

City of Polo, Illinois

Financial Report

Year Ended April 30, 2019

City of Polo, Illinois

Year Ended April 30, 2019

Table of Contents

Independent Auditor’s Report	1	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position.....	4	
Statement of Activities.....	5	
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet.....	6	
Reconciliation of the Balance Sheet to the Statement of Net Position.....	7	
Statement of Revenues, Expenditures and Changes in Fund Balances.....	8	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	9	
Proprietary Funds:		
Statement of Net Position.....	10	
Statement of Revenues, Expenses and Changes in Net Position.....	11	
Statement of Cash Flows.....	12	
Notes to Financial Statements.....	13	
Required Supplementary Information:		
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....		37
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund (IMRF).....		41
Multiyear Schedule of IMRF Contributions.....		42
Notes to Required Supplementary Information.....		43
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet.....	45	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	48	

City of Polo, Illinois

Year Ended April 30, 2019

Other

Schedule of Property Tax Assessed Valuations, Rates, Extensions, and Collections 51

Compliance

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters.....52**

Schedule of Findings and Responses 54



Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Polo
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, (the "City") as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison 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, 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 basis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
August 1, 2019

Basic Financial Statements

City of Polo, Illinois

Statement of Net Position

April 30, 2019

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Current assets:			
Cash, deposits, and investments	\$1,117,917	\$2,627,277	\$3,745,194
Receivables:			
Taxes	417,101	0	417,101
Intergovernmental	127,139	0	127,139
Accounts receivable, net of allowance	23,298	122,616	145,914
Interest	1,964	2,658	4,622
Material inventory	0	27,382	27,382
Prepaid expenses	47,879	4,790	52,669
Total current assets	1,735,298	2,784,723	4,520,021
Noncurrent assets:			
Capital assets:			
Land and construction in progress	98,047	244,205	342,252
Depreciable assets, net of accumulated depreciation	599,181	10,439,039	11,038,220
Total noncurrent assets	697,228	10,683,244	11,380,472
Total assets	2,432,526	13,467,967	15,900,493
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pension liability	253,953	99,986	353,939
Total assets and deferred outflows of resources	2,686,479	13,567,953	16,254,432
LIABILITIES			
Current liabilities:			
Accounts payable	22,561	13,913	36,474
Accrued payroll	28,781	12,772	41,553
Accrued interest	0	28,689	28,689
Refundable deposits	0	29,253	29,253
Accrued compensated absences	2,564	0	2,564
Long-term liabilities - current maturities	6,008	412,123	418,131
Total noncurrent liabilities	59,914	496,750	556,664
Noncurrent liabilities:			
Net pension liability	201,494	79,331	280,825
Long-term liabilities - net of current maturities	0	6,664,368	6,664,368
Total noncurrent liabilities	201,494	6,743,699	6,945,193
Total liabilities	261,408	7,240,449	7,501,857
DEFERRED INFLOWS OF RESOURCES			
Subsequent year's property taxes	417,101	0	417,101
Deferred amount related to pension liability	171,602	67,562	239,164
Total deferred inflows of resources	588,703	67,562	656,265
Total liabilities and deferred inflows of resources	850,111	7,308,011	8,158,122
NET POSITION			
Net investment in capital assets	697,228	3,606,753	4,303,981
Restricted	302,418	0	302,418
Unrestricted	836,722	2,653,189	3,489,911
Total net position	\$1,836,368	\$6,259,942	\$8,096,310

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Statement of Activities

For the year ended April 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$294,834	\$56,322	\$0	\$0	(\$238,512)		(\$238,512)
Public safety	510,103	7,120	0	0	(502,983)		(502,983)
Public works and transportation	350,866	0	59,781	0	(291,085)		(291,085)
Culture and recreation	154,596	35,728	0	0	(118,868)		(118,868)
Interest on long-term debt	420	0	0	0	(420)		(420)
Total governmental activities	1,310,819	99,170	59,781	0	(1,151,868)	0	(1,151,868)
Business-type activities:							
Water & Sewer	1,098,799	938,074		85,660		(\$75,065)	(75,065)
Sanitation	188,192	212,886				\$24,694	24,694
Total business-type activities	1,286,991	1,150,960	0	85,660	0	(50,371)	(50,371)
Total government	\$2,597,810	\$1,250,130	\$59,781	\$85,660	(1,151,868)	(50,371)	(1,202,239)
General revenues							
Taxes:							
Property taxes					404,734		404,734
Sales tax					243,282		243,282
Personal property replacement tax					19,159		19,159
Income tax and surcharge					243,638		243,638
Simplified telecommunications tax					34,845		34,845
Video gaming tax					19,813		19,813
Utility tax					116,691		116,691
Investment income					5,419	6,866	12,285
Other					41,590	624	42,214
Total general revenues					1,129,171	7,490	1,136,661
Change in net position					(22,697)	(42,881)	(65,578)
Net position - beginning of year					1,859,065	6,302,823	8,161,888
Net position - end of year					\$1,836,368	\$6,259,942	\$8,096,310

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Governmental Funds

Balance Sheet

April 30, 2019

ASSETS	General Fund	Nonmajor Funds	Total
Cash, deposits, and investments	\$856,577	\$261,340	\$1,117,917
Receivables:			
Property taxes	153,117	263,984	417,101
State of Illinois	121,926	5,213	127,139
Customer receivables	23,273	25	23,298
Accrued interest	1,964	0	1,964
Due from other funds	5,400	4,569	9,969
Prepaid expenses	8,315	39,564	47,879
Total assets	\$1,170,572	\$574,695	\$1,745,267
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	22,267	294	22,561
Accrued payroll	26,182	2,599	28,781
Due to other funds	0	9,969	9,969
Total liabilities	48,449	12,862	61,311
Deferred inflows of resources - Subsequent year's property taxes	153,117	263,984	417,101
Fund balances:			
Nonspendable	8,315	39,564	47,879
Restricted	0	262,854	262,854
Committed	0	0	0
Unassigned	960,691	(4,569)	956,122
Total fund balances	969,006	297,849	1,266,855
Total liabilities, deferred inflows of resources, and fund balances	\$1,170,572	\$574,695	\$1,745,267

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position April 30, 2019

Total governmental fund balances	\$1,266,855
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	697,228
Net deferred outflows and inflows of resources for net pension liability net pension liability	(119,143)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Leases payable	(6,008)
Compensated absences	(2,564)
<hr/>	
Net position of governmental activities	\$1,836,368
<hr/>	

City of Polo, Illinois

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended April 30, 2019

	General Fund	Nonmajor Funds	Total
Revenues:			
Property taxes	\$141,723	\$263,011	\$404,734
Intergovernmental revenue	677,428	59,781	737,209
Licenses and permits	39,955	0	39,955
Fines and penalties	0	0	0
Charges for services	58,265	0	58,265
Interest	4,872	547	5,419
Miscellaneous income	41,810	730	42,540
Total revenues	964,053	324,069	1,288,122
Expenditures:			
Current:			
General government	155,138	126,386	281,524
Public safety	390,749	58,279	449,028
Highway and streets	272,789	28,474	301,263
Culture and recreation	109,927	16,227	126,154
Debt service:			
Principal	5,800	0	5,800
Interest	420	0	420
Capital outlay	140,823	0	140,823
Total expenditures	1,075,646	229,366	1,305,012
Excess (deficiency) of revenues over(under) expenditures	(111,593)	94,703	(16,890)
Other financing sources (uses):			
Transfer in	0	16,057	16,057
Transfer out	0	(16,057)	(16,057)
Total other financing sources (uses)	0	0	0
Net change in fund balances	(111,593)	94,703	(16,890)
Fund balances, beginning of year	1,080,599	203,146	1,283,745
Fund balances, end of year	\$969,006	\$297,849	\$1,266,855

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the year ended April 30, 2019

Net change in fund balance - governmental funds (16,890)

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
exceeds depreciation expense. 51,748

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:

Payment and transfer of debt	5,800
Accrued interest on debt	385
Compensated absences	(542)

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. (63,198)

Change in net position - Statement of Activities (22,697)

City of Polo, Illinois

Proprietary Funds

Statement of Net Position

April 30, 2019

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash, deposits, and investments	\$2,504,380	\$122,897	\$2,627,277
Receivables:			
Accounts receivable, net	122,505	111	122,616
Interest	2,658	0	2,658
Inventories	27,382	0	27,382
Prepaid items	4,790	0	4,790
Total current assets	2,661,715	123,008	2,784,723
Noncurrent assets:			
Land and construction in progress	219,518	24,687	244,205
Depreciable assets, net of accumulated depreciation	10,432,196	6,843	10,439,039
Total noncurrent assets	10,651,714	31,530	10,683,244
Total assets	13,313,429	154,538	13,467,967
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension liability	99,986	0	99,986
Total assets and deferred outflows of resources	13,413,415	154,538	13,567,953
LIABILITIES			
Current liabilities:			
Accounts payable	13,600	313	13,913
Accrued payroll	12,772	0	12,772
Accrued compensated absences	0	0	0
Accrued interest	28,689	0	28,689
Refundable deposits	29,253	0	29,253
Long-term liabilities - current maturities	412,123	0	412,123
Total current liabilities	496,437	313	496,750
Noncurrent liabilities:			
Net pension liability	79,331	0	79,331
Long-term liabilities - net of current maturities	6,664,368	0	6,664,368
Total noncurrent liabilities	6,743,699	0	6,743,699
Total liabilities	7,240,136	313	7,240,449
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pension liability	67,562	0	67,562
NET POSITION			
Net investment in capital assets	3,575,223	31,530	3,606,753
Unrestricted	2,530,494	122,695	2,653,189
Total net position	6,105,717	154,225	6,259,942
Total liabilities, deferred inflows of resources, and net position	\$13,413,415	\$154,538	\$13,567,953

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

For the year ended April 30, 2019

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
Operating revenues:			
Charges for services	\$938,074	\$212,886	\$1,150,960
Intergovernmental revenue	85,660	0	85,660
Extra pickups	0	0	0
Miscellaneous	624	0	624
Total operating revenues	1,024,358	212,886	1,237,244
Operating expenses:			
General and administration	13,127	1,186	14,313
Personnel	278,118	0	278,118
Maintenance	68,542	23	68,565
Utilities	68,173	0	68,173
Other	13,352	186,589	199,941
Depreciation	543,229	394	543,623
Total operating expenses	984,541	188,192	1,172,733
Operating income (loss)	39,817	24,694	64,511
Nonoperating revenues (expenses):			
Interest income	6,781	85	6,866
Interest expense	(114,258)	0	(114,258)
Total nonoperating revenues (expenses)	(107,477)	85	(107,392)
Change in net position	(67,660)	24,779	(42,881)
Net position, beginning of year	6,173,377	129,446	6,302,823
Net position, end of year	\$6,105,717	\$154,225	\$6,259,942

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Proprietary Funds

Statement of Cash Flows

For the year ended April 30, 2019

	Business-Type Activities		
	Water/ Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,222,750	\$214,489	\$1,437,239
Payments to employees	(249,467)	0	(249,467)
Payments to suppliers	(473,428)	(202,546)	(675,974)
Net cash flows from operating activities	499,855	11,943	511,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(373,071)	0	(373,071)
Proceeds from long-term debt	410,000	0	410,000
Interest paid on debt certifications	(105,331)	0	(105,331)
Acquisition and construction of land and capital assets	(502,842)	0	(502,842)
Net cash flows from capital and related financing activities	(571,244)	0	(571,244)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,035,778)	0	(2,035,778)
Sales of investments	2,196,522	0	2,196,522
Interest received	9,116	41	9,157
Net cash flows from investing activities	169,860	41	169,901
Net increase (decrease) in cash and cash equivalents	98,471	11,984	110,455
Cash and cash equivalents, beginning of year	120,004	78,584	198,588
Cash and cash equivalents, end of year	\$218,475	\$90,568	\$309,043
RECONCILIATION OF CASH, DEPOSITS AND INVESTMENTS			
Cash and deposits	\$218,475	\$90,568	\$309,043
Investments	2,285,905	32,329	2,318,234
Total	\$2,504,380	\$122,897	\$2,627,277
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$39,817	\$24,694	\$64,511
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation	543,229	394	543,623
Effects of changes in operating assets and liabilities:			
Accounts receivable	(2,988)	1,603	(1,385)
Due from other governments	211,340	0	211,340
Prepaid expenses	(4,790)	0	(4,790)
Deferred outflows	(78,109)	0	(78,109)
Inventory	(5,235)	0	(5,235)
Deferred inflows	5,407	0	5,407
Accounts payable	(300,209)	(14,748)	(314,957)
Accrued payroll	1,877	0	1,877
Accrued compensated absences		0	0
Net pension liability	99,476	0	99,476
Refundable deposits	(9,960)	0	(9,960)
Net cash provided by operating activities	\$499,855	\$11,943	\$511,798

See Accompanying Notes to Financial Statements.

City of Polo, Illinois

Notes to Financial Statements

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 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 decisions 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 utilized 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 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 Financial Statements

Note 1 Summary of Significant Accounting Policies (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 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.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Special Revenue Fund 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.

The City maintains eleven nonmajor special revenue funds.

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, 2019, the restricted balance was \$24,259.
- Unemployment Fund is legally restricted to pay only the cost of unemployment insurance for City employees. At April 30, 2019, the restricted balance was \$0.
- Liability and Workers Comp Fund is legally restricted to pay only the cost of City health insurance and worker's compensation. At April 30, 2019, the restricted balance was \$31,577.
- 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, 2019, the restricted balance was \$64,265.
- 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, 2019, the restricted balance was \$44,809.

The other three 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, 2019, the restricted balance was \$84,778.
- Park Board Fund is 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, 2019, the restricted balance was \$7,285.
- 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, 2019, the restricted balance was \$5,881.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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:

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.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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.

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 2018 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.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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 May 7, 2018. The budget lapses at the end of each fiscal year. The City does not utilize an encumbrance system.

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, 2019 is not materially different from cost basis.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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” 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.

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 acquisition cost. 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 2017 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2019 on the budgetary cash basis. Recognition of the revenue is deferred until the year it is intended to finance. The City’s property tax is levied 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, 2019 are recorded as prepaid items.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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.

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 intended to finance the following fiscal year end. The other type is 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, USDA loan payable, debt certificates, leases payable, and accrued compensated absences.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Long-Term Obligations (continued)

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

Fund Balance/Net Position

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.

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.

City of Polo, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Fund Balance/Net Position (continued)

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.

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 or 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 \$3,745,194 and the bank balances totaled \$3,768,063. Cash on hand was \$427.

City of Polo, Illinois

Notes to Financial Statements

Note 2 Deposits and Investments (continued)

As of April 30, 2019, the City had the following certificates of deposit:

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less than 1	1 - 5
Certificates of deposit	\$3,177,748	\$2,919,468	\$258,280

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, 2019, none of the City's deposits were exposed to custodial credit risk.

Note 3 Capital Assets

Governmental Activities:	Beginning Balance	Additions	Transfers & Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$98,047	\$0	\$0	\$98,047
Total capital assets not being depreciated	98,047	0	0	98,047
Capital assets being depreciated:				
Buildings	677,066	43,592	0	720,658
Equipment	772,190	97,231	(37,815)	831,606
Infrastructure	181,227	0	0	181,227
Total assets being depreciated	1,630,483	140,823	(37,815)	1,733,491
Less accumulated depreciation for:				
Buildings	353,386	28,893	0	382,279
Equipment	636,915	51,863	(37,815)	650,963
Infrastructure	92,749	8,319	0	101,068
Total accumulated depreciation	1,083,050	89,075	(37,815)	1,134,310
Total capital assets being depreciated, net	547,433	51,748	0	599,181
Governmental activities capital assets, net	\$645,480	\$51,748	\$0	\$697,228

City of Polo, Illinois

Notes to Financial Statements

Note 3 Capital Assets (continued)

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

Governmental activities:	
General government	\$3,698
Public safety	19,772
Highways and streets	37,163
Culture and recreation	28,442
<hr/>	
Total depreciation expense	\$89,075

Business-Type Activities:	Beginning Balance	Additions	Transfers & Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$244,205	\$0	\$0	\$244,205
Construction in progress	1,880,138	0	(1,880,138)	0
<hr/>				
Total capital assets not being depreciated	2,124,343	0	(1,880,138)	244,205
<hr/>				
Capital assets being depreciated:				
Buildings	39,075	0	0	39,075
Equipment	243,363	10,600	0	253,963
Vehicles	38,166	25,000	0	63,166
Infrastructure	0	431,871	1,880,138	2,312,009
Water and Sewer plant	9,802,965	35,371	0	9,838,336
Water tower	1,549,772	0	0	1,549,772
Total assets being depreciated	11,673,341	502,842	1,880,138	14,056,321
<hr/>				
Less accumulated depreciation for:				
Buildings	17,365	1,183	0	18,548
Equipment	200,820	13,474	0	214,294
Vehicles	38,166	1,191	0	39,357
Infrastructure	0	96,606	0	96,606
Water and Sewer plant	2,349,149	392,423	0	2,741,572
Water tower	468,159	38,746	0	506,905
Total accumulated depreciation	3,073,659	543,623	0	3,617,282
<hr/>				
Total capital assets being depreciated, net	8,599,682	(40,781)	1,880,138	10,439,039
<hr/>				
Business-type activities capital assets, net	\$10,724,025	(\$40,781)	\$0	10,683,244

City of Polo, Illinois

Notes to Financial Statements

Note 3 Capital Assets (continued)

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

Governmental activities:	
Water and sewer	\$543,229
Sanitation	394
<hr/>	
Total depreciation expense	\$543,623

Note 4 Long-Term Debt

	Balance, May 1, 2018	Additions	Retirements/ Transfers	Balance, April 30, 2019	Due Within 1 Year
Governmental activities:					
Capital leases payable	\$11,808	\$0	\$5,800	\$6,008	\$6,008
Compensated absences	2,022	2,564	2,022	2,564	0
<hr/>					
Total	\$13,830	\$2,564	\$7,822	\$8,572	\$6,008

	Balance, May 1, 2018	Additions	Retirements/ Transfers	Balance, April 30, 2019	Due Within 1 Year
Business-type activities:					
EPA loan payable	\$5,489,562	\$0	\$323,071	\$5,166,491	\$327,123
Debt certificates payable	280,000	0	50,000	230,000	55,000
USDA payable	1,270,000	410,000	0	1,680,000	30,000
Compensated absences	1,540	0	1,540	0	0
<hr/>					
Total	\$7,041,102	\$410,000	\$374,611	\$7,076,491	\$412,123

Governmental Activities

Capital leases payable

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, 2019, the balance is \$6,008.

City of Polo, Illinois

Notes to Financial Statements

Note 4 Long-Term Debt (continued)

Future minimum lease payments are as follows:

Year ending April 30,	Total
2020	\$6,220
Less: amount representing interest	(214)
<hr/>	
Present value of minimum lease payments	\$6,008

The assets acquired through the capital leases are as follows:

	Governmental Activities
<hr/>	
Assets:	
2016 Dodger Charger	\$25,665
Less: accumulated depreciation	14,971
<hr/>	
Total	\$10,694

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 3.2% due January 1 and July 1 each year through January 1, 2023. Payments are due as follows:

Year Ending April 30,	Principal	Interest
2020	\$55,000	\$6,920
2021	55,000	5,380
2022	60,000	3,840
2023	60,000	1,920
<hr/>		
Total	\$230,000	\$18,060

City of Polo, Illinois

Notes to Financial Statements

Note 4 Long-Term Debt (continued)

USDA loan payable

On January 19, 2016, the entity entered into a loan agreement with the United States Department of Agriculture for the Oregon Street Water Project and a Sewer Improvement Project. The total of the loan is \$1,680,000, will be repaid over the next 40 years. Payments are due as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$30,000	\$41,625
2021	30,000	40,875
2022	30,000	40,125
2023	30,000	39,375
2024	30,000	38,625
Thereafter	1,530,000	718,125
Less: remaining amount to be received	0	0
Total	\$1,680,000	\$918,750

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 \$8,778,716 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 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, 2019, the loan balance is \$5,166,491. Payments are due as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$327,123	\$63,563
2021	331,224	59,460
2022	335,377	55,307
2023	339,582	51,102
2024	343,841	46,843
2025 – 2029	1,784,968	168,454
2030 – 2034	1,704,376	53,704
Total	5,166,491	498,433

City of Polo, Illinois

Notes to Financial Statements

Note 4 Long-Term Debt (continued)

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, 2019 are as follows:

Governmental activities	\$2,564
Business-Type activities	\$0

Note 5 Legal Debt Margin

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

Assessed valuation - 2018	\$23,782,562
Statutory debt limitation (8.625% of assessed limitation)	\$2,051,246
Total debt:	
Debt certificates series 2014	\$230,000
Loan payable	5,166,491
USDA loan payable	1,680,000
Leases payable	6,008
Less:	
Loan payable	6,846,491
Total amount of debt applicable to debt limit	236,008
Legal debt margin	\$1,815,238

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, 2019, all cumulative disbursements for all special tax levies have exceeded cumulative receipts.

City of Polo, Illinois

Notes to Financial Statements

Note 7 Pension and Retirement System

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

Benefits provided

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

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

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

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

Note 7 Pension and Retirement System (continued)

Employees Covered by the Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	13
<hr/>	
Total	27
<hr/>	

Contributions

As set by statute, the employer'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 employer's annual contribution rate for calendar year 2018 was 9.99%. For the fiscal year ended April 30, 2019, the employer contributed \$52,730 to the plan. The employer 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.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2018:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from of the period 2014-2016.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

City of Polo, Illinois

Notes to Financial Statements

Note 7 Pension and Retirement System (continued)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2018:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	7.15%
International Equity	18%	7.25%
Fixed Income	28%	3.75%
Real Estate	9%	6.25%
Alternative Investments	7%	3.20-8.50%
Cash Equivalents	1%	2.50%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (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).

City of Polo, Illinois

Notes to Financial Statements

Note 7 Pension and Retirement System (continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance December 31, 2017	\$2,228,975	\$2,256,001	(\$27,026)
Changes for the year:			
Service costs	51,722	0	51,722
Interest on total pension liability	164,111	0	164,111
Difference between expected and actual Experience of the total pension liability	(6,953)	0	(6,953)
Changes in assumptions	70,157	0	70,157
Contributions – employer	0	56,719	(56,719)
Contributions - employee	0	25,549	(25,549)
Net investment income	0	(120,078)	120,078
Benefit payments, including refunds of employee contributions	(133,367)	(133,367)	0
Other (net transfer)	0	8,996	(8,996)
Net changes	145,670	(162,181)	307,851
Balances as of December 31, 2018	\$2,374,645	\$2,093,820	\$280,825

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

The following presents the plan's net pension liability, calculated using the single discount rate of 7.25 percent, 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% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$599,057	\$280,825	\$19,396

City of Polo, Illinois

Notes to Financial Statements

Note 7 Pension and Retirement System (continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2019, the employer recognized pension expense of \$30,703. As of April 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred amounts to be recognized in pension expense in future periods:</i>		
Differences between expected and actual experience	\$26,721	\$83,467
Changes of assumptions	53,893	38,856
Net difference between projected and actual earnings on pension plan investments	260,653	116,841
Total deferred amounts to be recognized in pension expense in future periods	341,267	239,164
Pension contributions made subsequent to the measurement date	12,672	0
Total deferred amounts related to pensions	\$353,939	\$239,164

The City reported \$12,672 as deferred outflows of resources related to pensions resulting from employer contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending December 31, 2019. 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:

Year Ending April 30:	Net Deferred Outflows of Resources
2020	\$20,881
2021	(6,365)
2022	28,836
2023	58,751
2024	0
Thereafter	0
Total	\$102,103

City of Polo, Illinois

Notes to Financial Statements

Note 8 Risk Management Association

The City is exposed to various risk 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, 2019. For the years ended April 30, 2019, 2018, and 2017, there were no settlements which exceeded insurance coverage. Risk limits are as follows for the year ended April 30, 2019:

	Total Available Limits	Self-Insured Retention
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	

Note 9 Interfund Balances

Interfund balances at April 30, 2019 consisted of the following:

	Due From	Due To
General Fund - Tax Increment Financing Fund	\$5,400	\$0
IMRF Fund - Unemployment Fund	4,569	0
Tax Increment Financing Fund - General Fund	0	5,400
Unemployment Fund - IMRF Fund	0	4,569
Total	\$9,969	\$9,969

An interfund loan existed at April 30, 2019 and its purpose was as follows:

City of Polo, Illinois

Notes to Financial Statements

Note 9 Interfund Balances (continued)

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, 2019 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, 2019 is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
TIF Developers Fund	\$8,790	\$0
Christopher J Eaton Special Account Fund	1,256	0
PNC Inc. Special Account Fund	6,011	0
Tax Incremental Financing Fund	0	16,057
Total	\$16,057	\$16,057

Note 10 Other Individual Fund Disclosures

The General Fund had expenditures in excess of budget in the amount of \$65,127 for the year ended April 30, 2019.

The Unemployment Fund had a negative fund balance of \$4,569 as of April 30, 2019.

Note 11 Commitments

As of April 30, 2019, the City has no financial commitments with contractors relating to any new projects.

Note 12 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 (TIC 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.

Note 12 Tax Abatements (continued)

For the fiscal year ended April 30, 2019, the City abated property taxes totaling \$28,415 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 \$1,256.
- An 80% property tax abatement to a store for purchasing and opening a storefront in the business district. The abatement amounted to \$8,790.
- 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 \$12,358.
- A 60% property tax abatement to a developer for an industrial expansion project. The abatement amounted to \$6,011.

Required Supplementary Information

City of Polo, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

(Budgetary Cash Basis)

For the year ended April 30, 2019

	Original Budget	Actual	Variance with Final Budget
Revenues:			
Property taxes -			
General	\$142,200	\$141,723	(\$477)
Sales tax	220,000	240,427	20,427
Intergovernmental revenue:			
State income tax	230,000	228,645	(1,355)
Personal property replacement tax	19,000	18,252	(748)
Utility tax - Comm Ed	76,000	80,361	4,361
Utility tax - Nicor	25,000	36,263	11,263
Telecommunications tax	15,000	32,233	17,233
Charitable games	15,000	19,938	4,938
	380,000	415,692	35,692
Licenses and permits:			
Liquor licenses	10,458	10,575	117
Dog licenses	4,900	5,335	435
Building permits	3,000	3,547	547
Golf cart/UTV permits	1,250	1,550	300
Solicitors permits	100	75	(25)
	19,708	21,082	1,374
Fines and penalties	5,000	6,754	1,754
Charges for services:			
Dog reclamation	200	64	(136)
Pool admissions	30,000	32,507	2,507
Pool lessons	1,500	1,780	280
Park shelters	400	340	(60)
Cable TV	26,000	31,457	5,457
	58,100	66,148	8,048
Interest income	4,000	2,908	(1,092)
Miscellaneous revenue:			
Squad car taxes	11,500	11,444	(56)
Sex offender registration	0	100	100
Street openings	200	600	400
Miscellaneous	10,000	1,999	(8,001)
	21,700	14,143	(7,557)
Total revenues	\$850,708	\$908,877	\$58,169

See Notes to Required Supplementary Information.

City of Polo, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

(Budgetary Cash Basis) (Continued)

For the year ended April 30, 2019

	Original Budget	Actual	Variance with Final Budget
Expenditures:			
General government:			
Administration:			
Mayor and alderman salaries	\$11,400	\$11,400	0
Collector's salary	37,100	37,360	(260)
Treasurer's salary	2,400	2,400	0
Extra labor	0	0	0
Building inspector salary	10,200	10,200	0
Bonds/insurance	500	450	50
Printing and publishing	2,000	1,087	913
Code books	4,000	3,491	509
Telephone	2,000	1,311	689
Legal fees	25,000	29,870	(4,870)
Audit	22,000	25,000	(3,000)
Dues and subscriptions	500	365	135
Maintenance of building	6,000	4,703	1,297
Maintenance of equipment	1,500	1,773	(273)
Travel	1,000	1,137	(137)
Miscellaneous	7,000	4,382	2,618
	132,600	134,929	(2,329)
Clerical:			
Clerk's salary	6,000	6,000	0
Sick time	0	0	0
Postage	150	163	(13)
Equipment purchased	1,000	263	737
Telephone	1,600	1,601	(1)
Maintenance of equipment	2,000	678	1,322
Office supplies	1,500	815	685
Schooling and dues	2,500	2,006	494
Miscellaneous	500	27	473
	15,250	11,553	3,697
Total general government	147,850	146,482	1,368

See Notes to Required Supplementary Information.

City of Polo, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Cash Basis) (Continued)

For the year ended April 30, 2019

	Original Budget	Actual	Variance with Final Budget
Expenditures (continued):			
Public safety:			
Police department:			
Salaries	265,000	247,413	17,587
Overtime	15,000	20,553	(5,553)
Court overtime	700	495	205
Extra labor	7,000	11,230	(4,230)
Group insurance	72,000	69,588	2,412
Travel	2,700	1,781	919
Uniforms	2,000	2,292	(292)
Telephone	6,000	4,912	1,088
Police training	4,000	3,133	867
Equipment purchased	4,000	14,983	(10,983)
Maintenance of equipment	1,000	212	788
Maintenance of electronic equipment	2,000	2,734	(734)
Maintenance of vehicles	20,000	15,926	4,074
Maintenance of buildings	12,000	22,995	(10,995)
Office supplies	1,200	787	413
Computer service	4,000	1,858	2,142
Printing and supplies	700	76	624
Dog boarding fees	600	101	499
Sex offender	0	65	(65)
Miscellaneous	1,100	918	182
Total public safety	421,000	422,052	(1,052)
Streets and highways:			
Salaries	83,400	83,244	156
Overtime	1,500	1,981	(481)
Sick days	0	0	0
Group insurance	32,500	34,590	(2,090)
Equipment purchased	58,000	56,195	1,805
Maintenance - other	1,000	2,088	(1,088)
Maintenance of streets	15,000	16,166	(1,166)
Maintenance of vehicles	5,000	6,871	(1,871)
Maintenance of storm sewers	1,000	54,581	(53,581)
Maintenance of equipment	8,000	8,306	(306)
Maintenance of building	4,000	2,905	1,095
Signs	500	1,198	(698)
Street lighting	33,000	35,337	(2,337)
Street lighting maintenance	250	313	(63)
Sidewalk rebates	3,000	1,928	1,072
Gas	6,000	8,510	(2,510)
Telephone	800	900	(100)
Miscellaneous	3,000	2,510	490
Total highways and streets	255,950	317,623	(61,673)

See Notes to Required Supplementary Information.

City of Polo, Illinois

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Cash Basis) (Continued)

For the year ended April 30, 2019

	Original Budget	Actual	Variance with Final Budget
Expenditures (continued):			
Recreation:			
Salaries	70,000	76,536	(6,536)
Overtime	2,500	1,781	719
Printing and advertising	700	1,009	(309)
Telephone	800	820	(20)
Maintenance of grounds	12,000	23,265	(11,265)
Maintenance of pool	15,000	13,182	1,818
Lighting electricity	4,500	3,712	788
Heating	4,500	4,310	190
Equipment purchased	5,000	188	4,812
Maintenance of vehicles and equipment	2,000	2,348	(348)
Fuel and oil	3,000	2,709	291
Miscellaneous	2,000	1,190	810
Total recreation	122,000	131,050	(9,050)
Debt service:			
Principal	11,500	6,220	5,280
Interest	0	0	0
Total debt service	11,500	6,220	5,280
Capital outlay	0	0	0
Total expenditures	\$958,300	\$1,023,427	(\$65,127)
Adjustment from budgetary basis to generally accepted accounting principles basis		\$2,957	
Net change in fund balance		(111,593)	
Fund balance, beginning of year		<u>1,080,599</u>	
Fund balance, end of year		<u><u>\$969,006</u></u>	

See Notes to Required Supplementary Information.

City of Polo, Illinois

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Calendar Years

(schedule to be build prospectively from 2015)

Calendar year ending December 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability:										
Service cost	51,722	55,033	58,369	48,852						
Interest on the total pension liability	164,111	171,115	164,244	150,560						
Difference between expected and actual experience of the total pension liability	(6,953)	(126,357)	(33,370)	88,677						
Assumption changes	70,157	(76,219)	(3,020)	3,115						
Benefit payments and refunds	(133,367)	(97,226)	(94,514)	(126,645)						
Net change in total pension liability	145,670	(73,654)	91,709	164,559						
Total pension liability - beginning	2,228,975	2,302,629	2,210,920	2,046,361						
Total pension liability - ending (a)	\$2,374,645	\$2,228,975	\$2,302,629	\$2,210,920						
Plan fiduciary net position:										
Contributions - employer	56,719	53,369	55,350	51,094						
Contributions - employees	25,549	24,088	23,858	24,513						
Net investment income	(120,078)	342,858	133,150	9,467						
Benefit payments, including refunds of employee contributions	(133,367)	(97,226)	(94,514)	(126,645)						
Other (net transfers)	8,996	(103,882)	18,046	23,568						
Net change in plan fiduciary net position	(162,181)	219,207	135,890	(18,003)						
Plan fiduciary net position - beginning	2,256,001	2,036,794	1,900,904	1,918,907						
Plan fiduciary net position - ending (b)	\$2,093,820	\$2,256,001	\$2,036,794	\$1,900,904						
Net pension liability(asset) - ending (a) - (b)	280,825	(27,026)	265,835	310,016						
Plan fiduciary net position as a percentage of total pension liability	88.17%	101.21%	88.46%	85.98%						
Covered valuation payroll	567,763	535,295	530,183	544,722						
Net pension liability as a percentage of covered valuation payroll	49.46%	-5.05%	50.14%	56.91%						

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

See Notes to Required Supplementary Information.

City of Polo, Illinois

Required Supplementary Information
Multiyear Schedule of IMRF Contributions

**Illinois Municipal Retirement Fund (IMRF)
Multiyear Schedule of Contributions
Last 10 Fiscal Years**

Fiscal Year Ending April 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2019	\$52,730	\$52,730	\$0	\$583,307	9.04%
2018	54,030	54,030	0	541,598	9.98%
2017	55,314	55,314	0	536,985	10.30%
2016	51,107	51,107	0	527,650	9.69%

* Estimated based on 6.95% 2019 contribution rate, 9.99 2018 calendar year contribution rate and covered payroll of \$583,307.

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

City of Polo

Notes to Required Supplementary Information

Note 1 Budget Procedures:

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. The fund constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budgeted revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. The appropriations (as reflected in these financial statements) are prepared as follows:

1. Prior to the fourth Tuesday in July, the City Clerk submits to the City Council a schedule of proposed appropriations covering the General, Special Revenue, and Enterprise funds for the fiscal year commencing May 1 of that year.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to August 1, the appropriations are legally enacted through passage of an ordinance.
4. All transfers of appropriated amounts must be approved by the City Council and meet state statute restrictions.
5. The budget for the operating funds and proprietary fund operations are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

Note 2 Basis of Accounting:

Annual budgets are adopted for all governmental funds using the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note 3 Excess Cash Disbursements Over Appropriations:

The General Fund had expenditures that exceeded the budget in the amount of \$65,127 for the year ended April 30, 2019.

Note 4 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate for IMRF *

Valuation date:

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

Supplementary Information

City of Polo, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2019

ASSETS	Total	Special Revenue Funds		
		Retirement & Social Security Fund	Unemployment Fund	Liability & Workers Comp Fund
Cash, deposits, and investments	\$261,340	\$26,858	\$0	\$31,577
Receivables:				
Property taxes	263,984	63,500	7,000	59,400
State of Illinois	5,213	0	0	0
Customer receivables	25	0	0	0
Accrued interest	0	0	0	0
Due from other funds	4,569	0	0	0
Prepaid expenses	39,564	0	0	39,564
Total assets	\$574,695	\$90,358	\$7,000	\$130,541
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$294	\$0	\$0	\$0
Accrued payroll	2,599	2,599	0	0
Due to other funds	9,969	0	4,569	0
Total liabilities	12,862	2,599	4,569	0
Deferred inflows of resources -				
Subsequent year's property taxes	263,984	63,500	7,000	59,400
Fund balances:				
Nonspendable	39,564	0	0	39,564
Restricted	262,854	24,259	0	31,577
Committed	0	0	0	0
Unassigned	(4,569)	0	(4,569)	0
Total fund balances	297,849	24,259	(4,569)	71,141
Total liabilities, deferred inflows of resources, and fund balances	\$574,695	\$90,358	\$7,000	\$130,541

City of Polo, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2019

ASSETS	Special Revenue Funds			
	IMRF Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Park Board Fund
Cash, deposits, and investments	\$59,696	\$49,252	\$79,859	\$7,285
Receivables:				
Property taxes	75,500	58,584	0	0
State of Illinois	0	0	5,213	0
Customer receivables	0	0	0	0
Accrued interest	0	0	0	0
Due from other funds	4,569	0	0	0
Prepaid expenses	0	0	0	0
Total assets	\$139,765	\$107,836	\$85,072	\$7,285
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$294	\$0
Accrued payroll	0	0	0	0
Due to other funds	0	5,400	0	0
Total liabilities	0	5,400	294	0
Deferred inflows of resources -				
Subsequent year's property taxes	75,500	58,584	0	0
Fund balances:				
Nonspendable	0	0	0	0
Restricted	64,265	43,852	84,778	7,285
Committed	0	0	0	0
Unassigned	0	0	0	0
Total fund balances	64,265	43,852	84,778	7,285
Total liabilities, deferred inflows of resources, and fund balances	\$139,765	\$107,836	\$85,072	\$7,285

City of Polo, Illinois

Nonmajor Governmental Funds
 Combining Balance Sheet (Continued)
 April 30, 2019

ASSETS	Special Revenue Funds			
	Police Dept. Drug Fund	TIF Developer's Fund	Christopher J Eaton Special Account Fund	PNC, Inc. Special Account Fund
Cash, deposits, and investments	\$5,856	\$57	\$454	\$446
Receivables:				
Property taxes	0	0	0	0
State of Illinois	0	0	0	0
Customer receivables	25	0	0	0
Accrued interest	0	0	0	0
Due from other funds	0	0	0	0
Prepaid expenses	0	0	0	0
Total assets	\$5,881	\$57	\$454	\$446
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$0
Accrued payroll	0	0	0	0
Due to other funds	0	0	0	0
Total liabilities	0	0	0	0
Deferred inflows of resources -				
Subsequent year's property taxes	0	0	0	0
Fund balances:				
Nonspendable	0	0	0	0
Restricted	5,881	57	454	446
Committed	0	0	0	0
Unassigned	0	0	0	0
Total fund balances	5,881	57	454	446
Total liabilities, deferred inflows of resources, and fund balances	\$5,881	\$57	\$454	\$446

City of Polo, Illinois

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures and

Changes in Fund Balances

For the year ended April 30, 2019

	Special Revenue Funds			
	Total	Retirement & Social Security Fund	Unemployment Fund	Liability & Workers Comp Fund
Revenues:				
Property taxes	\$263,011	\$58,717	\$3,184	\$73,146
Intergovernmental revenue	59,781	0	0	0
Licenses and permits	0	0	0	0
Fines and penalties	0	0	0	0
Charges for services	0	0	0	0
Interest	547	94	4	115
Miscellaneous income	730	0	0	0
Total revenues	324,069	58,811	3,188	73,261
Expenditures:				
Current:				
General government	126,386	6,959	8,587	66,838
Public safety	58,279	29,792	0	0
Highway and streets	28,474	9,007	0	0
Culture and recreation	16,227	8,295	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Capital outlay	0	0	0	0
Total expenditures	229,366	54,053	8,587	66,838
Excess (deficiency) of revenues over(under) expenditures	94,703	4,758	(5,399)	6,423
Other financing sources (uses):				
Transfer in	16,057	0	0	0
Transfer out	(16,057)	0	0	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balances	94,703	4,758	(5,399)	6,423
Fund balances, beginning of year	203,146	19,501	830	64,718
Fund balances, end of year	\$297,849	\$24,259	(\$4,569)	\$71,141

City of Polo, Illinois

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures and

Changes in Fund Balances

For the year ended April 30, 2019

	Special Revenue Funds			
	IMRF Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Park Board Fund
Revenues:				
Property taxes	\$71,653	\$56,311	\$0	\$0
Intergovernmental revenue	0	0	59,781	0
Licenses and permits	0	0	0	0
Fines and penalties	0	0	0	0
Charges for services	0	0	0	0
Interest	183	113	30	4
Miscellaneous income	0	0	0	155
Total revenues	71,836	56,424	59,811	159
Expenditures:				
Current:				
General government	6,654	21,291	0	0
Public safety	28,487	0	0	0
Highway and streets	8,612	0	10,855	0
Culture and recreation	7,932	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Capital outlay	0	0	0	0
Total expenditures	51,685	21,291	10,855	0
Excess (deficiency) of revenues over(under) expenditures	20,151	35,133	48,956	159
Other financing sources (uses):				
Transfer in	0	0	0	0
Transfer out	0	(16,057)	0	0
Total other financing sources (uses)	0	(16,057)	0	0
Net change in fund balances	20,151	19,076	48,956	159
Fund balances, beginning of year	44,114	24,776	35,822	7,126
Fund balances, end of year	\$64,265	\$43,852	\$84,778	\$7,285

City of Polo, Illinois

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances (Continued)

For the year ended April 30, 2019

	Special Revenue Funds			
	Police Dept. Drug Fund	TIF Developer's Fund	Christopher J Eaton Special Account Fund	PNC, Inc. Special Account Fund
Revenues:				
Property taxes	\$0	\$0	\$0	\$0
Intergovernmental revenue	0	0	0	0
Licenses and permits	0	0	0	0
Fines and penalties	0	0	0	0
Charges for services	0	0	0	0
Interest	3	0	0	1
Miscellaneous income	575	0	0	0
Total revenues	578	0	0	1
Expenditures:				
Current:				
General government	0	8,790	1,256	6,011
Public safety	0	0	0	0
Highway and streets	0	0	0	0
Culture and recreation	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Capital outlay	0	0	0	0
Total expenditures	0	8,790	1,256	6,011
Excess (deficiency) of revenues over(under) expenditures	578	(8,790)	(1,256)	(6,010)
Other financing sources (uses):				
Transfer in	0	8,790	1,256	6,011
Transfer out	0	0	0	0
Total other financing sources (uses)	0	8,790	1,256	6,011
Net change in fund balances	578	0	0	1
Fund balances, beginning of year	5,303	57	454	445
Fund balances, end of year	\$5,881	\$57	\$454	\$446

Other

City of Polo, Illinois

Schedule of Property Tax Assessed, Valuations, Rates
Extensions, and Collections
April 30, 2019

	2018	2017
Assessed valuation	\$23,782,562	\$22,272,541
Tax Rates:		
General Funds:		
Corporate (.2500)	0.25000	0.25000
Park and Recreation (.0750)	0.07500	0.07252
Civil Defense (as needed)	0.00253	0.00255
Lease Purchase (.0500)	0.04835	0.04877
Auditing (as needed)	0.07989	0.07634
Police Protection (.0750)	0.07500	0.07210
Street Lighting (.0500)	0.04945	0.04750
Total general funds	0.58022	0.56978
Illinois Municipal Retirement (as needed)	0.31746	0.30536
Social Security (as needed)	0.26700	0.25023
Unemployment Compensation (as needed)	0.02943	0.01357
Liability and Workmen's Compensation Insurance (as needed)	0.24976	0.31172
Total tax rates	1.44387	1.45066
Tax Extensions:		
General Funds	\$137,991	\$134,347
Illinois Municipal Retirement	75,500	72,000
1/2 Road and Bridge	19,131	19,353
Social Security	63,499	59,001
Unemployment Compensation	6,999	3,200
Liability and Workmen's Compensation Insurance	59,399	73,500
TIF District	58,584	56,284
Total tax extensions	421,103	417,685
Collections		\$417,101
Percentage of Extensions Collected		99.05%

Maximum tax rates are disclosed in parenthesis after each fund.

Compliance



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Polo, Illinois (the “City”) as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated August 1, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002.

Compliance and Other Matters

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

Responses to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

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

August 1, 2019
Sterling, Illinois

Mayor:
Doug Knapp
City Clerk:
Sydney Bartelt



**CITY OF POLO, ILLINOIS
CORRECTIVE ACTION PLAN
YEAR ENDED APRIL 30, 2019**

The City of Polo, Illinois respectfully submits the following corrective action plan for the year ended April 30, 2019.

Audit period: May 1, 2018 – April 30, 2019

The findings below from the April 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2019-001:

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

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

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

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

Auditor's Recommendation – Management should continue to review and approve the annual financial statements and the related footnote disclosures.

Explanation of disagreement with audit findings- There is no disagreement with the audit finding.

Action taken in response to finding- Management will continue to review monthly and annual financial statements. A financial committee will also be created to meeting quarterly.

Name of the contact person responsible for corrective action plan- Sydney Bartelt, City Clerk

Planned completion date for corrective action plan- April 30, 2020

“Gateway To The Pines”

Finding 2019-002:

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

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

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

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

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

Explanation of disagreement with audit finding- There is no disagreement with the audit finding.

Action taken in response to finding- The City will continue to explore the possible further segregation of duties within the City office until it becomes cost prohibitive. The Council will also have close supervision of all accounting information.

Name of contact person responsible for correction action plan- Sydney Bartelt, City Clerk

Planned completion date for corrective action plan- April 30, 2020

If involved agencies have any questions regarding this plan, please call Sydney Bartelt at 815-946-3514.

Sincerely yours,

City of Polo, Illinois

Sydney Bartelt
Sydney Bartelt, City Clerk

“Gateway To The Pines”