

CITY OF BELVIDERE, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2017

Prepared By

Becky Tobin
Finance/Budget Officer



CITY OF BELVIDERE, ILLINOIS
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CITY OF BELVIDERE, ILLINOIS

PRINCIPAL OFFICIALS

April 30, 2017

LEGISLATIVE

ELECTED OFFICIALS

Mayor: Mike Chamberlain

City Clerk: Shauna Arco

Treasurer: Cory Thornton

Ward 1 Alderman:

Ward 1 Alderman:

Tom Porter

Clayton Stevens

Ward 2 Alderman:

Ward 2 Alderman:

Michael Borowicz

Daniel Snow

Ward 3 Alderman:

Ward 3 Alderman:

Thomas Ratcliffe

Wendy Frank

Ward 4 Alderman:

Ward 4 Alderman:

Ronald Brooks

George Crawford

Ward 5 Alderman:

Ward 5 Alderman:

Marsha Freeman

Mark Sanderson

ADMINISTRATIVE

Police Chief:

Jan Noble

Fire Chief:

Allen Hyser

Finance Director:

Becky Tobin

Public Works Director:

Brent Anderson

Building Director:

Lesla Morelock

City Attorney:

Mike Drella



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the City Council
City of Belvidere, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belvidere, Illinois (the City), as of and for the year ended April 30, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belvidere, Illinois as of April 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the schedule of changes in the employer's net pension liability and related ratios for the Police Pension Fund and Firefighters' Pension Fund for April 30, 2015 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, supplemental schedules and supplemental data as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information and supplemental schedules 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental data and principal officials 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 them.

Sikich LLP

Naperville, Illinois

September 5, 2017

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

Our discussion and analysis of the City of Belvidere's financial performance provides an overview of the City's financial activities for the fiscal year ended April 30, 2017. Please read it in conjunction with the City's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The City of Belvidere's net position decreased as a result of this year's operations. While net position of business-type activities decreased by \$106,868, or 0.2 percent, net position of the governmental activities decreased by \$3,094,054 or nearly 68.6 percent.
- During the year, government-wide revenues before transfers for the primary government totaled \$22,769,365 while expenses totaled \$25,970,287 resulting in a decrease to net position of \$3,200,922.
- The City's net position totaled \$46,257,727 on April 30, 2017, which includes \$57,578,159 net investment in capital assets, \$1,669,922 subject to external restrictions, and \$(12,990,354) unrestricted net deficit that may be used to meet the ongoing obligations to citizens and creditors.
- The General Fund reported a decline this year of \$1,028,369 resulting in ending fund balance of \$10,143,127 a decrease of 9.2 percent. This deficit was planned during the budget process to use some of the General Fund reserves for road improvement projects.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 3 - 6) provide information about the activities of the City of Belvidere as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Belvidere's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 3 – 6 of this report.

The Statement of Net Position reports information on all of the City's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, is needed to assess the overall health of the City.

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Belvidere that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, health and social services, and community and economic development. The business-type activities of the City include water and sewer operations.

The City of Belvidere includes one separate legal entity in its report. The Ida Public Library is presented as a discretely presented component unit. Although legally separate, this "component unit" is important because the City is financially accountable for it. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

The City of Belvidere maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 8 - 11 of this report.

Proprietary Funds

The City maintains one proprietary fund type: enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City utilizes an enterprise fund to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 12 - 16 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 17 - 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 77 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's I.M.R.F., SLEP, police and fire employee pension obligations and budgetary comparison schedule for the General Fund. Required supplementary information can be found on pages 78-102 of this report.

CITY OF BELVIDERE, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2017**

USING THIS ANNUAL REPORT – Continued

Other Information – Continued

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 104 - 126 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. The following tables show that in the case of the City of Belvidere, assets/deferred outflows exceeded liabilities/deferred inflows by \$46,257,727.

| | Net Position | | | | | |
|---|----------------------------|--------------|-----------------------------|------------|--------------|-------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current Assets | \$ 18,169,674 | 19,548,036 | 9,981,972 | 11,149,235 | 28,151,646 | 30,697,271 |
| Capital Assets | 24,685,544 | 24,478,354 | 39,468,968 | 38,719,112 | 64,154,512 | 63,197,466 |
| Deferred Outflows of Resources | 3,882,716 | 3,820,149 | 436,632 | 533,355 | 4,319,348 | 4,353,504 |
| Total Assets and Deferred Outflows of Resources | 46,737,934 | 47,846,539 | 49,887,572 | 50,401,702 | 96,625,506 | 98,248,241 |
| Other Liabilities | 3,224,888 | 2,944,953 | 643,906 | 438,488 | 3,868,794 | 3,383,441 |
| Long Term Liabilities | 34,026,930 | 33,562,151 | 4,102,951 | 4,892,536 | 38,129,881 | 38,454,687 |
| Deferred Inflows of Resources | 8,072,520 | 6,524,752 | 296,584 | 44,916 | 8,369,104 | 6,569,668 |
| Total Liabilities and Deferred Inflows of Resources | 45,324,338 | 43,031,856 | 5,043,441 | 5,375,940 | 50,367,779 | 48,407,796 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 20,908,040 | 21,057,447 | 36,670,119 | 35,419,195 | 57,578,159 | 56,476,642 |
| Restricted | 1,564,462 | 1,372,556 | 105,460 | 107,560 | 1,669,922 | 1,480,116 |
| Unrestricted (Deficit) | (21,058,906) | (17,615,320) | 8,068,552 | 9,499,007 | (12,990,354) | (8,116,313) |
| Total Net Position | 1,413,596 | 4,814,683 | 44,844,131 | 45,025,762 | 46,257,727 | 49,840,445 |

A large portion of the City’s net position, \$57,578,159 or 124.5 percent, reflects its net investment in capital assets (for example, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$1,669,922 or 3.6 percent, of the City’s net position represents resources that are subject to external restrictions on how they may be used. The remaining (28.1) percent, or \$(12,990,354), represents unrestricted net deficit and may be used to meet the government’s ongoing obligations to citizens and creditors. At year-end, the City is able to report positive balances in all categories of net position for both the governmental and the business-type activities, and was able to do so in the prior fiscal year as well.

CITY OF BELVIDERE, ILLINOIS

**Management's Discussion and Analysis
April 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

| | Change in Net Position | | | | | |
|--------------------------------------|----------------------------|-------------|-----------------------------|------------|-------------|-------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 1,432,392 | 1,553,232 | 5,732,785 | 6,034,020 | 7,165,177 | 7,587,252 |
| Operating Grants/Contrib. | 891,347 | 876,148 | - | - | 891,347 | 876,148 |
| Capital Grants/Contrib. | - | - | - | - | - | - |
| General Revenues | | | | | | |
| Property Taxes | 5,058,415 | 4,960,859 | - | - | 5,058,415 | 4,960,859 |
| Utility Taxes | 1,981,920 | 2,057,469 | - | - | 1,981,920 | 2,057,469 |
| Replacement Taxes | 362,109 | 276,600 | - | - | 362,109 | 276,600 |
| Other Taxes | 389,323 | 377,720 | - | - | 389,323 | 377,720 |
| Sales and Use Taxes | 3,919,636 | 3,793,925 | - | - | 3,919,636 | 3,793,925 |
| Income Taxes | 2,418,418 | 2,726,656 | - | - | 2,418,418 | 2,726,656 |
| Other General Revenues | 547,449 | 290,540 | 35,571 | 31,524 | 583,020 | 322,064 |
| Total Revenues | 17,001,009 | 16,913,149 | 5,768,356 | 6,065,544 | 22,769,365 | 22,978,693 |
| Expenses | | | | | | |
| General Government | 2,172,778 | 2,204,079 | - | - | 2,172,778 | 2,204,079 |
| Public Safety | 12,411,611 | 12,233,124 | - | - | 12,411,611 | 12,233,124 |
| Highways and Streets | 3,973,184 | 4,818,370 | - | - | 3,973,184 | 4,818,370 |
| Health and Social Services | 33,000 | 23,000 | - | - | 33,000 | 23,000 |
| Community/Economic Devel. | 1,097,000 | 198,936 | - | - | 1,097,000 | 198,936 |
| Interest on Long-Term Debt | 407,490 | 530,781 | - | - | 407,490 | 530,781 |
| Water and Sewer | - | - | 5,875,224 | 5,770,974 | 5,875,224 | 5,770,974 |
| Total Expenses | 20,095,063 | 20,008,290 | 5,875,224 | 5,770,974 | 25,970,287 | 25,779,264 |
| Change in Net Position | | | | | | |
| Before Transfers | (3,094,054) | (3,095,141) | (106,868) | 294,570 | (3,200,922) | (2,800,571) |
| Transfers | - | - | - | - | - | - |
| Change in Net Position | (3,094,054) | (3,095,141) | (106,868) | 294,570 | (3,200,922) | (2,800,571) |
| Net Position - Beginning as Restated | 4,507,650 | 7,909,824 | 44,950,999 | 44,731,192 | 49,458,649 | 52,641,016 |
| Net Position - Ending | 1,413,596 | 4,814,683 | 44,844,131 | 45,025,762 | 46,257,727 | 49,840,445 |

CITY OF BELVIDERE, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

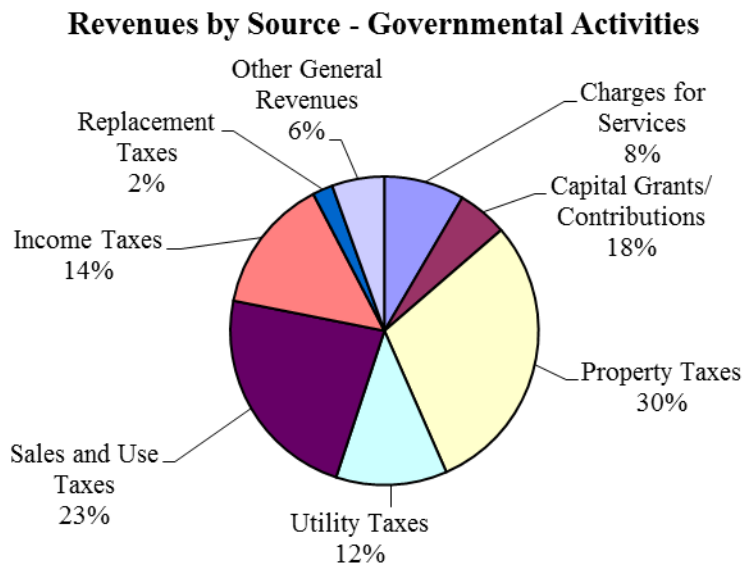
Net position of the City of Belvidere’s governmental activities decreased by 68.6 percent (\$1,413,596 in 2017 compared to (\$4,814,683 in 2016). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled \$(21,058,906) at April 30, 2017.

Net position of the business-type activities decreased by 0.002 percent (\$44,844,131 in 2017 compared to \$45,025,762 in 2016).

Governmental Activities

Revenues for governmental activities totaled \$17,001,009 while the cost of all governmental functions totaled \$20,095,063. This results in a deficit of \$3,094,054 and there were no transfers out. In 2016, revenues of \$16,913,149 were less than expenses of \$20,008,290 resulting in a deficit of \$3,095,141 and there were no transfers out.

The following table graphically depicts the major revenue sources of the City. It depicts very clearly the reliance of property taxes, income taxes and sales and use taxes to fund governmental activities. It also clearly identifies the less significant percentage the City receives from charges for services.



CITY OF BELVIDERE, ILLINOIS

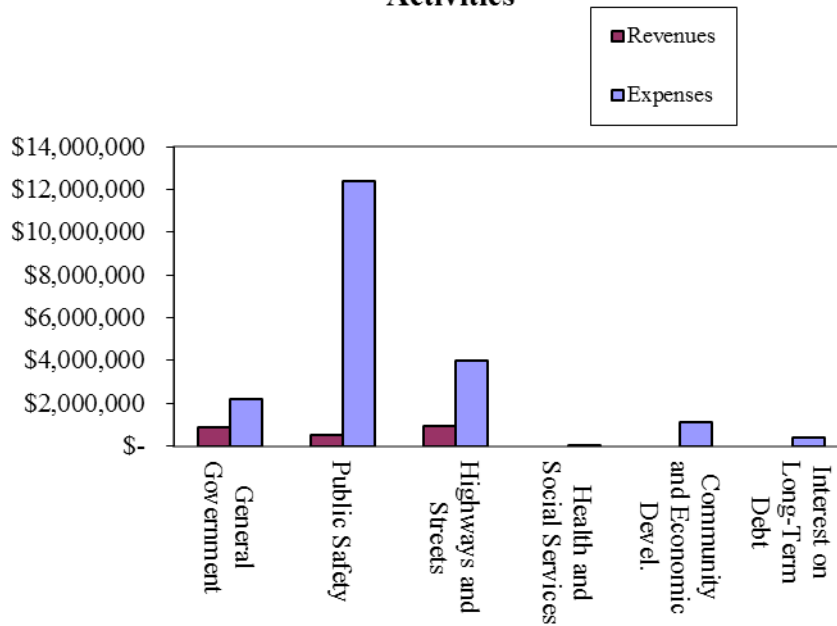
**Management’s Discussion and Analysis
April 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued

The ‘Expenses and Program Revenues’ Table identifies those governmental functions where program expenses greatly exceed revenues.

Expenses and Program Revenues - Governmental Activities



Business-Type Activities

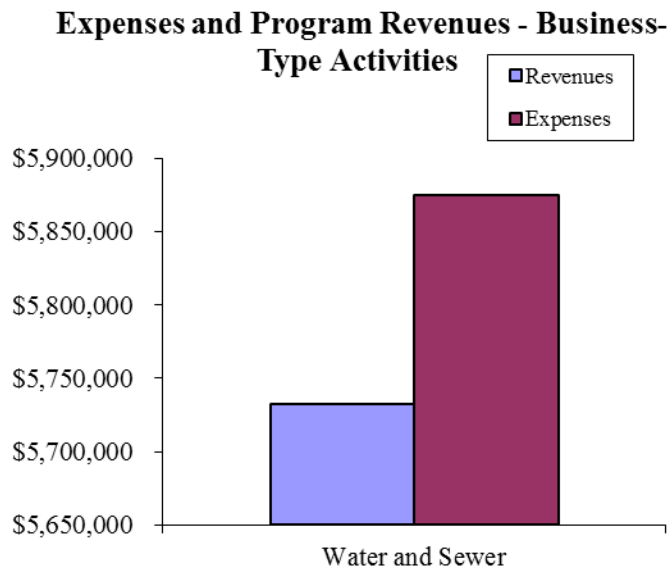
Business-Type activities posted total revenues of \$5,768,356, while the cost of all business-type activities totaled \$5,875,224. This results in a deficit of \$106,868 and there were no transfers. In 2016, revenues of \$6,065,544, while the cost of all business-type activities totaled \$5,770,974 resulting in a surplus of \$294,570 and there were no transfers. The deficit in the current year is due to a decrease in use by the existing utility customers and an increase in expenses.

CITY OF BELVIDERE, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities – Continued



The above graph compares program revenues to expenses for water and sewer operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City of Belvidere uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The City’s governmental funds reported combining ending fund balances of \$12,446,337, which is \$1,361,359, or 9.8 percent, lower than last year’s total of \$13,807,696. Of the \$12,446,337 total, \$9,436,278, or approximately 75.8 percent, of the fund balance constitutes unassigned fund balance.

The General Fund reported a negative change in fund balance for the year of \$1,028,369, a decrease of 9.2 percent. This was due in large part to budgeted road improvement projects. The intent of these projects was to spend down some of the General Fund balance. Furthermore, expenditures in the General Fund were still under budget. Budgeted expenditures totaled \$16,263,767 while actual expenditures totaled \$16,187,763. These variances are further outlined on the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance.

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental Funds – Continued

The General Fund is the chief operating fund of the City. At April 30, 2017, unassigned fund balance in the General Fund was \$9,436,278 which represents 93.0 percent of the total fund balance of the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance in the General Fund represents approximately 58.3 percent of total General Fund expenditures.

The Capital Projects fund realized a decrease in the fund balance of \$515,832 primarily as a result of a large infrastructure project that was budgeted. The Nonmajor Funds realized an increase in fund balance of \$182,842 as a result of increase revenues in Foreign Fire Insurance and Motor Fuel Tax.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City reports the Water/Sewer Fund as a major proprietary fund. The Water/Sewer Fund accounts for all of the operations of the municipal water and sewer system. Water is sold to all municipal customers at a rate of \$1.57 per 100 cubic feet and a rate of \$2.46 per cubic feet for sewer.

The deficit in the Water/Sewer Fund during the current fiscal year was \$106,868, while the previous fiscal year reported a surplus of \$294,570. Unrestricted net position in the Water/Sewer Fund totaled \$8,068,552 at April 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council made budget amendments to the General Fund at the end of the fiscal year. General Fund actual revenues for the year totaled \$16,136,657, compared to budgeted revenues of \$16,210,531, which is \$73,874 lower than budgeted revenues.

The General Fund actual expenditures for the year were \$76,004 lower than budgeted (\$16,187,763 actual compared to \$16,263,767 budgeted). The general government function's actual expenditures were lower than budgeted expenditures by \$183,280.

CITY OF BELVIDERE, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of April 30, 2017 was \$64,154,512 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, vehicles and equipment, and infrastructure.

| | Capital Assets - Net of Depreciation | | | | | |
|---------------------------|--------------------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 523,664 | 523,664 | 696,551 | 696,551 | 1,220,215 | 1,220,215 |
| Construction in Progress | - | 207,679 | 2,102,041 | 536,746 | 2,102,041 | 744,425 |
| Land Improvements | 43,484 | 45,062 | - | - | 43,484 | 45,062 |
| Infrastructure | 20,950,866 | 20,558,790 | - | - | 20,950,866 | 20,558,790 |
| Building and Improvements | 1,189,280 | 1,226,537 | 1,036,607 | 1,065,732 | 2,225,887 | 2,292,269 |
| Water Transmission System | - | - | 11,616,351 | 11,908,061 | 11,616,351 | 11,908,061 |
| Sewer Collection System | - | - | 22,302,836 | 22,849,884 | 22,302,836 | 22,849,884 |
| Equipment | 482,210 | 491,120 | 1,655,103 | 1,547,034 | 2,137,313 | 2,038,154 |
| Vehicles | 1,496,040 | 1,425,502 | 59,479 | 40,341 | 1,555,519 | 1,465,843 |
| Total | 24,685,544 | 24,478,354 | 39,468,968 | 38,644,349 | 64,154,512 | 63,122,703 |

Governmental Activities

| | |
|----------------------------|---------------------|
| Construction in Progress | \$ 2,020,417 |
| Buildings and improvements | 38,558 |
| Equipment | 116,616 |
| Vehicles | 366,931 |
| | <u>\$ 2,542,522</u> |

Business-Type Activities

| | |
|--------------------------|---------------------|
| Construction in Progress | \$ 1,575,145 |
| Equipment | 363,610 |
| Vehicles | 28,414 |
| Sewer collection system | 327,957 |
| | <u>\$ 2,295,126</u> |

Additional information on the City of Belvidere’s capital assets can be found in note 3 on pages 29-31 of this report.

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration

At year-end, the City of Belvidere had total outstanding debt of \$7,274,232 as compared to \$7,626,015 the previous year, a decrease of 4.6 percent. The following is a comparative statement of outstanding debt:

| | Long-Term Debt Outstanding | | | | | |
|-----------------------------|----------------------------|-----------|-----------------------------|-----------|-----------|-----------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revolving Loans | \$ - | 140,000 | - | - | - | 140,000 |
| Debt Certificates | 535,098 | 585,098 | - | - | 535,098 | 585,098 |
| Tax Increment Revenue Notes | 3,036,000 | 3,036,000 | - | - | 3,036,000 | 3,036,000 |
| Capital Lease | 384,285 | - | - | - | 384,285 | - |
| Landfill Post Closure Costs | 520,000 | 565,000 | - | - | 520,000 | 565,000 |
| IEPA Loan | - | - | 1,738,849 | 1,839,917 | 1,738,849 | 1,839,917 |
| Alternate Revenue Bonds | - | - | 1,060,000 | 1,460,000 | 1,060,000 | 1,460,000 |
| Total | 4,475,383 | 4,326,098 | 2,798,849 | 3,299,917 | 7,274,232 | 7,626,015 |

The City last received a bond rating in 2004 at which time it was a Standard & Poor AAA rating. The City has not entered the bond market since 2004. The City is no longer a non-home rule community, and is no longer held to the State statute that limits the amount of general obligation debt. However, the City's current debt limit under the non-home rule statute is \$25,668,924.

Additional information on the City of Belvidere's long-term debt can be found in Note 4 on pages 29 - 34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy continues to show signs of improvement; however, the City continues to stay conservative in spending and adhering to a pay-as-you-go-philosophy. As a result, the City continues to be diligent about maintaining 3-6 months of spending in the reserves. Some of the reserves were used for City infrastructure projects during FY17.

The residential sector is continuing to struggle but showed some improvement in FY17. Residential permits and new housing construction went up 57% (11 new homes). The commercial/industrial sector is showing some improvement. The re-tooling at Chrysler brought in new suppliers Yanfeng and Magna, both which built new facilities in the City.

CITY OF BELVIDERE, ILLINOIS

Management's Discussion and Analysis April 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – Continued

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. The unemployment rate for April 30, 2017, for the City of Belvidere was 9.4% and Boone County was 7.1%. The state and national unemployment rates were 4.6 and 4.4 percent, respectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Belvidere's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Office of the Budget/Finance Officer, Becky Tobin. City of Belvidere, 401 Whitney Boulevard, Belvidere, Illinois 61008.

CITY OF BELVIDERE, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2017

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|---------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Unit Ida Public Library |
| ASSETS | | | | |
| Cash and investments | \$ 10,071,933 | \$ 8,771,507 | \$ 18,843,440 | \$ 676,787 |
| Receivables, net where applicable of allowance for uncollectibles | | | | |
| Property taxes | 5,147,337 | - | 5,147,337 | 686,566 |
| Sales taxes | 754,793 | - | 754,793 | - |
| Income taxes | 544,153 | - | 544,153 | - |
| Telecommunications tax | 230,148 | - | 230,148 | - |
| Accounts | - | 800,842 | 800,842 | - |
| Accrued interest | - | 13,700 | 13,700 | - |
| Other | 227,113 | - | 227,113 | 19,865 |
| Prepaid expenses | 408,630 | 208,174 | 616,804 | 7,880 |
| Land held for resale | 785,567 | - | 785,567 | - |
| Inventory | - | 82,289 | 82,289 | - |
| Restricted investments | - | 105,460 | 105,460 | - |
| Capital assets not being depreciated | 523,664 | 2,798,592 | 3,322,256 | 181,150 |
| Capital assets being depreciated, net of accumulated depreciation | 24,161,880 | 36,670,376 | 60,832,256 | 768,999 |
| Total assets | 42,855,218 | 49,450,940 | 92,306,158 | 2,341,247 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension items - IMRF (Regular) | 426,420 | 436,632 | 863,052 | 107,840 |
| Pension items - IMRF (SLEP) | 36,081 | - | 36,081 | - |
| Pension items - IMRF (ECO) | 2,690 | - | 2,690 | - |
| Pension items - Police Pension | 1,579,623 | - | 1,579,623 | - |
| Pension items - Firefighters' Pension | 1,837,902 | - | 1,837,902 | - |
| Total deferred outflows of resources | 3,882,716 | 436,632 | 4,319,348 | 107,840 |
| Total assets and deferred outflows of resources | 46,737,934 | 49,887,572 | 96,625,506 | 2,449,087 |
| LIABILITIES | | | | |
| Accounts payable | 373,537 | 554,838 | 928,375 | 13,164 |
| Accrued payroll | 202,463 | 72,490 | 274,953 | 14,821 |
| Unearned revenue | - | - | - | 2,500 |
| Interest payable | 2,648,888 | 16,578 | 2,665,466 | - |
| Long-term liabilities | | | | |
| Due within one year | 206,195 | 515,395 | 721,590 | 156,171 |
| Due in more than one year | 33,820,735 | 3,587,556 | 37,408,291 | 558,062 |
| Total liabilities | 37,251,818 | 4,746,857 | 41,998,675 | 744,718 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension items - IMRF (Regular) | 290,863 | 296,584 | 587,447 | 68,942 |
| Pension items - IMRF (SLEP) | 50,816 | - | 50,816 | - |
| Pension items - IMRF (ECO) | 2,023 | - | 2,023 | - |
| Pension items - Police Pension | 1,798,968 | - | 1,798,968 | - |
| Pension items - Firefighters' Pension | 782,513 | - | 782,513 | - |
| Unavailable revenue - property taxes | 5,147,337 | - | 5,147,337 | 686,566 |
| Total deferred inflows of resources | 8,072,520 | 296,584 | 8,369,104 | 755,508 |
| Total liabilities and deferred inflows of resources | 45,324,338 | 5,043,441 | 50,367,779 | 1,500,226 |

(This statement is continued on the following page.)

CITY OF BELVIDERE, ILLINOIS

STATEMENT OF NET POSITION (Continued)

April 30, 2017

| | Primary Government | | | Component |
|----------------------------------|----------------------------|-----------------------------|----------------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Unit Ida Public Library |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 20,908,040 | \$ 36,670,119 | \$ 57,578,159 | \$ 619,108 |
| Restricted for | | | | |
| Public safety | 48,049 | - | 48,049 | - |
| Capital projects | 11,531 | - | 11,531 | - |
| Highways and streets | 1,070,214 | - | 1,070,214 | - |
| Economic development | 434,668 | - | 434,668 | - |
| Debt service | - | 105,460 | 105,460 | - |
| Donor specific | - | - | - | 187,726 |
| Unrestricted (deficit) | (21,058,906) | 8,068,552 | (12,990,354) | 142,027 |
| TOTAL NET POSITION | <u>\$ 1,413,596</u> | <u>\$ 44,844,131</u> | <u>\$ 46,257,727</u> | <u>\$ 948,861</u> |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2017

| FUNCTIONS/PROGRAMS | Program Revenues | | | |
|------------------------------------|----------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General government | \$ 2,172,778 | \$ 846,184 | \$ 26,585 | \$ - |
| Public safety | 12,411,611 | 386,105 | 148,053 | - |
| Highways and streets | 3,973,184 | 200,103 | 716,709 | - |
| Health and social services | 33,000 | - | - | - |
| Community and economic development | 1,097,000 | - | - | - |
| Interest and fees | 407,490 | - | - | - |
| Total governmental activities | 20,095,063 | 1,432,392 | 891,347 | - |
| Business-Type Activities | | | | |
| Water and sewer | 5,875,224 | 5,732,785 | - | - |
| Total business-type activities | 5,875,224 | 5,732,785 | - | - |
| TOTAL PRIMARY GOVERNMENT | \$ 25,970,287 | \$ 7,165,177 | \$ 891,347 | \$ - |
| COMPONENT UNIT | | | | |
| Ida Public Library | \$ 914,981 | \$ 49,920 | \$ 69,627 | \$ - |

| | Net (Expense) Revenue and Change in Net Position | | | Component Unit Ida Public Library |
|--------------------------------|--|--------------------------|----------------|--------------------------------------|
| | Primary Government | | | |
| | Governmental Activities | Business-Type Activities | Total | |
| | \$ (1,300,009) | \$ - | \$ (1,300,009) | \$ - |
| | (11,877,453) | - | (11,877,453) | - |
| | (3,056,372) | - | (3,056,372) | - |
| | (33,000) | - | (33,000) | - |
| | (1,097,000) | - | (1,097,000) | - |
| | (407,490) | - | (407,490) | - |
| | (17,771,324) | - | (17,771,324) | - |
| | - | (142,439) | (142,439) | - |
| | - | (142,439) | (142,439) | - |
| | (17,771,324) | (142,439) | (17,913,763) | - |
| | - | - | - | (795,434) |
| General Revenues | | | | |
| Taxes | | | | |
| Property | 5,058,415 | - | 5,058,415 | 677,342 |
| Utility | 1,981,920 | - | 1,981,920 | - |
| Telecommunications | 144,942 | - | 144,942 | - |
| Replacement | 362,109 | - | 362,109 | 40,231 |
| Other | 244,381 | - | 244,381 | - |
| Intergovernmental | | | | |
| Sales and use taxes | 3,919,636 | - | 3,919,636 | - |
| Income | 2,418,418 | - | 2,418,418 | - |
| Investment income | 44,610 | 33,646 | 78,256 | 32,918 |
| Miscellaneous | 489,506 | - | 489,506 | 15,327 |
| Gain on sale of capital assets | 13,333 | 1,925 | 15,258 | - |
| Total | 14,677,270 | 35,571 | 14,712,841 | 765,818 |
| CHANGE IN NET POSITION | (3,094,054) | (106,868) | (3,200,922) | (29,616) |
| NET POSITION, MAY 1 | 4,814,683 | 45,025,762 | 49,840,445 | 1,033,778 |
| Prior period adjustment | (307,033) | (74,763) | (381,796) | (55,301) |
| NET POSITION, MAY 1, RESTATED | 4,507,650 | 44,950,999 | 49,458,649 | 978,477 |
| NET POSITION, APRIL 30 | \$ 1,413,596 | \$ 44,844,131 | \$ 46,257,727 | \$ 948,861 |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2017

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|--|---|
| ASSETS | | | | |
| Cash and investments | \$ 8,310,291 | \$ 649,334 | \$ 1,112,308 | \$ 10,071,933 |
| Receivables, net where applicable of allowance for uncollectibles | | | | |
| Property taxes | 5,033,512 | 40,000 | 73,825 | 5,147,337 |
| Sales taxes | 754,793 | - | - | 754,793 |
| Income taxes | 544,153 | - | - | 544,153 |
| Other taxes | 230,148 | - | - | 230,148 |
| Other | 156,577 | 14,518 | 56,018 | 227,113 |
| Prepaid items | 318,630 | 90,000 | - | 408,630 |
| Land held for resale | 345,813 | - | 439,754 | 785,567 |
| Advances to other funds | 42,406 | - | - | 42,406 |
| TOTAL ASSETS | \$ 15,736,323 | \$ 793,852 | \$ 1,681,905 | \$ 18,212,080 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 357,221 | \$ 15,104 | \$ 1,212 | \$ 373,537 |
| Accrued payroll | 202,463 | - | - | 202,463 |
| Advance from other funds | - | - | 42,406 | 42,406 |
| Total liabilities | 559,684 | 15,104 | 43,618 | 618,406 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 5,033,512 | 40,000 | 73,825 | 5,147,337 |
| Total deferred inflows of resources | 5,033,512 | 40,000 | 73,825 | 5,147,337 |
| Total liabilities and deferred inflows of resources | 5,593,196 | 55,104 | 117,443 | 5,765,743 |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid items | 318,630 | 90,000 | - | 408,630 |
| Land held for resale | 345,813 | - | - | 345,813 |
| Advances to other funds | 42,406 | - | - | 42,406 |
| Restricted | | | | |
| Public safety | - | - | 48,049 | 48,049 |
| Highways and streets | - | 384,285 | 1,070,214 | 1,454,499 |
| Economic development | - | - | 434,668 | 434,668 |
| Capital projects | - | - | 11,531 | 11,531 |
| Assigned | | | | |
| Capital projects | - | 264,463 | - | 264,463 |
| Unassigned | 9,436,278 | - | - | 9,436,278 |
| Total fund balances | 10,143,127 | 738,748 | 1,564,462 | 12,446,337 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 15,736,323 | \$ 793,852 | \$ 1,681,905 | \$ 18,212,080 |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

April 30, 2017

| | |
|--|----------------------------|
| FUND BALANCES OF GOVERNMENTAL FUNDS | \$ 12,446,337 |
| 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 governmental funds | 24,685,544 |
| Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund (Regular) are recognized as deferred outflows and inflows of resources on the statement of net position | 135,557 |
| Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund (SLEP) are recognized as deferred outflows and inflows of resources on the statement of net position | (14,735) |
| Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund (ECO) are recognized as deferred outflows and inflows of resources on the statement of net position | 667 |
| Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Police Pension Plan are recognized as deferred outflows and inflows of resources on the statement of net position | (219,345) |
| Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Firefighters' Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position | 1,055,389 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds | |
| Landfill postclosure liability | (520,000) |
| Capital lease payable | (384,285) |
| Debt certificates payable | (535,098) |
| Tax increment revenue note payable | (3,036,000) |
| Compensated absences payable | (133,201) |
| Other postemployment benefit obligation | (2,796,207) |
| Net pension liability - IMRF (Regular) | (1,209,782) |
| Net pension liability - IMRF (SLEP) | (53,040) |
| Net pension liability - Police Pension Fund | (13,708,711) |
| Net pension liability - Firefighters' Pension Fund | (11,650,606) |
| Accrued interest on long-term liabilities is reported as a liability on the statement of net position | <u>(2,648,888)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 1,413,596</u> |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended April 30, 2017

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------|--|---|
| REVENUES | | | | |
| Taxes | \$ 14,040,172 | \$ 40,082 | \$ 94,387 | \$ 14,174,641 |
| Licenses and permits | 455,258 | - | - | 455,258 |
| Intergovernmental | 154,193 | 14,518 | 677,818 | 846,529 |
| Fines and forfeits | 814,269 | - | - | 814,269 |
| Charges for services | 162,863 | - | - | 162,863 |
| Investment income | 39,808 | 709 | 4,093 | 44,610 |
| Miscellaneous | 470,094 | 12,266 | 7,146 | 489,506 |
| Total revenues | 16,136,657 | 67,575 | 783,444 | 16,987,676 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 2,034,180 | - | 27,272 | 2,061,452 |
| Public safety | 10,996,862 | - | 54,314 | 11,051,176 |
| Highways and streets | 2,032,899 | 81,287 | 511,818 | 2,626,004 |
| Health and social services | 33,000 | - | - | 33,000 |
| Community and economic development | 1,090,822 | - | 74 | 1,090,896 |
| Capital outlay | - | 1,846,404 | - | 1,846,404 |
| Debt service | | | | |
| Principal | - | 50,000 | - | 50,000 |
| Interest and fiscal charges | - | 8,065 | 7,031 | 15,096 |
| Total expenditures | 16,187,763 | 1,985,756 | 600,509 | 18,774,028 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (51,106) | (1,918,181) | 182,935 | (1,786,352) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease proceeds | - | 384,285 | - | 384,285 |
| Proceeds from sale of capital assets | 13,333 | - | - | 13,333 |
| Insurance recoveries | - | 27,375 | - | 27,375 |
| Transfers in | 93 | 990,689 | 1,555 | 992,337 |
| Transfers (out) | (990,689) | - | (1,648) | (992,337) |
| Total other financing sources (uses) | (977,263) | 1,402,349 | (93) | 424,993 |
| NET CHANGE IN FUND BALANCES | (1,028,369) | (515,832) | 182,842 | (1,361,359) |
| FUND BALANCES, MAY 1 | 11,171,496 | 1,254,580 | 1,381,620 | 13,807,696 |
| FUND BALANCE, APRIL 30 | \$ 10,143,127 | \$ 738,748 | \$ 1,564,462 | \$ 12,446,337 |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2017

| | |
|--|------------------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ (1,361,359) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlay as expenditures; however, they are capitalized on the statement of net position and depreciated on the statement of activities | 2,542,522 |
| Depreciation expense does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds | (2,310,974) |
| Proceeds from the disposal of capital assets are recognized in governmental funds but the gain (loss) is recognized on the statement of activities | (24,358) |
| The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding on the statement of net position | 50,000 |
| The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase in principal outstanding on the statement of net position | (384,285) |
| Payments made on the landfill postclosure liability are reported as expenditures in the governmental funds but as a reduction of the liability in the statement of net position | 45,000 |
| The increase of accrued interest payable is shown as an increase of expense on the statement of activities | (392,394) |
| The decrease in compensated absences payable is shown as an decrease of the statement of activities | 3,790 |
| The change in the other postemployment benefit obligation | (323,981) |
| The change in the Police Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources | (281,308) |
| The change in the Firefighters' Pension Fund net pension liability and deferred outflows of resources is not a source or use of a financial resource | (600,365) |
| The change in the Illinois Municipal Retirement Fund (Regular) net pension liability and deferred outflows of resources is not a source or use of a financial resource | (61,544) |
| The change in the Illinois Municipal Retirement Fund (SLEP) net pension liability and deferred outflows of resources is not a source or use of a financial resource | 8,131 |
| The change in the Illinois Municipal Retirement Fund (ECO) net pension liability and deferred outflows of resources is not a source or use of a financial resource | <u>(2,929)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (3,094,054)</u></u> |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUND**

April 30, 2017

| | Business-Type Activities |
|---|-------------------------------------|
| | Water and Sewer |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 554,838 |
| Accrued payroll | 72,490 |
| Accrued interest payable | 16,578 |
| Current portion of IEPA loans payable | 102,335 |
| Current portion of revenue bonds payable | 400,000 |
| Current portion of compensated absences payable | 13,060 |
| | <hr/> |
| Total current liabilities | 1,159,301 |
| | <hr/> |
| NONCURRENT LIABILITIES | |
| IEPA loans payable, less current portion | 1,636,514 |
| Revenue bonds payable, less current portion | 660,000 |
| Compensated absences payable, less current portion | 52,240 |
| Net pension liability - IMRF | 1,238,802 |
| | <hr/> |
| Total noncurrent liabilities | 3,587,556 |
| | <hr/> |
| Total liabilities | 4,746,857 |
| | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension items - IMRF | 296,584 |
| | <hr/> |
| Total deferred inflows of resources | 296,584 |
| | <hr/> |
| Total liabilities and deferred inflows of resources | 5,043,441 |
| | <hr/> |
| NET POSITION | |
| Net investment in capital assets | 36,670,119 |
| Restricted | |
| Debt service | 105,460 |
| Unrestricted | 8,068,552 |
| | <hr/> |
| TOTAL NET POSITION | \$ 44,844,131 |
| | <hr/> <hr/> |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND**

For the Year Ended April 30, 2017

| | Business-Type Activities |
|--|-------------------------------------|
| | Water and Sewer |
| OPERATING REVENUES | |
| Charges for services | \$ 5,537,111 |
| Other revenue | 195,674 |
| | <hr/> |
| Total operating revenues | 5,732,785 |
| | <hr/> |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | |
| Operations | 4,354,275 |
| | <hr/> |
| Total operating expenses excluding depreciation | 4,354,275 |
| | <hr/> |
| OPERATING INCOME BEFORE DEPRECIATION | 1,378,510 |
| | <hr/> |
| Depreciation | 1,470,507 |
| | <hr/> |
| OPERATING INCOME (LOSS) | (91,997) |
| | <hr/> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Gain on sale of capital assets | 1,925 |
| Investment income | 33,646 |
| Interest expense and fees | (50,442) |
| | <hr/> |
| Total non-operating revenues (expenses) | (14,871) |
| | <hr/> |
| CHANGE IN NET POSITION | (106,868) |
| | <hr/> |
| NET POSITION, MAY 1 | 45,025,762 |
| | <hr/> |
| Prior period adjustment | (74,763) |
| | <hr/> |
| NET POSITION, MAY 1, RESTATED | 44,950,999 |
| | <hr/> |
| NET POSITION, APRIL 30 | \$ 44,844,131 |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended April 30, 2017

| | Business-Type Activities |
|---|-------------------------------------|
| | Water and Sewer |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 5,836,225 |
| Payments to suppliers | (1,735,569) |
| Payments to employees | (2,369,639) |
| | <hr/> |
| Net cash from operating activities | 1,731,017 |
| | <hr/> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| None | - |
| | <hr/> |
| Net cash from noncapital financing activities | - |
| | <hr/> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (2,295,126) |
| Proceeds from sale of capital assets | 1,925 |
| Principal retirement | (501,068) |
| Interest paid | (52,926) |
| | <hr/> |
| Net cash from capital and related financing activities | (2,847,195) |
| | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment income | 33,646 |
| | <hr/> |
| Net cash from investing activities | 33,646 |
| | <hr/> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,082,532) |
| CASH AND CASH EQUIVALENTS, MAY 1 | 9,959,499 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS, APRIL 30 | \$ 8,876,967 |
| | <hr/> <hr/> |

(This statement is continued on the following page.)

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND**

For the Year Ended April 30, 2017

| | Business-Type Activities |
|--|-------------------------------------|
| | Water and Sewer |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating income (loss) | \$ (91,997) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | |
| Depreciation | 1,470,507 |
| Changes in current assets and liabilities | |
| Accounts receivable | 103,440 |
| Inventory | (7,380) |
| Prepaid expenses | (11,329) |
| Accounts payable | 203,743 |
| Accrued payroll | 4,161 |
| Net pension liability and deferred inflows/outflows of resources | 62,717 |
| Compensated absences payable | (2,845) |
| NET CASH FROM OPERATING ACTIVITIES | \$ 1,731,017 |
| CASH AND CASH EQUIVALENTS | |
| Cash and investments | \$ 8,771,507 |
| Restricted investments | 105,460 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 8,876,967 |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
AGENCY FUND

April 30, 2017

| | Pension Trust Funds | Agency Fund |
|---|--------------------------------|------------------------|
| ASSETS | | |
| Cash and short-term investments | \$ 17,375 | \$ 1,235,540 |
| Investments at fair value | | |
| U.S. Treasury obligations | 643,391 | - |
| U.S. agency obligations | 6,207,747 | - |
| Municipal bonds | 1,429,360 | - |
| Corporate bonds | 4,706,307 | - |
| Mortgage-backed securities | 74,521 | - |
| Negotiable certificates of deposit | 250,748 | - |
| Equities | 4,078,637 | - |
| Mutual funds | 13,820,551 | - |
| Money market mutual funds | 544,761 | - |
| Insurance contracts | 2,613,461 | - |
| Total investments | 34,369,484 | - |
| Receivables | | |
| Accrued interest | 135,387 | - |
| Total receivables | 135,387 | - |
| Prepaid items | 1,374 | - |
| Total assets | 34,523,620 | 1,235,540 |
| LIABILITIES | | |
| Accounts payable | 15,470 | - |
| Due to developers | - | 386,944 |
| Due to other governments | - | 848,596 |
| Total liabilities | 15,470 | 1,235,540 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| | \$ 34,508,150 | \$ - |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

For the Year Ended April 30, 2017

ADDITIONS

| | |
|--|------------------|
| Contributions | |
| Employer | \$ 1,956,577 |
| Employee | <u>534,233</u> |
| Total contributions | <u>2,490,810</u> |
| Investment income | |
| Net appreciation in fair value of investments | 1,683,460 |
| Interest | <u>932,993</u> |
| Total investment income | 2,616,453 |
| Less investment expenses | <u>(88,023)</u> |
| Net investment income | <u>2,528,430</u> |
| Total additions | <u>5,019,240</u> |

DEDUCTIONS

| | |
|-------------------------|------------------|
| Benefits and refunds | 2,621,956 |
| Administrative expenses | <u>65,700</u> |
| Total deductions | <u>2,687,656</u> |

NET INCREASE 2,331,584

**NET POSITION RESTRICTED
FOR PENSIONS**

| | |
|----------|-----------------------------|
| May 1 | <u>32,176,566</u> |
| April 30 | <u><u>\$ 34,508,150</u></u> |

See accompanying notes to financial statements.

CITY OF BELVIDERE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belvidere, Illinois (the City) was incorporated in 1881. The City operates under a Mayoral-Council form of government and provides the following services as authorized by statute: public safety (Police and Fire), streets, library, water and sewer utility, public improvements, building and zoning, financial, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America, as applicable to governments (hereinafter referred to as generally accepted accounting principles (GAAP)). 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 policies:

a. Reporting Entity

The City is considered to be a primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and 34*, since its council is separately elected and fiscally independent. In accordance with these pronouncements, the basic financial statements include all funds for which the City is financially accountable.

The City had determined that the Ida Public Library (the Library) meets the requirements of GASB Statement No. 14 as amended by GASB Statement Nos. 39 and 61, because the Library is fiscally dependent on the City as the City appoints the Library Board or Trustees, levies its taxes, and must approve its budget and debt issuances. This has resulted in the Library being reported as a discretely presented component unit of the City as it is legally separate from the City.

Pension Trust Funds

The City's financial statements include the Police Pension Plan and Firefighters' Pension Plan as pension trust funds. The City's sworn police and firefighter employees participate in these pension trust funds which function for the benefit of those employees and are each governed by a five-member Pension Board. Two members appointed by the Mayor, one elected pension beneficiary, and two elected police officers and firefighters constitute the individual Pension Boards. The City

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Pension Trust Funds (Continued)

and the pension plan participants are obligated to fund all pension plan costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of the contribution levels. The pension plans are reported as pension trust funds because of the City's fiduciary responsibility. Separate financial statements are not available for the Police Pension Plan and Firefighters' Pension Plan.

b. Fund Accounting

The City uses funds to report on its financial position and the change in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

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

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of committed, restricted, or assigned monies (special revenue funds), the funds committed, restricted, or assigned for the acquisition or construction of capital assets (capital projects funds). The General Fund is used to account for all activities of the City not accounted for in some other fund.

Enterprise 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. Goods or services from such activities can be provided to outside parties (enterprise funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The City utilizes pension trust funds and agency funds which are generally used to account for assets that the City holds in a fiduciary capacity or on behalf of others as their agent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of material interfund activity has been eliminated from these statements. Interfund services provided and used are not eliminated on these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed, or assigned for the acquisition or construction of major capital items within the City.

The City reports the following major proprietary funds:

The Waterworks and Sewerage Fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and improvements. Funding is provided by user fees.

The City reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. Furthermore, the City reports the following agency funds as fiduciary funds: Escrow Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except the agency funds which do not have a measurement focus). Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenue/expenses are incidental to the operations of these funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within 60 days after year end. The City recognizes property taxes when they become both measurable and available in the year for which they are levied (i.e., intended to finance). A 90-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

Property taxes, sales and use taxes, income taxes, franchise taxes, telecommunication taxes, licenses, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

In applying the susceptible to accrual concept to intergovernmental revenues (e.g., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidelines. There are, however, essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City reports unearned revenue and deferred/unavailable revenue on its financial statements. Deferred/unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the City before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability or deferred inflows of resource for unearned and deferred/unavailable revenue are removed from the financial statements and revenue is recognized.

e. Cash and Investments

For purposes of the statement of cash flows, the City's proprietary funds consider cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Interfund Receivables/Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Interfund Receivables/Payables (Continued)

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

g. Property Taxes

Property taxes for 2016 are levied in December 2016 and attach as an enforceable lien on the property on January 1, 2016. Tax bills are prepared by the County and issued on or about May 1, 2017 and August 1, 2017, and are due and collectible on or about June 1, 2017 and September 1, 2017. The County collects the taxes and remits them periodically to the City. Those 2016 taxes are intended to finance the 2018 fiscal year and are not considered available or earned for current operations and, therefore, are reported as deferred/unavailable revenue. The 2017 tax levy has not been recorded as a receivable at April 30, 2017, as the tax attached as a lien on property as of January 1, 2017; however, the tax will not be levied until December 2017 and, accordingly, is not measurable at April 30, 2017.

h. Inventories and Prepaid Items/Expenses

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses. Prepaid items/expenses are recorded as expenditures/expenses when consumed rather than when purchased.

i. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

| Asset Class | Capitalization Threshold |
|------------------------------------|-----------------------------|
| Land | \$ 5,000 |
| Building and improvements | 5,000 |
| Vehicles, equipment, and furniture | 5,000 |
| Infrastructure | 10,000 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Capital Assets (Continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 assets constructed. Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 10-40 |
| Buildings and structures | 40 |
| Equipment | 5-10 |
| Furniture and fixtures | 5 |
| Vehicles | 5-20 |
| Infrastructure | 20-50 |
| Land improvements | 20 |
| Water transmission system | 50 |
| Sewer collection system | 50 |

j. Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts for governmental funds are accrued in these funds as a current liability to the extent that employees have retired or terminated at year end but have not been paid.

Accumulated unpaid vacation and other employee benefit amounts for proprietary funds are recorded as earned by employees in those funds.

k. Long-Term Obligations

In the government-wide financial statements and proprietary funds 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 financial statements. Bond premiums and discounts, as well as the unamortized loss on refunding, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount. Issuance costs are reported as expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Long-Term Obligations (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

In compliance with GASB Statement No. 18, the City has reported its long-term obligation related to closing costs for landfills closed in the governmental activities.

l. Deferred Outflows/Inflows of Resources

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

m. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance resulted from enabling legislation adopted by the City. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision-making authority. Formal actions include ordinances approved by the City Council. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City's Chief Financial Officer/City Treasurer through the approved budget of the City. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned. The City targets the fund balance of the General Fund to be a minimum of three months of general fund expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Fund Balance/Net Position (Continued)

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any outstanding long-term debt issued to acquire or construct the capital assets.

n. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The City and pension funds categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." The deposits and investments of the pension trust funds are held separately from those of other funds. The investments are governed by three separate investment policies; one policy for the City adopted by the City Council and one policy each for the Police Pension Fund and Firefighters' Pension Fund approved by their respective boards.

The City's investment policy authorizes the City to make deposits in the commercial banks and savings and loan institutions and to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and the Illinois Metropolitan Investment Fund (IMET). IMET is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. Investments in IMET are valued at the share price, the price for which the investments could be sold.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND INVESTMENTS (Continued)

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are safety (preservation of capital and protection of investment principal), liquidity, and yield.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank’s failure, the City’s deposits may not be returned to them. The City requires pledging of collateral for all depository accounts, time deposit accounts, or investments in certificates of deposits of financial institutions in excess of FDIC. The collateral is required to be evidenced by a written collateral agreement with the collateral held by an independent third party safekeeping agent of the City in the City’s name. At April 30, 2017, the City had a bank balance of deposits in the amount of \$701 in one financial institution that was uninsured and uncollateralized.

Investments

As of April 30, 2017, the City had investments and maturities as follows:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|-----------------|------------|----------------------------------|------------|------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| IMET | \$ 104,332 | \$ - | \$ 104,332 | \$ - | \$ - |
| TOTAL | \$ 104,332 | \$ - | \$ 104,332 | \$ - | \$ - |

The City has the following recurring fair value measurements as of April 30, 2017: the IMET 1 to 3 Year fund, a mutual fund, is measured based on the net asset value of the shares in IMET, which is based on the fair value of the underlying investments in the mutual fund (Level 3 input).

Interest rate risk is the risk that changes in interest rates will adversely affect the market value of an investment. The City’s investment policy does not address interest rate risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment in securities allowed under the investment policy. The City’s investment policy does not address credit risk. The City’s investment in Illinois Funds was rated AAAM by Standard & Poor’s. The Illinois Metropolitan Investment 1-3 Year Fund is rated AAf by Standard & Poor’s.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the City will not be able to recover the value of its investments that are in possession of an outside party. The City's investment policy does not address custodial credit risk.

Concentration of credit risk is the risk that the City has a high percentage of their investments invested in one type of investment. The City's investment policy does not address custodial credit risk. At April 30, 2017, the City had no investments that represent over 5% of the total cash and investment portfolio.

3. CAPITAL ASSETS

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------------|---------------------|----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 523,664 | \$ - | \$ - | \$ 523,664 |
| Construction in progress | 207,679 | 2,020,417 | 2,228,096 | - |
| Total capital assets not being depreciated | 731,343 | 2,020,417 | 2,228,096 | 523,664 |
| Capital assets being depreciated | | | | |
| Land improvements | 56,551 | - | - | 56,551 |
| Infrastructure | 34,492,304 | 2,228,096 | - | 36,720,400 |
| Building and improvements | 2,408,921 | 38,558 | - | 2,447,479 |
| Equipment | 2,177,451 | 116,616 | - | 2,294,067 |
| Vehicles | 3,753,902 | 366,931 | 198,330 | 3,922,503 |
| Total capital assets being depreciated | 42,889,129 | 2,750,201 | 198,330 | 45,441,000 |
| Less accumulated depreciation for | | | | |
| Land improvements | 11,489 | 1,578 | - | 13,067 |
| Infrastructure | 13,933,514 | 1,836,020 | - | 15,769,534 |
| Building and improvements | 1,182,384 | 75,815 | - | 1,258,199 |
| Equipment | 1,686,331 | 125,526 | - | 1,811,857 |
| Vehicles | 2,328,400 | 272,035 | 173,972 | 2,426,463 |
| Total accumulated depreciation | 19,142,118 | 2,310,974 | 173,972 | 21,279,120 |
| Total capital assets being depreciated, net | 23,747,011 | 439,227 | 24,358 | 24,161,880 |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | \$ 24,478,354 | \$ 2,459,644 | \$ 2,252,454 | \$ 24,685,544 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES

| | |
|----------------------|------------------|
| General government | \$ 73,099 |
| Public safety | 299,437 |
| Highways and streets | <u>1,938,438</u> |

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES \$ 2,310,974

| | Beginning Balances, Restated | Increases | Decreases | Ending Balances |
|---|------------------------------------|--------------------------|------------------------|-----------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 696,551 | \$ - | \$ - | \$ 696,551 |
| Construction in progress | 536,746 | 1,575,145 | 9,850 | 2,102,041 |
| Total capital assets not being depreciated | <u>1,233,297</u> | <u>1,575,145</u> | <u>9,850</u> | <u>2,798,592</u> |
| Capital assets being depreciated | | | | |
| Building and structures | 3,174,607 | - | - | 3,174,607 |
| Equipment | 4,540,788 | 373,460 | - | 4,914,248 |
| Furniture and fixtures | 162,225 | - | - | 162,225 |
| Vehicles | 705,852 | 28,414 | 17,055 | 717,211 |
| Water transmission system | 18,603,999 | - | - | 18,603,999 |
| Sewer collection system | 39,490,438 | 327,957 | - | 39,818,395 |
| Total capital assets being depreciated | <u>66,677,909</u> | <u>729,831</u> | <u>17,055</u> | <u>67,390,685</u> |
| Less accumulated depreciation for | | | | |
| Building and structures | 2,108,875 | 29,125 | - | 2,138,000 |
| Equipment | 2,993,754 | 265,391 | - | 3,259,145 |
| Furniture and fixtures | 162,225 | - | - | 162,225 |
| Vehicles | 665,511 | 9,276 | 17,055 | 657,732 |
| Water transmission system | 6,695,938 | 291,710 | - | 6,987,648 |
| Sewer collection system | 16,640,554 | 875,005 | - | 17,515,559 |
| Total accumulated depreciation | <u>29,266,857</u> | <u>1,470,507</u> | <u>17,055</u> | <u>30,720,309</u> |
| Total capital assets being depreciated, net | <u>37,411,052</u> | <u>(740,676)</u> | <u>-</u> | <u>36,670,376</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u><u>\$ 38,644,349</u></u> | <u><u>\$ 834,469</u></u> | <u><u>\$ 9,850</u></u> | <u><u>\$ 39,468,968</u></u> |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

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

| | |
|---------------------------------|---------------------|
| BUSINESS-TYPE ACTIVITIES | |
| Water and Sewer | <u>\$ 1,470,507</u> |

4. LONG-TERM DEBT

a. Long-Term Debt - Governmental Activities

Long-term liability activity for governmental activities for the year ended April 30, 2017 was as follows:

| | May 1, Restated | Additions | Reductions/ Refundings | April 30 | Current Portion |
|--|----------------------|---------------------|---------------------------|----------------------|--------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Debt certificates payable** | \$ 585,098 | \$ - | \$ 50,000 | \$ 535,098 | \$ 50,000 |
| Tax increment note payable*** | 3,036,000 | - | - | 3,036,000 | - |
| Capital lease** | - | 384,285 | - | 384,285 | 64,555 |
| Landfill post closure liability* | 565,000 | - | 45,000 | 520,000 | 65,000 |
| Net pension liability - IMRF* | 1,490,109 | - | 280,327 | 1,209,782 | - |
| Net pension liability - SLEP* | 120,097 | - | 67,057 | 53,040 | - |
| Net pension liability - Police* | 13,386,846 | 321,865 | - | 13,708,711 | - |
| Net pension liability - Fire * | 12,076,827 | - | 426,221 | 11,650,606 | - |
| Compensated absences* | 136,991 | 23,608 | 27,398 | 133,201 | 26,640 |
| Net other postemployment benefit obligation* | 2,472,226 | 323,981 | - | 2,796,207 | - |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 33,869,194</u> | <u>\$ 1,053,739</u> | <u>\$ 896,003</u> | <u>\$ 34,026,930</u> | <u>\$ 206,195</u> |

*These liabilities will primarily be retired by the General Fund.

**These liabilities will primarily be retired by the Capital Projects Fund.

***This liability will be retired by the Kishwaukee TIF Fund.

Long-term liabilities payable from governmental activities (excluding net pension liabilities, net other postemployment benefit obligation, and compensated absences) at April 30, 2017 comprise the following:

| Issue | Balances April 30 | Current |
|---|----------------------|-----------|
| General Obligation Debt Certificates, Series 2005 dated July 19, 2005, due in annual installments on August 1 of \$1,237 to \$65,098 through August 1, 2025; including variable interest payable semiannually on August 1 and February 1. | \$ 535,098 | \$ 50,000 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

a. Long-Term Debt - Governmental Activities (Continued)

| Issue | Balances April 30 | Current |
|---|----------------------|-------------------|
| Tax Increment General Mills Revenue Notes, Series 2003 dated March 17, 2003, due in annual installments plus interest of 8% through May 30, 2023. | \$ 3,036,000 | \$ - |
| Landfill post closure liability | 520,000 | 65,000 |
| Fire Truck Capital Lease, dated December 21, 2016, due in annual installments plus interest of 2.475% through June 1, 2022. | 384,285 | 64,555 |
| TOTAL | \$ 4,475,383 | \$ 179,555 |

The City issued debt certificates to provide funds for the acquisition and construction of major capital facilities for governmental activities.

The City issued tax increment revenue notes for tax incremental financing district capital improvements. Payments of principal and interest are made solely from incremental property tax revenue. Interest continues to accrue on remaining principal balances until sufficient revenues are received to pay accrued interest and remaining principal balances.

The City is committed to a capital lease for the acquisition of a fire truck. While the lease was executed in December 2016, the fire truck was not delivered as of April 30, 2017 so the proceeds of the lease were placed in an escrow account until the delivery of the fire truck.

Debt Service Requirements to Maturity

The annual requirements to amortize all debt outstanding as of April 30, 2017 are as follows:

| Year Ending April 30, | Governmental Activities | | | | | |
|-----------------------------|-------------------------|----------|-----------|-------------------|----------|-----------|
| | Capital Lease | | | Debt Certificates | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 64,555 | \$ 4,273 | \$ 68,828 | \$ 50,000 | \$ 7,396 | \$ 57,396 |
| 2019 | 60,823 | 8,005 | 68,828 | 55,000 | 6,635 | 61,635 |
| 2020 | 62,346 | 6,482 | 68,828 | 55,000 | 5,837 | 60,837 |
| 2021 | 63,907 | 4,921 | 68,828 | 60,000 | 5,003 | 65,003 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

a. Long-Term Debt - Governmental Activities (Continued)

Debt Service Requirements to Maturity (Continued)

| Year Ending April 30, | Governmental Activities | | | | | |
|-----------------------------|-------------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Capital Lease | | | Debt Certificates | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | \$ 65,507 | \$ 3,321 | \$ 68,828 | \$ 60,000 | \$ 4,133 | \$ 64,133 |
| 2023 | 67,147 | 1,681 | 68,828 | 60,000 | 3,264 | 63,264 |
| 2024 | - | - | - | 65,000 | 2,357 | 67,357 |
| 2025 | - | - | - | 65,000 | 1,415 | 66,415 |
| 2026 | - | - | - | 65,098 | 472 | 65,570 |
| TOTAL | \$ 384,285 | \$ 28,683 | \$ 412,968 | \$ 535,098 | \$ 36,512 | \$ 571,610 |

The tax increment revenue notes for tax increment financing of district capital improvements will only be repaid from the tax increment revenue generated by the applicable tax increment financing district.

The City has outstanding bonds with remaining pledges of revenue outstanding. The schedule of pledged revenue for governmental activities is detailed below:

| Debt Issue | Pledge Source | Pledge Remaining | Commitment End Date | Pledged Revenue | Principal and Interest Paid | Estimated Percent of Pledged Revenue |
|--|----------------------------------|---|---------------------|-----------------|-----------------------------|--------------------------------------|
| 2003 Tax Increment General Mills Revenue Notes | Incremental property tax revenue | \$3,036,000 plus accrued interest at 8% | May 30, 2023 | \$ 19,829 | \$ 7,031 | 35.46% |

Landfill Closure Costs

The City and Boone County Share the costs of closing and continued maintenance of Landfill #2. The landfill ceased accepting solid waste in September 1992, and was issued a certificate of closure by the Illinois Environmental Protection Agency (IEPA) effective October 12, 1999, that begins the 15-year post closure care period. In prior years, the landfill was covered and as of April 30, 2017 post closure care costs are continuing. The City and Boone County (the County) must meet certain groundwater parameters for inorganic compounds before it can discontinue monitoring the site. The City and the County have petitioned the IEPA and the Pollution Control Board for an "Adjusted Standard" in the currently in-place groundwater monitoring parameters. This petition was withdrawn by the County due to an agreement reached with the IEPA in March 2004. The agreement involves installing additional methane gas wells and a leachate extraction system at the landfill. This is considered remedial action. At year end, the estimated remaining liability is \$520,000.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

b. Long-Term Debt - Business-Type Activities

Long-term liability activity for business-type activities for the year ended April 30, 2017 was as follows:

| | May 1 | Additions | Reductions | April 30 | Current Portion |
|---|---------------------|------------------|-------------------|---------------------|-------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Waterworks and Sewerage refunding revenue bonds | \$ 1,460,000 | \$ - | \$ 400,000 | \$ 1,060,000 | \$ 400,000 |
| IEPA revolving loan | 1,839,917 | - | 101,068 | 1,738,849 | 102,335 |
| Net pension liability - IMRF | 1,524,475 | - | 285,673 | 1,238,802 | - |
| Compensated absences | 68,145 | 10,784 | 13,629 | 65,300 | 13,060 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ 4,892,537 | \$ 10,784 | \$ 800,370 | \$ 4,102,951 | \$ 515,395 |

Long-term liabilities payable from business-type activities (excluding net pension liabilities and compensated absences) at April 30, 2017 comprise the following:

| | Issue | Total | Current Portion |
|--|-------|---------------------|-------------------|
| Revenue Bonds | | | |
| Waterworks and Sewerage Refunding Revenue Bonds, Series 2013 dated February 4, 2013, due in annual installments of \$200,000 to \$400,000 through February 1, 2020; including interest at 1.35% to 2.40%, payable semiannually in February and August. | | \$ 1,060,000 | \$ 400,000 |
| IEPA Loan | | | |
| IEPA loan payable; due in semiannual installments of \$61,876, including interest at 1.25% through May 1, 2032. | | 1,738,849 | 102,335 |
| TOTAL | | \$ 2,798,849 | \$ 502,335 |

The City issued waterworks and sewerage refunding revenue bonds to refund bonds issued for the acquisition and construction of major capital facilities.

The City entered in a loan agreement with the IEPA to provide low interest financing for wastewater improvements.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

b. Long-Term Debt - Business-Type Activities (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize all debt outstanding as of April 30, 2017 are as follows:

| Year Ending April 30, | Business-Type Activities | | | | | |
|-----------------------------|--------------------------|-------------------|---------------------|---|------------------|---------------------|
| | IEPA Loan Payable | | | Waterworks and Sewerage Refunding Revenue Source Bonds | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 102,335 | \$ 21,417 | \$ 123,752 | \$ 400,000 | \$ 18,840 | \$ 418,840 |
| 2019 | 103,619 | 20,133 | 123,752 | 400,000 | 10,540 | 410,540 |
| 2020 | 104,917 | 18,835 | 123,752 | 260,000 | 3,120 | 263,120 |
| 2021 | 106,233 | 17,519 | 123,752 | - | - | - |
| 2022 | 107,565 | 16,187 | 123,752 | - | - | - |
| 2023 | 108,914 | 14,838 | 123,752 | - | - | - |
| 2024 | 110,280 | 13,472 | 123,752 | - | - | - |
| 2025 | 111,662 | 12,090 | 123,752 | - | - | - |
| 2026 | 113,062 | 10,690 | 123,752 | - | - | - |
| 2027 | 114,480 | 9,272 | 123,752 | - | - | - |
| 2028 | 115,916 | 7,836 | 123,752 | - | - | - |
| 2029 | 117,369 | 6,383 | 123,752 | - | - | - |
| 2030 | 118,841 | 4,911 | 123,752 | - | - | - |
| 2031 | 120,331 | 3,421 | 123,752 | - | - | - |
| 2032 | 121,840 | 1,912 | 123,752 | - | - | - |
| 2033 | 61,485 | 384 | 61,869 | - | - | - |
| TOTAL | \$ 1,738,849 | \$ 179,300 | \$ 1,918,149 | \$ 1,060,000 | \$ 32,500 | \$ 1,092,500 |

The Waterworks and Sewerage Refunding Revenue Bonds require the following reserves to be maintained:

Operation and Maintenance Account: The bonds require a separate Operation and Maintenance Account to be maintained in an amount sufficient to pay operation and maintenance expenses for the then current and the next succeeding month.

Bond and Interest Account: The bonds require a separate Bond and Interest Account to be maintained to accumulate cash and investments for the subsequent principal and interest payment due on the bonds. The City must deposit a fractional amount of the principal and interest payment becoming due on the next succeeding payment date. The balance in this account as of April 30, 2017 was \$105,460.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

b. Long-Term Debt - Business-Type Activities (Continued)

Debt Service Requirements to Maturity (Continued)

The City has outstanding bonds with remaining pledges of revenue outstanding. The schedule of pledged revenue for business-type activities is detailed below:

| Debt Issue | Pledge Source | Pledge Remaining | Commitment End Date | Pledged Revenue | Principal and Interest Paid | Estimated Percent of Pledged Revenue |
|---|--|------------------|---------------------|-----------------|-----------------------------|--------------------------------------|
| Waterworks and Sewerage refunding revenue bonds | Net revenues of the Waterworks and Sewerage System | \$ 1,092,500 | February 1, 2020 | \$ 1,412,156 | \$ 430,240 | 30.47% |

c. Legal Debt Margin

The City is a home rule municipality.

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts.”

To date, the General Assembly has set no limits for home rule municipalities. The City is a home rule municipality.

5. 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; illnesses; and natural disasters. The City purchases commercial insurance and participates in the Illinois Municipal League Risk Management Association to manage these risks. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

5. RISK MANAGEMENT (Continued)

The Illinois Municipal League Risk Management Association (IMLRMA) is a joint risk management pool comprised of 739 Illinois municipalities. The member agreement provides that IMLRMA's other members, has a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which it was a member. Supplemental contributions may be required to fund these deficits. There were no supplemental contributions paid in the previous three years.

6. CONTINGENT LIABILITIES

a. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

b. Grants

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

7. INDIVIDUAL FUND DISCLOSURES

a. Advances From/To Other Funds

Individual fund interfund advances are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------|-----------|
| General | Nonmajor Governmental | \$ 42,406 |

The purposes of the due to/due from other funds are as follows:

- \$42,406 due from nonmajor governmental (Kishwaukee TIF Fund) to the General Fund to eliminate a deficit cash position. Repayment is not expected within one year.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Interfund Transfers

Interfund transfers between funds for the year ended April 30, 2017 were as follows:

| | Transfers In | Transfers Out |
|-------------------------------------|-------------------|-------------------|
| | <hr/> | <hr/> |
| General | \$ 93 | \$ 990,689 |
| Capital Projects | 990,689 | - |
| Nonmajor Governmental | | |
| 1993 Tax Incentive Finance District | - | 93 |
| Farmington SSA #2 | 1,555 | - |
| Farmington SSA #3 | - | 1,555 |
| | <hr/> | <hr/> |
| TOTAL | <u>\$ 992,337</u> | <u>\$ 992,337</u> |

The purpose of significant transfers is as follows:

- \$990,689 transferred to the Capital Projects Fund from the General Fund to fund capital projects. This transfer will not be repaid.

8. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the City provides postemployment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental activities.

b. Benefits Provided

The City provides postemployment health care and life insurance benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are not eligible for benefits. The City pays for net single coverage for most retirees.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided (Continued)

All health care benefits are provided through the City's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

c. Membership

At April 30, 2015 (most recent available data), membership consisted of:

| | |
|--|-------------------|
| Retirees and beneficiaries currently receiving benefits | 18 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>84</u> |
| TOTAL | <u>102</u> |
| Participating employers | <u><u>1</u></u> |

d. Funding Policy

The City does not currently have a funding policy.

e. Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the prior two years was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|---------------------------|--|------------------------|
| 2015 | \$ 578,144 | \$ 198,215 | 34.28% | \$ 2,154,179 |
| 2016 | 556,265 | 238,218 | 42.83% | 2,472,226 |
| 2017 | 580,062 | 256,081 | 44.15% | 2,796,207 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation (NOPEBO) as April 30, 2017 was calculated as follows:

| | |
|--|----------------------------|
| Annual required contribution | \$ 563,580 |
| Interest on net OPEB obligation | 98,890 |
| Adjustment to annual required contribution | <u>(82,408)</u> |
| Annual OPEB cost | 580,062 |
| Contributions made | <u>(256,081)</u> |
| Increase (decrease) in net OPEB obligation | 323,981 |
| Net OPEB obligation, beginning of year | <u>2,472,226</u> |
| NET OPEB OBLIGATION, END OF YEAR - CITY PORTION | <u>\$ 2,796,207</u> |

Funded Status and Funding Progress. The funded status of the plan as of April 30, 2015 (most recent available data) was as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 6,391,232 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | 6,391,232 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 9,401,817 |
| UAAL as a percentage of covered payroll | 67.98% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions involve the projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2015 actuarial valuation (most recent available data), the entry-age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.5% after seven years. Both rates include a 3.0% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a 30-year open basis.

9. DEFINED BENEFIT PENSION PLANS

The City contributes to five defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF - City), Illinois Municipal Retirement Fund Elected County Officials (IMRF - ECO), and the Sheriff's Law Enforcement Personnel (SLEP) (also administered by IMRF) which are an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for all five plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. The Police and Firefighters' Pension Plans do not issue separate reports.

Illinois Municipal Retirement Fund - City, ECO, and SLEP

a. Plan Administration

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

b. Plan Membership

At December 31, 2016, the measurement date, IMRF membership consisted of:

| | <u>IMRF - City</u> | <u>IMRF - ECO</u> | <u>SLEP</u> |
|--|--------------------|-------------------|-------------|
| Inactive employees or their beneficiaries currently receiving benefits | 62 | - | - |
| Inactive employees entitled to but not yet receiving benefits | 25 | - | - |
| Active employees | 56 | - | 1 |
| TOTAL | 143 | - | 1 |

c. Benefits Provided

Illinois Municipal Retirement Fund - City

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all are established by state statute.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

c. Benefits Provided (Continued)

Illinois Municipal Retirement Fund - ECO

IMRF - ECO provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of their final rate of earnings, for each year of credited service up to eight years, 4% for each year after eight years up to 12 years, and 5% for each year thereafter to a maximum of 80% at 20 years of service. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after eight or ten years of service. Participating members who retire at age 55 with eight years of Tier 1 service credit or after age 62 with ten years of Tier 2 service credit are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of their final rate of earnings, for each year of credited service up to eight years, 4% for each year after eight years up to 12 years, and 5% for each year thereafter to a maximum of 80% at 20 years of service.

SLEP

SLEP having accumulated at least 20 years of service and terminating IMRF participation or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. SLEP members meeting the two qualifications described in the first sentence of this paragraph are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 55 with ten years of Tier 2 service credit are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited. The pension for participating members who retire between age 50 and 55 will be reduced by 1/2% for each month under age 55. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by ILCS.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

d. Contributions

Participating members are required to contribute 4.5% and 7.5% for IMRF - City and SLEP, respectfully, of their annual salary to IMRF. There are no contributing employees for the IMRF - ECO. The City is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the IMRF - City for the years ended December 31, 2015 and 2016 was 14.58% and 13.22%, respectfully, of covered payroll. The employer contribution for SLEP for the years ended December 31, 2015 and 2016 was 18.37% and 19.09%, respectfully, of covered payroll. There were no required contributions for the IMRF - ECO.

e. Actuarial Assumptions

The City's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions for IMRF - City, IMRF - ECO, and SLEP.

| | |
|----------------------------|-------------------|
| Actuarial valuation date | December 31, 2016 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 2.75% |
| Salary increases | 3.75% to 14.50% |
| Interest rate | 7.50% |
| Cost of living adjustments | 3.00% |
| Asset valuation method | Market value |

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

f. Discount Rate

Illinois Municipal Retirement Fund - City

The discount rate used to measure the total pension liability at December 31, 2016 was 7.50%. The discount rate used to measure the total pension liability at December 31, 2015 was 7.46%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Illinois Municipal Retirement Fund - ECO

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

SLEP

The discount rate used to measure the total pension liability at December 31, 2016 was 7.50%. The discount rate used to measure the total pension liability at December 31, 2015 was 7.31%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

g. Changes in the Net Pension Liability (Asset)

Illinois Municipal Retirement Fund - City

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|--|--------------------------------------|--|--|
| BALANCES AT JANUARY 1, 2016 | \$ 21,455,815 | \$ 18,069,298 | \$ 3,386,517 |
| Changes for the period | | | |
| Service cost | 346,118 | - | 346,118 |
| Interest | 1,572,488 | - | 1,572,488 |
| Difference between expected and actual experience | (667,839) | - | (667,839) |
| Changes in assumptions | (103,106) | - | (103,106) |
| Employer contributions | - | 452,185 | (452,185) |
| Employee contributions | - | 139,563 | (139,563) |
| Net investment income | - | 1,259,537 | (1,259,537) |
| Benefit payments and refunds | (1,099,880) | (1,099,880) | - |
| Other (net transfer) | - | (71,807) | 71,807 |
| Net changes | 47,781 | 679,598 | (631,817) |
| BALANCES AT DECEMBER 31, 2016 | \$ 21,503,596 | \$ 18,748,896 | \$ 2,754,700 |

Changes in assumptions related to retirement age, mortality, and the discount rate were made since the prior measurement date.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

g. Changes in the Net Pension Liability (Asset) (Continued)

Illinois Municipal Retirement Fund - ECO

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability (Asset) |
|--|--------------------------------------|--|--|
| BALANCES AT JANUARY 1, 2016 | \$ 62,765 | \$ 62,775 | \$ (10) |
| Changes for the period | | | |
| Service cost | - | - | - |
| Interest | 4,707 | - | 4,707 |
| Difference between expected and actual experience | (67,472) | - | (67,472) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | - | - |
| Employee contributions | - | - | - |
| Net investment income | - | 4,707 | (4,707) |
| Benefit payments and refunds | - | - | - |
| Other (net transfer) | - | (67,482) | 67,482 |
| Net changes | (62,765) | (62,775) | 10 |
| BALANCES AT DECEMBER 31, 2016 | \$ - | \$ - | \$ - |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

g. Changes in the Net Pension Liability (Asset) (Continued)

SLEP

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability (Asset) |
|--|--------------------------------------|--|--|
| BALANCES AT JANUARY 1, 2016 | \$ 618,144 | \$ 498,047 | \$ 120,097 |
| Changes for the period | | | |
| Service cost | 19,843 | - | 19,843 |
| Interest | 45,912 | - | 45,912 |
| Difference between expected and actual experience | (57,413) | - | (57,413) |
| Changes in assumptions | (13,244) | - | (13,244) |
| Employer contributions | - | 18,932 | (18,932) |
| Employee contributions | - | 7,730 | (7,730) |
| Net investment income | - | 35,599 | (35,599) |
| Benefit payments and refunds | - | - | - |
| Other (net transfer) | - | (106) | 106 |
| Net changes | (4,902) | 62,155 | (67,057) |
| BALANCES AT DECEMBER 31, 2016 | \$ 613,242 | \$ 560,202 | \$ 53,040 |

Changes in assumptions related to retirement age, mortality, and the discount rate were made since the prior measurement date.

Total net pension liability for the City's IMRF plans is \$2,807,740 and is reported in the basic financial statements as follows:

| | |
|---|----------------------------|
| Governmental activities | \$ 1,262,822 |
| Business-type activities/Enterprise Fund | 1,238,802 |
| Discretely presented component unit/IDA Public Library | <u>306,116</u> |
| TOTAL | <u>\$ 2,807,740</u> |

For the year ended April 30, 2017, the City recognized pension expense of \$589,478.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

- h. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Illinois Municipal Retirement Fund - City

At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to IMRF - City from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ 577,952 |
| Changes in assumption | 27,421 | 78,437 |
| Net difference between projected and actual earnings on pension plan investments | 819,363 | - |
| Contributions made after measurement date | 124,108 | - |
| TOTAL | \$ 970,892 | \$ 656,389 |

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

\$124,108 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending April 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

| Year Ending April 30, | |
|--------------------------|-------------------|
| 2018 | \$ 65,578 |
| 2019 | 65,578 |
| 2020 | 77,571 |
| 2021 | (18,332) |
| 2022 | - |
| Thereafter | - |
| TOTAL | \$ 190,395 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

- h. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Illinois Municipal Retirement Fund - ECO

At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to IMRF - ECO from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes in assumption | - | - |
| Net difference between projected and actual earnings on pension plan investments | 2,690 | 2,023 |
| TOTAL | \$ 2,690 | \$ 2,023 |

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

| <u>Year Ending April 30,</u> | |
|----------------------------------|---------------|
| 2018 | \$ 390 |
| 2019 | 390 |
| 2020 | 392 |
| 2021 | (505) |
| 2022 | - |
| Thereafter | - |
| TOTAL | \$ 667 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

- h. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

SLEP

At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to SLEP from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 2,299 | \$ 41,291 |
| Changes in assumption | 4,751 | 9,525 |
| Net difference between projected and actual earnings on pension plan investments | 22,938 | - |
| Contributions made after measurement date | 6,093 | - |
| TOTAL | \$ 36,081 | \$ 50,816 |

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

\$6,093 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending April 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

| <u>Year Ending April 30,</u> | |
|----------------------------------|--------------------|
| 2018 | \$ (8,636) |
| 2019 | (9,072) |
| 2020 | (3,670) |
| 2021 | 550 |
| 2022 | - |
| Thereafter | - |
| TOTAL | \$ (20,828) |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

h. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Total net deferred outflows (inflows) for the City's IMRF (Regular) plan is \$314,503 and is reported in the basic financial statements as follows:

| | |
|---|-------------------|
| Governmental activities | \$ 135,557 |
| Business-type activities/Enterprise Fund | 140,048 |
| Discretely presented component unit/IDA Public Library | 38,898 |
| TOTAL | \$ 314,503 |

i. Discount Rate Sensitivity

Illinois Municipal Retirement Fund - City

The following is a sensitive analysis of the net pension liability - City to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7.5% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|-----------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability | \$ 5,529,096 | \$ 2,754,700 | \$ 460,390 |

Illinois Municipal Retirement Fund - ECO

The following is a sensitive analysis of the net pension liability - ECO to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7.5% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|-----------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability | \$ - | \$ - | \$ - |

CITY OF BELVIDERE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Illinois Municipal Retirement Fund - City, ECO, and SLEP (Continued)

i. Discount Rate Sensitivity (Continued)

SLEP

The following is a sensitive analysis of the net pension liability - SLEP to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7.5% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|-------------------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability (asset) | \$ 127,241 | \$ 53,040 | \$ (10,020) |

Police Pension Plan

a. Plan Administration

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the City Council are appointed by the City Mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

b. Plan Membership

At April 30, 2017, the measurement date, membership consisted of:

| | |
|--|--------|
| Inactive plan members currently receiving benefits | 30 |
| Inactive plan members entitled to but not yet receiving benefits | 1 |
| Active plan members | 41 |
| TOTAL | 72 |

c. Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to 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 annual benefit 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 eight years but less than 20 years of credited service may retire at or after age 60 and receive 2.5% of salary for each year of service. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit 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 ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

d. Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. The City's policy is to fund the actuarially determined contribution. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the City has been funding the plan based on 100% amortization of the past service cost over the same time frame. For the year ended April 30, 2017, the City's contribution was 29.40% of covered payroll.

e. Investment Policy

ILCS limits the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government, investment grade corporate bonds, pooled accounts of the Illinois Metropolitan Investment Funds, and Illinois Funds. The Fund may also invest in Illinois municipal corporations tax anticipation warrants, obligations of the State of Illinois and its political subdivisions, direct obligations of the State of Israel, Illinois insurance company general and separate accounts, mutual funds, corporate bonds rated as investment grade by one of the two largest rating services, and corporate equity securities. The investment policy was not modified during the year ended April 30, 2017.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

e. Investment Policy (Continued)

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

| Asset Class | Range | Target | Long-Term Expected Real Rate of Return |
|--|--------|--------|--|
| Cash, money market, and Illinois Funds | 0%-10% | 0.00% | 0.00% |
| Bank certificate of deposit | 0%-10% | 0.00% | 0.00% |
| U.S. Treasury securities | 0%-40% | 5.50% | 1.80% |
| U.S. Government agency securities | 0%-75% | 27.50% | 2.00% |
| U.S. Government agency MBS | 0%-20% | 0.00% | 2.00% |
| Taxable municipal securities | 0%-20% | 5.50% | 2.00% |
| Corporate bonds | 0%-50% | 16.50% | 2.50% |
| U.S. large company stocks | 0%-30% | 29.25% | 5.00% |
| U.S. mid-sized company stocks | 0%-10% | 4.50% | 5.30% |
| U.S. small company stocks | 0%-10% | 4.50% | 5.00% |
| Foreign stocks | 0%-15% | 6.75% | 5.30% |

The overall target for the Fund is approximately 55% invested in fixed income securities and 45% invested in equity securities. The long-term expected real rates of return are net of a 2.5% factor for inflation and investment expense. ILCS limits the Fund's investments in equities, mutual funds, and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

e. Investment Policy (Continued)

The long-term expected rate of return on the Fund's investments was determined using the Asset Management and Trust Division of the investment management consultant's proprietary research and analytical tools in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2017 are listed in the table above.

f. Investment Valuations

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

g. Investment Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

h. Investment Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

i. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

j. Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2017:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|----------------------------|---------------------|----------------------------------|---------------------|---------------------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. agency obligations | \$ 3,998,060 | \$ 301,295 | \$ 1,613,750 | \$ 2,083,015 | \$ - |
| U.S. Treasury securities | 82,292 | - | 82,292 | - | - |
| Negotiable CDs | 250,748 | - | 250,748 | - | - |
| Mortgage-backed securities | 5,875 | - | 2,738 | 3,137 | - |
| Municipal bonds | 712,304 | 101,495 | 495,840 | 114,969 | - |
| Corporate bonds | 3,652,610 | 102,077 | 2,440,970 | 1,109,563 | - |
| TOTAL | \$ 8,701,889 | \$ 504,867 | \$ 4,886,338 | \$ 3,310,684 | \$ - |

The Fund has the following recurring fair value measurements as of April 30, 2017, the U.S. agency obligations, U.S. Treasury obligations, negotiable certificates of deposits, mortgage-backed securities, municipal bonds, and corporate bonds are valued using quoted matrix pricing models (Level 2 inputs). The equity securities and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

k. Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. The money market mutual funds are not rated. The U.S. agency obligations are rated AA- to AAA. The municipal bonds and corporate bonds range in rating from BBB- to AA- by Standard and Poor's.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

l. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party.

To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

m. Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

o. Changes in the Net Pension Liability

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|--|--------------------------------------|--|--|
| BALANCES AT MAY 1, 2016 | \$ 32,035,511 | \$ 18,648,664 | \$ 13,386,847 |
| Changes for the period | | | |
| Service cost | 691,067 | - | 691,067 |
| Interest | 2,195,513 | - | 2,195,513 |
| Difference between expected and actual experience | 743,564 | - | 743,564 |
| Changes in assumptions | (638,384) | - | (638,384) |
| Employer contributions | - | 1,092,429 | (1,092,429) |
| Employee contributions | - | 295,545 | (295,545) |
| Other contributions | - | 60,493 | (60,493) |
| Net investment income | - | 1,249,839 | (1,249,839) |
| Benefit payments and refunds | (1,342,076) | (1,342,076) | - |
| Administrative expense | - | (28,410) | 28,410 |
| Net changes | 1,649,684 | 1,327,820 | 321,864 |
| BALANCES AT APRIL 30, 2017 | \$ 33,685,195 | \$ 19,976,484 | \$ 13,708,711 |

There was a change with respect to actuarial assumptions from the prior year. The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully generational basis.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

p. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation using the following actuarial methods and assumptions.

| | |
|----------------------------|----------------------------------|
| Actuarial valuation date | April 30, 2017 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 2.50% |
| Salary increases | 2.50% to 14.20% |
| Interest rate | 7.00% |
| Cost of living adjustments | 3.00% (Tier 1) 2.00% (Tier 2) |
| Asset valuation method | Market |

Mortality rates were based on the actuary's 2016 Illinois Police Mortality Rates Table.

q. Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

| | 1% Decrease (6%) | Current Discount Rate (7%) | 1% Increase (8%) |
|-----------------------|---------------------|----------------------------------|---------------------|
| Net pension liability | \$ 19,009,852 | \$ 13,708,711 | \$ 9,444,681 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan (Continued)

- r. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2017, the City recognized pension expense of \$1,373,737. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 656,188 | \$ 809,992 |
| Changes in assumptions | - | 988,976 |
| Net difference between projected and actual earnings on pension plan investments | 923,435 | - |
| TOTAL | \$ 1,579,623 | \$ 1,798,968 |

Changes in the net pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the plan. Differences in projected and actual earnings over the measurement period are recognized over a five-year period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan will be recognized in pension expense as follows:

| Year Ending April 30, | |
|--------------------------|---------------------|
| 2018 | \$ 122,920 |
| 2019 | 122,920 |
| 2020 | 122,920 |
| 2021 | (169,349) |
| 2022 | (181,006) |
| Thereafter | (237,750) |
| TOTAL | \$ (219,345) |

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan

a. Plan Administration

Firefighter sworn personnel are covered by the Firefighters' Pension Plan, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-101) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the City Council are appointed by the City Mayor, one member is elected by pension beneficiaries, and two members are elected by active firefighter employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

b. Plan Membership

At April 30, 2017, the measurement date, membership consisted of:

| | |
|--|--------|
| Inactive plan members currently receiving benefits | 29 |
| Inactive plan members entitled to but not yet receiving benefits | 4 |
| Active plan members | 28 |
| TOTAL | 61 |

c. Benefits Provided

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit 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 ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

c. Benefits Provided (Continued)

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit 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 ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding calendar year.

d. Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with fewer than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to finance the Firefighters' Pension Plan as actuarially determined by an enrolled actuary. The City's policy is to fund the actuarially determined contribution. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Firefighters' Pension Plan. The City has chosen a policy to fund 100% of the past service costs by 2040. For the year ended April 30, 2017, the City's contribution was 39.26% of covered payroll.

e. Investment Policy

ILCS limits the Firefighters' Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois, money market mutual

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

e. Investment Policy (Continued)

funds with portfolios of securities issued or guaranteed by the United States Government, investment grade corporate bonds, pooled accounts of the Illinois Metropolitan Investment Funds, and Illinois Funds. The Fund may also invest in Illinois municipal corporations tax anticipation warrants, obligations of the State of Illinois and its political subdivisions, direct obligations of the State of Israel, Illinois insurance company general and separate accounts, mutual funds, corporate bonds rated as investment grade by one of the two largest rating services, and corporate equity securities. The investment policy was not modified during the year ended April 30, 2017.

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

| Asset Class | Range | Target | Long-Term Expected Real Rate of Return |
|---------------------------|----------|--------|--|
| Large cap domestic equity | 40%-100% | 38.50% | 6.50% |
| Small cap domestic equity | 0%-40% | 11.00% | 8.50% |
| International equity | 0%-20% | 5.50% | 6.80% |
| Fixed income | 50%-60% | 44.00% | 1.30% |
| Cash/short-term | 0%-5% | 1.00% | N/A |

The long-term expected real rates of return are net of a 3.15% factor for inflation and investment expense. ILCS limits the Fund's investments in equities, mutual funds, and variable annuities to 55%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rates of return are the best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) for each major assets class. Best estimates or geometric real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2017 are listed in the table above.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

f. Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

g. Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

h. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

i. Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2017:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|---------------------------|---------------------|----------------------------------|---------------------|---------------------|-------------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury obligations | \$ 561,099 | \$ 41,245 | \$ 24,660 | \$ 495,194 | \$ - |
| U.S. agency obligations | 2,209,687 | 70,022 | 524,684 | 1,241,589 | 373,392 |
| Municipal bonds | 717,056 | 50,024 | 331,890 | 313,599 | 21,543 |
| Corporate bonds | 1,053,697 | 54,988 | 562,157 | 436,552 | - |
| Asset-backed securities | 68,646 | - | - | - | 68,646 |
| TOTAL | \$ 4,610,185 | \$ 216,279 | \$ 1,443,391 | \$ 2,486,934 | \$ 463,581 |

The Fund has the following recurring fair value measurements as of April 30, 2017, the U.S. Treasury obligations, U.S. agency obligations, municipal bonds, corporate bonds, and asset-backed securities are valued using quoted matrix pricing models (Level 2 inputs). The equity securities and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs).

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

i. Interest Rate Risk (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

j. Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. The money market mutual funds are not rated. The U.S. agency obligations are rated AA+. The municipal bonds and corporate bonds range in rating from BB+ to AA+ by Standard and Poor's.

k. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. Money market mutual funds and mutual funds are not subject to custodial credit risk.

l. Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

m. Changes in the Net Pension Liability

| | (a) | (b) | (a) - (b) |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| BALANCES AT MAY 1, 2016 | \$ 25,604,729 | \$ 13,527,902 | \$ 12,076,827 |
| Changes for the period | | | |
| Service cost | 498,539 | - | 498,539 |
| Interest | 1,747,535 | - | 1,747,535 |
| Difference between expected and actual experience | (591,688) | - | (591,688) |
| Changes in assumptions | 203,038 | - | 203,038 |
| Employer contributions | - | 864,148 | (864,148) |
| Employee contributions | - | 178,195 | (178,195) |
| Net investment income | - | 1,278,591 | (1,278,591) |
| Benefit payments and refunds | (1,279,880) | (1,279,880) | - |
| Administrative expense | - | (37,289) | 37,289 |
| Net changes | 577,544 | 1,003,765 | (426,221) |
| BALANCES AT APRIL 30, 2017 | \$ 26,182,273 | \$ 14,531,667 | \$ 11,650,606 |

There was a change with respect to actuarial assumptions from the prior year. The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully generational basis.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

n. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation using the following actuarial methods and assumptions.

| | |
|----------------------------|----------------------------------|
| Actuarial valuation date | April 30, 2017 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 2.50% |
| Salary increases | 4.25% to 10.00% |
| Interest rate | 7.00% |
| Cost of living adjustments | 3.00% (Tier 1) 2.00% (Tier 2) |
| Asset valuation method | Market |

Mortality rates were based on the actuary's 2016 Illinois Firefighters' Mortality Rates.

o. Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

| | 1% Decrease (6%) | Current Discount Rate (7%) | 1% Increase (8%) |
|-----------------------|---------------------|----------------------------------|---------------------|
| Net pension liability | \$ 15,330,759 | \$ 11,650,606 | \$ 8,647,298 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Firefighters' Pension Plan (Continued)

- p. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2017, the City recognized pension expense of \$1,464,513. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Firefighters' Pension Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 394,607 | \$ 509,509 |
| Changes in assumption | 690,286 | - |
| Net difference between projected and actual earnings on pension plan investments | 753,009 | 273,004 |
| TOTAL | \$ 1,837,902 | \$ 782,513 |

Changes in the net pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the plan. Differences in projected and actual earnings over the measurement period are recognized over a five-year period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Firefighters' Pension Plan will be recognized in pension expense as follows:

| <u>Year Ending April 30,</u> | |
|----------------------------------|---------------------|
| 2018 | \$ 296,680 |
| 2019 | 296,680 |
| 2020 | 296,680 |
| 2021 | 45,681 |
| 2022 | 113,929 |
| Thereafter | 5,739 |
| TOTAL | \$ 1,055,389 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan and Firefighters' Pension Plan

a. Plan Net Position

| | Police Pension | Firefighters' Pension | Total |
|--|----------------------|--------------------------|----------------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 9,115 | \$ 8,260 | \$ 17,375 |
| Investments at fair value | | | |
| U.S. Treasury obligations | 82,292 | 561,099 | 643,391 |
| U.S. agency obligations | 3,998,060 | 2,209,687 | 6,207,747 |
| Municipal bonds | 712,304 | 717,056 | 1,429,360 |
| Corporate bonds | 3,652,610 | 1,053,697 | 4,706,307 |
| Mortgage-backed securities | 5,875 | 68,646 | 74,521 |
| Negotiable certificate of deposit | 250,748 | - | 250,748 |
| Equities | 4,078,637 | - | 4,078,637 |
| Mutual funds | 6,212,998 | 7,607,553 | 13,820,551 |
| Money market mutual funds | 529,046 | 15,715 | 544,761 |
| Insurance contracts | 354,610 | 2,258,851 | 2,613,461 |
| Accrued interest receivable | 101,454 | 33,933 | 135,387 |
| Prepaid items | 530 | 844 | 1,374 |
| | <u>19,988,279</u> | <u>14,535,341</u> | <u>34,523,620</u> |
| LIABILITIES | | | |
| Accounts payable | <u>11,796</u> | <u>3,674</u> | <u>15,470</u> |
| | <u>11,796</u> | <u>3,674</u> | <u>15,470</u> |
| NET POSITION RESTRICTED FOR PENSION | | | |
| | <u>\$ 19,976,483</u> | <u>\$ 14,531,667</u> | <u>\$ 34,508,150</u> |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

Police Pension Plan and Firefighters' Pension Plan (Continued)

b. Changes in Plan Net Position

| | Police Pension | Firefighters' Pension | Total |
|---|-------------------|--------------------------|---------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 1,092,429 | \$ 864,148 | \$ 1,956,577 |
| Employee | 356,038 | 178,195 | 534,233 |
| Total contributions | 1,448,467 | 1,042,343 | 2,490,810 |
| Investment income | | | |
| Net appreciation in fair value investments | 735,092 | 948,368 | 1,683,460 |
| Interest | 572,086 | 360,907 | 932,993 |
| Total investment income | 1,307,178 | 1,309,275 | 2,616,453 |
| Less investment expense | (57,339) | (30,684) | (88,023) |
| Net investment income | 1,249,839 | 1,278,591 | 2,528,430 |
| Total additions | 2,698,306 | 2,320,934 | 5,019,240 |
| DEDUCTIONS | | | |
| Benefits and refunds | 1,342,076 | 1,279,880 | 2,621,956 |
| Administrative expenses | 28,411 | 37,289 | 65,700 |
| Total deductions | 1,370,487 | 1,317,169 | 2,687,656 |
| NET INCREASE | 1,327,819 | 1,003,765 | 2,331,584 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| May 1 | 18,648,664 | 13,527,902 | 32,176,566 |
| April 30 | \$ 19,976,483 | \$ 14,531,667 | \$ 34,508,150 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. DISCRETELY PRESENTED COMPONENT UNIT - IDA PUBLIC LIBRARY

The IDA Public Library (the Library) maintains and cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on financial statements as “cash and investments.” In addition, investments are separately held by several of the Library’s funds.

The Library is authorized to invest in all investments allowed by ILCS. These include deposits/investments insured by the FDIC, obligations or securities guaranteed by the United States of America, direct obligations of any bank as defined by the Illinois Banking Act, certain money market mutual funds, and Illinois Funds (a money market fund created by the State Legislature under the control of the State Treasurer that maintains a \$1 share value).

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Library’s deposit may not be returned. The Library’s policy requires that funds on deposits in excess of FDIC coverage must be secured at least 100% of the fair market value of the net amount of the funds secured. Pledged collateral is to be held by an independent third party depository. Of the bank balance of the Library’s deposits, \$272,900 was exposed to custodial credit risk.

b. Investments

As of April 30, 2017, the Library had investments and maturities as follows:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|-------------------------------|-----------------|----------------------------------|-----------------|-------------|-----------------|
| | | Less than 1 | 1-5 | 6-10 | Greater than 10 |
| Series HH U.S. Treasury Bonds | \$ 6,020 | \$ - | \$ 6,020 | \$ - | \$ - |
| TOTAL | \$ 6,020 | \$ - | \$ 6,020 | \$ - | \$ - |

The Library has the following recurring fair value measurements as of April 30, 2017, the U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs).

The Library also holds 1,608 shares of Consolidated Edison common stock with a fair value of \$126,339 at April 30, 2017 that are valued using quoted prices in active markets for identical assets (Level 1 inputs).

10. DISCRETELY PRESENTED COMPONENT UNIT - IDA PUBLIC LIBRARY
(Continued)

b. Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed with the underlying investments held by the Library or a third party custodian and held in the Library's name.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment in securities allowed under the investment policy. The Library's investment policy does not address credit risk.

Concentration of the credit risk is the risk that the Library has a high percentage of their investments invested in one investment. The Library's investment policy requires diversification of investments to avoid unreasonable risk but does not contain any specific diversification targets.

c. Property Taxes

Property taxes for 2016 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically.

d. Capital Assets

Capital assets purchased or acquired with an original cost in excess of \$2,500 are reported at historical cost or estimated historical cost. Donated assets are reported at acquisition value as of the date of donation. Addition, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. DISCRETELY PRESENTED COMPONENT UNIT - IDA PUBLIC LIBRARY
(Continued)

d. Capital Assets (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Library as a whole. Infrastructure such as streets, traffic signals, and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

| | <u>Years</u> |
|--------------|--------------|
| Improvements | 5 |
| Building | 40 |
| Equipment | 5 |

The Library's capital asset activity for the year ended April 30, 2017 was as follows:

| | Beginning Balances, Restated | Increases | Decreases | Ending Balances |
|---|------------------------------------|--------------------|-------------|--------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 181,150 | \$ - | \$ - | \$ 181,150 |
| Capital assets being depreciated | | | | |
| Improvements | 8,697 | - | - | 8,697 |
| Buildings | 1,812,486 | - | - | 1,812,486 |
| Equipment | 48,672 | - | - | 48,672 |
| Total capital assets being depreciated | <u>1,869,855</u> | <u>-</u> | <u>-</u> | <u>1,869,855</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 8,697 | - | - | 8,697 |
| Buildings | 1,000,474 | 48,412 | - | 1,048,886 |
| Equipment | 36,655 | 6,618 | - | 43,273 |
| Total accumulated depreciation | <u>1,045,826</u> | <u>55,030</u> | <u>-</u> | <u>1,100,856</u> |
| Total capital assets being depreciated, net | <u>824,029</u> | <u>(55,030)</u> | <u>-</u> | <u>768,999</u> |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u>\$ 1,005,179</u> | <u>\$ (55,030)</u> | <u>\$ -</u> | <u>\$ 950,149</u> |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. DISCRETELY PRESENTED COMPONENT UNIT - IDA PUBLIC LIBRARY
(Continued)

e. Long-Term Debt

Mortgage Loans Payable

The Library has four outstanding mortgage loans payable as of April 30, 2017. Mortgages have been issued for capital improvement costs and range in interest rates from 4.5% to 6.1%.

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

| | May 1 | Additions | Reductions | April 30 | Current Portion |
|--|-------------------|------------------|------------------|-------------------|--------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Mortgage notes payable | \$ 344,437 | \$ - | \$ 13,396 | \$ 331,041 | \$ 152,978 |
| Compensated absences | 7,238 | 10,177 | 1,448 | 15,967 | 3,193 |
| Net pension liability - IMRF | 371,934 | - | 65,818 | 306,116 | - |
| Net other postemployment benefit obligation | 52,239 | 8,870 | - | 61,109 | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ 775,848 | \$ 19,047 | \$ 80,662 | \$ 714,233 | \$ 156,171 |

f. Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

| Year Ending | Principal | Interest |
|----------------|-------------------|------------------|
| 2018 | \$ 152,978 | \$ 14,084 |
| 2019 | 9,266 | 10,757 |
| 2020 | 9,788 | 10,154 |
| 2021 | 159,009 | 9,117 |
| TOTAL | \$ 331,041 | \$ 44,112 |

CITY OF BELVIDERE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

11. PRIOR PERIOD ADJUSTMENTS

| | Governmental Activities | Business-Type Activities | Component Unit |
|--|----------------------------|-----------------------------|--------------------|
| PRIOR PERIOD ADJUSTMENTS | | | |
| To correct Library capital assets by removing library materials that were improperly capitalized | \$ - | \$ - | \$ (55,301) |
| To correct Water/Sewer capital assets by removing construction in progress that was improperly capitalized | - | (74,763) | - |
| To remove the revolving loan payable as this was not a long term liability to the City | 140,000 | - | - |
| To correct the landfill post closure obligation as the liability had been understated | (447,033) | - | - |
| TOTAL PRIOR PERIOD ADJUSTMENTS | <u>\$ (307,033)</u> | <u>\$ (74,763)</u> | <u>\$ (55,301)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELVIDERE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

April 30, 2017

| Actuarial Valuation Date April 30, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age Normal | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (4) / (5) |
|---|--|--|-------------------------------------|---|---------------------------|---|
| 2012 | \$ - | \$ 9,650,214 | 0.00% | \$ 9,650,214 | \$ 7,015,524 | 137.56% |
| 2013 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2014 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2015 | - | 6,391,232 | 0.00% | 6,391,232 | 9,401,817 | 67.98% |
| 2016 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2017 | N/A | N/A | N/A | N/A | N/A | N/A |

N/A - information not available

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR**

Last Two Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2017 | 2016 |
|--|----------------|----------------|
| Actuarially determined contribution | \$ 463,542 | \$ 434,831 |
| Contributions in relation to the actuarially determined contribution | <u>463,542</u> | <u>434,831</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 3,101,404 | \$ 3,134,652 |
| Contributions as a percentage of covered-employee payroll | 14.95% | 13.87% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior calendar year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 27 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 13.75% to 14.50% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND - ECO**

Last Two Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2017 | 2016 |
|--|-------------|-------------|
| Actuarially determined contribution | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | - | - |
| CONTRIBUTION DEFICIENCY (Excess) | \$ - | \$ - |
| Covered-employee payroll | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior calendar year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 27 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND - SLEP**

Last Two Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2017 | 2016 |
|---|---------------|---------------|
| Actuarially determined contribution | \$ 19,277 | \$ 18,619 |
| Contributions in relation to the actuarially determined contribution | <u>19,277</u> | <u>18,619</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 103,060 | \$ 103,686 |
| Contributions as a percentage of covered-employee payroll | 18.70% | 17.96% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior calendar year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 27 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND**

Last Three Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 1,089,027 | \$ 1,072,241 | \$ 1,007,631 |
| Contribution in relation to the actuarially determined contribution | <u>1,092,429</u> | <u>1,079,608</u> | <u>1,011,718</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u>\$ (3,402)</u> | <u>\$ (7,367)</u> | <u>\$ (4,087)</u> |
| Covered-employee payroll | \$ 3,711,365 | \$ 3,608,001 | \$ 2,932,915 |
| Contributions as a percentage of covered-employee payroll | 29.43% | 29.92% | 34.50% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of May 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 23 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.00% annually, projected salary increase assumption of 2.50% to 14.20% annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND**

Last Three Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 861,063 | \$ 775,947 | \$ 781,938 |
| Contribution in relation to the actuarially determined contribution | 864,148 | 783,447 | 786,258 |
| CONTRIBUTION DEFICIENCY (Excess) | \$ (3,085) | \$ (7,500) | \$ (4,320) |
| Covered-employee payroll | \$ 2,200,810 | \$ 2,202,000 | \$ 1,871,647 |
| Contributions as a percentage of covered-employee payroll | 39.26% | 35.58% | 42.01% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of May 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 23 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.00% annually, projected salary increase assumption of 4.25% to 10.00% annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

April 30, 2017

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|------------------------|-----------------------------------|---|-----------------------------------|
| 2012 | \$ 145,431 | \$ 423,874 | 34.31% |
| 2013 | 352,408 | 667,256 | 52.81% |
| 2014 | 373,552 | 707,291 | 52.81% |
| 2015 | 198,213 | 534,313 | 37.10% |
| 2016 | 238,218 | 541,903 | 43.96% |
| 2017 | 256,081 | 563,580 | 45.44% |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR

Last Two Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2015 | 2016 |
|---|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 333,951 | \$ 346,118 |
| Interest | 1,525,504 | 1,572,488 |
| Differences between expected and actual experience | (129,658) | (667,839) |
| Changes of assumptions | 50,861 | (103,106) |
| Benefit payments, including refunds of member contributions | (1,104,619) | (1,099,880) |
| Net change in total pension liability | 676,039 | 47,781 |
| Total pension liability - beginning | 20,779,776 | 21,455,815 |
| TOTAL PENSION LIABILITY - ENDING | \$ 21,455,815 | \$ 21,503,596 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 448,219 | \$ 452,185 |
| Contributions - member | 138,625 | 139,563 |
| Net investment income | 89,709 | 1,259,537 |
| Benefit payments, including refunds of member contributions | (1,104,619) | (1,099,880) |
| Other | 296,584 | (71,807) |
| Net change in plan fiduciary net position | (131,482) | 679,598 |
| Plan fiduciary net position - beginning | 18,200,780 | 18,069,298 |
| PLAN FIDUCIARY NET POSITION - ENDING | \$ 18,069,298 | \$ 18,748,896 |
| EMPLOYER'S NET PENSION LIABILITY | \$ 3,386,517 | \$ 2,754,700 |
| Plan fiduciary net position as a percentage of the total pension liability | 84.20% | 87.20% |
| Covered-employee payroll | \$ 3,134,652 | \$ 3,101,404 |
| Employer's net pension liability as a percentage of covered-employee payroll | 108.00% | 88.80% |
| Notes to Required Supplementary Information | | |

Changes in assumptions related to retirement age and mortality were made since the prior measurement date, the discount rate was 7.46% and 7.50%, respectively.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND - ECO

Last Two Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2015 | 2016 |
|---|------------------|-------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ - | \$ - |
| Interest | 5,194 | 4,707 |
| Differences between expected and actual experience | (11,686) | (67,472) |
| Changes of assumptions | - | - |
| Benefit payments, including refunds of member contributions | - | - |
| Net change in total pension liability | (6,492) | (62,765) |
| Total pension liability - beginning | 69,257 | 62,765 |
| TOTAL PENSION LIABILITY - ENDING | \$ 62,765 | \$ - |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ - | \$ - |
| Contributions - member | - | - |
| Net investment income | 329 | 4,707 |
| Benefit payments, including refunds of member contributions | (3,414) | - |
| Other | - | (67,482) |
| Net change in plan fiduciary net position | (3,085) | (62,775) |
| Plan fiduciary net position - beginning | 65,860 | 62,775 |
| PLAN FIDUCIARY NET POSITION - ENDING | \$ 62,775 | \$ - |
| EMPLOYER'S NET PENSION LIABILITY (ASSET) | \$ (10) | \$ - |
| Plan fiduciary net position as a percentage of the total pension liability | 100.0% | 0.0% |
| Covered-employee payroll | \$ - | \$ - |
| Employer's net pension liability as a percentage of covered-employee payroll | 0.0% | 0.0% |

Notes to Required Supplemental Information

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND - SLEP

Last Two Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2015 | 2016 |
|---|-------------------|-------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 19,739 | \$ 19,843 |
| Interest | 41,167 | 45,912 |
| Differences between expected and actual experience | 4,739 | (57,413) |
| Changes of assumptions | 9,797 | (13,244) |
| Benefit payments, including refunds of member contributions | - | - |
| Net change in total pension liability | 75,442 | (4,902) |
| Total pension liability - beginning | 542,702 | 618,144 |
| TOTAL PENSION LIABILITY - ENDING | \$ 618,144 | \$ 613,242 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 18,857 | \$ 18,932 |
| Contributions - member | 7,866 | 7,730 |
| Net investment income | 2,536 | 35,599 |
| Benefit payments, including refunds of member contributions | - | - |
| Other | (24,973) | (106) |
| Net change in plan fiduciary net position | 4,286 | 62,155 |
| Plan fiduciary net position - beginning | 493,761 | 498,047 |
| PLAN FIDUCIARY NET POSITION - ENDING | \$ 498,047 | \$ 560,202 |
| EMPLOYER'S NET PENSION LIABILITY | \$ 120,097 | \$ 53,040 |
| Plan fiduciary net position as a percentage of the total pension liability | 80.60% | 91.40% |
| Covered-employee payroll | \$ 104,881 | \$ 103,060 |
| Employer's net pension liability as a percentage of covered-employee payroll | 114.50% | 51.50% |
| Notes to Required Supplementary Information | | |

Changes in assumptions related to retirement age and mortality were made since the prior measurement date, the discount rate was 7.31% and 7.50%, respectively.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

Last Two Fiscal Years

| MEASUREMENT DATE APRIL 30, | 2016 | 2017 |
|---|-----------------------------|-----------------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 636,905 | \$ 691,067 |
| Interest | 2,197,905 | 2,195,513 |
| Differences between expected and actual experience | (1,063,512) | 743,564 |
| Changes to actuarial assumptions* | (558,820) | (638,384) |
| Benefit payments, including refunds of member contributions | <u>(1,151,208)</u> | <u>(1,342,076)</u> |
| Net change in total pension liability | 61,270 | 1,649,684 |
| Total pension liability - beginning | <u>31,974,241</u> | <u>32,035,511</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>\$ 32,035,511</u> | <u>\$ 33,685,195</u> |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 1,079,609 | \$ 1,092,429 |
| Contributions - member | 291,901 | 295,545 |
| Contributions - other | - | 60,493 |
| Net investment income | (151,962) | 1,249,839 |
| Benefit payments, including refunds of member contributions | (1,151,208) | (1,342,076) |
| Administrative expense | <u>(29,572)</u> | <u>(28,411)</u> |
| Net change in plan fiduciary net position | 38,768 | 1,327,819 |
| Plan fiduciary net position - beginning | <u>18,609,897</u> | <u>18,648,665</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>\$ 18,648,665</u> | <u>\$ 19,976,484</u> |
| EMPLOYER'S NET PENSION LIABILITY | <u>\$ 13,386,846</u> | <u>\$ 13,708,711</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 58.2% | 59.3% |
| Covered-employee payroll | \$ 3,608,001 | \$ 3,711,365 |
| Employer's net pension liability as a percentage of covered-employee payroll | 371.0% | 369.4% |
| Notes to Required Supplementary Information | | |

*2016: There was a change with respect to actuarial assumptions from the prior year. The assumed rate on Hg Quality 20-Year Tax-Exempt G.O Bonds was changed from 3.62% to 3.32% for the current year. The discount rate used in the determination of the Total Pension Liability was changed from 6.48% to 7.00%. The demographic assumptions were changed based on a study of police officers and police pension funds in Illinois. The changed were made to better reflect the future anticipated experience of the fund. The assumptions impacted include mortality rates, mortality improvement rates, retirement rates, disability rates and termination rates.

*2017: There was a change with respect to actuarial assumptions from the prior year. The assumed rate on High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.32% to 3.82% for the current year. The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully generational basis.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION FUND

Last Two Fiscal Years

| MEASUREMENT DATE APRIL 30, | 2016 | 2017 |
|---|-----------------------------|-----------------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 477,887 | \$ 498,539 |
| Interest | 1,602,246 | 1,747,535 |
| Differences between expected and actual experience | 540,219 | (591,688) |
| Changes to actuarial assumptions* | 705,653 | 203,038 |
| Benefit payments, including refunds of member contributions | <u>(1,221,018)</u> | <u>(1,279,880)</u> |
| Net change in total pension liability | 2,104,987 | 577,544 |
| Total pension liability - beginning | <u>23,499,742</u> | <u>25,604,729</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>\$ 25,604,729</u> | <u>\$ 26,182,273</u> |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 783,447 | \$ 864,148 |
| Contributions - member | 175,173 | 178,195 |
| Net investment income | (278,241) | 1,278,591 |
| Benefit payments, including refunds of member contributions | (1,221,018) | (1,279,880) |
| Administrative expense | <u>(33,155)</u> | <u>(37,289)</u> |
| Net change in plan fiduciary net position | (573,794) | 1,003,765 |
| Plan fiduciary net position - beginning | <u>14,101,696</u> | <u>13,527,902</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>\$ 13,527,902</u> | <u>\$ 14,531,667</u> |
| EMPLOYER'S NET PENSION LIABILITY | <u>\$ 12,076,827</u> | <u>\$ 11,650,606</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 52.8% | 55.5% |
| Covered-employee payroll | \$ 2,202,000 | \$ 2,200,810 |
| Employer's net pension liability as a percentage of covered-employee payroll | 548.4% | 529.4% |

Notes to Required Supplementary Information

*2016: There was a change with respect to actuarial assumptions from the prior year. The assumed rate on Hg Quality 20-Year Tax-Exempt G.O Bonds was changed from 3.62% to 3.32% for the current year. The discount rate used in the determination of the Total Pension Liability was changed from 6.91% to 7.00%. The demographic assumptions were changed based on a study of firefighters and firefighters' pension funds in Illinois. The changed were made to better reflect the future anticipated experience of the fund. The assumptions impacted include mortality rates, mortality improvement rates, retirement rates, disability rates and termination rates.

*2017: There was a change with respect to actuarial assumptions from the prior year. The assumed rate on High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.32% to 3.82% for the current year. The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully generational basis.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND**

Lasat Two Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2016 | 2017 |
|--|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | (0.96%) | 6.76% |

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION FUND**

Last Two Fiscal Years

| FISCAL YEAR ENDED APRIL 30, | 2016 | 2017 |
|--|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | (1.95%) | 9.45% |

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------|
| REVENUES | | | |
| Taxes | \$ 14,213,221 | \$ 14,094,027 | \$ 14,040,172 |
| Licenses and permits | 395,805 | 455,258 | 455,258 |
| Intergovernmental | 49,000 | 98,818 | 154,193 |
| Fines and forfeits | 950,848 | 825,220 | 814,269 |
| Charges for services | 162,863 | 162,863 | 162,863 |
| Investment income | 28,000 | 39,814 | 39,808 |
| Miscellaneous | 476,047 | 534,531 | 470,094 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 16,275,784 | 16,210,531 | 16,136,657 |
| EXPENDITURES | | | |
| General government | 2,272,062 | 2,217,460 | 2,034,180 |
| Public safety | 11,615,433 | 11,051,421 | 10,996,862 |
| Highways and streets | 1,886,173 | 1,871,063 | 2,032,899 |
| Health and social services | 38,000 | 33,000 | 33,000 |
| Community and economic development | 1,346,300 | 1,090,823 | 1,090,822 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 17,157,968 | 16,263,767 | 16,187,763 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | |
| | <hr/> | <hr/> | <hr/> |
| | (882,184) | (53,236) | (51,106) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | - | 13,333 | 13,333 |
| Transfers in | 1,900,000 | 1,026,870 | 93 |
| Transfers (out) | (987,021) | (986,965) | (990,689) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 912,979 | 53,238 | (977,263) |
| NET CHANGE IN FUND BALANCE | | | |
| | <hr/> | <hr/> | <hr/> |
| | \$ 30,795 | \$ 2 | (1,028,369) |
| FUND BALANCE, MAY 1 | | | |
| | | | <hr/> |
| | | | 11,171,496 |
| FUND BALANCE, APRIL 30 | | | |
| | | | <hr/> |
| | | | \$ 10,143,127 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2017

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the General, Special Revenue, Capital Projects, and Enterprise Funds, except for the Kishwaukee TIF #2 Fund, 1993 TIF Fund, and the Foreign Fire Insurance Fund. The appropriation ordinance represents the legal spending limits for the City. The budget is used to control those limits. All annual appropriations lapse at fiscal year end. One budget amendment was made for the current fiscal year.

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

The City Finance/Budget Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the City to obtain taxpayer comments.

Subsequently, the budget is legally enacted through passage of an ordinance.

The legal level of budgetary control is at the fund level. The City Council can transfer budgeted amounts between line items; however, any revision altering both revenues and budgeted expenditures for any fund must be approved by a two-thirds council action.

Budgetary authority lapses at year end.

Expenditures exceeded budget in the Firefighters' Pension Fund by \$34,653, the Police Pension Fund by \$59,429, the Water/Sewer Fund by \$356,166, and the Farmington Special Service Area #2 Fund by \$9,649.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|-----------------------------------|----------------------------|-------------------------|---------------|
| TAXES | | | |
| Property taxes | \$ 4,941,324 | \$ 4,968,764 | \$ 4,968,765 |
| Personal property replacement tax | 295,659 | 362,109 | 362,109 |
| Income tax | 2,609,670 | 2,436,019 | 2,418,418 |
| Sales tax | 3,219,242 | 3,310,595 | 3,285,422 |
| State use tax | 601,247 | 625,106 | 634,215 |
| Hotel/motel tax | 3,836 | 2,749 | 2,749 |
| Video gambling tax | 180,000 | 229,470 | 235,213 |
| Auto rental tax | 6,000 | 6,419 | 6,419 |
| Telecommunications tax | 177,600 | 150,224 | 144,942 |
| Utility tax | 2,178,643 | 2,002,572 | 1,981,920 |
| Total taxes | 14,213,221 | 14,094,027 | 14,040,172 |
| INTERGOVERNMENTAL | | | |
| Grants | 49,000 | 98,818 | 154,193 |
| Total intergovernmental | 49,000 | 98,818 | 154,193 |
| LICENSES AND PERMITS | | | |
| Liquor licenses | 102,450 | 104,050 | 104,050 |
| Business licenses | 16,791 | 15,870 | 15,870 |
| Building permits | 208,989 | 235,547 | 235,547 |
| Electrical permits | 21,325 | 19,799 | 19,799 |
| Plumbing permits | 14,200 | 17,393 | 17,393 |
| HVAC permits | 5,310 | 11,156 | 11,156 |
| Amusement machine permits | 9,000 | 8,400 | 8,400 |
| Planning fees | 10,000 | 34,300 | 34,300 |
| Other | 7,740 | 8,743 | 8,743 |
| Total licenses and permits | 395,805 | 455,258 | 455,258 |

(This schedule is continued on the following page.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
GENERAL FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--------------------------------|----------------------------|-------------------------|----------------------|
| FINES AND FORFEITS | | | |
| Circuit court fines | \$ 375,000 | \$ 269,744 | \$ 254,097 |
| Parking fines | 7,764 | 5,743 | 5,743 |
| Engineering fees | 20,000 | 14,005 | 14,005 |
| Electrician certification fees | 4,500 | 2,900 | 2,900 |
| Plan review fees | 34,149 | 76,326 | 76,326 |
| Sidewalk/lot grading | 3,375 | 4,428 | 4,428 |
| Franchise fees | 261,613 | 290,270 | 293,900 |
| Death and birth certificates | 17,470 | 20,255 | 20,255 |
| Accident/fire reports | 5,147 | 4,259 | 4,259 |
| Seized vehicle fees | 87,000 | 57,900 | 57,900 |
| Tipping fees | 100,000 | 66,635 | 67,701 |
| Sex offender registration fee | - | 3,240 | 3,240 |
| Code enforcement | 11,400 | 6,300 | 6,300 |
| Annexation/plat fees | 20,000 | - | - |
| Zoning review fee | 3,430 | 3,215 | 3,215 |
| Total fines and forfeits | 950,848 | 825,220 | 814,269 |
| CHARGES FOR SERVICES | | | |
| County fuel charges | 162,863 | 162,863 | 162,863 |
| INVESTMENT INCOME | | | |
| Investment income | 28,000 | 39,814 | 39,808 |
| MISCELLANEOUS | | | |
| Reimbursements | 176,788 | 256,459 | 192,021 |
| Other | 299,259 | 278,072 | 278,073 |
| Total miscellaneous | 476,047 | 534,531 | 470,094 |
| TOTAL REVENUES | \$ 16,275,784 | \$ 16,210,531 | \$ 16,136,657 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|---|----------------------------|-------------------------|------------------|
| GENERAL GOVERNMENT | | | |
| Personnel services | | | |
| Salaries - elected officials | \$ 207,623 | \$ 207,623 | \$ 207,626 |
| Salaries - regular | 225,850 | 221,324 | 221,439 |
| Group health insurance | 454,289 | 469,397 | 469,397 |
| Dental insurance claims paid | 40,000 | 28,915 | 28,915 |
| Group life insurance | 1,357 | 1,337 | 1,337 |
| IMRF | 214,926 | 210,445 | 183,757 |
| FICA | 209,693 | 201,288 | 44,981 |
| Medicare | 137,489 | 127,511 | 127,511 |
| Total personnel services | <u>1,491,227</u> | <u>1,467,840</u> | <u>1,284,963</u> |
| Contractual services | | | |
| Accounting and auditing | 33,000 | 35,100 | 35,100 |
| Codification | 6,000 | 8,443 | 8,443 |
| Legal | 12,900 | 7,451 | 7,451 |
| Liability insurance | 489,860 | 449,520 | 449,117 |
| Telephone | 13,840 | 20,425 | 20,425 |
| Other professional services | 2,000 | - | - |
| Total contractual services | <u>557,600</u> | <u>520,939</u> | <u>520,536</u> |
| Commodities | | | |
| Meetings and conferences | 15,465 | 11,209 | 11,209 |
| Office supplies | 62,900 | 39,061 | 39,061 |
| Other communications | 4,760 | 4,037 | 4,037 |
| Heritage days | - | 56,781 | 56,781 |
| Subscriptions and educational materials | 600 | 553 | 553 |
| Repairs and maintenance - building | 48,200 | 34,784 | 34,784 |
| Repairs and maintenance - equipment | 5,000 | 3,424 | 3,424 |
| Reimbursements - seized vehicle | - | 1,208 | 1,208 |
| Other supplies | 7,350 | 5,417 | 5,417 |
| Miscellaneous | 78,960 | 72,207 | 72,207 |
| Total commodities | <u>223,235</u> | <u>228,681</u> | <u>228,681</u> |
| Total general government | <u>2,272,062</u> | <u>2,217,460</u> | <u>2,034,180</u> |
| PUBLIC SAFETY | | | |
| Police department | | | |
| Personnel services | | | |
| Salaries | 3,431,919 | 3,236,498 | 3,205,368 |
| Overtime | 429,300 | 410,571 | 414,840 |
| Police pension | 1,024,856 | 1,026,333 | 1,026,333 |
| Group health insurance | 800,348 | 733,616 | 733,616 |
| Dental insurance claims paid | 50,000 | 40,544 | 40,544 |
| Unemployment compensation | - | 11,771 | 11,771 |
| Uniform allowance | 64,886 | 64,296 | 64,296 |
| Training | 64,555 | 79,509 | 79,509 |
| Physical exams | 4,270 | 210 | 210 |
| Total personnel services | <u>5,870,134</u> | <u>5,603,348</u> | <u>5,576,487</u> |

(This schedule is continued on the following pages.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|-----------------------------------|----------------------------|-------------------------|---------------|
| PUBLIC SAFETY (Continued) | | | |
| Police department (Continued) | | | |
| Contractual services | | | |
| Telephone | \$ 42,790 | \$ 42,941 | \$ 42,941 |
| Total contractual services | 42,790 | 42,941 | 42,941 |
| Commodities | | | |
| Community policing | 7,950 | 7,991 | 7,991 |
| K-9 expenses | 4,700 | 3,301 | 3,301 |
| Repairs and maintenance - vehicle | 107,475 | 64,833 | 64,833 |
| Police equipment - maintenance | 7,425 | 8,343 | 8,343 |
| Sex offender state disbursement | - | 2,080 | 2,080 |
| Office supplies | 10,550 | 6,472 | 6,472 |
| Gas and oil | 120,000 | 70,384 | 70,384 |
| Operating supplies | 42,285 | 36,698 | 36,698 |
| Miscellaneous | 40,000 | 37,101 | 17,685 |
| Total commodities | 340,385 | 237,203 | 217,787 |
| Capital outlay | | | |
| Equipment | 50,245 | 45,298 | 45,298 |
| Total capital outlay | 50,245 | 45,298 | 45,298 |
| Total police department | 6,303,554 | 5,928,790 | 5,882,513 |
| Public safety building | | | |
| Contractual services | | | |
| Public safety building expenses | 1,034,215 | 982,621 | 982,621 |
| Total contractual services | 1,034,215 | 982,621 | 982,621 |
| Total public safety building | 1,034,215 | 982,621 | 982,621 |
| Fire department | | | |
| Personnel services | | | |
| Salaries | 2,047,477 | 1,969,596 | 1,970,015 |
| Overtime | 203,250 | 200,785 | 193,149 |
| Fire pension | 796,892 | 798,052 | 798,052 |
| Group health insurance | 458,233 | 422,211 | 422,211 |
| Dental insurance claims paid | 35,000 | 21,500 | 21,500 |
| Uniform allowance | 35,500 | 30,429 | 30,429 |
| Training | 30,540 | 31,097 | 31,097 |
| Physical exams | 2,500 | 655 | 655 |
| Total personnel services | 3,609,392 | 3,474,325 | 3,467,108 |
| Contractual services | | | |
| Telephone | 13,060 | 11,697 | 11,697 |
| Total contractual services | 13,060 | 11,697 | 11,697 |

(This schedule is continued on the following pages.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|------------------------------------|----------------------------|-------------------------|------------------|
| PUBLIC SAFETY (Continued) | | | |
| Fire department (Continued) | | | |
| Commodities | | | |
| Gas and oil | \$ 20,000 | \$ 14,367 | \$ 14,367 |
| Fire prevention | 10,000 | 8,984 | 8,984 |
| Repairs and maintenance - building | 54,050 | 57,116 | 57,116 |
| Repairs and maintenance - vehicle | 54,200 | 57,016 | 57,016 |
| Office supplies | 16,830 | 12,686 | 12,686 |
| Operating supplies | 6,000 | 6,831 | 6,831 |
| Miscellaneous | 1,000 | 1,296 | 1,296 |
| Total commodities | <u>162,080</u> | <u>158,296</u> | <u>158,296</u> |
| Capital outlay | | | |
| Equipment | | | |
| | <u>50,530</u> | <u>53,633</u> | <u>53,143</u> |
| Total capital outlay | <u>50,530</u> | <u>53,633</u> | <u>53,143</u> |
| Total fire department | <u>3,835,062</u> | <u>3,697,951</u> | <u>3,690,244</u> |
| Police and fire commission | | | |
| Personnel services | | | |
| Physical exams | <u>18,750</u> | <u>13,101</u> | <u>13,101</u> |
| Total personnel services | <u>18,750</u> | <u>13,101</u> | <u>13,101</u> |
| Contractual services | | | |
| Miscellaneous contractual services | <u>8,835</u> | <u>9,418</u> | <u>9,418</u> |
| Total contractual services | <u>8,835</u> | <u>9,418</u> | <u>9,418</u> |
| Total police and fire commission | <u>27,585</u> | <u>22,519</u> | <u>22,519</u> |
| Building department | | | |
| Personnel services | | | |
| Salaries | 216,459 | 213,387 | 212,813 |
| FICA | 16,559 | 16,324 | 16,324 |
| IMRF | 27,955 | 26,688 | 26,688 |
| Community development health | 70,269 | 59,052 | 59,052 |
| Community development dental | 4,000 | 2,059 | 2,059 |
| Training | 6,000 | 1,147 | 1,147 |
| Total personnel services | <u>341,242</u> | <u>318,657</u> | <u>318,083</u> |
| Contractual services | | | |
| Telephone | 3,000 | 2,002 | 2,002 |
| Other professional services | <u>46,000</u> | <u>45,691</u> | <u>45,691</u> |
| Total contractual services | <u>49,000</u> | <u>47,693</u> | <u>47,693</u> |

(This schedule is continued on the following pages.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|-------------------------------------|----------------------------|-------------------------|-------------------|
| PUBLIC SAFETY (Continued) | | | |
| Building department (Continued) | | | |
| Commodities | | | |
| Postage | \$ 1,500 | \$ 6,280 | \$ 6,280 |
| Printing and publishing | 1,750 | 2,504 | 2,504 |
| Office supplies | 5,960 | 6,617 | 6,617 |
| Repairs and maintenance - equipment | 5,000 | 5,332 | 5,332 |
| Gas and oil | 2,765 | 626 | 626 |
| Miscellaneous | 2,000 | 1,143 | 1,142 |
| Total commodities | <u>18,975</u> | <u>22,502</u> | <u>22,501</u> |
| Total building department | <u>409,217</u> | <u>388,852</u> | <u>388,277</u> |
| Civil defense | | | |
| Commodities | | | |
| Miscellaneous | 5,800 | 30,688 | 30,688 |
| Total commodities | <u>5,800</u> | <u>30,688</u> | <u>30,688</u> |
| Total civil defense | <u>5,800</u> | <u>30,688</u> | <u>30,688</u> |
| Total public safety | <u>11,615,433</u> | <u>11,051,421</u> | <u>10,996,862</u> |
| HIGHWAYS AND STREETS | | | |
| Street department | | | |
| Personnel services | | | |
| Salaries | 588,550 | 583,029 | 583,736 |
| Overtime | 40,000 | 42,551 | 42,551 |
| Group health insurance | 217,123 | 219,296 | 217,564 |
| Uniform allowance | 15,000 | 13,047 | 13,047 |
| Training | 1,500 | 710 | 710 |
| Total personnel services | <u>862,173</u> | <u>858,633</u> | <u>857,608</u> |
| Contractual services | | | |
| Telephone | 6,000 | 7,166 | 7,166 |
| Leaf cleanup | 15,000 | 10,592 | 10,592 |
| Total contractual services | <u>21,000</u> | <u>17,758</u> | <u>17,758</u> |
| Commodities | | | |
| Office supplies | 6,600 | 6,919 | 6,919 |
| Gas and oil | 75,000 | 67,912 | 230,775 |
| Repairs and maintenance - storm | 25,000 | 24,633 | 24,633 |
| Repairs and maintenance - sidewalk | 50,000 | 43,102 | 43,102 |
| Repairs and maintenance - building | 15,000 | 19,296 | 19,296 |
| Repairs and maintenance - equipment | 130,000 | 82,224 | 82,224 |
| Repairs and maintenance - traffic | 43,000 | 81,593 | 81,593 |
| Parking lot maintenance | 90,500 | 87,244 | 87,244 |
| Operating supplies | 20,000 | 29,560 | 29,560 |
| Miscellaneous | - | 1,180 | 1,179 |
| Total commodities | <u>455,100</u> | <u>443,663</u> | <u>606,525</u> |
| Total street department | <u>1,338,273</u> | <u>1,320,054</u> | <u>1,481,891</u> |

(This schedule is continued on the following pages.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|---|----------------------------|-------------------------|---------------|
| HIGHWAYS AND STREETS (Continued) | | | |
| Street lighting | | | |
| Contractual services | | | |
| Electric | \$ 330,000 | \$ 285,611 | \$ 285,611 |
| Total contractual services | 330,000 | 285,611 | 285,611 |
| Commodities | | | |
| Repairs and maintenance - street lighting | 20,000 | 74,151 | 74,151 |
| Total commodities | 20,000 | 74,151 | 74,151 |
| Total street lighting | 350,000 | 359,762 | 359,762 |
| Garbage | | | |
| Commodities | | | |
| Miscellaneous | 51,000 | 47,564 | 47,564 |
| Total commodities | 51,000 | 47,564 | 47,564 |
| Total garbage | 51,000 | 47,564 | 47,564 |
| Forestry | | | |
| Contractual services | | | |
| Tree removal/purchase | 100,000 | 127,536 | 127,536 |
| Total contractual services | 100,000 | 127,536 | 127,536 |
| Commodities | | | |
| Miscellaneous | 1,000 | - | - |
| Total commodities | 1,000 | - | - |
| Total forestry | 101,000 | 127,536 | 127,536 |
| City engineering | | | |
| Commodities | | | |
| Office supplies | 8,900 | 7,024 | 7,023 |
| Engineering | 27,000 | 388 | 388 |
| Subdivision expenses | 10,000 | 8,735 | 8,735 |
| Total commodities | 45,900 | 16,147 | 16,146 |
| Total city engineering | 45,900 | 16,147 | 16,146 |
| Total highways and streets | 1,886,173 | 1,871,063 | 2,032,899 |

(This schedule is continued on the following page.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|---|----------------------------|-------------------------|----------------------|
| HEALTH AND SOCIAL SERVICES | | | |
| Health regulations and inspections | | | |
| Commodities | | | |
| Council on aging | \$ 33,000 | \$ 33,000 | \$ 33,000 |
| Demolition | 5,000 | - | - |
| Total commodities | <u>38,000</u> | <u>33,000</u> | <u>33,000</u> |
| Total health regulations and inspections | <u>38,000</u> | <u>33,000</u> | <u>33,000</u> |
| Total health and social services | <u>38,000</u> | <u>33,000</u> | <u>33,000</u> |
| COMMUNITY AND ECONOMIC DEVELOPMENT | | | |
| Economic development | | | |
| Commodities | | | |
| Planning department services | 55,500 | 52,650 | 52,649 |
| Economic development | 73,000 | 73,000 | 73,000 |
| Tourism | 5,000 | 5,500 | 5,500 |
| Historic preservation | 12,800 | 20,358 | 20,358 |
| Downtown streetscape | 700,000 | 644,464 | 644,464 |
| Downtown pavement project | 500,000 | 294,851 | 294,851 |
| Total commodities | <u>1,346,300</u> | <u>1,090,823</u> | <u>1,090,822</u> |
| Total economic development | <u>1,346,300</u> | <u>1,090,823</u> | <u>1,090,822</u> |
| Total community and economic development | <u>1,346,300</u> | <u>1,090,823</u> | <u>1,090,822</u> |
| TOTAL EXPENDITURES | <u>\$ 17,157,968</u> | <u>\$ 16,263,767</u> | <u>\$ 16,187,763</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|--------------------------|
| REVENUES | | | |
| Taxes | | | |
| Property taxes | \$ 40,000 | \$ 40,082 | \$ 40,082 |
| Intergovernmental | - | - | 14,518 |
| Investment income | 500 | 709 | 709 |
| Miscellaneous | - | 12,266 | 12,266 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 40,500 | 53,057 | 67,575 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| Current | | | |
| Highways and streets | | | |
| Miscellaneous | 40,000 | 81,287 | 81,287 |
| Capital outlay | | | |
| Vehicles | 442,500 | 507,100 | 417,100 |
| Infrastructure | 1,500,000 | 1,383,567 | 1,370,928 |
| Buildings and improvements | - | 45,235 | 45,235 |
| Equipment | 46,000 | 13,141 | 13,141 |
| Debt service | | | |
| Principal | 58,121 | 50,000 | 50,000 |
| Interest and fiscal charges | - | 8,065 | 8,065 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 2,086,621 | 2,088,395 | 1,985,756 |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,046,121) | (2,035,338) | (1,918,181) |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | |
| Lease proceeds | - | - | 384,285 |
| Insurance recoveries | - | 27,375 | 27,375 |
| Transfers in | 987,021 | 990,689 | 990,689 |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 987,021 | 1,018,064 | 1,402,349 |
| | <hr/> | <hr/> | <hr/> |
| NET CHANGE IN FUND BALANCE | <u>\$ (1,059,100)</u> | <u>\$ (1,017,274)</u> | (515,832) |
| FUND BALANCE, MAY 1 | | | <u>1,254,580</u> |
| FUND BALANCE, APRIL 30 | | | <u><u>\$ 738,748</u></u> |

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF BELVIDERE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2017

| | Special Revenue | | |
|--|---------------------------|---------------------------|------------------------------|
| | Motor Fuel Tax | Kishwaukee TIF | Kishwaukee TIF #2 |
| ASSETS | | | |
| Cash and investments | \$ 1,014,196 | \$ 32,405 | \$ 4,915 |
| Receivables | | | |
| Property taxes | - | 52,346 | - |
| Other | 56,018 | - | - |
| Land held for resale | - | 439,754 | - |
| | | | |
| TOTAL ASSETS | \$ 1,070,214 | \$ 524,505 | \$ 4,915 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Advance from other funds | - | 42,406 | - |
| | | | |
| Total liabilities | - | 42,406 | - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | - | 52,346 | - |
| | | | |
| Total deferred inflows of resources | - | 52,346 | - |
| Total liabilities and deferred inflows of resources | - | 94,752 | - |
| FUND BALANCES (DEFICIT) | | | |
| Nonspendable | | | |
| Land held for resale | - | - | - |
| Restricted | | | |
| Public safety | - | - | - |
| Highways and streets | 1,070,214 | - | - |
| Capital projects | - | - | - |
| Economic development | - | 429,753 | 4,915 |
| | | | |
| Total fund balances (deficit) | 1,070,214 | 429,753 | 4,915 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,070,214 | \$ 524,505 | \$ 4,915 |

| Special Revenue | | | | | |
|--|------------------------------|------------------------------|-----------------------------------|---------------------|--|
| 1993 Tax Incentive Finance District | Farmington SSA #2 | Farmington SSA #3 | Foreign Fire Insurance | Total | |
| \$ - | \$ 9,327 | \$ 3,416 | \$ 48,049 | \$ 1,112,308 | |
| - | 15,263 | 6,216 | - | 73,825 | |
| - | - | - | - | 56,018 | |
| - | - | - | - | 439,754 | |
| \$ - | \$ 24,590 | \$ 9,632 | \$ 48,049 | \$ 1,681,905 | |
| \$ - | \$ 1,102 | \$ 110 | \$ - | \$ 1,212 | |
| - | - | - | - | 42,406 | |
| - | 1,102 | 110 | - | 43,618 | |
| - | 15,263 | 6,216 | - | 73,825 | |
| - | 15,263 | 6,216 | - | 73,825 | |
| - | 16,365 | 6,326 | - | 117,443 | |
| - | - | - | - | - | |
| - | - | - | 48,049 | 48,049 | |
| - | - | - | - | 1,070,214 | |
| - | 8,225 | 3,306 | - | 11,531 | |
| - | - | - | - | 434,668 | |
| - | 8,225 | 3,306 | 48,049 | 1,564,462 | |
| \$ - | \$ 24,590 | \$ 9,632 | \$ 48,049 | \$ 1,681,905 | |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended April 30, 2017

| | <u>Special Revenue</u> | | |
|--|---------------------------|---------------------------|------------------------------|
| | <u>Motor Fuel Tax</u> | <u>Kishwaukee TIF</u> | <u>Kishwaukee TIF #2</u> |
| REVENUES | | | |
| Taxes | \$ - | \$ 19,829 | \$ - |
| Intergovernmental | 677,818 | - | - |
| Investment income | 3,429 | - | - |
| Miscellaneous | - | 7,146 | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 681,247 | 26,975 | - |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Highways and streets | 511,818 | - | - |
| Community and economic development | - | 74 | - |
| Debt service | | | |
| Interest and fiscal charges | - | 7,031 | - |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 511,818 | 7,105 | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 169,429 | 19,870 | - |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| NET CHANGE IN FUND BALANCE | 169,429 | 19,870 | - |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE, MAY 1 | 900,785 | 409,883 | 4,915 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE (DEFICIT), APRIL 30 | \$ 1,070,214 | \$ 429,753 | \$ 4,915 |

| Special Revenue | | | | | |
|------------------------|-------------------|-------------------|-----------------------|--------------|--|
| 1993 Tax | | | | | |
| Incentive | Farmington | Farmington | Foreign | | |
| Finance Distict | SSA #2 | SSA #3 | Fire Insurance | Total | |
| \$ - | \$ 20,986 | \$ 8,753 | \$ 44,819 | \$ 94,387 | |
| - | - | - | - | 677,818 | |
| - | - | - | 664 | 4,093 | |
| - | - | - | - | 7,146 | |
| - | 20,986 | 8,753 | 45,483 | 783,444 | |
| - | 16,791 | 10,481 | - | 27,272 | |
| - | - | - | 54,314 | 54,314 | |
| - | - | - | - | 511,818 | |
| - | - | - | - | 74 | |
| - | - | - | - | 7,031 | |
| - | 16,791 | 10,481 | 54,314 | 600,509 | |
| - | 4,195 | (1,728) | (8,831) | 182,935 | |
| - | 1,555 | - | - | 1,555 | |
| (93) | - | (1,555) | - | (1,648) | |
| (93) | 1,555 | (1,555) | - | (93) | |
| (93) | 5,750 | (3,283) | (8,831) | 182,842 | |
| 93 | 2,475 | 6,589 | 56,880 | 1,381,620 | |
| \$ - | \$ 8,225 | \$ 3,306 | \$ 48,049 | \$ 1,564,462 | |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|-----------------------------------|----------------------------|-------------------------|----------------------------|
| REVENUES | | | |
| Intergovernmental | | | |
| Motor fuel tax allotments | \$ 676,500 | \$ 680,027 | \$ 677,818 |
| Investment income | 656 | 3,429 | 3,429 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 677,156 | 683,456 | 681,247 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| Highways and streets | | | |
| Street maintenance | 685,000 | 511,818 | 511,818 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 685,000 | 511,818 | 511,818 |
| | <hr/> | <hr/> | <hr/> |
| NET CHANGE IN FUND BALANCE | <u>\$ (7,844)</u> | <u>\$ 171,638</u> | 169,429 |
| FUND BALANCE, MAY 1 | | | <u>900,785</u> |
| FUND BALANCE, APRIL 30 | | | <u><u>\$ 1,070,214</u></u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
KISHWAUKEE TIF FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|------------------------------------|----------------------------|-------------------------|------------------------|
| REVENUES | | | |
| Taxes | | | |
| Property taxes | \$ 22,000 | \$ 19,829 | \$ 19,829 |
| Miscellaneous | - | - | 7,146 |
| | | | <hr/> |
| Total revenues | 22,000 | 19,829 | 26,975 |
| | | | <hr/> |
| EXPENDITURES | | | |
| Community and economic development | | | |
| Contractual services | - | 74 | 74 |
| Debt service | | | |
| Principal | 12,792 | 12,792 | - |
| Interest and fiscal charges | 7,208 | 7,031 | 7,031 |
| | | | <hr/> |
| Total expenditures | 20,000 | 19,897 | 7,105 |
| | | | <hr/> |
| NET CHANGE IN FUND BALANCE | <u>\$ 2,000</u> | <u>\$ (68)</u> | 19,870 |
| FUND BALANCE, MAY 1 | | | <hr/> 409,883 |
| FUND BALANCE, APRIL 30 | | | <u><hr/>\$ 429,753</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FARMINGTON SSA #2 FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------|
| REVENUES | | | |
| Taxes | | | |
| Property taxes | \$ 18,000 | \$ 20,986 | \$ 20,986 |
| Total revenues | 18,000 | 20,986 | 20,986 |
| EXPENDITURES | | | |
| General government | | | |
| Repairs and maintenance | 26,000 | 16,279 | 16,791 |
| Miscellaneous | 1,000 | - | - |
| Total expenditures | 27,000 | 16,279 | 16,791 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (9,000) | 4,707 | 4,195 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 1,555 |
| Total other financing sources (uses) | - | - | 1,555 |
| NET CHANGE IN FUND BALANCE | \$ (9,000) | \$ 4,707 | 5,750 |
| FUND BALANCE, MAY 1 | | | 2,475 |
| FUND BALANCE (DEFICIT), APRIL 30 | | | \$ 8,225 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FARMINGTON SSA #3 FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------|
| REVENUES | | | |
| Taxes | | | |
| Property taxes | \$ - | \$ 8,753 | \$ 8,753 |
| | | | |
| Total revenues | - | 8,753 | 8,753 |
| EXPENDITURES | | | |
| General government | | | |
| Repairs and maintenance | - | 10,481 | 10,481 |
| | | | |
| Total expenditures | - | 10,481 | 10,481 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | (1,728) | (1,728) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (out) | - | - | (1,555) |
| | | | |
| Total other financing sources (uses) | - | - | (1,555) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ (1,728) | (3,283) |
| FUND BALANCE, MAY 1 | | | 6,589 |
| FUND BALANCE, APRIL 30 | | | \$ 3,306 |

(See independent auditor's report.)

MAJOR PROPRIETARY FUNDS

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER AND SEWER FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------|
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Water sales | \$ 2,287,373 | \$ 2,118,914 | \$ 2,099,703 |
| Sewer charges | 3,269,987 | 3,103,395 | 3,076,085 |
| Water connection fees | 24,000 | 66,291 | 66,291 |
| Sewer connection fees | 28,800 | 108,609 | 108,609 |
| Water meter sales | 91,000 | 93,879 | 93,879 |
| Sewer meter sales | 91,000 | 92,544 | 92,544 |
| Other | 39,200 | 195,675 | 195,674 |
| | <hr/> | <hr/> | <hr/> |
| Total operating revenues | 5,831,360 | 5,779,307 | 5,732,785 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | |
| Water | 1,923,837 | 1,931,034 | 1,938,801 |
| Sewer | 1,915,161 | 1,763,182 | 1,813,373 |
| Collection system | 603,792 | 592,688 | 602,101 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses excluding depreciation | 4,442,790 | 4,286,904 | 4,354,275 |
| DEPRECIATION | <hr/> | <hr/> | <hr/> |
| | 758,560 | 758,559 | 1,470,507 |
| OPERATING INCOME (LOSS) | <hr/> | <hr/> | <hr/> |
| | 630,010 | 733,844 | (91,997) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Investment income | 20,000 | 16,868 | 33,646 |
| Proceeds from sale of capital assets | - | 1,925 | 1,925 |
| Principal payments | (414,770) | (420,671) | - |
| Interest and fiscal charges | (58,826) | (52,924) | (50,442) |
| | <hr/> | <hr/> | <hr/> |
| Total non-operating revenues (expenses) | (453,596) | (454,802) | (14,871) |
| CHANGE IN NET POSITION | <hr/> | <hr/> | <hr/> |
| | \$ 176,414 | \$ 279,042 | (106,868) |
| NET POSITION, MAY 1 | | | 45,025,762 |
| Prior period adjustment | | | <hr/> |
| | | | (74,763) |
| NET POSITION, MAY 1, RESTATED | | | <hr/> |
| | | | 44,950,999 |
| NET POSITION, APRIL 30 | | | <hr/> |
| | | | \$ 44,844,131 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATER AND SEWER FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|---|----------------------------|-------------------------|------------------|
| WATER | | | |
| Personnel services | | | |
| Salaries | \$ 571,634 | \$ 555,858 | \$ 558,019 |
| Overtime | 38,000 | 34,276 | 33,679 |
| IMRF | 84,952 | 79,941 | 104,315 |
| FICA/medicare | 44,567 | 51,932 | 51,932 |
| Group health insurance | 207,334 | 214,738 | 213,033 |
| Uniform allowance | 14,100 | 6,484 | 6,484 |
| Total personnel services | <u>960,587</u> | <u>943,229</u> | <u>967,462</u> |
| Contractual services | | | |
| Utilities | 300,000 | 311,597 | 311,597 |
| Telephone | 9,500 | 8,259 | 8,259 |
| Liability insurance | 122,000 | 110,328 | 109,116 |
| Lab expense | 33,200 | 27,337 | 27,337 |
| Other professional services | 11,000 | 4,118 | 4,118 |
| Total contractual services | <u>475,700</u> | <u>461,639</u> | <u>460,427</u> |
| Commodities | | | |
| Chemicals | 105,000 | 59,764 | 59,764 |
| Gas and oil | 23,000 | 15,226 | 15,226 |
| Postage | 19,000 | 15,304 | 15,304 |
| Meters | 25,000 | 42,939 | 34,332 |
| Repair and maintenance - infrastructure | 63,900 | 68,065 | 61,418 |
| Repair and maintenance - building | 24,500 | 27,173 | 27,173 |
| Repair and maintenance - equipment | 8,000 | 51,773 | 51,773 |
| Repair and maintenance - vehicle | 20,000 | 18,417 | 18,417 |
| Repair and maintenance - contractual | 85,000 | 102,795 | 102,795 |
| Office supplies | 9,400 | 8,298 | 8,298 |
| Office equipment rental/maintenance | 31,000 | 32,006 | 32,006 |
| Operating supplies | 63,000 | 70,770 | 70,770 |
| Bad debt expense | 2,000 | 2,118 | 2,118 |
| Miscellaneous | 8,750 | 11,518 | 11,518 |
| Total commodities | <u>487,550</u> | <u>526,166</u> | <u>510,912</u> |
| Total water | <u>1,923,837</u> | <u>1,931,034</u> | <u>1,938,801</u> |

(This schedule is continued on the following pages.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (Continued)
WATER AND SEWER FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|---------------------------------------|----------------------------|-------------------------|---------------|
| SEWER | | | |
| Personnel services | | | |
| Salaries | \$ 585,057 | \$ 565,019 | \$ 565,018 |
| Overtime | 55,000 | 44,286 | 47,050 |
| IMRF | 89,461 | 82,421 | 107,552 |
| Group health insurance | 211,439 | 207,899 | 206,236 |
| FICA | 46,894 | 39,653 | 39,653 |
| Uniform allowance | 15,500 | 18,158 | 18,158 |
| | <hr/> | <hr/> | <hr/> |
| Total personnel services | 1,003,351 | 957,436 | 983,667 |
| | <hr/> | <hr/> | <hr/> |
| Contractual services | | | |
| Utilities | 248,000 | 208,399 | 208,399 |
| Telephone | 13,500 | 10,153 | 10,153 |
| Liability insurance | 144,110 | 131,014 | 125,054 |
| Lab expense | 56,000 | 36,420 | 36,420 |
| Other professional services | 73,500 | 76,824 | 98,869 |
| | <hr/> | <hr/> | <hr/> |
| Total contractual services | 535,110 | 462,810 | 478,895 |
| | <hr/> | <hr/> | <hr/> |
| Commodities | | | |
| Chemicals | 108,000 | 35,011 | 35,011 |
| Gas and oil | 40,000 | 14,368 | 14,368 |
| Postage | 15,000 | 15,123 | 15,123 |
| Office equipment rental/maintenance | 6,800 | 4,224 | 4,224 |
| Sludge disposal | 9,700 | 9,871 | 9,871 |
| Repair and maintenance - lift station | 16,500 | 50,022 | 59,246 |
| Repair and maintenance - building | 103,000 | 19,652 | 19,652 |
| Repair and maintenance - equipment | - | 88,281 | 88,281 |
| Repair and maintenance - vehicle | 23,000 | 29,626 | 29,626 |
| Repair and maintenance - contractual | - | 28,275 | 28,275 |
| Office supplies | 8,700 | 5,682 | 5,682 |
| Operating supplies | 12,000 | 23,637 | 22,288 |
| Meters | 25,000 | 12,258 | 12,258 |
| Bad debt expense | 4,000 | 2,665 | 2,665 |
| Miscellaneous | 5,000 | 4,241 | 4,241 |
| | <hr/> | <hr/> | <hr/> |
| Total commodities | 376,700 | 342,936 | 350,811 |
| | <hr/> | <hr/> | <hr/> |
| Total sewer | 1,915,161 | 1,763,182 | 1,813,373 |
| | <hr/> | <hr/> | <hr/> |

(This schedule is continued on the following page.)

CITY OF BELVIDERE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (Continued)
WATER AND SEWER FUND

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------------|
| COLLECTION SYSTEM | | | |
| Personnel services | | | |
| Salaries | \$ 281,331 | \$ 282,807 | \$ 279,796 |
| Overtime | 30,000 | 22,941 | 22,941 |
| IMRF | 46,139 | 43,336 | 56,548 |
| FICA | 23,817 | 20,088 | 20,088 |
| Group health insurance | 98,705 | 99,658 | 98,870 |
| Uniform allowance | 6,600 | 4,300 | 4,300 |
| Total personnel services | <u>486,592</u> | <u>473,130</u> | <u>482,543</u> |
| Commodities | | | |
| Gas and oil | 12,500 | 7,607 | 7,607 |
| Office equipment rental/maintenance | 30,300 | 26,120 | 26,120 |
| Repair and maintenance - infrastructure | 32,000 | 34,372 | 34,372 |
| Repair and maintenance - equipment | 8,000 | 4,127 | 4,127 |
| Repair and maintenance - vehicle | 13,000 | 29,748 | 29,748 |
| Operating supplies | 18,500 | 16,402 | 16,402 |
| Miscellaneous | 2,900 | 1,182 | 1,182 |
| Total commodities | <u>117,200</u> | <u>119,558</u> | <u>119,558</u> |
| Total collection system | <u>603,792</u> | <u>592,688</u> | <u>602,101</u> |
| TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION | <u>\$ 4,442,790</u> | <u>\$ 4,286,904</u> | <u>\$ 4,354,275</u> |

(See independent auditor's report.)

FIDUCIARY FUNDS

CITY OF BELVIDERE, ILLINOIS

**COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS**

April 30, 2017

| | Police Pension | Firefighters' Pension | Total |
|---|---------------------------|----------------------------------|---------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 9,115 | \$ 8,260 | \$ 17,375 |
| Investments at fair value | | | |
| U.S. Treasury obligations | 82,292 | 561,099 | 643,391 |
| U.S. agency obligations | 3,998,060 | 2,209,687 | 6,207,747 |
| Municipal bonds | 712,304 | 717,056 | 1,429,360 |
| Corporate bonds | 3,652,610 | 1,053,697 | 4,706,307 |
| Mortgage-backed securities | 5,875 | 68,646 | 74,521 |
| Negotiable certificate of deposit | 250,748 | - | 250,748 |
| Equities | 4,078,637 | - | 4,078,637 |
| Mutual funds | 6,212,998 | 7,607,553 | 13,820,551 |
| Money market mutual funds | 529,046 | 15,715 | 544,761 |
| Insurance contracts | 354,610 | 2,258,851 | 2,613,461 |
| Total investments | 19,877,180 | 14,492,304 | 34,369,484 |
| Receivables | | | |
| Accrued interest | 101,454 | 33,933 | 135,387 |
| Total receivables | 101,454 | 33,933 | 135,387 |
| Prepaid items | 530 | 844 | 1,374 |
| Total assets | 19,988,279 | 14,535,341 | 34,523,620 |
| LIABILITIES | | | |
| Accounts payable | 11,796 | 3,674 | 15,470 |
| Total liabilities | 11,796 | 3,674 | 15,470 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| | \$ 19,976,483 | \$ 14,531,667 | \$ 34,508,150 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS**

For the Year Ended April 30, 2017

| | Police Pension | Firefighters' Pension | Total |
|--|---------------------------|----------------------------------|----------------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 1,092,429 | \$ 864,148 | \$ 1,956,577 |
| Employee | 356,038 | 178,195 | 534,233 |
| Total contributions | <u>1,448,467</u> | <u>1,042,343</u> | <u>2,490,810</u> |
| Investment income | | | |
| Net appreciation in fair value of investments | 735,092 | 948,368 | 1,683,460 |
| Interest | <u>572,086</u> | <u>360,907</u> | <u>932,993</u> |
| Total investment income | 1,307,178 | 1,309,275 | 2,616,453 |
| Less investment expenses | <u>(57,339)</u> | <u>(30,684)</u> | <u>(88,023)</u> |
| Net investment income | <u>1,249,839</u> | <u>1,278,591</u> | <u>2,528,430</u> |
| Total additions | <u>2,698,306</u> | <u>2,320,934</u> | <u>5,019,240</u> |
| DEDUCTIONS | | | |
| Benefits and refunds | 1,342,076 | 1,279,880 | 2,621,956 |
| Administrative expenses | <u>28,411</u> | <u>37,289</u> | <u>65,700</u> |
| Total deductions | <u>1,370,487</u> | <u>1,317,169</u> | <u>2,687,656</u> |
| NET INCREASE | 1,327,819 | 1,003,765 | 2,331,584 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| May 1 | <u>18,648,664</u> | <u>13,527,902</u> | <u>32,176,566</u> |
| April 30 | <u>\$ 19,976,483</u> | <u>\$ 14,531,667</u> | <u>\$ 34,508,150</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - BUDGET AND ACTUAL
POLICE PENSION TRUST FUND**

For the Year Ended April 30, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
|---|----------------------------|-------------------------|----------------------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 1,090,952 | \$ 1,092,429 | \$ 1,092,429 |
| Employee | 298,157 | 356,038 | 356,038 |
| | <hr/> | <hr/> | <hr/> |
| Total contributions | 1,389,109 | 1,448,467 | 1,448,467 |
| | <hr/> | <hr/> | <hr/> |
| Investment income | | | |
| Net appreciation in fair value of investments | - | - | 735,092 |
| Interest | 415,900 | 1,250,739 | 572,086 |
| | <hr/> | <hr/> | <hr/> |
| Total investment income | 415,900 | 1,250,739 | 1,307,178 |
| Less investment expenses | - | - | (57,339) |
| | <hr/> | <hr/> | <hr/> |
| Net investment income | 415,900 | 1,250,739 | 1,249,839 |
| | <hr/> | <hr/> | <hr/> |
| Total additions | 1,805,009 | 2,699,206 | 2,698,306 |
| | <hr/> | <hr/> | <hr/> |
| DEDUCTIONS | | | |
| Benefits and refunds | 1,140,628 | 1,342,076 | 1,342,076 |
| Administrative expenses | 36,715 | 26,321 | 28,411 |
| | <hr/> | <hr/> | <hr/> |
| Total deductions | 1,177,343 | 1,368,397 | 1,370,487 |
| | <hr/> | <hr/> | <hr/> |
| NET INCREASE | <u>\$ 627,666</u> | <u>\$ 1,330,809</u> | 1,327,819 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| May 1 | | | <hr/> 18,648,664 |
| April 30 | | | <hr/> <u>\$ 19,976,483</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - BUDGET AND ACTUAL
FIREFIGHTERS' PENSION TRUST FUND**

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|----------------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 862,988 | \$ 864,148 | \$ 864,148 |
| Employee | 185,375 | 178,195 | 178,195 |
| Total contributions | <u>1,048,363</u> | <u>1,042,343</u> | <u>1,042,343</u> |
| Investment income | | | |
| Net appreciation in fair value of investments | 1,575,683 | 1,575,683 | 948,368 |
| Interest | - | - | 360,907 |
| Total investment income | 1,575,683 | 1,575,683 | 1,309,275 |
| Less investment expenses | - | - | (30,684) |
| Net investment income | <u>1,575,683</u> | <u>1,575,683</u> | <u>1,278,591</u> |
| Total additions | <u>2,624,046</u> | <u>2,618,026</u> | <u>2,320,934</u> |
| DEDUCTIONS | | | |
| Benefits and refunds | 1,202,965 | 1,279,880 | 1,279,880 |
| Administrative expenses | 36,825 | 33,320 | 37,289 |
| Total deductions | <u>1,239,790</u> | <u>1,313,200</u> | <u>1,317,169</u> |
| NET INCREASE | <u>\$ 1,384,256</u> | <u>\$ 1,304,826</u> | 1,003,765 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| May 1 | | | <u>13,527,902</u> |
| April 30 | | | <u>\$ 14,531,667</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ESCROW - AGENCY FUND**

For the Year Ended April 30, 2017

| | Balances May 1 | Additions | Deductions | Balances April 30 |
|---------------------------|---------------------------|-------------------|-------------------|------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,083,292 | \$ 339,723 | \$ 187,475 | \$ 1,235,540 |
| TOTAL ASSETS | \$ 1,083,292 | \$ 339,723 | \$ 187,475 | \$ 1,235,540 |
| LIABILITIES | | | | |
| Due to developers | \$ 255,803 | \$ 468,363 | \$ 337,222 | \$ 386,944 |
| Due to other governments | 827,489 | 83,166 | 62,059 | 848,596 |
| TOTAL LIABILITIES | \$ 1,083,292 | \$ 551,529 | \$ 399,281 | \$ 1,235,540 |

(See independent auditor's report.)

COMPONENT UNIT

IDA PUBLIC LIBRARY

COMPONENT UNIT

STATEMENT OF NET POSITION AND BALANCE SHEET

April 30, 2017

| | Balance Sheet | Adjustments | Statement of Net Position |
|--|--------------------------|---------------------|--------------------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current assets | | | |
| Cash and investments | \$ 676,787 | \$ - | \$ 676,787 |
| Receivables, net where applicable of allowance for uncollectibles | | | |
| Property taxes | 686,566 | - | 686,566 |
| Other | 19,865 | - | 19,865 |
| Prepaid expenses | 7,880 | - | 7,880 |
| Total current assets | 1,391,098 | - | 1,391,098 |
| Noncurrent assets | | | |
| Capital assets not being depreciated | - | 181,150 | 181,150 |
| Capital assets being depreciated, net of accumulated depreciation | - | 768,999 | 768,999 |
| Total noncurrent assets | - | 950,149 | 950,149 |
| Total assets | 1,391,098 | 950,149 | 2,341,247 |
| Deferred outflows of resources | | | |
| Pension items - IMRF | - | 107,840 | 107,840 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 1,391,098 | \$ 1,057,989 | \$ 2,449,087 |

(This statement is continued on the following page.)

IDA PUBLIC LIBRARY

COMPONENT UNIT

STATEMENT OF NET POSITION AND BALANCE SHEET (Continued)

April 30, 2017

| | Balance Sheet | Adjustments | Statement of Net Position |
|---|--------------------------|---------------------|--------------------------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/ NET POSITION | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 13,164 | \$ - | \$ 13,164 |
| Accrued payroll | 14,821 | - | 14,821 |
| Unearned revenue | 2,500 | - | 2,500 |
| Compensated absences payable | - | 3,193 | 3,193 |
| Mortgage loans payable | - | 152,978 | 152,978 |
| Total current liabilities | <u>30,485</u> | <u>156,171</u> | <u>186,656</u> |
| Noncurrent liabilities | | | |
| Net pension liability - IMRF | - | 306,116 | 306,116 |
| Compensated absences | - | 12,774 | 12,774 |
| Net other postemployment benefit obligation | - | 61,109 | 61,109 |
| Mortgage loans payable | - | 178,063 | 178,063 |
| Total noncurrent liabilities | <u>-</u> | <u>558,062</u> | <u>558,062</u> |
| Total liabilities | <u>30,485</u> | <u>714,233</u> | <u>744,718</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension items - IMRF | - | 68,942 | 68,942 |
| Deferred revenue - property taxes | 686,566 | - | 686,566 |
| Total deferred inflows of resources | <u>686,566</u> | <u>68,942</u> | <u>755,508</u> |
| Total liabilities and deferred inflows of resources | <u>717,051</u> | <u>783,175</u> | <u>1,500,226</u> |
| FUND BALANCE/NET POSITION | | | |
| Net investment in capital assets | - | 619,108 | 619,108 |
| Nonspendable - prepaids | 7,880 | (7,880) | - |
| Restricted - donor specific | 187,726 | - | 187,726 |
| Unassigned | 478,441 | (336,414) | 142,027 |
| Total fund balance | <u>674,047</u> | <u>274,814</u> | <u>948,861</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/ NET POSITION | <u>\$ 1,391,098</u> | <u>\$ 1,057,989</u> | <u>\$ 2,449,087</u> |

(See independent auditor's report.)

IDA PUBLIC LIBRARY

COMPONENT UNIT

STATEMENT OF ACTIVITIES AND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL

For the Year Ended April 30, 2017

| | Original Budget | Final Budget | Actual | Adjustments | Statement of Activities |
|--------------------------------------|----------------------------|-------------------------|-------------------|--------------------|------------------------------------|
| REVENUES | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 676,354 | \$ 676,354 | \$ 677,342 | \$ - | \$ 677,342 |
| Replacement taxes | 25,000 | 25,000 | 40,231 | - | 40,231 |
| Grants and contributions | 46,000 | 46,000 | 69,627 | - | 69,627 |
| Charges for services | 39,000 | 39,000 | 49,920 | - | 49,920 |
| Investment income | - | - | 32,918 | - | 32,918 |
| Miscellaneous | 68,646 | 68,646 | 15,327 | - | 15,327 |
| Total revenues | 855,000 | 855,000 | 885,365 | - | 885,365 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Culture and recreation | 694,574 | 694,574 | 673,808 | 224,186 | 897,994 |
| Capital outlay | 160,426 | 160,426 | 137,150 | (137,150) | - |
| Debt service | | | | | |
| Principal | - | - | 13,353 | (13,353) | - |
| Interest and fiscal charges | - | - | 16,987 | - | 16,987 |
| Total expenditures | 855,000 | 855,000 | 841,298 | 73,683 | 914,981 |
| CHANGE IN NET POSITION | \$ - | \$ - | 44,067 | (73,683) | (29,616) |
| NET POSITION, MAY 1 | | | 629,980 | 403,798 | 1,033,778 |
| Prior period adjustment | | | - | (55,301) | (55,301) |
| NET POSITION, MAY 1, RESTATED | | | 629,980 | 348,497 | 978,477 |
| NET POSITION, APRIL 30 | | | \$ 674,047 | \$ 274,814 | \$ 948,861 |

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
CAPITAL LEASE PAYABLE**

April 30, 2017

| | |
|------------------|-------------------|
| Date of Issue | December 21, 2016 |
| Date of Maturity | June 1, 2022 |
| Authorized Issue | \$384,285 |
| Interest Rates | 2.475% |
| Interest Date | June 1 |
| Principal Date | June 1 |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Amounts Due | | |
|------------------------|--------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2018 | \$ 64,555 | \$ 4,273 | \$ 68,828 |
| 2019 | 60,823 | 8,005 | 68,828 |
| 2020 | 62,346 | 6,482 | 68,828 |
| 2021 | 63,907 | 4,921 | 68,828 |
| 2022 | 65,507 | 3,321 | 68,828 |
| 2023 | 67,147 | 1,681 | 68,828 |
| | <u>\$ 384,285</u> | <u>\$ 28,683</u> | <u>\$ 412,968</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION DEBT CERTIFICATES OF 2005**

April 30, 2017

| | |
|-------------------------|---|
| Date of Issue | July 19, 2005 |
| Date of Maturity | August 1, 2025 |
| Authorized Issue | \$1,000,000 |
| Interest Rates | Variable |
| Interest Dates | August 1 and February 1 |
| Principal Maturity Date | August 1 |
| Payable at | The Belvidere National Bank and Trust Company |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Amounts Due | | |
|------------------------|--------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2018 | \$ 50,000 | \$ 7,396 | \$ 57,396 |
| 2019 | 55,000 | 6,635 | 61,635 |
| 2020 | 55,000 | 5,837 | 60,837 |
| 2021 | 60,000 | 5,003 | 65,003 |
| 2022 | 60,000 | 4,133 | 64,133 |
| 2023 | 60,000 | 3,264 | 63,264 |
| 2024 | 65,000 | 2,357 | 67,357 |
| 2025 | 65,000 | 1,415 | 66,415 |
| 2026 | 65,098 | 472 | 65,570 |
| | <u>\$ 535,098</u> | <u>\$ 36,512</u> | <u>\$ 571,610</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION REVENUE REFUNDING BONDS OF 2013**

April 30, 2017

| | |
|-------------------------|--|
| Date of Issue | February 4, 2013 |
| Date of Maturity | February 1, 2020 |
| Authorized Issue | \$2,115,000 |
| Interest Rates | 1.35% to 2.40% |
| Interest Dates | August 1 and February 1 |
| Principal Maturity Date | February 1 |
| Payable at | Alpine Bank and Trust Company, Rockford IL |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Amounts Due | | |
|------------------------|---------------------|------------------|---------------------|
| | Principal | Interest | Total |
| 2018 | \$ 400,000 | \$ 18,840 | \$ 418,840 |
| 2019 | 400,000 | 10,540 | 410,540 |
| 2020 | 260,000 | 3,120 | 263,120 |
| | <u>\$ 1,060,000</u> | <u>\$ 32,500</u> | <u>\$ 1,092,500</u> |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
IEPA WASTEWATER TREATMENT WORKS LOAN PAYABLE**

April 30, 2017

| | |
|-------------------------|--|
| Date of Issue | December 11, 2012 |
| Date of Maturity | May 1, 2032 |
| Authorized Issue | \$2,885,940 |
| Interest Rates | 1.25% |
| Interest Dates | May 3 and November 3 |
| Principal Maturity Date | May 3 and November 3 |
| Payable at | Illinois Environmental Protection Agency |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Amounts Due | | |
|------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2018 | \$ 102,335 | \$ 21,417 | \$ 123,752 |
| 2019 | 103,619 | 20,133 | 123,752 |
| 2020 | 104,917 | 18,835 | 123,752 |
| 2021 | 106,233 | 17,519 | 123,752 |
| 2022 | 107,565 | 16,187 | 123,752 |
| 2023 | 108,914 | 14,838 | 123,752 |
| 2024 | 110,280 | 13,472 | 123,752 |
| 2025 | 111,662 | 12,090 | 123,752 |
| 2026 | 113,062 | 10,690 | 123,752 |
| 2027 | 114,480 | 9,272 | 123,752 |
| 2028 | 115,916 | 7,836 | 123,752 |
| 2029 | 117,369 | 6,383 | 123,752 |
| 2030 | 118,841 | 4,911 | 123,752 |
| 2031 | 120,331 | 3,421 | 123,752 |
| 2032 | 121,840 | 1,912 | 123,752 |
| 2033 | 61,485 | 384 | 61,869 |
| | <u>\$ 1,738,849</u> | <u>\$ 179,300</u> | <u>\$ 1,918,149</u> |

(See independent auditor's report.)

SUPPLEMENTAL DATA

CITY OF BELVIDERE, ILLINOIS

ASSESSED VALUATIONS, TAX RATES, AND TAX EXTENSIONS

Last Five Tax Levy Years

| Tax Levy Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Assessed Valuations | | | | | |
| City | \$ 332,246,506 | \$ 296,657,007 | \$ 291,335,467 | \$ 293,958,710 | \$ 308,270,221 |
| Library | \$ 332,246,505 | \$ 296,657,007 | \$ 291,335,467 | \$ 293,858,710 | \$ 308,270,221 |
| Tax Rates - City | | | | | |
| Corporate | 0.57608 | 0.60596 | 0.61271 | 0.60660 | 0.56329 |
| IMRF | 0.02036 | 0.02608 | 0.02518 | 0.02481 | 0.02178 |
| Fire Protection | 0.01253 | 0.00695 | 0.00700 | 0.00690 | 0.00670 |
| Firefighters' Pension | 0.17874 | 0.25142 | 0.25112 | 0.27457 | 0.32452 |
| Police Protection | 0.01253 | 0.00695 | 0.00700 | 0.00689 | 0.00670 |
| Police Pension | 0.25066 | 0.32990 | 0.35452 | 0.35311 | 0.36368 |
| Garbage | 0.00783 | 0.02156 | 0.02273 | 0.01551 | 0.01508 |
| Audit | 0.00627 | 0.00695 | 0.00703 | 0.00690 | 0.00670 |
| Street Lighting | 0.06888 | 0.07302 | 0.07344 | 0.07236 | 0.06700 |
| Public Benefit | 0.01253 | 0.01391 | 0.01399 | 0.01379 | 0.01340 |
| Civil Defense | 0.00220 | 0.00247 | 0.00245 | 0.00242 | 0.00235 |
| Social Security | 0.06106 | 0.07650 | 0.07869 | 0.07753 | 0.06700 |
| Forestry | 0.01253 | 0.01391 | 0.01399 | 0.01379 | 0.01173 |
| Special Road and Bridge | 0.01879 | 0.02086 | 0.02099 | - | 0.02010 |
| Tort Judgment/Liability Insurance | 0.12790 | 0.10605 | 0.11540 | 0.11026 | 0.09715 |
| Insurance | 0.02818 | 0.02782 | 0.02798 | 0.02757 | 0.02513 |
| | 1.39707 | 1.59031 | 1.63422 | 1.63369 | 1.61231 |
| Tax Rates - Library | | | | | |
| Corporate | 0.20351 | 0.22986 | 0.23464 | 0.23304 | 0.22999 |
| Total Tax Rates | 1.60058 | 1.82017 | 1.86886 | 1.8667 | 1.8423 |
| Tax Extensions - City | | | | | |
| Corporate | \$ 1,840,028 | \$ 1,742,756 | \$ 1,752,157 | \$ 1,760,579 | \$ 1,681,554 |
| IMRF | 65,031 | 75,007 | 72,007 | 72,008 | 65,018 |
| Fire Protection | 40,021 | 20,017 | 20,018 | 20,026 | 20,001 |
| Firefighters' Pension | 570,904 | 723,119 | 718,124 | 796,904 | 968,769 |
| Police Protection | 40,021 | 20,017 | 20,018 | 20,026 | 20,001 |
| Police Pension | 800,620 | 948,801 | 1,013,815 | 1,024,856 | 1,085,671 |
| Garbage | 25,010 | 62,007 | 65,001 | 45,016 | 45,017 |
| Audit | 20,027 | 20,017 | 20,103 | 20,026 | 20,001 |
| Street Lighting | 220,006 | 210,007 | 210,016 | 210,016 | 200,011 |
| Public Benefit | 40,021 | 40,006 | 40,007 | 40,024 | 40,002 |
| Civil Defense | 7,027 | 7,104 | 7,006 | 7,024 | 7,015 |
| Social Security | 195,029 | 220,016 | 225,028 | 225,021 | 200,011 |
| Forestry | 40,021 | 40,005 | 40,007 | 40,024 | 35,017 |
| Special Road and Bridge | 60,016 | 60,023 | 60,025 | 60,021 | 60,003 |
| Tort Judgment/Liability Insurance | 408,519 | 305,003 | 330,007 | 320,015 | 290,016 |
| Insurance | 90,008 | 80,011 | 80,014 | 80,018 | 75,019 |
| | 4,462,309 | 4,573,916 | 4,673,353 | 4,741,604 | 4,813,126 |
| Tax Extensions - Library | | | | | |
| Corporate | 676,155 | 681,896 | 683,590 | 676,369 | 686,574 |
| Total Tax Extensions | \$ 5,138,464 | \$ 5,255,812 | \$ 5,356,943 | \$ 5,417,973 | \$ 5,499,700 |

(See independent auditor's report.)

CITY OF BELVIDERE, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Tax Levy Years

| Tax Levy Year | Fiscal year | Tax Levy Extensions | Total Collections to Date | |
|----------------------|--------------------|--------------------------------|----------------------------------|--------------------------------------|
| | | | Amount* | Percent of Levy Collected |
| 2007 | 2009 | \$ 3,761,018 | \$ 3,782,034 | 100.56% |
| 2008 | 2010 | 4,063,826 | 4,069,614 | 100.14% |
| 2009 | 2011 | 4,109,914 | 4,404,156 | 107.16% |
| 2010 | 2012 | 4,237,013 | 4,381,602 | 103.41% |
| 2011 | 2013 | 4,119,723 | 4,093,709 | 99.37% |
| 2012 | 2014 | 4,462,309 | 4,453,854 | 99.81% |
| 2013 | 2015 | 4,573,916 | 4,569,415 | 99.90% |
| 2014 | 2016 | 4,673,353 | 4,680,978 | 100.16% |
| 2015 | 2017 | 4,741,604 | 4,748,444 | 100.14% |
| 2016 | 2018 | 4,813,126 | - | 0.00% |

*This amount does not include the Tax Increment Financing property tax received or the property tax passed through the Township to the City for road and bridge purposes since the City does not levy for these amounts.

CITY OF BELVIDERE, ILLINOIS

LEGAL DEBT MARGIN

Last Five Tax Levy Years

| Tax Levy Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assessed Valuation | <u>\$ 332,246,506</u> | <u>\$ 296,657,007</u> | <u>\$ 291,335,467</u> | <u>\$ 293,958,710</u> | <u>\$ 308,270,221</u> |
| Bonded Debt Limit - 8.625% of Assessed Value | \$ 28,656,261 | \$ 25,586,667 | \$ 25,127,684 | \$ 25,353,939 | \$ 26,588,307 |
| Amount of Debt Applicable to Limit | <u>725,098</u> | <u>680,098</u> | <u>635,098</u> | <u>585,098</u> | <u>919,383</u> |
| Legal Debt Margin | <u>\$ 27,931,163</u> | <u>\$ 24,906,569</u> | <u>\$ 24,492,586</u> | <u>\$ 24,768,841</u> | <u>\$ 25,668,924</u> |
| Percentage of Legal Debt Margin to Bonded Debt Limit | <u>2.53%</u> | <u>2.66%</u> | <u>2.53%</u> | <u>2.31%</u> | <u>3.46%</u> |

(See independent auditor's report.)