wastewater treatment plant. The total loan of \$8,937,009 has been approved at 1.25% annual fixed loan rate, for a term of 20 years. In accordance with the Procedures for issuing loans from the Water Pollution Control Program Title 35 Ill. Adm. Code 365.260 (Loan Rules), \$2,194,679 of the loan amount will be forgiven by the state of Illinois pursuant to principal forgiveness provisions contained in the loan rules. During the year ended April 30, 2012, \$2,194,679 was forgiven and the remainder is to be paid back over 20 years, in semi-annual principal and interest payments, with the first payment due in September 2014. As of April 30, 2017, the loan balance is \$5,808,632. Payments are due as follows:

<u>Year Ended April 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 319,070	\$ 71,614
2019	323,071	67,613
2020	327,122	63,562
2021	331,224	59,460
2022	335,377	55,307
2023- 2027	1,741,031	212,391
2028- 2032	1,852,958	100,464
2032- 2034	578,779	7,250
Total	<u>\$ 5,808,632</u>	<u>\$ 637,661</u>

Compensated Absences

The City accrues accumulated unpaid sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The long-term portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Compensated absences at April 30, 2017 are as follows:

Governmental Activities	<u>\$ 1,540</u>
Business-Type Activities	<u>\$ 2,220</u>

**CITY OF POLO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2017**

NOTE 5 LEGAL DEBT MARGIN

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

Assessed valuation – 2016		<u>\$ 22,272,541</u>
Statutory Debt Limitation (8.625% of Assessed Limitation)		\$ 1,921,007
Total Debt:		
Debt Certificates Series 2014	\$ 335,000	
Loan Payable	5,808,632	
Leases Payable	<u>22,444</u>	6,166,076
Less:		
Loan Payable		<u>5,808,632</u>
Total Amount of Debt Applicable to Debt Limit		<u>357,444</u>
Legal Debt Margin		<u>\$ 1,563,563</u>

NOTE 6 SPECIAL TAX LEVIES

Proceeds from the Park and Recreation, Civil Defense, Auditing, Police Protection, and Street Lighting special tax levies, and related disbursements have been included in the operations of the General Fund. As of April 30, 2017, all cumulative disbursements for all special tax levies have exceeded cumulative receipts.

NOTE 7 ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF 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).

**CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017**

NOTE 7 ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

Benefits Provided (Continued)

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 10 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.

Employees Covered by Benefit Terms

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

	IMRF
Retirees and Beneficiaries Currently Receiving Benefits	7
Inactive Plan Members Entitled to but not yet Receiving Benefits	8
Active Plan Members	11
Total	26

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% 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 and 2017 was 10.44% and 9.97%, respectively. For the fiscal year 2017, the City contributed \$55,314 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017**

NOTE 7 ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

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:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for nondisabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- 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:

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 POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 7 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 the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 2,210,920	\$ 1,894,542	\$ 316,378
Changes for the Year:			-
Service Cost	58,369	-	58,369
Interest on the Total Pension Liability	164,244	-	164,244
Differences Between Expected and Actual Experience of the Total Pension Liability	(33,370)	-	(33,370)
Changes of Assumptions	(3,020)	-	(3,020)
Contributions - Employer	-	55,351	(55,351)
Contributions - Employees	-	23,858	(23,858)
Net Investment Income	-	142,671	(142,671)
Differences Between Projected and Actual Investment Income	-	18,519	(18,519)
Benefit Payments, including Refunds of Employee Contributions	(94,514)	(94,514)	-
Administrative Expenses	-	(2,184)	2,184
Other (Net Transfer)	-	1	(1)
Net Changes	91,709	143,702	(51,993)
Balances at December 31, 2016	<u>\$ 2,302,629</u>	<u>\$ 2,038,244</u>	<u>\$ 264,385</u>

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 7 ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$ 591,055	\$ 264,385	\$ 308

Pension Expense, 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 \$86,612. At April 30, 2017, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts Related to Pensions		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences Between Expected and Actual Experience	\$ 99,224	\$ 27,660
Changes of Assumptions	33,990	2,503
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	76,866	14,815
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	210,080	44,978
Pension Contributions made Subsequent to the Measurement Date	15,855	-
Total Deferred Amounts Related to Pensions	\$ 225,935	\$ 44,978

\$15,855 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2018.

**CITY OF POLO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2017**

NOTE 7 ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 61,675
2018	61,675
2019	45,311
2020	1,696
2021	(5,255)
Thereafter	<u>-</u>
Total	<u>\$ 165,102</u>

NOTE 8 RISK MANAGEMENT ASSOCIATION

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation, and public official liability. To limit exposure to these risks, the City participates in the Illinois Municipal League Risk Management Association. The City's policy is to record any related expenditures in the year in which they are notified and pay the assessment. The City is not aware of any additional assessments owed as of April 30, 2017. For the years ended April 30, 2017, 2016, and 2015, there were no settlements which exceeded insurance coverage. Risk limits are as follows for the year ended April 30, 2017:

	<u>Total Available Limits</u>	<u>Self-Insured Retention</u>
General Liability	\$ 1,000,000 each occurrence	\$ 1,000,000 each occurrence
Workman's Compensation	Statutory	\$ 3,000,000 each occurrence
Building and Personal Property	\$ 30,000,000 each occurrence	\$ 250,000,000 each occurrence
Public Officials	\$ 50,000 per position	-

**CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017**

NOTE 9 INTERFUND BALANCES

Interfund balances at April 30, 2017 consisted of the following:

	Due From	Due To
General Fund:		
Tax Increment Financing Fund	\$ 5,400	\$ -
Tax Increment Financing Fund:		
General Fund	-	5,400
Total Due From/Due to Other Funds	\$ 5,400	\$ 5,400

An interfund loan existed at April 30, 2017 and its purpose was as follows:

The General Fund loaned the Tax Increment Financing Fund \$32,000 to fund a redevelopment agreement and also loaned the TIF fund \$3,400 for start up costs. The loan is to be repaid by the increment in real estate taxes collected from the Tax Increment Financing Fund as directed by the corporate authorities of the City. The balance as of April 30, 2017 was \$5,400.

Operating Transfers

Transfers are used to move unrestricted revenues collected in the funds to finance various programs accounted for in other funds.

The composition of interfund transfers for the year ended April 30, 2017 is as follows:

	Transfers In				Total
	Bonds & Interest Water Tower Fund	TIF Developers Fund	Christopher J Eaton Special Account Fund	PNC Inc. Special Account Fund	
Transfers Out					
Water & Sewer Fund	\$ 5,243	\$ -	\$ -	\$ -	\$ 5,243
Tax Increment Financing Fund	-	8,339	1,191	7,000	16,530
Total	\$ 5,243	\$ 8,339	\$ 1,191	\$ 7,000	\$ 21,773

The above interfund transfers are made primarily to supplement other funds resources.

NOTE 10 OTHER INDIVIDUAL FUND DISCLOSURES

The General Fund had expenditures in excess of budget in the amount of \$2,749 for the year ended April 30, 2017.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 11 RESTATEMENT

The City adopted a change in accounting practice to show the liability and worker's compensation fund as a special revenue fund rather than an internal service fund as the premiums are reimbursed from property taxes instead of other funds. This change in accounting practice requires the restatement of the April 30, 2016 fund balances of governmental funds and net position of the internal service fund.

	Total Governmental Funds	Other Governmental Funds
Fund Balances - Beginning of Year, as Previously Reported	\$ 1,525,383	\$ 124,761
Adjustment for Change in Fund Type for Liability & Worker's Compensation Fund	61,123	61,123
Fund Balances - Beginning of Year, as Restated	\$ 1,586,506	\$ 185,884
		Internal Service Fund
Net Position - Beginning of Year, as Previously Reported		\$ 61,123
Adjustment for Change in Fund Type for Liability & Worker's Compensation Fund		(61,123)
Net Position - Beginning of Year, As Restated		\$ -

NOTE 12 COMMITMENTS

As of April 30, 2017, the City has financial commitments with contractors relating to a new waste water treatment plant and sewer system improvements that are estimated to be approximately \$1,815,802.

NOTE 13 TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Tax Increment Allocation Redevelopment Act of the State of Illinois, 65 ILCS 5/11-74.4-1 (TIF Act). Under the TIF Act, localities may reimburse businesses or developers a portion of their redevelopment project costs for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate within a designated area of the City.

CITY OF POLO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 13 TAX ABATEMENTS (CONTINUED)

For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$27,474 under this program:

- A 75% property tax abatement to a car wash for purchasing and opening a storefront in the business district. The abatement amounted to \$1,191.
- An 80% property tax abatement to a store for purchasing and opening a storefront in the business district. The abatement amounted to \$8,339.
- A 22% property tax abatement to the local school district on the taxes they have lost due to the creation of the TIF District. The abatement amounted to \$11,389.
- A 60% property tax abatement to a developer for an industrial expansion project. The abatement amounted to \$6,555.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to April 30, 2017, the City of Polo financed \$1,680,000 with the United States Department of Agriculture for the purpose of capital improvement of a water waste system.

**CITY OF POLO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
(BUDGETARY CASH BASIS)
YEAR ENDED APRIL 30, 2017
(UNAUDITED)**

	Appropriation		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property Taxes:				
General	\$ 146,500	\$ 146,500	\$ 149,335	\$ 2,835
Sales Tax	240,000	240,000	219,723	(20,277)
Intergovernmental Revenue:				
State Income Tax	235,000	235,000	224,227	(10,773)
Personal Property Replacement Tax	19,000	19,000	21,811	2,811
Utility Tax	120,000	120,000	105,478	(14,522)
Telecommunications Tax	35,000	35,000	14,201	(20,799)
Charitable Games	21,500	21,500	19,071	(2,429)
Total Intergovernmental Revenue	<u>430,500</u>	<u>430,500</u>	<u>384,788</u>	<u>(45,712)</u>
Licenses and Permits:				
Liquor Licenses	9,200	9,200	9,700	500
Dog Licenses	5,000	5,000	5,240	240
Building Permits	4,000	4,000	3,210	(790)
Solicitors Permits	100	100	-	(100)
Total Licenses and Permits	<u>18,300</u>	<u>18,300</u>	<u>18,150</u>	<u>(150)</u>
Fines and Penalties	10,000	10,000	7,564	(2,436)
Charges for Services:				
Dog Reclamation	400	400	-	(400)
Pool Admissions	18,000	18,000	27,071	9,071
Pool Lessons	1,200	1,200	1,255	55
Park Shelters	200	200	220	20
Cable TV	25,000	25,000	26,210	1,210
Total Charges for Services	<u>44,800</u>	<u>44,800</u>	<u>54,756</u>	<u>9,956</u>
Interest Income	4,000	4,000	3,288	(712)
Miscellaneous Revenue:				
Street Openings	200	200	400	200
Miscellaneous	6,000	6,000	9,165	3,165
Total Miscellaneous Revenue	<u>6,200</u>	<u>6,200</u>	<u>9,565</u>	<u>3,365</u>
Total Cash Receipts	<u>\$ 900,300</u>	<u>\$ 900,300</u>	847,169	<u>\$ (53,131)</u>
(Deduct) Beginning Accrued Revenues			(129,299)	
Add Ending Accrued Revenues			<u>127,057</u>	
Total Revenues			<u>\$ 844,927</u>	

**CITY OF POLO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
(BUDGETARY CASH BASIS)
YEAR ENDED APRIL 30, 2017
(UNAUDITED)**

	Appropriation		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES				
General Government:				
Administration:				
Mayor and Alderman Salaries	\$ 11,400	\$ 11,400	\$ 11,400	\$ -
Collector's Salary	47,000	47,000	47,424	(424)
Treasurer's Salary	2,400	2,400	2,400	-
Building Inspector Salary	10,200	10,200	10,200	-
Bonds/Insurance	8,000	8,000	5,663	2,337
Printing and Publishing	2,000	2,000	1,896	104
Code Books	4,000	4,000	375	3,625
Telephone	2,500	2,500	1,566	934
Legal Fees	28,000	28,000	17,170	10,830
Audit	16,000	16,000	17,500	(1,500)
Dues and Subscriptions	1,000	1,000	487	513
Maintenance of Building	8,000	8,000	11,029	(3,029)
Maintenance of Equipment	2,500	2,500	1,798	702
Travel	1,800	1,800	524	1,276
Miscellaneous	45,000	70,000	5,268	64,732
	<u>189,800</u>	<u>214,800</u>	<u>134,700</u>	<u>80,100</u>
Clerical:				
Clerk's Salary	6,000	6,000	6,000	-
Sick Time	900	900	-	900
Postage	150	150	62	88
Telephone	1,100	1,100	1,113	(13)
Maintenance of Equipment	3,000	3,000	1,924	1,076
Office Supplies	1,500	1,500	383	1,117
Schooling and Dues	2,500	2,500	1,382	1,118
Miscellaneous	500	500	491	9
	<u>15,650</u>	<u>15,650</u>	<u>11,355</u>	<u>4,295</u>
Total General Government	205,450	230,450	146,055	84,395

**CITY OF POLO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
(BUDGETARY CASH BASIS)
YEAR ENDED APRIL 30, 2017
(UNAUDITED)**

	Appropriation		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Public Safety:				
Police Department:				
Salaries	\$ 197,000	\$ 197,000	\$ 208,578	\$ (11,578)
Overtime	23,000	23,000	33,638	(10,638)
Court Overtime	700	700	106	594
Extra Labor	20,000	20,000	19,680	320
Sick Days	3,500	3,500	2,061	1,439
Group Insurance	55,000	55,000	48,867	6,133
Uniforms	2,600	2,600	5,195	(2,595)
Telephone	6,000	6,000	5,516	484
Police Training	3,000	3,000	6,009	(3,009)
Maintenance of Equipment	1,000	1,000	2,069	(1,069)
Maintenance of Electronic Equipment	3,000	3,000	899	2,101
Maintenance of Vehicles	25,000	25,000	27,578	(2,578)
Maintenance of Buildings	20,000	20,000	5,595	14,405
Office Supplies	800	800	1,122	(322)
Computer Service	4,000	4,000	3,835	165
Printing and Supplies	500	500	77	423
Dog Boarding Fees	600	600	109	491
Miscellaneous	1,500	1,500	874	626
Total Public Safety	367,200	367,200	371,808	(4,608)
Highways and Streets:				
Salaries	78,000	78,000	70,664	7,336
Overtime	7,000	7,000	5,537	1,463
Sick Days	450	450	-	450
Group Insurance	29,000	29,000	28,510	490
Maintenance - Other	3,000	3,000	370	2,630
Maintenance of Streets	25,000	25,000	55,093	(30,093)
Maintenance of Vehicles	10,000	10,000	2,044	7,956
Maintenance of Storm Sewers	1,000	1,000	193	807
Maintenance of Equipment	10,000	10,000	10,708	(708)
Maintenance of Building	5,000	5,000	12,060	(7,060)
Signs	1,000	1,000	2,962	(1,962)
Street Lighting	30,000	30,000	38,736	(8,736)
Street Lighting Maintenance	250	250	-	250
Sidewalk Rebates	6,000	6,000	2,089	3,911
Gas	10,000	10,000	5,259	4,741
Telephone	1,200	1,200	1,515	(315)
Seal Coating	63,000	38,000	18,284	19,716
Miscellaneous	32,000	32,000	14,593	17,407
Total Highways and Streets	311,900	286,900	268,617	18,283

**CITY OF POLO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
(BUDGETARY CASH BASIS)
YEAR ENDED APRIL 30, 2017
(UNAUDITED)**

	Appropriation		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Recreation:				
Salaries	\$ 60,000	\$ 60,000	\$ 66,354	\$ (6,354)
Overtime	2,000	2,000	-	2,000
Printing and Advertising	1,000	1,000	886	114
Telephone	600	600	632	(32)
Maintenance of Grounds	18,000	18,000	11,899	6,101
Maintenance of Pool	20,000	20,000	21,531	(1,531)
Lighting Electricity	6,000	6,000	3,517	2,483
Heating	3,500	3,500	3,204	296
Maintenance of Vehicles and Equipment	2,500	2,500	880	1,620
Fuel and Oil	4,000	4,000	1,980	2,020
Miscellaneous	2,500	2,500	1,137	1,363
Total Recreation	120,100	120,100	112,020	8,080
Debt Service:				
Principal	12,000	12,000	11,085	915
Interest	-	-	347	(347)
Total Debt Service	12,000	12,000	11,432	568
Capital Outlay	32,500	32,500	141,967	(109,467)
Total Cash Disbursements	\$ 1,049,150	\$ 1,049,150	1,051,899	\$ (2,749)
(Deduct) Beginning Accrued Expenditures			(23,113)	
Add Ending Accrued Expenditures			23,974	
Total Expenditures			1,052,760	
DEFICIENCY OF REVENUES OVER EXPENDITURES			(207,833)	
OTHER FINANCING SOURCES				
Lease Proceeds			23,628	
NET CHANGE IN FUND BALANCE			(184,205)	
Fund Balance - Beginning of Year			1,395,379	
FUND BALANCE - END OF YEAR			\$ 1,211,174	

CITY OF POLO, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31
(UNAUDITED)

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service Cost	\$ 58,369	\$ 48,852
Interest on Total Pension Liability	164,244	150,560
Difference Between Expected and Actual Experience	(33,370)	88,677
Assumption Changes	(3,020)	3,115
Benefit Payments and Refunds	(94,514)	(126,645)
Net Change in Total Pension Liability	<u>91,709</u>	<u>164,559</u>
Total Pension Liability - Beginning	<u>2,210,920</u>	<u>2,046,361</u>
Total Pension Liability - Ending (A)	<u><u>\$ 2,302,629</u></u>	<u><u>\$ 2,210,920</u></u>
Plan Fiduciary Net Position:		
Employer Contributions	\$ 55,351	\$ 51,095
Employee Contributions	23,858	24,513
Pension Plan Net Investment Income	142,671	31,674
Difference Between Projected and Actual Investment Income	18,519	-
Benefit Payments and Refunds	(94,514)	(126,645)
Administrative Expenses	(2,184)	(4,530)
Other	1	73
Net Change in Plan Fiduciary Net Position	<u>143,702</u>	<u>(23,820)</u>
Plan Fiduciary Net Position - Beginning	<u>1,894,542</u>	<u>1,918,362</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 2,038,244</u></u>	<u><u>\$ 1,894,542</u></u>
Net Pension Liability - Ending (A) - (B)	\$ 264,385	\$ 316,378
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.52 %	85.69 %
Covered Valuation Payroll	\$ 530,183	\$ 544,722
Net Pension Liability as a Percentage of Covered Valuation Payroll	49.87 %	58.08 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF POLO, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
FISCAL YEAR ENDED APRIL 30
(UNAUDITED)

Regular Plan

Fiscal Year Ended April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 55,314	\$ 55,314	\$ -	\$ 536,985	10.30 %
2015	\$ 51,107	\$ 51,107	\$ -	\$ 527,650	9.69 %

CITY OF POLO, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
APRIL 30, 2017

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 EXCESS OF DISBURSEMENTS OVER APPROPRIATIONS

The General Fund had expenditures in excess of budget in the amount of \$2,749 for the year ended April 30, 2017.

NOTE 3 SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2016 CONTRIBUTION RATE

Valuation Date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: 28-year closed period
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 3.50%
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disables lives, the mortality rates are the rates applicable to nondisabled lives set forward 10 years

Other Information:

Notes: There were no benefit changes during the year.

**CITY OF POLO, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2017**

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 150,819	\$ -	\$ 150,819
Receivables:			
Taxes	246,379	-	246,379
State of Illinois	5,156	-	5,156
Prepaid Expenses	44,644	-	44,644
Total Assets	\$ 446,998	\$ -	\$ 446,998
 LIABILITIES			
Accounts Payable	\$ 1,475	\$ -	\$ 1,475
Due to Other Funds	5,400	-	5,400
Total Liabilities	6,875	-	6,875
 DEFERRED INFLOWS OF RESOURCES			
Subsequent Year's Property Taxes	246,379	-	246,379
 FUND BALANCES			
Restricted:			
General Government	81,771	-	81,771
Public Safety	4,535	-	4,535
Public Works and Transportation	37,534	-	37,534
Culture and Recreation	7,123	-	7,123
Insurance	62,781	-	62,781
Debt Service	-	-	-
Total Fund Balances	193,744	-	193,744
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 446,998	\$ -	\$ 446,998

**CITY OF POLO, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2017**

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 238,026	\$ -	\$ 238,026
Intergovernmental	59,691	-	59,691
Interest Income	144	-	144
Other	800	-	800
Total Revenues	<u>298,661</u>	<u>-</u>	<u>298,661</u>
EXPENDITURES			
Current:			
General Government	210,154	-	210,154
Culture and Recreation	2,337	-	2,337
Highway and Streets	78,310	-	78,310
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Total Expenditures	<u>290,801</u>	<u>-</u>	<u>290,801</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,860	-	7,860
OTHER FINANCING SOURCES (USES)			
Transfers In	16,530	(5,243)	11,287
Transfers Out	(16,530)	-	(16,530)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(5,243)</u>	<u>(5,243)</u>
NET CHANGE IN FUND BALANCE	7,860	(5,243)	2,617
Fund Balances - Beginning of Year As Previously Reported	124,761	5,243	130,004
Restatement	<u>61,123</u>	<u>-</u>	<u>61,123</u>
Fund Balances - Beginning of Year As Restated	<u>185,884</u>	<u>5,243</u>	<u>191,127</u>
FUND BALANCES - END OF YEAR	<u>\$ 193,744</u>	<u>\$ -</u>	<u>\$ 193,744</u>

**CITY OF POLO, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
APRIL 30, 2017**

	Special Revenue											Total	
	Retirement & Social Security Fund	Unemployment Fund	Liability & Workers Comp Fund	IMRF Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Park Board Fund	Park Board Pool Fund	Police Dept. Drug Fund	TIF Developers Fund	Christopher J Eaton Special Account Fund		PNC Inc. Special Account Fund
ASSETS													
Cash	\$ 10,839	\$ 5,773	\$ 18,137	\$ 31,102	\$ 39,976	\$ 32,378	\$ 7,123	\$ -	\$ 4,535	\$ 57	\$ 454	\$ 445	\$ 150,819
Receivables:													
Taxes	57,000	3,000	70,000	68,000	48,379	-	-	-	-	-	-	-	246,379
State of Illinois	-	-	-	-	-	5,156	-	-	-	-	-	-	5,156
Prepaid Expenses	-	-	44,644	-	-	-	-	-	-	-	-	-	44,644
Total Assets	\$ 67,839	\$ 8,773	\$ 132,781	\$ 99,102	\$ 88,355	\$ 37,534	\$ 7,123	\$ -	\$ 4,535	\$ 57	\$ 454	\$ 445	\$ 446,998
LIABILITIES													
Accounts Payable	\$ -	\$ 285	\$ -	\$ 1,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,475
Due to Other Funds	-	-	-	-	5,400	-	-	-	-	-	-	-	5,400
Total Liabilities	-	285	-	1,190	5,400	-	-	-	-	-	-	-	6,875
DEFERRED INFLOWS OF RESOURCES													
Subsequent Year's Property Taxes	57,000	3,000	70,000	68,000	48,379	-	-	-	-	-	-	-	246,379
FUND BALANCES													
Restricted:													
General Government	10,839	5,488	-	29,912	34,576	-	-	-	-	57	454	445	81,771
Public Safety	-	-	-	-	-	-	-	-	4,535	-	-	-	4,535
Public Works and Transportation	-	-	-	-	-	37,534	-	-	-	-	-	-	37,534
Culture and Recreation	-	-	-	-	-	-	7,123	-	-	-	-	-	7,123
Insurance	-	-	62,781	-	-	-	-	-	-	-	-	-	62,781
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	10,839	5,488	62,781	29,912	34,576	37,534	7,123	-	4,535	57	454	445	193,744
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 67,839	\$ 8,773	\$ 132,781	\$ 99,102	\$ 88,355	\$ 37,534	\$ 7,123	\$ -	\$ 4,535	\$ 57	\$ 454	\$ 445	\$ 446,998

CITY OF POLO, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED APRIL 30, 2017

	Special Revenue												Total
	Retirement & Social Security Fund	Unemployment Fund	Liability & Workers Comp Fund	IMRF Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Park Board Fund	Park Board Pool Fund	Police Dept. Drug Fund	TIF Developers Fund	Christopher J Eaton Special Account Fund	PNC Inc. Special Account Fund	
REVENUES													
Taxes	\$ 52,734	\$ 2,486	\$ 67,161	\$ 64,672	\$ 50,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,026
Intergovernmental	-	-	-	-	-	59,691	-	-	-	-	-	-	59,691
Interest Income	19	9	35	41	22	12	4	-	2	-	-	-	144
Other	-	-	-	-	-	-	565	-	235	-	-	-	800
Total Revenues	52,753	2,495	67,196	64,713	50,995	59,703	569	-	237	-	-	-	298,661
EXPENDITURES													
Current:													
General Government	47,738	5,679	65,538	55,314	19,800	-	-	-	-	8,339	1,191	6,555	210,154
Culture and Recreation	-	-	-	-	-	-	-	2,337	-	-	-	-	2,337
Highway and Streets	-	-	-	-	-	78,310	-	-	-	-	-	-	78,310
Total Expenditures	47,738	5,679	65,538	55,314	19,800	78,310	-	2,337	-	8,339	1,191	6,555	290,801
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,015	(3,184)	1,658	9,399	31,195	(18,607)	569	(2,337)	237	(8,339)	(1,191)	(6,555)	7,860
OTHER FINANCING SOURCES (USES)													
Transfers In	-	-	-	-	-	-	-	-	-	8,339	1,191	7,000	16,530
Transfers Out	-	-	-	-	(16,530)	-	-	-	-	-	-	-	(16,530)
Total Other Financing Sources (Uses)	-	-	-	-	(16,530)	-	-	-	-	8,339	1,191	7,000	-
NET CHANGE IN FUND BALANCES	5,015	(3,184)	1,658	9,399	14,665	(18,607)	569	(2,337)	237	-	-	445	7,860
Fund Balances Beginning of Year- As Previously Reported	5,824	8,672	-	20,513	19,911	56,141	6,554	2,337	4,298	57	454	-	124,761
Restatement	-	-	61,123	-	-	-	-	-	-	-	-	-	61,123
Fund Balances Beginning of Year- As Restated	5,824	8,672	61,123	20,513	19,911	56,141	6,554	2,337	4,298	57	454	-	185,884
FUND BALANCES - END OF YEAR	<u>\$ 10,839</u>	<u>\$ 5,488</u>	<u>\$ 62,781</u>	<u>\$ 29,912</u>	<u>\$ 34,576</u>	<u>\$ 37,534</u>	<u>\$ 7,123</u>	<u>\$ -</u>	<u>\$ 4,535</u>	<u>\$ 57</u>	<u>\$ 454</u>	<u>\$ 445</u>	<u>\$ 193,744</u>

**CITY OF POLO, ILLINOIS
SCHEDULE OF PROPERTY TAX ASSESSED
VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS
APRIL 30, 2017
(UNAUDITED)**

	2016	2015
Assessed Valuation	\$ 22,272,541	\$ 23,011,747
Tax Rates:		
General Funds:		
Corporate (.2500)	0.25000	0.25000
Park and Recreation (.0750)	0.07500	0.07500
Civil Defense (as Needed)	0.00270	0.00262
Lease Purchase (.0500)	0.05000	0.04997
Auditing (as Needed)	0.07857	0.06953
Police Protection (.0750)	0.07500	0.07500
Street Lighting (.0500)	0.04939	0.04780
Total General Funds	0.58066	0.56992
Illinois Municipal Retirement (as Needed)	0.30531	0.28246
Social Security (as needed)	0.25592	0.23032
Unemployment Compensation (as Needed)	0.01347	0.01086
Liability and Workmen's Compensation Insurance (as Needed)	0.31429	0.29333
Total Tax Rates	1.46965	1.38689
Tax Extensions:		
General Funds	\$ 129,328	\$ 131,149
Illinois Municipal Retirement	68,000	64,999
½ Road and Bridge	18,375	18,906
Social Security	57,000	53,001
Unemployment Compensation	3,000	2,499
Liability and Workmen's Compensation Insurance	70,000	67,500
TIF District	48,379	51,140
Total Tax Extensions	\$ 394,082	\$ 389,194
Collections		\$ 387,361
Percentage of Extensions Collected		99.53%

Maximum tax rates are disclosed in parenthesis after each fund.