

CITY OF OLNEY
OLNEY, ILLINOIS

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

CITY OF OLNEY
OLNEY, ILLINOIS
YEAR ENDED APRIL 30, 2018

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CITY OF OLNEY
OLNEY, ILLINOIS
YEAR ENDED APRIL 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and
City Council
City of Olney, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olney, Illinois, as of and for the year ended April 30, 2018, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Basis for Qualified Opinion on Fiduciary Funds

Management has elected to report Fiduciary Fund investments at fair market value. Financial statements prepared on the modified cash basis of accounting require that all investments be reported at cost. The amount by which this departure increases the assets and net position of the Fiduciary Funds is \$522,274 and increases the change in net assets of the Fiduciary Fund by \$73,776.

Qualified Opinion

In our opinion, except for the effects of the matters disclosed in the “Basis for Qualified Opinion on Fiduciary Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of the fiduciary funds of the City of Olney, Illinois, and the changes in financial position-modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund other than the fiduciary funds, and the aggregate remaining fund information for the City of Olney, Illinois, as of April 30, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Olney, Illinois’ basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

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.

Other Information

The budgetary comparison schedule, Illinois Municipal Retirement Fund Three Year Schedule of Funding Progress, the Police Pension Fund and the Firemen’s Pension Fund Three Year Schedule of Funding Progress, the Police Pension Fund and Fire Pension Fund Revenue by Source and Expense by Type, and the Five Year Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis, presented on pages 47 through 55, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 27, 2018, on our consideration of the City of Olney, Illinois’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Olney, Illinois’ 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 City of Olney, Illinois’ internal control over financial reporting and compliance.



KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

August 27, 2018

CITY OF OLNEY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2018

| | Primary Government | | | Component Unit |
|---|------------------------------------|-------------------------------------|----------------------|---------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,446,735 | \$ 4,131,695 | \$ 9,578,430 | \$ 614,829 |
| Investments | 1,500 | - | 1,500 | 3,960 |
| Notes receivable, net of allowance of \$0 | 61,073 | - | 61,073 | - |
| Inventory | - | 106,779 | 106,779 | - |
| Restricted cash and cash equivalents | 153,094 | 435,475 | 588,569 | - |
| Capital assets, net of accumulated depreciation | 10,301,901 | 10,565,571 | 20,867,472 | 255,995 |
| Total assets | <u>\$ 15,964,303</u> | <u>\$ 15,239,520</u> | <u>\$ 31,203,823</u> | <u>\$ 874,784</u> |
| LIABILITIES AND NET POSITION | | | | |
| Liabilities: | | | | |
| Customer deposits | \$ - | \$ 249,633 | \$ 249,633 | \$ - |
| Due within one year | | | | |
| Notes payable | 17,500 | 70,332 | 87,832 | - |
| Due in more than one year | | | | |
| Notes payable | 297,500 | 1,111,988 | 1,409,488 | - |
| Total liabilities | <u>315,000</u> | <u>1,431,953</u> | <u>1,746,953</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 9,986,901 | 9,383,251 | 19,370,152 | 255,995 |
| Restricted | 2,113,064 | 185,842 | 2,298,906 | 147,249 |
| Unrestricted | 3,549,338 | 4,238,474 | 7,787,812 | 471,540 |
| Total net position | <u>15,649,303</u> | <u>13,807,567</u> | <u>29,456,870</u> | <u>874,784</u> |
| Total liabilities and net position | <u>\$ 15,964,303</u> | <u>\$ 15,239,520</u> | <u>\$ 31,203,823</u> | <u>\$ 874,784</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Library | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 1,280,867 | \$ 117,632 | \$ 2,675 | \$ 19,200 | \$ (1,141,360) | \$ - | \$ (1,141,360) | \$ - |
| Public safety | 2,230,919 | 71,145 | 24,495 | 8,164 | (2,127,115) | - | (2,127,115) | - |
| Tourism promotion | 50,371 | - | 45,927 | - | (4,444) | - | (4,444) | - |
| Development | 468,028 | 20,004 | - | - | (448,024) | - | (448,024) | - |
| Transportation | 957,381 | 9,330 | 231,824 | - | (716,227) | - | (716,227) | - |
| Culture and recreation | 791,549 | 74,876 | 12,157 | - | (704,516) | - | (704,516) | - |
| Sanitation | 313,140 | 316,415 | - | - | 3,275 | - | 3,275 | - |
| Interest on long-term debt | 3,488 | - | - | - | (3,488) | - | (3,488) | - |
| Total governmental activities | <u>6,095,743</u> | <u>609,402</u> | <u>317,078</u> | <u>27,364</u> | <u>(5,141,899)</u> | <u>-</u> | <u>(5,141,899)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water distribution | 1,431,819 | 1,742,079 | - | - | - | 310,260 | 310,260 | - |
| Waste water treatment | 1,018,425 | 1,036,848 | - | - | - | 18,423 | 18,423 | - |
| Total business-type activities | <u>2,450,244</u> | <u>2,778,927</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>328,683</u> | <u>328,683</u> | <u>-</u> |
| Total primary government | <u>8,545,987</u> | <u>3,388,329</u> | <u>317,078</u> | <u>27,364</u> | <u>(5,141,899)</u> | <u>328,683</u> | <u>(4,813,216)</u> | <u>-</u> |
| Component unit: | | | | | | | | |
| Library | 266,979 | 17,903 | 28,749 | - | - | - | - | (220,327) |
| Total component unit | <u>\$ 266,979</u> | <u>\$ 17,903</u> | <u>\$ 28,749</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(220,327)</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,338,677 | - | 1,338,677 | 212,916 |
| Franchise tax | | | | | 105,194 | - | 105,194 | - |
| Hotel/motel tax | | | | | 42,740 | - | 42,740 | - |
| Intergovernmental revenue: | | | | | | | | |
| Sales tax | | | | | 1,872,709 | - | 1,872,709 | - |
| Income tax | | | | | 965,510 | - | 965,510 | - |
| Replacement tax | | | | | 75,551 | - | 75,551 | 12,746 |
| Telecommunication tax | | | | | 161,515 | - | 161,515 | - |
| Video gaming tax | | | | | 103,040 | - | 103,040 | - |
| Foreign fire tax | | | | | 17,835 | - | 17,835 | - |
| Rural fire tax | | | | | 77,160 | - | 77,160 | - |
| Interest income | | | | | 33,509 | 19,086 | 52,595 | 2,733 |
| Miscellaneous | | | | | 116,614 | - | 116,614 | 1,984 |
| Gain on disposition of capital assets | | | | | 17,386 | - | 17,386 | - |
| Total general revenues, special items, and transfers | | | | | <u>4,927,440</u> | <u>19,086</u> | <u>4,946,526</u> | <u>230,379</u> |
| Change in net position | | | | | (214,459) | 347,769 | 133,310 | 10,052 |
| Net position - beginning | | | | | 15,863,762 | 13,459,798 | 29,323,560 | 864,732 |
| Net position - ending | | | | | <u>\$ 15,649,303</u> | <u>\$ 13,807,567</u> | <u>\$ 29,456,870</u> | <u>\$ 874,784</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2018

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,530,818 | \$ 1,915,917 | \$ 5,446,735 |
| Restricted cash and cash equivalents | 153,094 | - | 153,094 |
| Investments | - | 1,500 | 1,500 |
| Notes receivable, net of allowance of \$0 | 14,500 | 46,573 | 61,073 |
| Total assets | \$ 3,698,412 | \$ 1,963,990 | \$ 5,662,402 |
| FUND BALANCES | | | |
| Non-spendable | \$ - | \$ 4,020 | \$ 4,020 |
| Restricted | 153,094 | 1,959,970 | 2,113,064 |
| Committed | 80,000 | - | 80,000 |
| Assigned | 807,213 | - | 807,213 |
| Unassigned | 2,658,105 | - | 2,658,105 |
| Total fund balances | 3,698,412 | 1,963,990 | 5,662,402 |
| Total liabilities and fund balances | \$ 3,698,412 | \$ 1,963,990 | |

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.

10,301,901

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(315,000)

Net position of governmental activities

\$ 15,649,303

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2018

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| REVENUES | | | |
| Property taxes | \$ 770,893 | \$ 567,784 | \$ 1,338,677 |
| Intergovernmental: | | | |
| Franchise tax | 105,194 | - | 105,194 |
| Hotel/motel tax | - | 42,740 | 42,740 |
| Sales tax | 1,872,709 | - | 1,872,709 |
| Income tax | 965,510 | - | 965,510 |
| Replacement tax | 52,863 | 22,688 | 75,551 |
| Motor fuel taxes | - | 231,824 | 231,824 |
| Telecommunication tax | 161,515 | - | 161,515 |
| Video gaming tax | 103,040 | - | 103,040 |
| Foreign fire tax | 17,835 | - | 17,835 |
| Rural fire tax | 77,160 | - | 77,160 |
| Licenses and permits | 115,732 | - | 115,732 |
| Fees and fines | 89,641 | - | 89,641 |
| Charges for services | 404,028 | - | 404,028 |
| Interest income | 14,840 | 18,669 | 33,509 |
| Operating grants | 2,675 | - | 2,675 |
| Operating contributions | 36,652 | 45,927 | 82,579 |
| Capital grants | 27,364 | - | 27,364 |
| Miscellaneous | 103,666 | 12,948 | 116,614 |
| Total revenues | <u>4,921,317</u> | <u>942,580</u> | <u>5,863,897</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 992,236 | 90,688 | 1,082,924 |
| Public safety | 1,952,575 | - | 1,952,575 |
| Tourism promotion | - | 50,370 | 50,370 |
| Development | 51,604 | 267,236 | 318,840 |
| Transportation | 819,266 | 75,063 | 894,329 |
| Culture and recreation | 611,428 | - | 611,428 |
| Sanitation | 311,802 | - | 311,802 |
| Debt service: | | | |
| Principal | 17,500 | 253,333 | 270,833 |
| Interest | - | 3,488 | 3,488 |
| Capital outlay | 749,671 | 368,221 | 1,117,892 |
| Total expenditures | <u>5,506,082</u> | <u>1,108,399</u> | <u>6,614,481</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(584,765)</u> | <u>(165,819)</u> | <u>(750,584)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | 17,386 | - | 17,386 |
| Transfers in | 545,519 | 200,000 | 745,519 |
| Transfers out | <u>(200,000)</u> | <u>(545,519)</u> | <u>(745,519)</u> |
| Total other financing sources (uses) | <u>362,905</u> | <u>(345,519)</u> | <u>17,386</u> |
| Net change in fund balances | (221,860) | (511,338) | (733,198) |
| Fund balances - beginning | <u>3,920,272</u> | <u>2,475,328</u> | <u>6,395,600</u> |
| Fund balances - ending | <u>\$ 3,698,412</u> | <u>\$ 1,963,990</u> | <u>\$ 5,662,402</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2018

Net change in fund balances - total governmental funds \$ (733,198)

Amounts reported for *governmental activities* in the statement of activities are different because:

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

| | | | |
|--|----------------|------------------|---------|
| | Capital outlay | 1,117,892 | |
| | Depreciation | <u>(869,986)</u> | 247,906 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

| | | | |
|--|------------|----------|----------------|
| | Repayments | 270,833 | |
| | Proceeds | <u>-</u> | <u>270,833</u> |

Change in net position of governmental activities \$ (214,459)

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2018

**Business-Type Activities -
Enterprise Funds**

| | <u>Water Distribution</u> | <u>Waste Water Treatment</u> | <u>Totals</u> |
|---|-------------------------------|----------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,598,762 | \$ 1,532,933 | \$ 4,131,695 |
| Restricted cash and cash equivalents | 44,044 | 141,798 | 185,842 |
| Inventory | 94,422 | 12,357 | 106,779 |
| Total current assets | <u>2,737,228</u> | <u>1,687,088</u> | <u>4,424,316</u> |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 249,633 | - | 249,633 |
| Capital assets, net of accumulated depreciation | 5,977,006 | 4,588,565 | 10,565,571 |
| Total noncurrent assets | <u>6,226,639</u> | <u>4,588,565</u> | <u>10,815,204</u> |
| Total Assets | <u>\$ 8,963,867</u> | <u>\$ 6,275,653</u> | <u>\$ 15,239,520</u> |
| LIABILITIES AND NET POSITION | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Customer deposits | \$ 249,633 | \$ - | \$ 249,633 |
| Notes payable | 19,775 | 50,557 | 70,332 |
| Total current liabilities | <u>269,408</u> | <u>50,557</u> | <u>319,965</u> |
| Noncurrent liabilities: | | | |
| Notes payable | 412,499 | 699,489 | 1,111,988 |
| Total liabilities | <u>681,907</u> | <u>750,046</u> | <u>1,431,953</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,544,732 | 3,838,519 | 9,383,251 |
| Restricted | 44,044 | 141,798 | 185,842 |
| Unrestricted | 2,693,184 | 1,545,290 | 4,238,474 |
| Total net position | <u>8,281,960</u> | <u>5,525,607</u> | <u>13,807,567</u> |
| Total Liabilities and Net Position | <u>\$ 8,963,867</u> | <u>\$ 6,275,653</u> | <u>\$ 15,239,520</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2018

| | Business-Type Activities - Enterprise Funds | | |
|--|--|----------------------------------|----------------------|
| | Water Distribution | Waste Water Treatment | Totals |
| Operating revenues: | | | |
| Charges for services | \$ 1,709,776 | \$ 1,028,018 | \$ 2,737,794 |
| System development fees | 440 | 540 | 980 |
| Miscellaneous revenue | 31,863 | 8,290 | 40,153 |
| Total operating revenues | <u>1,742,079</u> | <u>1,036,848</u> | <u>2,778,927</u> |
| Operating expenses: | | | |
| Personal services | 695,625 | 326,891 | 1,022,516 |
| Support services | 60,008 | 59,355 | 119,363 |
| Contractual services | 97,560 | 5,191 | 102,751 |
| Utilities | 5,693 | 86,604 | 92,297 |
| Repairs and maintenance | 77,343 | 91,551 | 168,894 |
| Other supplies and materials | 187,314 | 30,557 | 217,871 |
| Insurance | 39,985 | 25,417 | 65,402 |
| Depreciation | 257,474 | 365,106 | 622,580 |
| Other | 2,500 | 22,075 | 24,575 |
| Total operating expenses | <u>1,423,502</u> | <u>1,012,747</u> | <u>2,436,249</u> |
| Operating income | <u>318,577</u> | <u>24,101</u> | <u>342,678</u> |
| Nonoperating revenues (expenses): | | | |
| Interest revenue | 12,201 | 6,885 | 19,086 |
| Interest expense | (8,317) | (5,678) | (13,995) |
| Total nonoperating revenue (expenses) | <u>3,884</u> | <u>1,207</u> | <u>5,091</u> |
| Change in net position | <u>322,461</u> | <u>25,308</u> | <u>347,769</u> |
| Total net position - beginning | <u>7,959,499</u> | <u>5,500,299</u> | <u>13,459,798</u> |
| Total net position - ending | <u>\$ 8,281,960</u> | <u>\$ 5,525,607</u> | <u>\$ 13,807,567</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2018

| | Business-Type Activities - Enterprise Funds | | |
|--|--|----------------------------------|---------------------|
| | Water Distribution | Waste Water Treatment | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 1,747,589 | \$ 1,036,848 | \$ 2,784,437 |
| Payments to suppliers | (437,275) | (269,092) | (706,367) |
| Payments to employees | (695,625) | (326,891) | (1,022,516) |
| Payments to other funds | (51,578) | (51,578) | (103,156) |
| Net cash provided by operating activities | <u>563,111</u> | <u>389,287</u> | <u>952,398</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | (108,827) | (268,622) | (377,449) |
| Principal paid on capital debt | (34,623) | (50,025) | (84,648) |
| Interest paid on capital debt | (8,317) | (5,678) | (13,995) |
| Proceeds from long-term debt | 15,065 | - | 15,065 |
| Net cash used by capital and related financing activities | <u>(136,702)</u> | <u>(324,325)</u> | <u>(461,027)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 12,201 | 6,885 | 19,086 |
| Net cash provided by investing activities | <u>12,201</u> | <u>6,885</u> | <u>19,086</u> |
| Net increase in cash and cash equivalents | 438,610 | 71,847 | 510,457 |
| Balances - beginning of year | <u>2,453,829</u> | <u>1,602,884</u> | <u>4,056,713</u> |
| Balances - end of year | <u>\$ 2,892,439</u> | <u>\$ 1,674,731</u> | <u>\$ 4,567,170</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income | \$ 318,577 | \$ 24,101 | \$ 342,678 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 257,474 | 365,106 | 622,580 |
| Change in current assets and current liabilities: | | | |
| Inventories | (18,450) | 80 | (18,370) |
| Customer deposits | 5,510 | - | 5,510 |
| Net cash provided by operating activities | <u>\$ 563,111</u> | <u>\$ 389,287</u> | <u>\$ 952,398</u> |
| Cash and cash equivalents per Statement of Net Position - Modified Cash Basis: | | | |
| Cash and equivalents | \$ 2,598,762 | \$ 1,532,933 | \$ 4,131,695 |
| Restricted cash and cash equivalents | 293,677 | 141,798 | 435,475 |
| | <u>\$ 2,892,439</u> | <u>\$ 1,674,731</u> | <u>\$ 4,567,170</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
APRIL 30, 2018

| | <u>Pension Trust Funds</u> |
|------------------------------------|---------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 767,457 |
| Investments | 6,371,822 |
| Total assets | <u>7,139,279</u> |
| NET POSITION | |
| Held in trust for pension benefits | <u>\$ 7,139,279</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2018

| | <u>Pension Trust Funds</u> |
|--|---------------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 885,900 |
| Plan members | 83,213 |
| Total contributions | <u>969,113</u> |
| Investment earnings: | |
| Interest | 46,630 |
| Dividends | 164,398 |
| Realized gain on sale of investments | 148,707 |
| Change in fair market value of investments | 73,776 |
| Net investment earnings | <u>433,511</u> |
| Total additions | <u>1,402,624</u> |
| DEDUCTIONS | |
| Benefits | 869,135 |
| Administrative expenses | 39,633 |
| Total deductions | <u>908,768</u> |
| Change in net position | 493,856 |
| Net position - beginning | <u>6,645,423</u> |
| Net position - end of year | <u><u>\$ 7,139,279</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Olney, Illinois (the, “City”) operates under a Council-Manager form of government and provides for the following services as authorized by ordinance: public safety and health; maintenance of highways and streets; culture and recreation; zoning and planning; sanitation services; water distribution; waste water treatment; and general administration.

The accounting policies and presentation of the basic financial statements of the City have been prepared in conformity with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The basic financial statements include one discretely presented component unit. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Discretely presented component unit - The Olney Public Library is responsible for the operation of the public library within the City’s jurisdiction. The members of the Library’s board are appointed by the Mayor and approved by the City Council. In addition, the City Council approves the Library’s budget, levies taxes, and must approve any debt issuances. The Library does not issue separate financial statements.

B. Basis of Presentation

The City’s basic financial statements consist of city-wide statements including the statement of net position and statement of activities and fund financial statements, which provide a more detailed level of financial information.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

City-wide Financial Statements

The city-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the City as a whole. These statements include financial activities of the primary government; fiduciary activities have been excluded. The effect of interfund activity has been removed from these statements. The city-wide statement of activities reflects both expenses and net cost of each function of the City's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as property taxes, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each city function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore each is displayed in a separate column. All remaining governmental and proprietary funds are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of a City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. As such, fiduciary funds are not reported in the City-wide statements. The City's fiduciary funds include the Police and Firemen Pension Funds.

C. Measurement Focus

The city-wide statements report using the economic resources measurement focus. Proprietary and fiduciary fund financial statements also report using this same focus.

Governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the city-wide statements (due mainly to inclusion of capital assets and long-term debt activity in the city-wide presentation), a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the city-wide presentation.

Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The City maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. The pension trust fund investments are valued at fair value, which is a departure from the modified cash basis of accounting. Liabilities of a fund, similarly, result from previous cash transactions.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus (Continued)

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from long-term debt borrowings are included as other financing sources on the fund financial statements on the date received.

Operating revenue reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fund Types and Major Funds

The City reports the following major governmental fund:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The Waste Water Treatment Fund is used to account for revenues and expenses associated with providing sewage services to the City.

The Water Distribution Fund is used to account for the revenues and expenses associated with providing drinking water distribution services to the City.

D. Budgets

The City adopts its budget in accordance with the modified cash basis of accounting. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

E. Encumbrances

Encumbrance accounting is not used by the City.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

The City's investments include broker-held money market accounts, certificates of deposit, variable annuity contracts, government-secured bonds, mortgage-backed securities, corporate bonds, municipal securities, and mutual funds. These investments are held by the City's Police Pension and Firemen's Pension Funds and are recorded at fair value. The gains or losses on the sale of these investments are recognized upon realization. Market adjustments for these investments are recorded in the investment earnings in the current period of the pension funds. The fair value adjustments are based on quoted market prices at April 30, 2018 in actively traded markets.

G. Due To and Due from Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. Inter-fund receivable and payables are eliminated on the city-wide statements, when related to the Primary Government. Certain instances may arise where an inter-fund receivable or payable exists between the Primary Government and a Fiduciary Fund. These amounts are not eliminated on the city-wide statements.

H. Inventory

The City records inventory at cost. Inventory consists of water distribution and waste water treatment supplies.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities columns in the city-wide financial statements. The City is including infrastructure assets prospectively starting May 1, 2004. Capital assets are defined by the City as individual assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life of 1 year or more. Such assets are recorded at historical cost if purchased or constructed, except for property, plant, and equipment acquired for which historical cost was not available, and are valued based on estimated historical cost at that date.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets, Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Equipment | 3 – 20 |
| Infrastructure | 20 – 40 |
| Buildings | 40 |
| Water & Sewer Equipment | 5 – 10 |
| Water & Sewer Systems | 40 |

J. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

K. Long-Term Obligations

In the city-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

L. Fund Balance/Net Position

Government-wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance/Net Position (Continued)

Government-wide Statements (Continued)

- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

Fund balance is the difference between assets and liabilities in a governmental fund. The City reports a governmental fund’s fund balance into the following classifications:

Non-spendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

Restricted includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or donors.

Committed includes amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only City Council may assign amounts for specific purposes.

Unassigned includes all amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary fund equity is classified in the same categories and manner as the City-wide statements.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Property Taxes

The City's property tax is levied each calendar year on all taxable real property located in the City. The local taxing authority for the City of Olney, Illinois is Richland County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in August and are payable in two installments between the months of July and September of the subsequent year. Property taxes are billed and collected by the County, which in turn, remits them to the City. Payments are typically made during the period July through November. The 2016 tax year levy, received during fiscal year 2018, was adopted by the City Council on December 16, 2016.

N. Related Party Transactions

There were no material related party transactions with the City officials or employees during the year ended April 30, 2018.

O. Use of Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all checking, savings, and money market accounts, which are highly liquid investments to be cash. Cash in excess of current requirements is invested in interest-bearing certificates of deposit and is considered to be a cash equivalent.

Q. Date of Management's Review

Management has evaluated subsequent events through August 27, 2018, the date which the financial statements were available to be issued.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

The City and the component unit's cash deposits consist of checking, savings accounts, money market accounts, and certificates of deposit. These deposits are stated at cost. The City and the component unit are authorized by state statute to invest in obligations of the United States of America.

At April 30, 2018, the carrying amount and the bank balance of the City's cash deposits were \$10,934,456 and \$11,093,561, respectively. This includes petty cash and cash on hand amounts of \$1,150.

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 does not have a deposit policy for custodial credit risk. As of April 30, 2018, \$9,482,530 of the City's bank balance of \$11,093,561 was exposed to custodial credit risk as follows:

| | |
|---|---------------------|
| Uninsured and collateral held by pledging bank's trust department not in the City's name | <u>\$ 9,482,530</u> |
|---|---------------------|

At April 30, 2018, the carrying amount and the bank balance of the component unit's cash deposits were \$614,829 and \$622,953, respectively. This includes petty cash and cash on hand amounts of \$150.

Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component unit does not have a deposit policy for custodial credit risk. As of April 30, 2018, \$249,653 of the component unit's bank balance of \$622,953 was exposed to custodial credit risk.

| | |
|---|-------------------|
| Uninsured and collateral held by pledging bank's trust department not in the component unit's name | <u>\$ 249,653</u> |
|---|-------------------|

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments

The City and the component unit invest excess cash into brokered certificates of deposits, variable annuity contracts, government-secured bonds, mortgage-backed securities, corporate bonds, municipal securities, and mutual funds.

At April 30, 2018, the carrying amount and financial institution balance of the City's investments were \$6,373,322. The carrying amount is as follows:

| | |
|----------------------------------|---------------------|
| Brokered certificates of deposit | \$ 1,616,901 |
| Variable annuity contracts | 1,082,220 |
| Broker-held money market | 33,544 |
| Government-secured bonds | 231,683 |
| Mortgage-backed securities | 68,645 |
| Corporate bonds | 313,527 |
| Municipal securities | 15,296 |
| Mutual funds | 3,011,506 |
| | <u>\$ 6,373,322</u> |

Custodial credit risk is the risk that in the event of a financial institution failure, the City's investment securities may not be returned to it. The City does not have an investment policy for custodial credit risk. As of April 30, 2018, the City's investments were exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Investment securities held by counterparty | \$ <u>6,373,322</u> |
|--|---------------------|

At April 30, 2018, the carrying amount and financial institution balance of the component unit's investments were \$3,960 and \$3,960, respectively. The carrying amount includes \$3,960 of bank stock.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. The City utilizes third-party investment advisors to manage its exposure to fair value losses. Investments as of April 30, 2018 are summarized below:

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk, Continued

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity in Years</u> |
|----------------------------------|---------------------|---|
| City: | | |
| Brokered certificates of deposit | \$ 1,616,901 | 1.66 |
| Variable annuity contracts | 1,082,220 | 1.42 |
| Broker-held money market | 33,544 | N/A |
| Government-secured bonds | 231,683 | 4.46 |
| Mortgage-backed securities | 68,645 | 4.20 |
| Corporate bonds | 313,527 | 4.52 |
| Municipal securities | 15,296 | 6.14 |
| Mutual funds | 3,011,506 | N/A |
| | <u>6,373,322</u> | |
| Component Unit: | | |
| Bank stock | 3,960 | N/A |
| | <u>\$ 6,377,282</u> | |

Credit Risk of Debt Securities

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligations to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. State law limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Other investments are invested as permitted by the Illinois Pension Code of the Illinois Compiled Status. Foreign currency risk, the risk that changes in exchange rates will adversely affect the fair value of an investment, is expected to be minor based on investment allocations.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3: COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all of the City's funds. Certain funds maintain a portion of their cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally, certain funds participating in the common bank account may incur an overdraft (deficit) in the account. The overdraft results from expenditures which have been approved by the City. If this occurs, the overdraft constitutes an unauthorized inter-fund loan since the Council did not authorize it by a resolution.

NOTE 4: COMMUNITY DEVELOPMENT, EDA, AND INTERMEDIARY RELENDING PROGRAMS

Loans Receivable

In order to stimulate industrial growth, the City has received several grants and a loan from various state and federal agencies, including the Economic Development Administration (EDA). The City has loaned these funds to local industries (net of administration fees) for capital improvements and additional working capital.

The following is an analysis of the loans outstanding, net of reserve for bad debt at April 30, 2018:

| | |
|--|------------------|
| Economic Development Administration Loan: | |
| 4% rate of interest with maturities in 12 years, with equal principal and interest payments; 2 loans. | \$ 46,573 |
| Intermediary Relending Program: | |
| 3.5% rate of interest, with maturity in 2 years, with equal principal and interest payments; 1 loan. | <u>14,500</u> |
| Total future cash flows | <u>\$ 61,073</u> |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4: COMMUNITY DEVELOPMENT, EDA, AND INTERMEDIARY RELENDING
PROGRAMS (CONTINUED)

Activity on the above loans was as follows:

| | <u>Community Development</u> | <u>Economic Development</u> | <u>Intermediary Relending</u> | <u>Total</u> |
|-----------------------------------|----------------------------------|---------------------------------|-----------------------------------|------------------|
| Loans receivable - May 1, 2017 | \$ 8,025 | \$ 48,710 | \$ 24,743 | \$ 81,478 |
| New loans added | - | - | - | - |
| Principal payments | (8,025) | (2,137) | (10,243) | (20,405) |
| Write off of uncollectible loan | - | - | - | - |
| Allowance for bad debts | - | - | - | - |
| Loans receivable - April 30, 2018 | <u>\$ -</u> | <u>\$ 46,573</u> | <u>\$ 14,500</u> | <u>\$ 61,073</u> |

For the EDA loans, the repayments of principal and interest can only be used by the City for new economic development loans, while repayment proceeds from the other loans can be used for new loans, or in certain cases, capital improvements.

The five year maturity summary of the above loans is as follows:

| Year Ended <u>April 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|------------------|------------------|
| 2019 | \$ 15,008 | \$ 1,949 | \$ 16,957 |
| 2020 | 3,501 | 1,589 | 5,090 |
| 2021 | 3,643 | 1,447 | 5,090 |
| 2022 | 3,792 | 1,298 | 5,090 |
| 2023 | 3,946 | 1,144 | 5,090 |
| Thereafter | 31,183 | 2,682 | 33,865 |
| Total | <u>\$ 61,073</u> | <u>\$ 10,109</u> | <u>\$ 71,182</u> |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities

| General Government | Balance May 01, 2017 | Additions | Deletions | Transfers | Balance April 30, 2018 |
|--------------------------------|-------------------------|-------------------|-------------|-------------|---------------------------|
| Assets not depreciated: | | | | | |
| Land | \$ 1,809,434 | \$ - | \$ - | \$ - | \$ 1,809,434 |
| Construction in Progress | 149,474 | 15,210 | - | (143,300) | 21,384 |
| Assets depreciated: | | | | | |
| Infrastructure | 3,121,861 | 709,186 | - | 143,300 | 3,974,346 |
| Land and Land Improvements | 229,281 | - | - | - | 229,281 |
| Buildings | 8,283,978 | 50,995 | - | - | 8,334,973 |
| Equipment | 6,153,339 | 342,501 | (166,089) | - | 6,329,751 |
| Total Fixed Assets | 19,747,367 | 1,117,892 | (166,089) | - | 20,699,169 |
| Less: Accumulated Depreciation | (9,693,371) | (869,986) | 166,089 | - | (10,397,268) |
| Fixed Assets, net | <u>\$10,053,996</u> | <u>\$ 247,906</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$10,301,901</u> |

Business-Type Activities

| Water Distribution | Balance May 01, 2017 | Additions | Deletions | Transfers | Balance April 30, 2018 |
|--------------------------------|-------------------------|---------------------|-------------|-------------|---------------------------|
| Assets not depreciated: | | | | | |
| Land | \$ 634,886 | \$ - | \$ - | \$ - | \$ 634,886 |
| Construction in Progress | - | - | - | - | - |
| Assets depreciated: | | | | | |
| Water Distribution System | 12,221,274 | 85,377 | - | - | 12,306,651 |
| Equipment | 805,091 | 23,451 | (13,689) | - | 814,853 |
| Total Fixed Assets | 13,661,251 | 108,828 | (13,689) | - | 13,756,390 |
| Less: Accumulated Depreciation | (7,535,598) | (257,474) | 13,689 | - | (7,779,384) |
| Fixed Assets, net | <u>\$ 6,125,653</u> | <u>\$ (148,646)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,977,006</u> |

| Waste Water Treatment | Balance May 01, 2017 | Additions | Deletions | Transfers | Balance April 30, 2018 |
|--------------------------------|-------------------------|--------------------|-------------|--------------------|---------------------------|
| Assets not depreciated: | | | | | |
| Land | \$ 134,809 | \$ - | \$ - | \$ - | \$ 134,809 |
| Construction in Progress | 11,348 | - | - | (11,348) | - |
| Assets depreciated: | | | | | |
| Sewer Plant | 9,014,362 | 73,983 | - | - | 9,088,345 |
| Sewer System | 5,852,977 | 205,989 | (5,550) | - | 6,053,416 |
| Total Fixed Assets | 15,013,496 | 279,972 | (5,550) | (11,348) | 15,276,570 |
| Less: Accumulated Depreciation | (10,328,449) | (365,106) | 5,550 | - | (10,688,005) |
| Fixed Assets, net | <u>\$ 4,685,047</u> | <u>\$ (85,134)</u> | <u>\$ -</u> | <u>\$ (11,348)</u> | <u>\$ 4,588,565</u> |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: CHANGES IN CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for the component unit:

| Component Unit | Balance May 01, 2017 | Additions | Deletions | Balance April 30, 2018 |
|--------------------------------|-------------------------|--------------------|-------------|---------------------------|
| Library | | | | |
| Assets not depreciated: | | | | |
| Land | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Assets depreciated: | | | | |
| Land Improvements | 36,103 | - | - | 36,103 |
| Buildings | 612,755 | - | - | 612,755 |
| Equipment | 142,569 | - | 35,914 | 178,483 |
| Total Fixed Assets | 816,427 | - | 35,914 | 852,341 |
| Less: Accumulated Depreciation | (544,672) | (15,760) | (35,914) | (596,346) |
| Fixed Assets, net | <u>\$ 271,755</u> | <u>\$ (15,760)</u> | <u>\$ -</u> | <u>\$ 255,995</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | | |
|--------------------------|-------------------|---------------------------|-------------------|
| Governmental activities: | | Business-type activities: | |
| General Government | \$ 197,944 | Water distribution | \$ 257,474 |
| Public Safety | 278,344 | Waste water treatment | 365,106 |
| Sanitation | 1,338 | Total | <u>\$ 622,580</u> |
| Transportation | 63,052 | | |
| Development | 149,187 | | |
| Culture and recreation | 180,121 | Component Unit: | |
| Total | <u>\$ 869,986</u> | Library | <u>\$ 15,760</u> |

NOTE 6: RESTRICTED ASSETS – BUSINESS-TYPE ACTIVITIES

At April 30, 2018, the City maintained restricted cash and investments for the following purposes:

| | Water Distribution | Waste Water Treatment | Total |
|----------------------------------|-----------------------|--------------------------|-------------------|
| Restricted for bond ordinances | \$ 44,044 | \$ 141,798 | \$ 185,842 |
| Restricted for customer deposits | 249,633 | - | 249,633 |
| | <u>\$ 293,677</u> | <u>\$ 141,798</u> | <u>\$ 435,475</u> |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7: POST-EMPLOYMENT HEALTH CARE BENEFITS

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium and, if applicable, a 2% administration fee, is paid in full by the insured each month. This program is offered for a duration of 18 months after termination date, and is subject to extension. There is no associated cost to the City under this program.

In addition to COBRA Benefits, in accordance with rules established through participation in the Illinois Municipal Retirement Fund, the City offers health insurance coverage to retirees. The cost for retirees to purchase coverage is the same as the amount active employees pay.

NOTE 8: FUND EQUITY

During the fiscal year ended April 30, 2018, the City had the following Non-spendable, Restricted, Committed, and Assigned fund balances:

Governmental Activities

a. Non-spendable

| Fund | Amount |
|------------------------------|----------|
| NonMajor Governmental Funds: | |
| Mausoleum Trust | \$ 4,020 |

b. Restricted

| Fund | Amount |
|-------------------------|------------|
| General Fund: | |
| Municipal Band | \$ 216 |
| Cemetery Perpetual Care | 25,142 |
| Health & Life Insurance | 54,155 |
| Foreign Fire | 42,342 |
| ISO Drug Unit | 7,914 |
| Cemetery Plot Care | 10,000 |
| Fire Grant | 2,050 |
| Musgrove Tree Park | 1,275 |
| CDAP Housing Donation | 10,000 |
| Total General Fund | \$ 153,094 |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 8: FUND EQUITY (CONTINUED)

b. Restricted (Continued)

The following funds' excess revenues over expenditures have been restricted in accordance with Illinois Compiled Statutes.

| Fund | Amount |
|-----------------------------------|--------------|
| NonMajor Governmental Funds: | |
| Municipal Retirement | \$ 641,631 |
| Community Development | 11,715 |
| Intermediary Relending | - |
| Economic Development | 249,934 |
| Levied Insurance | 275,056 |
| TIF #3 | 289,295 |
| Motor Fuel Tax | 354,701 |
| Tourism Promotion | 88,739 |
| Christmas Light Display | 48,899 |
| Total NonMajor Governmental Funds | 1,959,970 |
| Total Restricted Funds | \$ 2,113,064 |

c. Committed

| Fund | Amount |
|----------------------------------|-----------|
| General Fund: | |
| Fire Dept. Equipment Replacement | \$ 50,000 |
| Concrete Street Repairs | 25,000 |
| Bike Path | 5,000 |
| | \$ 80,000 |

d. Assigned

| Fund | Amount |
|----------------------------------|------------|
| General Fund: | |
| Main Street | \$ 382,753 |
| Building & Equipment Maintenance | 374,440 |
| Walnut/Main Storm Sewer | 50,020 |
| | \$ 807,213 |

Business-type Activities

The City has restricted \$44,044 in the Water Distribution Fund and \$141,798 in the Waste Water Treatment Fund as required by restrictive bond covenants.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLANS

Illinois Municipal Retirement Fund

Regular Employee Plan

A. Plan Description

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org.

B. Funding Policies

As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate was 14.82 percent and 16.33 percent for the calendar years 2017 and 2018, respectively. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, which supplemental retirement benefits rate is set by statute.

For the fiscal year ending April 30, 2018, the City's actual contributions for pension cost for the Regular plan were \$367,741. The covered payroll for fiscal year ending April 30, 2018 (annual payroll of active employees covered by the plan) was \$1,815,537.

Sheriff's Law Enforcement Personnel Plan

A. Plan Description

The City's defined benefit pension plan for Sheriff's Law Enforcement Personnel (SLEP) employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLANS (CONTINUED)

Sheriff's Law Enforcement Personnel Plan (Continued)

B. Funding Policies

As set by statute, the City's SLEP plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate was 11.98 percent and 11.96 percent for the calendar years 2017 and 2018, respectively. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For fiscal year ending April 30, 2018, the City's actual contributions for pension cost for the SLEP plan were \$8,083. The covered payroll for fiscal year ending April 30, 2018 (annual payroll for active employees covered by the plan) was \$67,507.

Police & Firemen's Pension Plans

A. Plan Descriptions

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer plan, the defined benefits and employee and employer contributions levels are governed by Illinois State Statutes (Chapter 40 1/2 Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. For fiscal year ending April 30, 2018, the employer and employee contributions made were \$644,586 and \$65,821, respectively. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2018 was \$664,186.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLANS (CONTINUED)

Police & Firemen's Pension Plans (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

The monthly pension of a police officer who retires after January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, by 1/12 of 3% of the originally granted pension for each full month that has elapsed since the pension began, and by an additional 3% of the originally granted pension in January of each year thereafter.

Covered employees are required to contribute 9.910% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Firemen's Pension Plan

Fire sworn personnel are covered by the Firemen's Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois State Statutes (Chapter 40 1/2 - Pensions - Article 4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. For the fiscal year ending April 30, 2018, the employer and employee contributions made were \$241,314 and \$17,392, respectively. The City's payroll for employees covered by the Firemen's Pension Plan for the year ended April 30, 2018 was \$183,944.

The Firemen's Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLANS (CONTINUED)

Police & Firemen's Pension Plans (Continued)

A. Plan Descriptions (Continued)

Firemen's Pension Plan (Continued)

The monthly pension of a firefighter who retires after January 1, 1986, shall, upon either the first of the month following the first anniversary of the date of retirement if 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, be increased by 1/12 of 3% of the originally granted monthly pension for each full month that has elapsed since the pension began, and by an additional 3% in each January.

Covered employees are required to contribute 9.455% of their salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest.

Social Security

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund (IMRF) are considered "non-participating employees". These employees and those qualifying for coverage under the IMRF are covered under Social Security. The City paid the total required contribution for the current fiscal year.

NOTE 10: DEFERRED COMPENSATION PLAN

The City offers all of its full-time employees a deferred compensation plan created through a multiple-employer ICMA Retirement Plan and Trust (the "Trust") in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary, in accordance with rules established by the IRS for 457 plans. No part of the corpus or income of the Trust shall revert to the City or be used for or diverted other than for the exclusive benefit of the participants and their beneficiaries. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As of December 31, 2017, the Trust had invested in various stocks, bonds, mutual funds, insurance contracts and U.S. government securities, none of which represented a significant concentration. The participating City employee's plan balances represent an insignificant portion of the Trust. Additional Trust information is available in a publicly available stand-alone financial report.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 11: COMMITMENTS AND CONTINGENCIES

- A. Grant Audit – The City receives grant funds from various Federal and State agencies during the normal course of operations. These grants are subject to review and audit by agents of the appropriate federal or state agency, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.
- B. Litigation – The City is party to various legal proceedings which normally occur in governmental operations. Such litigation includes, but is not limited to, a claim assessed against the City for property damage done to a citizen's home. The citizen is seeking judgment in excess of \$50,000. The City has turned the claim over to its insurance company. The potential loss may range up to \$50,000 but the City will continue to defend its position.

NOTE 12: LONG-TERM DEBT

Governmental Funds

Notes Payable

On November 23, 1998 the City borrowed \$500,000 at 1.00% interest through the Intermediary Relending Program. Principal and interest installments are made annually beginning on November 23, 2002 through November 23, 2028. The City borrowed an additional \$22,233 at 1.00% interest from the Intermediary Relending Program on October 12, 2001. Principal and interest installments on this note commenced annually on October 12, 2005 through October 12, 2031. The City has pledged the balances of its Intermediary Relending Program (IRP) bank accounts and all other assets of the IRP Fund to these notes. On April 9, 2018 the City Council approved repaying the IRP loan in full. The City was granted approval to transfer \$130,000 of these funds to the General Funds for bridge repairs. This amount is not required to be repaid. As of April 30, 2018 there were no balances outstanding on the IRP note.

On May 1, 2016, the City borrowed \$350,000 at 0.00% interest for the purchase of a fire truck. The note is due in annual installments beginning November 1, 2016 through November 1, 2035. The City has pledged the collected sales tax revenue as a means to make the annual payment.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 12: LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2018:

| | Payable at May 01, 2017 | Additions | Reductions | Payable at April 30, 2018 |
|--------------------------------------|----------------------------|-------------|---------------------|------------------------------|
| Governmental Activities | | | | |
| IRP Notes Payable | \$ 253,333 | \$ - | \$ (253,333) | \$ - |
| Fire Truck Note Payable | 332,500 | - | (17,500) | 315,000 |
| Total Governmental Activities | <u>\$ 585,833</u> | <u>\$ -</u> | <u>\$ (270,833)</u> | <u>\$ 315,000</u> |

Annual debt service requirements to maturity for general notes payable are as follows:

| Fiscal Year | Governmental Activities | | Total Funds Required |
|--------------|-------------------------|-------------|-------------------------|
| | Principal | Interest | |
| 2019 | \$ 17,500 | \$ - | \$ 17,500 |
| 2020 | 17,500 | - | 17,500 |
| 2021 | 17,500 | - | 17,500 |
| 2022 | 17,500 | - | 17,500 |
| 2023 | 17,500 | - | 17,500 |
| 2024-2028 | 87,500 | - | 87,500 |
| 2029-2033 | 87,500 | - | 87,500 |
| 2034-2038 | 52,500 | - | 52,500 |
| Total | <u>\$ 315,000</u> | <u>\$ -</u> | <u>\$ 315,000</u> |

Interest Expense

Interest expense on long-term debt \$3,488 was reported as an indirect expense of governmental activities on the City-wide statements.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 12: LONG-TERM DEBT (CONTINUED)

Business-Type Activities

Notes Payable

On June 11, 2001 the City borrowed \$490,805 at 2.905% interest from the State of Illinois pursuant to the Environmental Protection Act. Principal and interest payments are due in semiannual installments through January 15, 2017. The City has pledged water revenue for this loan. The loan was repaid in full in the fiscal year ended April 30, 2018.

On September 26, 2010 the City borrowed \$713,310 interest free from the State of Illinois pursuant to the Environmental Protection Act. Principal payments are due in semiannual installments through December 21, 2030. The City has pledged water revenue for this loan.

On April 27, 2015 the City borrowed \$258,012 at 1.995% interest from the State of Illinois pursuant to the Environmental Protection Act. Principal and interest payments are due in semiannual installments through February 21, 2035. The City has pledged water revenue for this loan.

On December 31, 2016 the City borrowed \$642,171 at 1.860% interest from the State of Illinois pursuant to the Environmental Protection Act. Principal and interest payments are due in semiannual installments through November 21, 2036. The City has pledged water revenue for this loan.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2018:

| Business-type Activities | <u>Payable at May 01, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Payable at April 30, 2018</u> |
|---------------------------------|------------------------------------|------------------|--------------------|--------------------------------------|
| EPA Notes Payable | <u>\$ 1,251,904</u> | <u>\$ 15,065</u> | <u>\$ (84,649)</u> | <u>\$ 1,182,320</u> |

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 12: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for business-type notes payable are as follows:

| <u>Fiscal Year</u> | <u>Business-type Activities</u> | | <u>Total Funds Required</u> |
|--------------------|---------------------------------|-------------------|---------------------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2019 | \$ 70,332 | \$ 13,351 | \$ 83,683 |
| 2020 | 70,712 | 12,713 | 83,425 |
| 2021 | 71,369 | 12,056 | 83,425 |
| 2022 | 72,038 | 11,387 | 83,425 |
| 2023 | 72,721 | 10,704 | 83,425 |
| 2024-2028 | 374,309 | 42,816 | 417,125 |
| 2029-2033 | 320,294 | 23,671 | 343,965 |
| 2034-2038 | 130,545 | 4,446 | 134,991 |
| Total | <u>\$ 1,182,320</u> | <u>\$ 131,144</u> | <u>\$ 1,313,464</u> |

Interest Expense

Interest expense on long-term debt of \$13,996 was reported as a direct expense in the business-type activities.

NOTE 13: LEGAL DEBT MARGIN

The City is limited in the amount of long term debt it may carry. The authorized debt limitation is based upon 65 ILCS 5/8-5-1, which states in part "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding 8.625% on the value of the taxable property therein..." As of April 30, 2018, the total equalized assessed valuation of the City of Olney is \$107,076,296. The legal debt limitation of the City is \$9,235,331 as of April 30, 2018.

NOTE 14: INTERFUND TRANSFERS

Interfund transfers which occurred during the year ended April 30, 2018 are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------|---------------------|----------------------|
| General | \$ 745,519 | \$ - |
| Non-major governmental | - | 745,519 |
| | <u>\$ 745,519</u> | <u>\$ 745,519</u> |

The interfund transfers are primarily to allocate property taxes to the fund which have incurred the expenditures.

CITY OF OLNEY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 15: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year. Claims have not exceeded coverage in either of the two previous years.

COMPLIANCE
SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and
City Council
City of Olney, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olney, Illinois, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Olney, Illinois' basic financial statements and have issued our report thereon dated August 27, 2018. Our report on the financial statements disclosed that the City prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This is described in Note 1 to the financial statements. Additionally, our report on the financial statements disclosed that the Fiduciary Fund investments are recorded at fair market value rather than at cost as required by the modified cash basis of accounting.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Olney, Illinois' Response to Findings

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

Purpose of this Report

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



KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

August 27, 2018

CITY OF OLNEY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2018

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 Unable to prepare financial statement footnotes

Deficiency: The City does not have at least one employee who is trained in preparing the footnotes to the financial statements in accordance with the modified cash basis of accounting.

Criteria: The City personnel do not possess the necessary technical accounting expertise to prevent, detect, or correct potential omissions in the footnotes to the financial statements.

Effect: In absence of the necessary experience or technical knowledge, the City cannot properly prepare the notes to the financial statements due to increased potential for omissions, which could be material to the financial statements, which the City would not be able to prevent, detect, or correct timely.

Cause: The City's personnel have not obtained the necessary knowledge or experience to prepare the notes to the financial statements in accordance with the modified cash basis of accounting.

Recommendation: The City should provide the necessary training to personnel or contract with an independent contractor with the knowledge to properly prepare the notes to the financial statements.

Management's Response: Management does not intend to correct this finding. The City does not feel that the finding has any impact on the ability of the City to properly record or process financial transactions.

SUPPLEMENTARY
INFORMATION

CITY OF OLNEY
 COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2018

| | Special Revenue Funds | | | | | |
|---|-------------------------|--------------------------|---------------------------|-------------------------|---------------------|-------------------|
| | Municipal Retirement | Community Development | Intermediary Relending | Economic Development | Levied Insurance | TIF #3 Fund |
| ASSETS | | | | | | |
| Cash and equivalents | \$ 641,631 | \$ 11,715 | \$ - | \$ 203,361 | \$ 275,056 | \$ 289,295 |
| Investments | - | - | - | - | - | - |
| Notes receivable, net of allowance of \$0 | - | - | - | 46,573 | - | - |
| Total assets | \$ 641,631 | \$ 11,715 | \$ - | \$ 249,934 | \$ 275,056 | \$ 289,295 |
| FUND BALANCES | | | | | | |
| Fund balances: | | | | | | |
| Non-spendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 641,631 | 11,715 | - | 249,934 | 275,056 | 289,295 |
| Total fund balances | 641,631 | 11,715 | - | 249,934 | 275,056 | 289,295 |
| Total fund balances | \$ 641,631 | \$ 11,715 | \$ - | \$ 249,934 | \$ 275,056 | \$ 289,295 |

CITY OF OLNEY
 COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 APRIL 30, 2018

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|---|-----------------------|--------------------|----------------------|----------------------------|--|
| | Motor Fuel Tax | Mausoleum Trust | Tourism Promotion | Christmas Light Display | |
| ASSETS | | | | | |
| Cash and equivalents | \$ 354,701 | \$ 2,520 | \$ 88,739 | \$ 48,899 | \$ 1,915,917 |
| Investments | - | 1,500 | - | - | 1,500 |
| Notes receivable, net of allowance of \$0 | - | - | - | - | 46,573 |
| Total assets | <u>\$ 354,701</u> | <u>\$ 4,020</u> | <u>\$ 88,739</u> | <u>\$ 48,899</u> | <u>\$ 1,963,990</u> |
| FUND BALANCES | | | | | |
| Fund balances: | | | | | |
| Non-spendable | \$ - | \$ 4,020 | \$ - | \$ - | \$ 4,020 |
| Restricted | 354,701 | - | 88,739 | 48,899 | 1,959,970 |
| Total fund balances | <u>354,701</u> | <u>4,020</u> | <u>88,739</u> | <u>48,899</u> | <u>1,963,990</u> |
| Total fund balances | <u>\$ 354,701</u> | <u>\$ 4,020</u> | <u>\$ 88,739</u> | <u>\$ 48,899</u> | <u>\$ 1,963,990</u> |

CITY OF OLNEY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED APRIL 30, 2018

| | Special Revenue Funds | | | | | |
|--|-------------------------|--------------------------|---------------------------|-------------------------|---------------------|-------------------|
| | Municipal Retirement | Community Development | Intermediary Relending | Economic Development | Levied Insurance | TIF #3 Fund |
| REVENUES | | | | | | |
| Property taxes | \$ 332,700 | \$ - | \$ - | \$ - | \$ 119,982 | \$ 115,102 |
| Intergovernmental: | | | | | | |
| Hotel/motel tax | - | - | - | - | - | - |
| Replacement tax | 22,688 | - | - | - | - | - |
| Motor fuel tax | - | - | - | - | - | - |
| Interest income | 1,219 | 2,019 | 4,154 | 2,154 | 3,101 | 2,614 |
| Operating contributions | 20,000 | - | - | - | - | - |
| Miscellaneous | 6,185 | - | - | - | - | - |
| Total revenues | <u>382,792</u> | <u>2,019</u> | <u>4,154</u> | <u>2,154</u> | <u>123,083</u> | <u>117,716</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 90,000 | - | - | - | 688 | - |
| Tourism promotion | - | - | - | - | - | - |
| Development | - | 260,814 | - | - | - | 6,422 |
| Transportation | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | 253,333 | - | - | - |
| Interest | - | - | 3,488 | - | - | - |
| Capital outlay | - | - | - | - | - | 15,210 |
| Total expenditures | <u>90,000</u> | <u>260,814</u> | <u>256,821</u> | <u>-</u> | <u>688</u> | <u>21,632</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>292,792</u> | <u>(258,795)</u> | <u>(252,667)</u> | <u>2,154</u> | <u>122,395</u> | <u>96,084</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (283,914) | - | (130,313) | - | (121,292) | - |
| Total other financing sources (uses) | <u>(283,914)</u> | <u>-</u> | <u>(130,313)</u> | <u>-</u> | <u>(121,292)</u> | <u>-</u> |
| Net change in fund balances | 8,878 | (258,795) | (382,980) | 2,154 | 1,103 | 96,084 |
| Fund balances - beginning | <u>632,753</u> | <u>270,510</u> | <u>382,980</u> | <u>247,780</u> | <u>273,953</u> | <u>193,211</u> |
| Fund balances - ending | <u>\$ 641,631</u> | <u>\$ 11,715</u> | <u>\$ -</u> | <u>\$ 249,934</u> | <u>\$ 275,056</u> | <u>\$ 289,295</u> |

CITY OF OLNEY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 FOR THE YEAR ENDED APRIL 30, 2018

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|--------------------|----------------------|----------------------------|--|
| | Motor Fuel Tax | Mausoleum Trust | Tourism Promotion | Christmas Light Display | |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ 567,784 |
| Hotel/motel tax | - | - | 42,740 | - | 42,740 |
| Replacement tax | - | - | - | - | 22,688 |
| Motor fuel tax | 231,824 | - | - | - | 231,824 |
| Interest income | 2,369 | - | 943 | 96 | 18,669 |
| Operating contributions | - | - | - | 25,927 | 45,927 |
| Miscellaneous | 6,760 | - | 3 | - | 12,948 |
| Total revenues | <u>240,953</u> | <u>-</u> | <u>43,686</u> | <u>26,023</u> | <u>942,580</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | 90,688 |
| Tourism promotion | - | - | 39,606 | 10,764 | 50,370 |
| Development | - | - | - | - | 267,236 |
| Transportation | 75,063 | - | - | - | 75,063 |
| Debt service: | | | | | |
| Principal | - | - | - | - | 253,333 |
| Interest | - | - | - | - | 3,488 |
| Capital outlay | 353,011 | - | - | - | 368,221 |
| Total expenditures | <u>428,074</u> | <u>-</u> | <u>39,606</u> | <u>10,764</u> | <u>1,108,399</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(187,121)</u> | <u>-</u> | <u>4,080</u> | <u>15,259</u> | <u>(165,819)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 200,000 | - | - | - | 200,000 |
| Transfers out | - | - | (10,000) | - | (545,519) |
| Total other financing sources (uses) | <u>200,000</u> | <u>-</u> | <u>(10,000)</u> | <u>-</u> | <u>(345,519)</u> |
| Net change in fund balances | 12,879 | - | (5,920) | 15,259 | (511,338) |
| Fund balances - beginning | <u>341,822</u> | <u>4,020</u> | <u>94,659</u> | <u>33,640</u> | <u>2,475,328</u> |
| Fund balances - ending | <u>\$ 354,701</u> | <u>\$ 4,020</u> | <u>\$ 88,739</u> | <u>\$ 48,899</u> | <u>\$ 1,963,990</u> |

CITY OF OLNEY
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED APRIL 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-----------------------|-----------------------|---------------------|------------------------------|
| | Original | Final | Budgetary Basis | Final Budget Over (Under) |
| REVENUES | | | | |
| Property taxes | \$ 770,600 | \$ 770,600 | \$ 770,893 | \$ 293 |
| Intergovernmental: | | | | |
| Franchise tax | 100,000 | 100,000 | 105,194 | 5,194 |
| Sales tax | 1,847,000 | 1,847,000 | 1,872,709 | 25,709 |
| Income tax | 890,500 | 890,500 | 965,510 | 75,010 |
| Replacement tax | 54,100 | 54,100 | 52,863 | (1,237) |
| Telecommunications tax | 206,400 | 206,400 | 161,515 | (44,885) |
| Video gaming tax | 87,400 | 87,400 | 103,040 | 15,640 |
| Foreign fire tax | 13,000 | 13,000 | 17,835 | 4,835 |
| Rural fire tax | 129,000 | 129,000 | 77,160 | (51,840) |
| Licenses and permits | 118,285 | 118,285 | 115,732 | (2,553) |
| Fees and fines | 92,300 | 92,300 | 89,641 | (2,659) |
| Charges for services | 410,126 | 410,126 | 404,028 | (6,098) |
| Interest income | 14,500 | 14,500 | 14,840 | 340 |
| Operating grants | - | - | 2,675 | 2,675 |
| Operating contributions | 31,382 | 31,382 | 36,652 | 5,270 |
| Capital grants | 408,164 | 408,164 | 27,364 | (380,800) |
| Miscellaneous | 97,315 | 97,315 | 103,666 | 6,351 |
| Total revenues | <u>4,499,472</u> | <u>4,499,472</u> | <u>4,921,317</u> | <u>(349,048)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,442,984 | 1,444,659 | 992,236 | (452,423) |
| Public safety | 1,986,691 | 1,976,591 | 1,952,575 | (24,016) |
| Development | 51,500 | 51,500 | 51,604 | 104 |
| Transportation and public works | 902,600 | 889,600 | 819,266 | (70,334) |
| Culture and recreation | 601,700 | 597,700 | 611,428 | 13,728 |
| Sanitation | 298,093 | 298,093 | 311,802 | 13,709 |
| Debt Service: | | | | |
| Principal | 37,239 | 37,239 | 17,500 | (19,739) |
| Interest | 2,533 | 2,533 | - | (2,533) |
| Capital outlay | 942,495 | 1,033,412 | 749,671 | (283,741) |
| Total expenditures | <u>6,265,835</u> | <u>6,331,327</u> | <u>5,506,082</u> | <u>(825,245)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,766,363)</u> | <u>(1,831,855)</u> | <u>(584,765)</u> | <u>476,197</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 12,000 | 12,000 | 17,386 | 5,386 |
| Transfers in | 427,190 | 427,190 | 545,519 | 118,329 |
| Transfers out | - | - | (200,000) | (200,000) |
| Total other financing sources (uses) | <u>439,190</u> | <u>439,190</u> | <u>362,905</u> | <u>(76,285)</u> |
| Net change in fund balances | <u>\$ (1,327,173)</u> | <u>\$ (1,392,665)</u> | <u>(221,860)</u> | <u>\$ 399,912</u> |
| Fund balances - beginning | | | <u>3,920,272</u> | |
| Fund balances - ending | | | <u>\$ 3,698,412</u> | |

OTHER
INFORMATION

CITY OF OLNEY
OLNEY, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND
THREE YEAR SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2018

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) ---Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| Regular employees | | | | | | |
| 12/31/2017 | \$ 2,609,247 | \$ 4,553,550 | \$ 1,944,303 | 57.30% | \$ 1,792,105 | 108.49% |
| 12/31/2016 | 2,189,477 | 4,793,613 | 2,604,136 | 45.67% | 1,784,294 | 145.95% |
| 12/31/2015 | 3,848,174 | 6,202,632 | 2,354,458 | 62.04% | 1,811,935 | 129.94% |

On a market value basis, the actuarial value of assets as of December 31, 2017 is \$3,445,262. On a market basis, the funded ratio would be 75.66%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Olney. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

SLEP employees

| | | | | | | |
|------------|-----------|-----------|--------|--------|-----------|--------|
| 12/31/2017 | \$ 67,459 | \$ 85,947 | 18,488 | 78.49% | \$ 66,121 | 27.96% |
| 12/31/2016 | 52,333 | 72,638 | 20,305 | 72.05% | 64,519 | 31.47% |
| 12/31/2015 | 38,312 | 56,969 | 18,657 | 67.25% | 62,696 | 29.76% |

On a market value basis, the actuarial value of assets as of December 31, 2017 is \$71,283. On a market basis, the funded ratio would be 82.94%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Olney. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF OLNEY
OLNEY, ILLINOIS

POLICE PENSION FUND AND FIREMEN'S PENSION FUND
THREE YEAR SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2018

| Fiscal Year April 30 | Net Assets Available For Benefits (Lower of Cost or Market) | Actuarial Accrued Liability | Percentage Funded (1) / (2) | Unfunded Actuarial Liability (2) - (1) | Annual Covered Payroll | As a Percentage of Covered Payroll (4) / (5) |
|----------------------------|---|-----------------------------------|-----------------------------------|---|------------------------------|--|
| Police Pension | | | | | | |
| 2017 | \$ 4,623,154 | \$ 12,830,875 | 36.03% | \$ 8,207,721 | \$ 614,119 | 1336.50% |
| 2016 | 4,391,966 | 11,182,858 | 39.27% | 6,790,892 | 637,603 | 1065.07% |
| 2015 | 4,270,213 | 10,762,713 | 39.68% | 6,492,500 | 619,861 | 1047.41% |
| Firemen's Pension | | | | | | |
| 2017 | 2,284,826 | 4,671,373 | 48.91% | 2,386,547 | 111,066 | 2148.76% |
| 2016 | 2,290,182 | 4,065,933 | 56.33% | 1,775,751 | 219,573 | 808.73% |
| 2015 | 2,228,839 | 3,929,407 | 56.72% | 1,700,568 | 211,274 | 804.91% |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees Retirement System (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulation of sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

CITY OF OLNEY
OLNEY, ILLINOIS

POLICE PENSION FUND
REVENUES BY SOURCE AND EXPENSES BY TYPE
FOR THE YEARS ENDED APRIL 30, 2009 - 2018

REVENUES BY SOURCE

| Year ended April 30, | Employee Contributions | Employer Contributions | Investment Earnings | Totals |
|-------------------------|---------------------------|---------------------------|------------------------|--------------|
| 2018 | \$ 65,821 | \$ 644,586 | \$ 379,356 | \$ 1,089,763 |
| 2017 | 65,334 | 585,498 | 323,940 | 974,772 |
| 2016 | 63,636 | 464,954 | 26,451 | 555,041 |
| 2015 | 60,942 | 448,193 | 196,519 | 705,654 |
| 2014 | 58,481 | 364,400 | 184,029 | 606,910 |
| 2013 | 60,821 | 359,932 | 195,905 | 616,658 |
| 2012 | 63,358 | 257,306 | 110,044 | 430,708 |
| 2011 | 62,212 | 254,166 | 81,090 | 397,468 |
| 2010 | 57,769 | 232,643 | 84,733 | 375,145 |
| 2009 | 59,442 | 178,831 | 80,012 | 318,285 |

EXPENSES BY TYPE

| Year ended April 30, | Benefits | Administrative Expenses | Refunds | Totals |
|-------------------------|------------|----------------------------|---------|------------|
| 2018 | \$ 628,454 | \$ 18,832 | \$ - | \$ 647,286 |
| 2017 | 575,406 | 18,793 | 27,055 | 621,254 |
| 2016 | 554,176 | 16,290 | - | 570,466 |
| 2015 | 541,109 | 15,394 | - | 556,503 |
| 2014 | 532,600 | 11,280 | - | 543,880 |
| 2013 | 486,278 | 1,552 | - | 487,830 |
| 2012 | 379,454 | 2,190 | - | 381,644 |
| 2011 | 296,727 | 1,507 | 35,870 | 334,104 |
| 2010 | 293,186 | 1,605 | - | 294,791 |
| 2009 | 280,601 | 1,680 | 1,695 | 283,976 |

CITY OF OLNEY
OLNEY, ILLINOIS

FIREMEN'S PENSION FUND
REVENUES BY SOURCE AND EXPENSES BY TYPE
FOR THE YEARS ENDED APRIL 30, 2009 - 2018

REVENUES BY SOURCE

| Year ended April 30, | Employee Contributions | Employer Contributions | Investment Earnings | Totals |
|-------------------------|---------------------------|---------------------------|------------------------|------------|
| 2018 | \$ 17,392 | \$ 241,314 | \$ 54,155 | \$ 312,861 |
| 2017 | 18,422 | 143,547 | 68,291 | 230,260 |
| 2016 | 20,754 | 161,479 | 32,814 | 215,047 |
| 2015 | 19,388 | 150,660 | 84,054 | 254,102 |
| 2014 | 19,380 | 115,679 | 66,259 | 201,318 |
| 2013 | 17,012 | 157,076 | 70,464 | 244,552 |
| 2012 | 15,682 | 62,905 | 62,438 | 141,025 |
| 2011 | 16,460 | 58,876 | 45,922 | 121,258 |
| 2010 | 13,215 | 52,980 | 48,609 | 114,804 |
| 2009 | 13,180 | 49,084 | 43,042 | 105,306 |

EXPENSES BY TYPE

| Year ended April 30, | Benefits | Administrative Expenses | Refunds | Totals |
|-------------------------|------------|----------------------------|---------|------------|
| 2018 | \$ 240,681 | \$ 20,801 | - | \$ 261,482 |
| 2017 | 207,654 | 20,970 | 11,696 | 240,320 |
| 2016 | 177,457 | 18,683 | - | 196,140 |
| 2015 | 172,963 | 17,377 | 12,813 | 203,153 |
| 2014 | 168,600 | 14,164 | - | 182,764 |
| 2013 | 164,363 | 1,156 | - | 165,519 |
| 2012 | 157,962 | 1,650 | 906 | 160,518 |
| 2011 | 114,437 | 1,367 | - | 115,804 |
| 2010 | 109,699 | 1,308 | - | 111,007 |
| 2009 | 107,332 | 1,265 | - | 108,597 |

CITY OF OLNEY
 FIVE YEAR COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS

| | April 30, 2018 | April 30, 2017 | April 30, 2016 | April 30, 2015 | April 30, 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | |
| Property taxes | \$ 1,338,677 | \$ 1,326,884 | \$ 1,334,261 | \$ 1,248,488 | \$ 1,273,643 |
| Intergovernmental: | | | | | |
| Hotel/motel tax | 42,740 | 49,268 | 50,330 | 46,340 | 44,900 |
| Franchise tax | 105,194 | 101,615 | 100,622 | 98,317 | 95,685 |
| Sales tax | 1,872,709 | 1,878,532 | 1,848,518 | 1,887,630 | 1,858,759 |
| Income tax | 965,510 | 867,865 | 973,282 | 885,116 | 881,376 |
| Replacement tax | 75,551 | 92,689 | 88,239 | 87,096 | 89,266 |
| Motor fuel taxes | 231,824 | 231,820 | 233,607 | 218,987 | 223,901 |
| Telecommunication tax | 161,515 | 200,359 | 271,841 | 249,449 | 258,128 |
| Video gaming tax | 103,040 | 94,237 | 72,330 | 70,298 | 53,019 |
| Foreign fire tax | 17,835 | 15,117 | 15,455 | 14,334 | 13,971 |
| Rural fire tax | 77,160 | 69,141 | 69,416 | 65,133 | 62,872 |
| Licenses and permits | 115,732 | 125,806 | 117,257 | 103,303 | 109,289 |
| Fees and fines | 89,641 | 91,169 | 106,003 | 115,807 | 114,641 |
| Charges for services | 404,028 | 427,324 | 420,805 | 401,520 | 445,469 |
| Interest income | 33,509 | 37,355 | 38,424 | 36,223 | 38,202 |
| Operating grants | 2,675 | - | - | 74,964 | 37,482 |
| Operating contributions | 82,579 | 140,798 | 259,436 | 50,716 | 46,066 |
| Capital grants | 27,364 | 19,778 | 8,398 | 133,958 | 204,041 |
| Capital contributions | - | 27,159 | - | - | 104,000 |
| Miscellaneous | 116,614 | 121,288 | 134,614 | 97,131 | 132,233 |
| Total revenues | <u>5,863,897</u> | <u>5,918,204</u> | <u>6,142,838</u> | <u>5,884,810</u> | <u>6,086,943</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,082,924 | 1,021,611 | 1,036,074 | 960,397 | 894,421 |
| Public safety | 1,952,575 | 1,818,688 | 1,785,130 | 1,772,752 | 1,811,007 |
| Tourism Promotion | 50,370 | 139,339 | 89,214 | 52,245 | 46,706 |
| Development | 318,840 | 52,616 | 106,825 | 61,135 | 85,158 |
| Transportation | 894,329 | 887,597 | 921,416 | 1,040,598 | 1,010,784 |
| Culture and recreation | 611,428 | 603,210 | 556,907 | 549,707 | 548,869 |
| Sanitation | 311,802 | 298,167 | 299,341 | 297,517 | 291,831 |
| Debt service: | | | | | |
| Principal | 270,833 | 37,043 | 43,199 | 84,774 | 84,584 |
| Interest | 3,488 | 2,729 | 5,431 | 3,116 | 8,844 |
| Capital outlay | 1,117,892 | 2,112,165 | 506,395 | 840,505 | 606,923 |
| Total expenditures | <u>6,614,481</u> | <u>6,973,165</u> | <u>5,349,932</u> | <u>5,662,746</u> | <u>5,389,127</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(750,584)</u> | <u>(1,054,961)</u> | <u>792,906</u> | <u>222,064</u> | <u>697,816</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of capital assets | 17,386 | 42,258 | 23,165 | 12,395 | 31,680 |
| Proceeds from long-term debt | - | 350,000 | - | - | - |
| Transfers in | 745,519 | 403,034 | 401,944 | 406,984 | 415,827 |
| Transfers out | (745,519) | (403,034) | (401,944) | (406,984) | (634,632) |
| Total other financing sources (uses) | <u>17,386</u> | <u>392,258</u> | <u>23,165</u> | <u>12,395</u> | <u>(187,125)</u> |
| Net change in fund balances | <u>(733,198)</u> | <u>(662,703)</u> | <u>816,071</u> | <u>234,459</u> | <u>510,691</u> |
| Fund balances - beginning | <u>6,395,600</u> | <u>7,058,303</u> | <u>6,242,232</u> | <u>6,007,773</u> | <u>5,497,082</u> |
| Fund balances - ending | <u>\$ 5,662,402</u> | <u>\$ 6,395,600</u> | <u>\$ 7,058,303</u> | <u>\$ 6,242,232</u> | <u>\$ 6,007,773</u> |

CITY OF OLNEY
 FIVE YEAR COMPARATIVE STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION -MODIFIED CASH BASIS
 WATER DISTRIBUTION

| | <u>April 30, 2018</u> | <u>April 30, 2017</u> | <u>April 30, 2016</u> | <u>April 30, 2015</u> | <u>April 30, 2014</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 1,709,776 | \$ 1,715,449 | \$ 1,577,252 | \$ 1,483,497 | \$ 1,414,250 |
| System development fees | 440 | 2,740 | 5,815 | 2,947 | 2,027 |
| Miscellaneous revenue | 31,863 | 19,138 | 18,736 | 18,090 | 29,326 |
| Total operating revenues | <u>1,742,079</u> | <u>1,737,327</u> | <u>1,601,803</u> | <u>1,504,534</u> | <u>1,445,603</u> |
| Operating expenses: | | | | | |
| Personal services | 695,625 | 703,395 | 716,630 | 722,009 | 733,730 |
| Support services | 60,008 | 59,620 | 60,049 | 60,408 | 60,530 |
| Contractual services | 97,560 | 95,824 | 124,474 | 93,059 | 93,958 |
| Utilities | 5,693 | 5,096 | 5,729 | 5,618 | 7,311 |
| Repairs and maintenance | 77,343 | 99,840 | 176,040 | 95,096 | 121,379 |
| Other supplies and materials | 187,314 | 185,774 | 177,104 | 174,120 | 214,664 |
| Insurance | 39,985 | 42,799 | 43,272 | 43,825 | 41,931 |
| Depreciation | 257,474 | 242,697 | 226,487 | 211,032 | 279,356 |
| Other | 2,500 | 3,146 | 4,580 | 2,459 | 3,267 |
| Total operating expenses | <u>1,423,502</u> | <u>1,438,191</u> | <u>1,534,365</u> | <u>1,407,626</u> | <u>1,556,126</u> |
| Operating income | <u>318,577</u> | <u>299,136</u> | <u>67,438</u> | <u>96,908</u> | <u>(110,523)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Capital grant revenue | - | 211,136 | - | 225,000 | 75,000 |
| Proceeds from sale of capital assets | - | - | - | 19,835 | - |
| Interest and investment revenue | 12,201 | 10,271 | 9,512 | 9,127 | 8,856 |
| Interest expense | (8,317) | (3,313) | (2,651) | (3,775) | (2,299) |
| Total nonoperating revenue (expenses) | <u>3,884</u> | <u>218,094</u> | <u>6,861</u> | <u>250,187</u> | <u>81,557</u> |
| Income (loss) before transfers | 322,461 | 517,230 | 74,299 | 347,095 | (28,966) |
| Transfers in | - | - | - | - | 151,650 |
| Change in net position | <u>322,461</u> | <u>517,230</u> | <u>74,299</u> | <u>347,095</u> | <u>122,684</u> |
| Total net position - beginning | <u>7,959,499</u> | <u>7,442,269</u> | <u>7,367,970</u> | <u>7,020,875</u> | <u>6,898,191</u> |
| Total net position - ending | <u>\$ 8,281,960</u> | <u>\$ 7,959,499</u> | <u>\$ 7,442,269</u> | <u>\$ 7,367,970</u> | <u>\$ 7,020,875</u> |

CITY OF OLNEY
 FIVE YEAR COMPARATIVE STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
 WASTE WATER TREATMENT

| | <u>April 30, 2018</u> | <u>April 30, 2017</u> | <u>April 30, 2016</u> | <u>April 30, 2015</u> | <u>April 30, 2014</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 1,028,018 | \$ 1,036,785 | \$ 989,593 | \$ 964,420 | \$ 937,196 |
| System development fees | 540 | 1,300 | 1,860 | 660 | 660 |
| Miscellaneous revenue | 8,290 | 5,542 | 3,985 | 34,252 | 6,964 |
| Total operating revenues | <u>1,036,848</u> | <u>1,043,627</u> | <u>995,438</u> | <u>999,332</u> | <u>944,820</u> |
| Operating expenses: | | | | | |
| Personal services | 326,891 | 309,924 | 270,874 | 289,500 | 317,128 |
| Support services | 59,355 | 59,269 | 84,883 | 76,117 | 36,854 |
| Contractual services | 5,191 | 2,350 | 8,300 | 2,264 | 7,080 |
| Utilities | 86,604 | 96,174 | 91,086 | 82,840 | 102,590 |
| Repairs and maintenance | 91,551 | 92,715 | 95,367 | 132,301 | 100,346 |
| Other supplies and materials | 30,557 | 24,551 | 24,033 | 30,194 | 29,422 |
| Insurance | 25,417 | 25,064 | 23,664 | 25,497 | 24,426 |
| Depreciation | 365,106 | 370,735 | 341,312 | 313,266 | 280,550 |
| Other | 22,075 | 20,650 | 18,785 | 18,940 | 18,534 |
| Total operating expenses | <u>1,012,747</u> | <u>1,001,432</u> | <u>958,304</u> | <u>970,919</u> | <u>916,930</u> |
| Operating income | <u>24,101</u> | <u>42,195</u> | <u>37,134</u> | <u>28,413</u> | <u>27,890</u> |
| Nonoperating revenues (expenses): | | | | | |
| Capital grant revenue | - | - | - | 275,000 | - |
| Proceeds from sale of capital assets | - | - | - | 486 | - |
| Interest and investment revenue | 6,885 | 6,303 | 5,505 | 5,454 | 4,503 |
| Interest expense | (5,678) | (5,943) | (5,599) | - | (776) |
| Total nonoperating revenue (expenses) | <u>1,207</u> | <u>360</u> | <u>(94)</u> | <u>280,940</u> | <u>3,727</u> |
| Income (loss) before transfers | 25,308 | 42,555 | 37,040 | 309,353 | 31,617 |
| Transfers in | - | - | - | - | 67,155 |
| Change in net position | <u>25,308</u> | <u>42,555</u> | <u>37,040</u> | <u>309,353</u> | <u>98,772</u> |
| Total net position - beginning | <u>5,500,299</u> | <u>5,457,744</u> | <u>5,420,704</u> | <u>5,111,351</u> | <u>5,012,579</u> |
| Total net position - ending | <u>\$ 5,525,607</u> | <u>\$ 5,500,299</u> | <u>\$ 5,457,744</u> | <u>\$ 5,420,704</u> | <u>\$ 5,111,351</u> |

CITY OF OLNEY
OLNEY, ILLINOIS

NOTES TO OTHER INFORMATION
APRIL 30, 2018

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

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

1. The City Manager submits to the City Council a proposed operating budget, for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through passage of an ordinance.
4. The original budget was approved by Council on April 24, 2017. The final budget was approved by Council on April 23, 2018.

NOTE 2: FISCAL MANAGEMENT

The City's actual expenditures exceeded its budget in the following funds by the amounts listed.

| | | |
|---------------------------|----|---------|
| IRP Fund | \$ | 334,362 |
| Economic Development Fund | | 260,814 |
| Levied Insurance Fund | | 688 |