

CITY OF BRAIDWOOD, ILLINOIS
ANNUAL FINANCIAL REPORT
APRIL 30, 2017



CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

*Mack & Associates, P.C.
Certified Public Accountants*

*116 E. Washington Street, Suite One
Morris, IL 60450
Telephone: (815) 942-3306*

CITY OF BRAIDWOOD, ILLINOIS

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INDEPENDENT AUDITORS' REPORT



116 E. Washington Street
Suite One
Morris, Illinois 60450

Phone: (815) 942-3306
Fax: (815) 942-9430
www.mackcpas.com

TAWNYA R. MACK, CPA
LAURI POPE, CPA
ERICA BLUMBERG, CPA
TREVOR DEBELAK, CPA
MATT MELVIN
CHRIS CHRISTENSEN
STEPHANIE HEISNER

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor and
Board of Commissioners
City of Braidwood, Illinois

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audit contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinions

The City has omitted disclosures required by Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Braidwood, Illinois, as of April 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-12, budgetary comparison and other information on pages 57-62, IMRF and police pension data schedules on pages 63-66, and notes to required supplementary information on page 67 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Braidwood, Illinois' basic financial statements. The combining and individual non-major fund financial statements on pages 68-69, budgetary comparison and other information on pages 70-78, and the supplemental information on pages 79-81 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters – (Continued)

Other Information – (Continued)

The budgetary comparison and other information, and supplemental information have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017 on our consideration of the City of Braidwood, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Braidwood, Illinois' internal control over financial reporting and compliance.

Comparative Information

We previously audited the April 30, 2016 financial statements. The summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived. Such information is presented for comparison purposes only.


Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
October 24, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS
(UNAUDITED)

CITY OF BRAIDWOOD, ILLINOIS

Management's Discussion and Analysis - Unaudited April 30, 2017

As management of the City of Braidwood, we offer readers of the City of Braidwood's financial statements this narrative overview and analysis of the financial activities of the City of Braidwood for the fiscal year ended April 30, 2017. Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the City's financial statements.

HIGHLIGHTS

- As reported on the City-wide financial statements, the assets of the City exceeded liabilities at April 30, 2017 by \$46,411,363 (net position).
- The overall financial position of the City decreased by \$1330,828 on the City-wide financial statements.
- At April 30, 2017, the governmental funds have a combined fund balance of \$1,484,182, of which \$1,882,190 pertains to the TIF funds, as reported on the fund financial statements. The City's fund balance consists of \$2,385,840 in restricted balances, \$139,441 in non-spendable fund balances, and a deficit of (\$1,041,099) in unassigned fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Braidwood's basic financial statements. The City of Braidwood's basic financial statements are comprised of three components: 1) city-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

City-wide Financial Statements

The city-wide financial statements are designed to provide readers with a broad overview of the City of Braidwood's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City of Braidwood's assets and liabilities, 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 of Braidwood is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year, as well as if fees for services are funding the expenses of the related activity.

The governmental activities reflect the City's basic services, including administration, public safety, and highways and streets. Property taxes, shared state taxes and local utility taxes finance the majority of these services. The business-type activities reflect private sector type operations, where the fee for service typically covers all or most of the cost of operations, including depreciation.

The city-wide financial statements can be found on pages 13-14 of this report.

Management's Discussion and Analysis - Unaudited
April 30, 2017

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Braidwood, like other state and 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 are used to account for the same functions reported as governmental activities in the city-wide financial statements. However, unlike the city-wide financial statements, 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.

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

The City maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balances for the General Fund, TIF #2 Fund and TIF #3 Fund which are considered to be major funds. Information from the City's other governmental funds is combined into a single column presentation. Individual fund information for these nonmajor governmental funds is provided elsewhere in the report. The governmental fund financial statements can be found on pages 15-17 of this report.

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the city-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer operations and garbage operations in the Water and Sewer Fund, which is considered to be a major fund of the City. The enterprise fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the city-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary fund financial statements can be found on pages 21-22 of this report.

CITY OF BRAIDWOOD, ILLINOIS

Management's Discussion and Analysis - Unaudited April 30, 2017

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the city-wide and fund financial statements.

Required Supplementary Information and Other Information

In addition to the basic financial statements this report also includes certain required supplementary information related to budgetary information and the City's progress in funding its obligation to provide pension benefits to its employees. Nonmajor fund information immediately follows the required supplementary information.

Statement of Net Position

The following reflects the condensed Statement of Net Position for Governmental Activities:

Condensed Statement of Net Position			
Governmental Activities			
	<u>April 30, 2017</u>	<u>April 30, 2016</u>	<u>% Change</u> <u>2016-2017</u>
Assets:			
Current Assets	\$ 2,944,202	3,410,568	-13.67%
Capital Assets, net	15,995,782	16,430,529	-2.65%
Total Assets	<u>18,939,984</u>	<u>19,841,097</u>	<u>-4.54%</u>
Deferred Outflows:	<u>777,968</u>	<u>373,055</u>	<u>108.54%</u>
Liabilities:			
Current Liabilities	347,716	578,611	-39.91%
Long-Term Liabilities:			
Due within one year	35,520	34,175	3.94%
Due beyond one year	3,507,783	2,758,682	27.15%
Total Liabilities	<u>3,891,019</u>	<u>3,371,468</u>	<u>15.41%</u>
Deferred Inflows:	<u>1,037,995</u>	<u>1,015,770</u>	<u>2.19%</u>
Net Position:			
Net investment in capital assets	16,065,953	16,311,834	-1.51%
Unrestricted	(3,662,855)	(2,957,868)	-23.83%
Restricted	2,385,840	2,472,948	-3.52%
Total Net Position	<u>\$ 14,788,938</u>	<u>15,826,914</u>	<u>-6.56%</u>

CITY OF BRAIDWOOD, ILLINOIS

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

The following reflects the condensed Statement of Net Position for Business-Type Activities:

**Condensed Statement of Net Position
Business-Type Activities**

	<u>April 30, 2017</u>	<u>April 30, 2016</u>	<u>% Change 2016-2017</u>
Assets:			
Current Assets	\$ 3,889,290	4,027,354	-3.43%
Capital Assets, net	38,187,488	38,999,384	-2.08%
Total Assets	<u>42,076,778</u>	<u>43,026,738</u>	<u>-2.21%</u>
Liabilities:			
Current Liabilities	324,819	394,444	-17.65%
Long-Term Liabilities:	10,129,534	10,717,017	-5.48%
Total Liabilities	<u>10,454,353</u>	<u>11,111,461</u>	<u>-5.91%</u>
Net Position:			
Net Investment in Capital Assets	28,057,954	28,282,367	-0.79%
Unrestricted	3,564,471	3,632,910	-1.88%
Total Net Position	<u>\$ 31,622,425</u>	<u>31,915,277</u>	<u>-0.92%</u>

Discussion of Significant Changes

Governmental: The City's net position decreased \$1,037,976 as a result of TIF Projects totaling \$397,561 and depreciation expense of \$630,999.

Business-type: The City's net position decreased by \$292,852 as fees related to service revenue during the current fiscal year significantly decreased as the result of billing errors.

CITY OF BRAIDWOOD, ILLINOIS

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

Statement of Activities

The following reflects the condensed Statement of Activities:

**Condensed Statement of Activities
Governmental Activities**

	<u>April 30, 2017</u>	<u>April 30, 2016</u>	<u>% Change 2016-2017</u>
Revenue:			
Program Revenues:			
Fees, Fines and Charges for Services	\$ 337,786	380,036	-11.12%
Grants and Contributions	28,821	6,669	332.16%
General Revenues:			
Property Taxes	1,675,321	1,652,539	1.38%
State Taxes	1,649,830	1,588,868	3.84%
Investment Earnings	18,224	6,954	162.06%
Other General Revenues	274,045	290,600	-5.70%
Total Revenue	<u>3,984,027</u>	<u>3,925,666</u>	<u>1.49%</u>
Expenses:			
General Government	1,459,138	1,145,778	27.35%
Public Safety	2,575,049	2,309,597	11.49%
Highway and Streets	987,816	930,417	6.17%
Total Expenses	<u>5,022,003</u>	<u>4,385,792</u>	<u>14.51%</u>
Excess (Deficiency) of Revenues over Expenses	(1,037,976)	(460,126)	125.59%
Other Financing Sources			
Transfers In	<u>-</u>	<u>60,000</u>	<u>-100.00%</u>
Change in Net Position	(1,037,976)	(400,126)	159.41%
Net Position Beginning of Year	<u>15,826,914</u>	<u>16,227,040</u>	<u>-2.47%</u>
Net Position End of Year	<u>\$ 14,788,938</u>	<u>15,826,914</u>	<u>-6.56%</u>

CITY OF BRAIDWOOD, ILLINOIS

Management's Discussion and Analysis - Unaudited
April 30, 2017

**Condensed Statement of Activities
Business-Type Activities**

	<u>April 30, 2017</u>	<u>April 30, 2016</u>	<u>% Change 2016-2017</u>
Receipts:			
Revenues:			
Program Revenues:			
Fees, Fines and Charges for Services	\$ 2,596,904	3,002,120	-13.50%
General Revenue:			
Investment Earnings	2,909	408	612.99%
Total Revenues	<u>2,599,813</u>	<u>3,002,528</u>	<u>-13.41%</u>
Expenses:			
Water and Sewer Operations	2,472,042	2,391,630	3.36%
Garbage Operations	420,623	432,400	-2.72%
Total Expenses	<u>2,892,665</u>	<u>2,824,030</u>	<u>2.43%</u>
Special Items			
Transfers/Capital Contributions (net)	<u>-</u>	<u>42,845</u>	<u>-100.00%</u>
Change in Net Position	(292,852)	221,343	-232.31%
Net Position Beginning of Year	<u>31,915,277</u>	<u>31,693,934</u>	<u>0.70%</u>
Net Position End of Year	<u>\$ 31,622,425</u>	<u>31,915,277</u>	<u>-0.92%</u>

Discussion of Significant Changes

Governmental: Revenues increased during the current fiscal year mostly due to an increase in property taxes, state taxes, and fines and forfeitures. Expenditures increased as a result of increasing public safety related expenditures along with an increase in road repairs and projects.

Business-Type: The City's water and sewer billings were underbilled throughout the fiscal year, resulting in a decrease in utility billing revenue.

CITY OF BRAIDWOOD, ILLINOIS

Management's Discussion and Analysis - Unaudited April 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As noted earlier, the City of Braidwood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. 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 combined ending fund balances of \$1,484,182.

The general corporate fund is the primary operating fund of the City. During the year, expenditures incurred exceeded revenues earned in the general fund by \$415,313. A portion of the City was located within a TIF District. Those funds are to be used for economic development within the District either through redevelopment agreements or infrastructure improvements.

GENERAL CORPORATE FUND BUDGETARY HIGHLIGHTS

Income: Revenue was less than the estimated amount by \$278,821, largely attributable to the budget amount of \$150,000 for sale of equipment which did not occur and license/contractor fees which significantly decreased as a result of the write-off of prior accounts receivable.

Expenditures: Expenditures exceeded the appropriated amount by \$76,492. In addition, total expenditures increased from 2016 by \$322,240, largely attributable to an increase in payroll expenditures for street and police protection. Police pension contributions of \$201,188 were not appropriated for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City added \$351,739 of assets to the governmental activities during the fiscal year. Additions included road improvements and equipment purchases. Additionally, the City added \$130,582 of equipment and infrastructure for water/sewer purposes during the fiscal year.

Detailed information about the City's capital asset activity can be found in Note 5 of the notes to the basic financial statements.

CITY OF BRAIDWOOD, ILLINOIS

Management's Discussion and Analysis - Unaudited April 30, 2017

Debt Administration

The City of Braidwood had total outstanding debt of \$10,196,351 at April 30, 2017. This entire amount is backed by the full faith and credit of the City. The following is a comparative table of outstanding debt:

	2017	2016	Increase (Decrease)
Governmental Activities:			
Capital Lease Obligations	\$ 66,817	100,195	(33,378)
Total Governmental Activities	<u>\$ 66,817</u>	<u>100,195</u>	<u>(33,378)</u>
Business-Type Activities:			
Capital Lease Obligations	\$ -	18,954	(18,954)
2010 EPA Loan	10,129,534	10,698,063	(568,529)
Total Business-Type Activities	<u>\$ 10,129,534</u>	<u>10,717,017</u>	<u>(587,483)</u>
Total Outstanding Debt:	<u>\$ 10,196,351</u>	<u>10,817,212</u>	<u>(620,861)</u>

Detailed information about the City's long-term debt activity can be found in Note 6 of the notes to the basic financial statements.

ECONOMIC FACTORS

The City actively and continuously manages its revenues and expenditures in an effort to maximize the benefit of its economic resources. It is possible that the City will receive fewer tax revenue dollars in Fiscal Year 2018. This means the City must consider other revenue-generating opportunities while responsibly controlling its operating costs and expenditures.

The Mayor and City Council have created a marketing plan to attract new business investment into the City of Braidwood. The development and implementation of this marketing plan has been, and will continue to be, a top priority for this administration.

The City has been operating with outdated and/or obsolete equipment for many years. This administration is committed to reducing repair and maintenance costs by responsibly investing in modern and more efficient equipment.

As to the administrative function, the office staff continues to be cross trained which has reduced overtime costs and has enabled the office personnel to increase their efforts to collect past due receivables. In addition, more computerized services such as the acceptance of credit cards for selected services are now being offered. Payroll timesheet software is being put in place to minimize manipulation of the timekeeping function and will give the administration department more functionality, more accountability and less instances for errors in payroll processing. The Clerk's office is going to implement a laserfiche program that will replace Municode and will add functionality for paperless storage.

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

ECONOMIC FACTORS – (Continued)

The City's office staff continues to be trained across multiple administrative functions. The sharing of responsibilities has helped reduce overtime costs, and positions the City to pursue specific administrative initiatives, such as the focused effort to collect past due receivables, for example. In addition, the implementation of more modern processes and systems (i.e. acceptance of credit cards for certain services) has enabled the City to offer more convenience and service to citizens while improving information management.

The City has also realized improved efficiency and effectiveness in various departments (Legal, Finance, Planning and Engineering) by utilizing third party consultants to supplement those areas of city government. The use of these consultants for very specific, short-term purposes results in a lower total cost to the City than hiring full time employees.

REQUIRED SUPPLEMENTARY INFORMATION

This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the City-wide statements, fund financial statements, and notes (referred to as "basic financial statements").

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Mayor, City of Braidwood, 141 W Main Street, Braidwood, Illinois, 60408.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statement
Statement of Net Position
April 30, 2017

	Primary Government		Total	
	Governmental Activities	Business-type Activities	2017	2016
<u>Assets</u>				
Cash in Bank	\$ 107,664	3,470,471	3,578,135	4,346,942
Accounts Receivable	520,482	385,788	906,270	1,046,611
Property Taxes Receivable	1,716,777	-	1,716,777	1,666,941
Prepaid Insurance/Expenses	139,441	33,031	172,472	195,945
Net Pension Asset	322,850	-	322,850	181,483
Land Held for Sale	136,988	-	136,988	155,488
Capital Assets:				
Land	3,394,951	419,805	3,814,756	3,814,756
Equipment	1,384,618	1,100,110	2,484,728	2,415,466
Buildings and Improvements	3,752,480	29,687,441	33,439,921	33,439,922
Infrastructure	18,292,495	21,096,696	39,389,191	38,522,582
Construction in Progress	-	53,596	53,596	507,144
Accumulated Depreciation	(10,828,762)	(14,170,160)	(24,998,922)	(23,425,445)
Total Assets	18,939,984	42,076,778	61,016,762	62,867,835
<u>Deferred Outflows of Resources</u>				
Deferred Outflows Related to Pension Changes	777,968	-	777,968	373,055
Total Deferred Outflows of Resources	777,968	-	777,968	373,055
<u>Liabilities</u>				
Accrued Payroll	83,447	17,230	100,677	71,114
Deposits Payable	41,262	-	41,262	41,262
Accounts Payable	55,500	224,882	280,382	435,587
Compensated absences	167,507	82,707	250,214	243,607
Net Pension Obligation	3,476,486	-	3,476,486	2,874,147
Due within one year:				
Capital Lease Obligations	35,520	-	35,520	53,129
IEPA Loan Payable	-	575,658	575,658	568,529
Due in more than one year:				
Capital Lease Obligations	31,297	-	31,297	66,020
IEPA Loan Payable	-	9,553,876	9,553,876	10,129,534
Total liabilities	3,891,019	10,454,353	14,345,372	14,482,929
<u>Deferred Inflows of Resources</u>				
Property Taxes Levied for Subsequent Years	819,973	-	819,973	771,624
Deferred Inflows Related to Pension Changes	218,022	-	218,022	244,146
Total Deferred Inflows of Resources	1,037,995	-	1,037,995	1,015,770
<u>Net Position</u>				
Net Investment in Capital Assets	16,065,953	28,057,954	44,123,907	44,612,701
Unrestricted	(3,662,855)	3,564,471	(98,384)	675,042
Restricted	2,385,840	-	2,385,840	2,454,448
Total net position	\$ 14,788,938	31,622,425	46,411,363	47,742,191

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF BRAIDWOOD, ILLINOIS

Government-wide Financial Statement
Statement of Activities
For the Year Ended April 30, 2017

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,459,138	223,728	-	-	(1,235,410)	-	(954,306)
Public Safety	2,575,049	114,058	530	28,291	(2,432,170)	-	(2,114,384)
Highways and Streets	987,816	-	-	-	(987,816)	-	(930,417)
Total Governmental Activities	5,022,003	337,786	530	28,291	(4,655,396)	-	(3,999,087)
Business-type Activities:							
Water and Sewer	2,340,087	1,969,808	-	-	-	(370,279)	174,310
Garbage	420,623	572,571	-	-	-	151,948	142,775
Unallocated Interest	131,955	-	-	-	-	(131,955)	(138,995)
Total Business-type Activities	2,892,665	2,542,379	-	-	-	(350,286)	178,090
Total primary government	\$ 7,914,668	2,880,165	530	28,291	(4,655,396)	(350,286)	(3,820,997)
General revenues:							
Taxes:							
Property Taxes					\$ 1,675,321	-	1,675,321
Utility Tax					398,290	-	398,290
Sales Tax					452,763	-	452,763
Income Tax					586,285	-	586,285
Replacement Tax					8,809	-	8,809
Local use Tax					152,648	-	152,648
Hotel/Motel Tax					17,123	-	17,123
Gaming Tax					33,912	-	33,912
Intergovernmental Revenue					163,526	-	163,526
Interest on Investments					18,224	2,909	21,133
Reimbursements					68,302	54,525	122,827
Miscellaneous					42,217	-	42,217
Total General Revenues					3,617,420	57,434	3,674,854
Special Items:							
Capital Contributions					-	-	-
Transfers					-	-	-
Total Special Items					-	-	-
Change in Net Position					(1,037,976)	(292,852)	(1,330,828)
Net Position at Beginning of Year,					15,826,914	31,915,277	47,742,191
Net Position at End of Year					\$ 14,788,938	31,622,425	46,411,363

The Notes to Basic Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
April 30, 2017

	Major Funds				Total	
	General	TIF #2	TIF #3	Nonmajor	Governmental Funds	
	Corporate Fund	Fund	Fund	Funds	2017	2016
<u>Assets</u>						
Cash	\$ 680,762	136,971	1,627,141	774,430	3,219,304	3,945,662
Accounts Receivable	466,832	-	40,095	13,555	520,482	581,605
Property Taxes Receivable	1,099,273	99,387	52,614	465,503	1,716,777	1,666,941
Prepaid Insurance/Expenses	45,214	-	-	94,227	139,441	152,698
Total Assets	\$ 2,292,081	236,358	1,719,850	1,347,715	5,596,004	6,346,906
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Overdraft payable	\$ 2,591,441	-	-	520,199	3,111,640	3,117,821
Accounts payable	45,421	-	3,350	6,729	55,500	129,924
Accrued payroll	83,447	-	-	-	83,447	57,026
Deposits payable	41,262	-	-	-	41,262	41,262
Total Liabilities	2,761,571	-	3,350	526,928	3,291,849	3,346,033
Deferred Inflows of Resources:						
Property Taxes Levied for Subsequent Years	526,395	43,694	26,974	222,910	819,973	771,624
Fund Balance:						
Unassigned	(1,041,099)	-	-	-	(1,041,099)	(628,388)
Non-spendable	45,214	-	-	94,227	139,441	152,698
Committed	-	-	-	-	-	250,491
Restricted	-	192,664	1,689,526	503,650	2,385,840	2,454,448
Total Fund Balance (Deficit)	(995,885)	192,664	1,689,526	597,877	1,484,182	2,229,249
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,292,081	236,358	1,719,850	1,347,715		

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$26,824,544 (net of accumulated depreciation of \$10,828,762), are not financial resources and, therefore, are not reported in the funds.	\$ 15,995,782	16,275,041
Land Held for Sale	136,988	155,488
Some liabilities, including debt obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Capital Lease Payable	(66,817)	(100,195)
Net Pension Asset (Liability)	(3,153,636)	(2,692,664)
Compensated Absences	(167,507)	(168,914)
Net Deferred Pension Outflows (Inflows)	559,946	128,909
Net position of governmental activities	\$ 14,788,938	15,826,914

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended April 30, 2017

	Major Funds			Nonmajor Governmental Funds	Total	
	General Corporate Fund	TIF #2 Fund	TIF #3 Fund		Governmental Funds	
					2017	2016
<u>Revenues</u>						
Property Taxes	\$ 1,074,828	96,283	41,895	462,315	1,675,321	1,652,539
Utility Tax	398,290	-	-	-	398,290	383,891
Sales Tax	452,763	-	-	-	452,763	395,766
Income Tax	586,285	-	-	-	586,285	627,529
Replacement Tax	8,809	-	-	-	8,809	7,930
Local Use Tax	152,648	-	-	-	152,648	142,913
Hotel/Motel Tax	17,123	-	-	-	17,123	17,472
State Gaming Tax	33,912	-	-	-	33,912	13,367
Interest Income	9,034	-	9,189	1	18,224	6,954
Motor Fuel Tax	-	-	-	163,526	163,526	164,958
Fines, Fees and Forfeitures	223,728	-	-	64,454	288,182	216,323
Grants & Donations	28,821	-	-	-	28,821	6,669
Licenses and Permits	49,604	-	-	-	49,604	163,713
Reimbursements	68,302	-	-	-	68,302	44,241
Miscellaneous	22,155	-	20,062	-	42,217	81,401
Total Revenues	3,126,302	96,283	71,146	690,296	3,984,027	3,925,666
<u>Expenditures</u>						
Current:						
General Government	641,051	-	393,756	362,763	1,397,570	1,496,326
Public Safety	2,335,020	-	-	173,158	2,508,178	2,278,341
Highways and Streets	507,643	-	-	187,832	695,475	481,121
Capital Outlay	57,901	520	3,285	66,165	127,871	329,037
Total Expenditures	3,541,615	520	397,041	789,918	4,729,094	4,584,825
Excess (deficiency) of revenues over expenditures	(415,313)	95,763	(325,895)	(99,622)	(745,067)	(659,159)
Other financing sources (uses)- Transfers In	-	-	-	-	-	60,000
Total Other Financing Sources (Uses)	-	-	-	-	-	60,000
Net Change in Fund Balance	(415,313)	95,763	(325,895)	(99,622)	(745,067)	(599,159)
Fund balance (deficit) - Beginning	(580,572)	96,901	2,015,421	697,499	2,229,249	2,828,408
Fund balance (deficit) - Ending	\$ (995,885)	192,664	1,689,526	597,877	1,484,182	2,229,249

The Notes to Basic Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended April 30, 2017

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - total governmental funds	\$ (745,067)	(599,159)
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Amounts reported for governmental activities in the
 Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the
 Statement of Net Position:

Capital Leases	33,378	55,803
Changes in Compensated Absences	1,407	(6,543)

Certain expenses reported in the Statement of Activities do not require
 the use of current financial resources and, therefore, are not reported
 as expenditures in the governmental funds.

Changes in Net Pension Obligations	(48,434)	460,616
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those
 assets is allocated over their estimated useful lives and
 reported as depreciation expense. The change in fund
 balance must be increased by capital purchases and decreased
 by depreciation expense.

Purchase of capital assets	351,739	328,143
Depreciation	(630,999)	(638,986)

Change in net position of governmental activities (Statement B)	\$ (1,037,976)	(400,126)
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Statement of Fund Net Position
Proprietary Fund
April 30, 2017

	Enterprise Fund	
	April 30,	
	2017	2016
<u>Assets</u>		
Current Assets:		
Cash and Investments	\$ 3,470,471	3,519,101
Accounts Receivable	385,788	465,006
Prepaid Insurance/Expenses	33,031	43,247
Total Current Assets	3,889,290	4,027,354
Noncurrent Assets:		
Land	419,805	419,805
Construction in Progress	53,596	-
Equipment	1,100,110	1,050,392
Buildings and Improvements	29,687,441	29,687,442
Infrastructure	21,096,696	21,069,427
Accumulated Depreciation	(14,170,160)	(13,227,682)
Total Noncurrent Assets	38,187,488	38,999,384
Total Assets	\$ 42,076,778	43,026,738
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 224,882	305,663
Accrued Payroll	17,230	14,088
Compensated Absences	82,707	74,693
Current Portion of Long-term Debt	575,658	587,483
Total Current Liabilities	900,477	981,927
Noncurrent Liabilities:		
Long-term Debt & Capital Lease	9,553,876	10,129,534
Total Noncurrent Liabilities	9,553,876	10,129,534
Total Liabilities	10,454,353	11,111,461
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	28,057,954	28,282,367
Unrestricted	3,564,471	3,632,910
Total Net Position	31,622,425	31,915,277
Total Liabilities and Net Position	\$ 42,076,778	43,026,738

The Notes to Basic Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended April 30, 2017

	Enterprise Fund	
	Year Ended April 30,	
	2017	2016
Operating Revenues:		
Sewer Charges	\$ 1,087,651	1,453,308
Water Charges	936,682	973,637
Garbage Charges	572,571	575,175
Total Operating Revenues:	2,596,904	3,002,120
Operating Expenses:		
Water and Sewer Operations	1,397,609	1,323,682
Garbage Operations	420,623	432,400
Depreciation	942,478	928,953
Total Operating Expenses	2,760,710	2,685,035
Operating Income (Loss)	(163,806)	317,085
Non-Operating Revenues (Expenses):		
Interest Income	2,909	408
Interest Expense	(131,955)	(138,995)
Total Non-Operating Revenues (Expenses)	(129,046)	(138,587)
Income (Loss) Before Contributions and Transfers	(292,852)	178,498
Capital Contributions	-	102,845
Transfers Out	-	(60,000)
Total	-	42,845
Change in Net Position	(292,852)	221,343
Total Net Position - Beginning	31,915,277	31,693,934
Total Net Position - Ending	\$ 31,622,425	31,915,277

The Notes to Basic Financial Statements are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended April 30, 2017

	Enterprise Fund
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 2,676,122
Payments for Goods and Services	(1,312,585)
Payments to Employees	(565,056)
Net Cash Provided by Operating Activities	798,481
Cash Flows From Capital and Related Financing Activities:	
Capital Asset Additions	(130,582)
Principal Payments on Long-Term Debt	(587,483)
Interest Paid on Long-Term Debt	(131,955)
Net Cash Provided by Capital and Related Financing Activities	(850,020)
Cash Flows From Investing Activities:	
Interest Received	2,909
Net Cash Provided by Investing Activities	2,909
Net Increase in Cash and Cash Equivalents	(48,630)
Cash Balance - Beginning of the Year	3,519,101
Cash Balance - End of the Year	\$ 3,470,471
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (163,806)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	942,478
Changes in non-current assets and liabilities:	
Accounts receivable	79,218
Prepaid expenses	10,216
Accounts payable	(80,781)
Accrued payroll	3,142
Compensated absences	8,014
Net Cash Provided by Operating Activities	\$ 798,481

Trust and Agency Funds
Statement of Fiduciary Net Position
April 30, 2017

	Police Pension Trust Fund	Police Agency Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 71,171	3,297
Investments, at Fair Value:		
Fixed Income	2,079,916	-
Mutual Funds	1,505,598	-
Prepaid Expenses	2,218	-
Accrued Interest	17,231	-
Total Assets	<u>\$ 3,676,134</u>	<u>3,297</u>
<u>Liabilities</u>		
Payable to others	\$ -	3,297
Unpaid expenses	3,847	-
Total Liabilities	<u>3,847</u>	<u>3,297</u>
<u>Net Position</u>		
Plan Net Position Restricted for Pensions	<u>\$ 3,672,287</u>	

Police Pension Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended April 30, 2017

	Year Ended April 30,	
	2017	2016
Additions:		
Contributions:		
Employer	\$ 201,188	230,493
Plan Members	155,895	66,826
Total Contributions	357,083	297,319
Investment Income:		
Interest and Dividends	108,346	114,118
Net Change in Fair Value	148,763	(60,009)
Total Investment Income	257,109	54,109
Less: Investment Expense	(14,003)	(13,160)
Net Investment Income	243,106	40,949
Total Additions	600,189	338,268
Deductions:		
Administrative Expenses	43,940	50,077
Benefits	262,030	185,929
Total Deductions	305,970	236,006
Change in Position	294,219	102,262
Net Position Restricted for Pensions, Beginning of Year	3,378,068	3,275,806
Net Position Restricted for Pensions, End of Year	\$ 3,672,287	3,378,068

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Braidwood, Illinois is an Illinois unit of local government. The City provides general governmental services to citizens.

These financial statements are presented using the modified accrual basis of accounting which conforms to accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The City has adopted the provisions of GASB Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City, for financial purposes, includes all funds relevant to the operations of the City. The accompanying financial statements present the City's primary government over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. The City did not omit from the financial statements any agency that met the inclusion criteria.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for trust and agency funds. As a general rule, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Government-wide Statement of Activities reflects both the direct expenses and net cost of each function of the City's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. at least 10 percent of the corresponding total for all funds of total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at that category or type, and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The funds of the financial reporting entity are described below:

Governmental Fund Types:

General Fund – The General Corporate Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The expenditures for these special purposes are included as General Corporate Fund expenditures.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. Major Special Revenue Fund Types include:

- TIF #2 fund – used to account for revenues derived from the Tax Increment Financing District to pay development costs.
- TIF #3 fund – used to account for revenues derived from the Tax Increment Financing District to pay development costs.

Proprietary Fund Types:

Proprietary funds are used to account for City activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

The City reports the following major proprietary fund:

Enterprise Fund – The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City is that costs of providing goods and services to the general public on a continuing basis be financed and recovered primarily through user charges. The services include water, sewer, and garbage.

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, or other funds.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Police Pension Trust Fund – This fund is established to provide pension benefits for its participants. The principal revenue sources for this fund are contributions from the City in the form of employer and employee contributions.

Police Agency Fund - This benevolent fund is included in the Statement of Fiduciary Net Position and is considered part of the City.

C. Measurement Focus

In the Government-wide Statement of Net Position and the Statement of Activities, the governmental and business-type activities are presented using the economic resources measurement focus.

In the fund financial statements, the governmental and business-type activities are presented using the “current financial resources” measurement focus or the “economic resources” measurement focus.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost of recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with the activities are reported. Proprietary fund equity is classified as net position.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

All proprietary funds and nonexpendable trust funds are accounted for using an economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund balance (total net position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position.

The modified accrual basis of accounting is used by all governmental fund types excluding agency funds which operate under the cash basis of accounting based on the nature of the accounts. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (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. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, other taxes, licenses, interest revenue and charges for services. Sales tax collected and held by the state at year-end on behalf of the government also is recognized as revenue.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Assets, Liabilities, and Fund Balance

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments

Investments are carried at cost, which approximates fair value. As of the current fiscal year the City has no investments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Assets, Liabilities, and Fund Balance – (Continued)

Capital Assets

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004.

Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Infrastructure	40-100 years
Equipment and Vehicles	5-20 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide and proprietary fund financial statements. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Assets, Liabilities, and Fund Balance – (Continued)

Fund Balance Classification - Government-wide Statements

Fund balance is classified as net position and displayed in three components:

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

F. Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of the Activities, modified accrual basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	User fees, licenses, fines, grants & contributions
Business-type	User fees

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Accumulated Unpaid Vacation, and Other Employee Benefit Amounts

Accumulated unpaid vacation and other employee benefit amounts are accrued in governmental and proprietary funds. At April 30, 2017, the amount of compensated absences accrued was \$250,214.

I. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Police Pension Fund and IMRF and additions to /deductions from the Police Pension Fund and IMRF fiduciary net position have been determined on the same basis as they are reported by the Police Pension Fund and IMRF.

NOTE 2: PROPERTY TAXES

The City's property tax levy must be adopted by the Council by the last Tuesday of December. Property taxes are levied and attach as an enforceable lien on property on January 1 and are payable in two installments on June 1 and September 1 subsequent to the year of levy. The 2015 property tax levy in the amount of \$1,598,000, reduced by statutory limitations to \$1,526,294, was received by the City in the current fiscal year. On November 22, 2016, the Council passed the 2016 property tax levy in the amount of \$1,600,000 reduced by statutory limitations to \$1,546,098 which will be received by the City in the subsequent fiscal year.

The City received property taxes in the amount of \$93,881 for TIF District #2 in the current fiscal year. The City also received \$28,062 in property taxes for the TIF District #3. The City does not levy for property taxes for the TIF Districts as this money is allocated based on assessed valuations of the municipalities within the TIF District.

The City reported the entire 2016 tax levy as property taxes receivable as required by GAAP. The City recognized the portion of the 2016 property tax levy due within the first 60 days of the subsequent fiscal year as revenue as required. The remaining portion of the levy is reported as deferred property taxes on the financial statements.

NOTE 3: PERSONAL PROPERTY REPLACEMENT TAXES

The Personal Property Replacement Tax represents an additional State of Illinois income tax on corporations (certain utilities), trusts, partnerships, and Subchapter S corporations and a new tax on the invested capital of public utilities providing gas, communications, electrical and waste services.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 4: CASH AND INVESTMENTS

Cash and cash equivalents, for reporting purposes, include bank accounts, petty cash and all short-term investments with a remaining maturity of three months or less when purchased. All amounts are stated at cost which approximates market value.

Permitted Deposits and Investments - Statutes authorize the City to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two rating services, and the Illinois Public Treasurer's Investment Pool.

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does require that all amounts in excess of any insurance limits be collateralized, unless the amount of funds deposited in a financial institution exceeds 50% of the capital stock and surplus of a bank, exceeds 50% of net worth of a savings bank or savings and loan association, or exceeds 50% of the unimpaired capital and surplus of a credit union.

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by securities held by the pledging financial institution. The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution. As of April 30, 2017, the carrying amount of the City's deposits was \$3,577,455 (net of overdrafts payable of \$3,111,640 and excluding petty cash of \$680) and the bank balance was \$3,680,893.

The City has a pooled cash account with U.S. Bank. While the City still has a positive balance in the account, there is an overdraft in the General Fund of \$2,591,441, Motor Fuel Tax Fund of \$479,366, and Liability Insurance Fund of \$40,833.

Investments

Investments are stated at cost, which approximates market value. As of the current fiscal year the City does not have any investments.

Police Pension Fund:

Trust Fund's Investments

The Pension Trust Fund is authorized to invest in bonds, notes and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicles as set forth in the Illinois Compiled Statutes. The Police Pension Fund is subject to a separate audit that is available by contacting the City at 141 W Main St, Braidwood, IL 60408.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 4: CASH AND INVESTMENTS - (Continued)

Police Pension Fund: – (Continued)

Trust Fund's Investments – (Continued)

As of April 30, 2017, the Pension Trust Fund's investments were as follows:

	Cost	Fair Value
Money Market	\$ 71,171	71,171
Treasury	319,687	320,396
Agency	1,418,802	1,446,250
Muni	323,453	313,269
Equity	1,186,078	1,505,598
Total investments	\$ 3,319,191	3,656,685

The following schedule reports the fair values and maturities for the pension's investments at April 30, 2017.

Investment Type	Fair Value	Investment Maturities - in Years			
		Less Than 1	1-5	6-10	More Than 10
Equity Mutual Funds	\$ 1,505,598	1,505,598			
Tennessee Valley Authority	77,413	-	26,924	-	50,490
Federal Farm Credit Bank	518,573	-	87,218	339,253	92,102
Federal Home Loan Bank	614,025	25,272	187,343	303,005	98,404
Federal Home Loan Mortgage	236,239	-	136,108	100,132	-
Municipal Bonds	313,269	50,003	159,620	103,646	-
US Treasury Notes	320,396	49,930	167,857	102,609	-
Money Market Funds	71,171	71,171	-	-	-
Total	\$ 3,656,685	1,701,974	765,070	948,645	240,996

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 4: CASH AND INVESTMENTS - (Continued)

Police Pension Fund: – (Continued)

Trust Fund's Investments – (Continued)

Interest Rate Risk – The Pension Trust Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Pension Trust Fund has adopted the applicable Illinois Statutes. According to the provisions of the Illinois Compiled Statutes, fixed income purchase shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of "investment grade" quality; that is, at the time of purchases, rated no lower discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate.

Credit ratings for the Pension Fund's investments in debt securities as described by Moody's at April 30, 2017 (excluding investments in U.S. Treasuries which are not considered to have credit risk, Federally Insured Money Market Accounts, and Equity Investments) are as follows:

Moody's Rating	Amount
Aaa	\$ 1,457,222
Aa1	116,746
Aa2	56,453
Aa3	25,056
Equity Mutual Funds	1,505,598
U.S. Treasuries	320,396
Federally Insured Money Market Accounts	71,171
Not Rated	104,043
Total	<u>\$ 3,656,685</u>

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Fund's investment policy does require that all amounts in excess of any insurance limits be collateralized, unless the amount of funds deposited in a financial institution exceeds 50% of the capital stock and surplus of a bank, exceeds 50% of net worth of a savings bank or savings and loan association, or exceeds 50% of the unimpaired capital and surplus of a credit union.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 4: CASH AND INVESTMENTS - (Continued)

Police Pension Fund: – (Continued)

Trust Fund's Investments – (Continued)

Concentration of Credit Risk – The Pension Fund does not have a formal written policy with regards to concentration credit risk for investments. At April 30, 2017, the Pension Fund has over 5% of plan net assets invested in various agency securities as indicated in the table above. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and backed by the issuing organization. Although unlike U.S. Treasuries, agency securities do not have the “full faith and credit” backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation.

The Pension Fund has diversified its equity mutual fund holdings as follows:

Equity Mutual Funds	Fair Value
Vanguard 500 Index	\$ 353,578 *
T Rowe Price Gwth Stock	350,602 *
Pioneer Equity Income	168,659
LSV Value Equity FD Inst	156,104
T Rowe Price QM US Small	103,614
Homestead Small Company	99,729
Oppenheimer Intl Growth	50,715
Hennessy Focus FD	43,701
Bridgeway Ultra Small	43,217
Cohen & Steers Inst	37,334
Oppenheimer Developing	25,366
First Eagle Overseas	23,577
Fidelity Adv Materials	22,106
Goldman Sachs Intl Eqty	20,406
Vanguard Energy	6,890
Total Equity Mutual Funds	<u>\$ 1,505,598</u>

*Represents over 5% of Fiduciary Net Position

Foreign Currency Credit Risk – The City has no foreign currency risk for investments at year-end.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 5: CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance at May 1, 2016	Additions	Deletions	Balance at April 30, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,394,951	-	-	3,394,951
Construction in Progress	507,144	-	(507,144)	-
Capital assets being depreciated:				
Infrastructure	17,453,155	839,340	-	18,292,495
Buildings and Improvements	3,752,480	-	-	3,752,480
Fixtures and Equipment	1,365,074	19,544	-	1,384,618
Total capital assets being depreciated	22,570,709	858,884	-	23,429,593
Total capital assets	26,472,804	858,884	(507,144)	26,824,544
Accumulated Depreciation:				
Infrastructure	8,115,400	416,826	-	8,532,226
Buildings and Improvements	980,809	61,092	-	1,041,901
Fixtures and Equipment	1,101,556	153,081	-	1,254,637
Subtotal Accumulated Depreciation	10,197,763	630,999	-	10,828,762
Total capital assets being depreciated, net	12,372,946	227,885	-	12,600,831
Governmental Activities capital assets, net	\$16,275,041	227,885	(507,144)	15,995,782

Significant capital additions for the current year include street improvements.

Current year depreciation for the City's Governmental Activities was charged to governmental functions as follows:

Depreciation Allocation	
General Government	\$ 55,775
Highways and Streets	497,642
Public Safety	77,582
Current Year Depreciation	<u>\$ 630,999</u>

Included within the Fixtures and Equipment line is \$250,304 of equipment being financed through capital lease agreements. Accumulated depreciation related to these assets as of April 30, 2017 is \$143,280.

CITY OF BRAIDWOOD, ILLINOIS

**Notes to Basic Financial Statements
For the Year Ended April 30, 2017**

NOTE 5: CAPITAL ASSETS – (Continued)

A summary of changes in business-type capital assets follows:

	Balance at May 1, 2016	Additions	Deletions	Balance at April 30, 2017
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 419,805	-	-	419,805
Construction in Progress	-	53,596	-	53,596
Capital assets being depreciated:				
Infrastructure	21,069,426	-	-	21,069,426
Buildings and Improvements	29,687,442	27,269	-	29,714,711
Fixtures and Equipment	1,050,392	49,718	-	1,100,110
Total capital assets being depreciated	51,807,260	76,987	-	51,884,247
Total capital assets	52,227,065	130,583	-	52,357,648
Accumulated Depreciation:				
Infrastructure	4,394,479	279,891	-	4,674,370
Buildings and Improvements	8,106,581	603,686	-	8,710,267
Fixtures and Equipment	726,622	58,901	-	785,523
Subtotal Accumulated Depreciation	13,227,682	942,478	-	14,170,160
Total capital assets being depreciated, net	38,579,578	(865,491)	-	37,714,087
Business-Type Activities capital assets, net	\$ 38,999,383	(811,895)	-	38,187,488

Significant capital additions for the current year includes the replacement of a transfer switch and various equipment for the plant.

All current year depreciation for business-type activities is allocated to water and sewer expenses in the Government-wide Statement of Activities.

Included within the Fixtures and Equipment line is \$56,955 of equipment being financed through capital lease agreements. Accumulated depreciation related to these assets as of April 30, 2017 is \$24,409.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017**NOTE 6: LONG-TERM DEBT**

The following is a summary of the changes in long-term debt of the City for the year ended April 30, 2017:

	Balance May 1, 2016	Increases	Decreases	Balance April 30, 2017	Due Within One Year
Governmental Activities					
Capital Lease Obligations:					
Municipal Asset Management:					
Generator	\$ 16,984	-	(7,421)	9,563	9,563
Two Dodge Chargers	83,211	-	(25,957)	57,254	25,957
Total Governmental Activities	<u>\$ 100,195</u>	<u>-</u>	<u>(33,378)</u>	<u>66,817</u>	<u>35,520</u>
Business-Type Activities					
Capital Lease Obligations:					
Municipal Asset Management:					
Two GMC Pickups	\$ 18,954	-	(18,954)	-	-
2010 EPA Loan	10,698,063	-	(568,529)	10,129,534	575,658
Total Business-Type Activities	<u>\$ 10,717,017</u>	<u>-</u>	<u>(587,483)</u>	<u>10,129,534</u>	<u>575,658</u>

Accumulated unpaid vacation and other employee benefit amounts are accrued in governmental and proprietary funds. At April 30, 2017, the amount of compensated absences accrued was \$250,214.

	Balance May 1, 2016	Increases	Decreases	Balance April 30, 2017
Governmental Activities				
Compensated Absences:	\$ 168,914	7,458	(8,865)	167,507
Total Governmental Activities	<u>168,914</u>	<u>7,458</u>	<u>(8,865)</u>	<u>167,507</u>
Business-Type Activities				
Compensated Absences:	74,693	8,014	-	82,707
Total Business-Type Activities	<u>74,693</u>	<u>8,014</u>	<u>-</u>	<u>82,707</u>
Total Compensated Absences	<u>\$ 243,607</u>	<u>15,472</u>	<u>(8,865)</u>	<u>250,214</u>

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 6: LONG-TERM DEBT - (Continued)

Business-type Activities:

A. *EPA 2010 Wastewater Treatment Works Loan*

On December 15, 2010, the City of Braidwood's application for a wastewater treatment works loan, under the provisions of the Environmental Protection Act, was approved in the amount of \$10,000,000. During the year ended April 30, 2014, the City received approval to increase the loan amount to \$12,000,000. The loan shall bear interest at a rate of 1.25%.

The outstanding loan balance is \$10,129,534 as of April 30, 2017. Annual debt service payments required to service all outstanding debt at April 30, 2017 are as follows:

Years Ending April 30,	Principal	Interest	Total
2018	\$ 575,658	124,826	700,484
2019	582,877	117,607	700,484
2020	590,185	110,299	700,484
2021	597,586	102,898	700,484
2022	605,079	95,405	700,484
2023-2027	3,141,122	361,298	3,502,420
2028-2032	3,343,056	159,364	3,502,420
2033	693,971	6,513	700,484
Totals	\$ 10,129,534	1,078,210	11,207,744

The loan obligation and principal and interest payments are recorded in the Water and Sewer Fund.

B. *Capital Lease Agreement – Proprietary Fund*

On August 26, 2014, the City Board approved a capital lease agreement with Municipal Asset Management for the purchase of two GMC pickup trucks in the amount of \$56,955. The City is to make three annual payments of \$20,323, with a final payment in September of 2016. The capital lease was paid in full during fiscal year 2017. The lease obligation and related principal and interest payments are recorded in the Water & Sewer Fund.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 6: LONG-TERM DEBT - (Continued)

Governmental Activities:

C. Capital Lease Obligations

On October 1, 2013, the City entered into a capital lease purchase agreement with Municipal Asset Management for the purchase of a new generator for \$41,260. The City makes annual payments of \$9,352, with the final payment due on October 1, 2017. As of April 30, 2017, the outstanding balance of the lease is \$9,563.

On August 25, 2014, the City entered into a lease purchase agreement with Municipal Asset Management for the purchase of two 2014 Dodge Chargers and equipment for \$139,076. The City makes annual payments of \$31,540, with the final payment due on July 29, 2018. As of April 30, 2017, the outstanding balance of the lease is \$57,254.

Future capital lease obligations are as follows:

Years Ending April 30,	Principal	Interest	Total
2018	\$ 35,520	3,841	39,361
2019	31,297	2,569	33,866
Totals	\$ 66,817	6,410	73,227

Payments of principal and interest on the capital lease obligations are recorded in the General Fund.

NOTE 7: DEFINED BENEFIT PENSION PLANS

A. Illinois Municipal Retirement Fund

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

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

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

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

A. *Illinois Municipal Retirement Fund – (Continued)*

Employees Covered by Benefit Terms – As of December 31, 2016, the following City employees were covered by the benefit terms:

Retirees and Beneficiaries	17
Inactive, Non-Retired Members	17
Active Members	<u>21</u>
Total	<u>55</u>

Contributions – As set by statute, the City's Regular members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rates and actual City contributions for calendar year 2016 and the fiscal year ended April 30, 2017 are summarized below. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Plan member required contribution rate	4.50%
City required contribution rate for 2016	6.75%
City required contribution rate for 2017	6.13%
City actual contributions for 2016	\$ 62,522
City actual contributions for fiscal year 2017	\$ 66,311

Net Pension Liability – The City's net pension liabilities (asset) were measured as of December 31, 2016. The total pension liabilities (assets) used to calculate the net pension liabilities (assets) were determined by actuarial valuations as of that date.

At December 31, 2016, the City had a net pension asset of (\$322,850), determined as follows:

Total Pension Liability	\$ 3,699,413
Plan Fiduciary Net Position	<u>4,022,263</u>
Net Pension Liability (Asset)	<u>\$ (322,850)</u>

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS – (Continued)*A. Illinois Municipal Retirement Fund – (Continued)*

Actuarial Assumptions - The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.77%
International Equity	17%	3.54%
Fixed Income	27%	4.85%
Real Estate	8%	8.97%
Alternative Investments	9%	N/A
Cash Equivalents	1%	N/A
Total	<u>100%</u>	

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS – (Continued)

A. *Illinois Municipal Retirement Fund* – (Continued)

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

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

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

Changes in the Net Pension Liability – A schedule of changes in the net pension liability and related ratios can be found on page 63 of the Required Supplementary Information section of this report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 4,288,530	3,699,413	3,225,350
Plan Fiduciary Net Position	4,022,263	4,022,263	4,022,263
Net Pension Liability (Asset)	<u>\$ 266,267</u>	<u>(322,850)</u>	<u>(796,913)</u>

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

A. Illinois Municipal Retirement Fund – (Continued)

Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions –
At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$ -	188,018	(188,018)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	183,404	-	183,404
Total Deferred Amounts to be recognized in pension expense in future periods	183,404	188,018	(4,614)
<i>Pension Contributions made subsequent to the Measurement Date</i>	20,176	-	20,176
Total Deferred Amounts Related to Pensions	\$ 203,580	188,018	15,562

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods.

Year Ending December 31,	Net Deferred Outflows of Resources
2017	\$ (88,586)
2018	23,098
2019	56,187
2020	4,687
2021	-
Thereafter	-
Total	\$ (4,614)

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

B. *Police Pension*

Plan Description – The Police Pension Plan is a defined-benefit, single employer pension plan that covers all sworn police personnel of the City. Although this is a single employer plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may only be amended by the Illinois legislature. Administrative costs are financed through investment earnings. This fund is accounted for and reported as a pension trust fund of the City. The Police Pension Plan is subject to a separate audit that is available by contacting the City at 141 W. Main Street, Braidwood, IL 60408.

Plan Membership – At April 30, 2017, the measurement date, membership in this plan consisted of the following:

Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	5
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefits	-
Active Plan Members	13
Total	<u>18</u>

Benefits Provided – Following is a summary of the police pension plan as provided for in the Illinois Statutes:

The police pension plan provides retirement benefits as well as death and disability benefits. There are two tiers or levels of benefits:

Employees that are hired prior to January 1, 2011 (Tier 1), attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years, but less than 20 years of credited service, may retire and receive a reduced benefit, which begins at age 60. The monthly benefit of an employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)*B. Police Pension – (Continued)**Benefits Provided – (Continued)*

Employees that are hired after January 1, 2011 (Tier 2), attaining the age of 55 or more with 10 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 the pension purposes is capped at \$118,500, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent 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. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions – Covered employees are required to contribute 9.91% of their base salary to the 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 of Braidwood is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the plan is fully funded.

Net Pension Liability – The components of the net pension liability of the City as of April 30, 2017 were as follows:

Total pension liability	\$ 7,148,773
Plan fiduciary net position	<u>3,672,287</u>
Net pension liability (asset)	<u>\$ 3,476,486</u>
Plan fiduciary net position as a percentage of the total pension liability	51%
Covered payroll	\$ 820,561
Net pension liability as a percentage of covered valuation payroll	424%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios of the required supplementary information for additional information related to the funded status of the Fund.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

B. Police Pension – (Continued)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed for the year ended April 30, 2017 using the following actuarial methods and assumptions:

Actuarial Assumptions (Economic)	
Actuarial Valuation Date	May 1, 2017
Actuarial Assumptions:	
Discount Rate used for the Total Pension Liability	6.50%
Long-Term Expected Rate of Return on Plan Assets	6.50%
High-Quality 20-Year Tax-Exempt G.O. Bond Rate	3.82%
Projected Individual Salary Increases	3.75-9.24%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%
Mortality Table	L&A 2016 Illinois Police Mortality Rates
Retirement Rates	L&A 2016 Illinois Police Retirement Rates Capped at age 65
Disability Rates	L&A 2016 Illinois Police Disability Rates
Termination Rates	L&A 2016 Illinois Police Termination Rates
Percent Married	80.00%

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis. For more information on the selection of the actuarial assumptions, please see the assumption document prepared by the fund, available by contacting the City at 141 W. Main Street, Braidwood, IL 60408.

Expected Return on Pension Plan Investments – The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return on assets shown here have been provided by the investment professionals that work with the Pension Fund. Long-term Real Rates of Return are shown as the Expected Rate of Return, net of the assumed inflation rate.

There are multiple approaches seen to providing these rates. Typically, the information is either based on capital market projections, or historical rates seen for the asset classes. We do not provide an opinion on the reasonableness of the returns provided nor the reasonableness of the approach used in determination of the rates provided. The information is shown below for convenience.

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)*B. Police Pension – (Continued)**Expected Return on Pension Plan Investments – (Continued)*

The rates provide in the table below are based on an arithmetic average. The Investment Policy Statement will provide more detail regarding the Fund's policies on asset allocation targets and acceptable ranges.

Asset Class	Long-Term Expected Rate of Return	Long-Term Inflation Expectations	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Domestic Equity	9.60%	3.30%	6.30%	28.00%
Small Cap Domestic Equity	11.60%	3.30%	8.30%	8.00%
International Equity	9.90%	3.30%	6.60%	4.00%
Fixed Income	4.40%	3.30%	1.10%	60.00%

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures.

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

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

The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate used in the valuation is the April 27, 2017 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

For the purposes of this valuation the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.82% (based upon the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve 04-27-2017); and the resulting single discount rate is 6.50%.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

B. Police Pension – (Continued)

Changes in the Net Pension Liability – A schedules of changes in the net pension liability and related ratios can be found on page 65 of the Required Supplementary Information section of this report.

Discount Rate Sensitivity – The following presents the Plan's net pension liabilities, calculated using a single discount rate of 6.50%, as well as what the Plans' net pension liabilities would be if they were calculated using single discount rates that is 1% lower or 1% higher.

	1% Decrease 5.50%	Current Single Discount Rate Assumption 6.50%	1% Increase 7.50%
Net pension liability (asset)	\$ 4,603,525	3,476,486	2,568,862

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470,007	-
Changes of assumptions	-	12,508
Net difference between projected and actual earnings on pension plan investments	104,381	17,496
Total Deferred Amounts to be recognized in pension expense in future periods	\$ 574,388	30,004

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLANS - (Continued)

B. Police Pension – (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources
Related to Pensions – (Continued)

Year Ending April 30,	Net Deferred Outflows of Resources
2018	\$ 88,332
2019	88,332
2020	88,328
2021	53,537
2022	57,911
Thereafter	167,944
Total	<u>\$ 544,384</u>

Summarized below is the effect of IMRF and police pension plans on the government-wide financial statements.

	IMRF	Police Pension	Total
Net Pension Asset (Liability)	\$ 322,850	(3,476,486)	(3,153,636)
Deferred Outflows of Resources	203,580	574,388	777,968
Deferred Inflows of Resources	188,018	30,004	218,022
Increase (Decrease) in Net Pension Asset (Liability)	<u>(555,286)</u>	<u>(489,138)</u>	<u>(1,044,424)</u>
Expense Recognized on the Statement of Activities	<u>\$ (163,688)</u>	<u>115,254</u>	<u>(48,434)</u>

NOTE 8: HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES

GASB Statements No. 43 & 45 Disclosure Information

The Governmental Accounting Standards Board (GASB) issued Statements No. 43 & 45 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

The most recent actuarial valuation report is as of April 30, 2011. In accordance with GASB Statement No. 45, an actuarial valuation is required once every three years.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 8: HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES – (Continued)

Membership in the plan consisted of the following as of:

	<u>April 30, 2010</u>
Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active vested plan members	14
Active nonvested plan members	10
Total	<u>26</u>
Number of participating employers	<u>1</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
04/30/10	\$ -	1,069,659	1,069,659	0.0%	-	-

Annual OPEB Cost and Net OPEB Obligation

	<u>April 30, 2010</u>
Annual required contribution	\$ 42,531
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>42,531</u>
Contributions made	<u>30,015</u>
Increase (decrease) in net OPEB obligation	<u>12,517</u>
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 12,517</u>

Three-year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/08	-	-	-
4/30/09	-	-	-
4/30/10	42,531	70.6%	12,517

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 8: HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES – (Continued)

Annual Required Contribution

	<u>April 30, 2011</u>	<u>April 30, 2010</u>
Service Cost	\$ 4,400	4,449
Amortization	35,655	36,057
Interest	2,003	2,025
Annual Required Contribution	<u>\$ 42,059</u>	<u>42,531</u>

Actuarial Assumptions

Contribution rates:

City Plan Members	0.0%
Actuarial valuation date	4/30/2010
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market

Actuarial assumptions:

Investment rate of return*	5.00%
Projected salary increases	5.00%
Healthcare inflation rate	8.00% initial, 6.00% ultimate
Mortality, Turnover, Disability, Retirement Ages	Same rates utilized for IMRF and Police Pension Fund
Active utilization rate:	20%
Employer Provided Benefit	Explicit: None Implicit : 40% of premium to age 65 (50% of \$459/mo + 50% of \$1,387/yr)

* Includes inflation at 3.00%

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 8: HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES – (Continued)

Actuarial Assumptions (Continued)

City of Braidwood

GASB 45 Summary as of April 30, 2010

Division	Service Cost	Active Liability	Retired Liability	Total Liability	2010 Annual Required Contribution	Expected Payments	Actives	Retirees	Total	2009 Annual Required Contribution
IMRF	\$ 1,568	20,450	0	20,450	2,363	0	14	0	14	2,315
Police	2,832	33,175	1,061,034	1,049,209	39,636	30,015	10	2	12	40,216
Total	\$ 4,400	53,625	1,061,034	1,069,659	42,059	30,015	24	2	26	42,531

Discount Rate: 5.0%

Medical Inflation Rate: 8.0% initial, 6.0% ultimate

Future Payroll Increases: 5.0%

NOTE 9: RISK MANAGEMENT

The City of Braidwood is exposed to various risks related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and net income losses. The City carries insurance with two separate agencies. Property, general liability, automobile liability, inland marine, and professional liability insurance are still carried by Arthur Gallagher Insurance. Workers' compensation coverage is provided in excess of specified limits and is carried by the Illinois Public Risk Fund. There have been no significant changes in coverage and claims have not exceeded the coverage for the past three fiscal years.

NOTE 10: CONTINGENT LIABILITIES

The City is a party to various legal proceedings which normally occur in governmental operations. The attorneys did not report any loss contingencies in these cases.

NOTE 11: WESCOM

On October 23, 2007 the City Council agreed to become a member of the Wescom intergovernmental agency. Wescom accepted the City Police Department into its dispatch services center. The City of Braidwood has not entered into a formal contract for these services. The City is invoiced a monthly fee that is based on the usage from the previous year and agreed upon by both parties. The City paid Wescom a total of \$207,242 during the 2017 fiscal year.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 12: OPERATING LEASES

On October 18, 2012, the City entered in to a lease agreement with Union Site Management Corporation (UNISON) for a wireless communication easement and assignment. The lease agreement is for forty years and included a one-time payment of \$172,015 to the City from UNISON.

On March 30, 2016, the City entered into a lease agreement with Proven Business Systems for the lease of a Toshiba Copier. As part of the agreement, Proven Business Systems agreed to provide a rebate in the amount of \$2,405 to be used toward the remaining payments due to McGrath Office Equipment for the previous lease. Monthly payments of \$244 are required for 63 months.

On September 14, 2016, the City entered into an agreement with Taser International for cameras, equipment, and support for police vehicles. The City made an initial payment of \$13,358 during the 2017 fiscal year with annual payments of \$6,552 required for the subsequent four years.

On February 14, 2017, the City entered into an agreement with Marlin Business Bank for the lease of police radios. The lease is for 39 months with a payment of \$24,735.32 at the commencement of the agreement. Quarterly payments of \$1,234.61 are required throughout the remainder of the lease.

The following is the future lease obligations for the copier leases:

Year	Payment
2018	\$ 14,424
2019	14,424
2020	14,424
2021	9,486
2022	489

NOTE 13: LEGAL DEBT MARGIN

Legal debt margin is the percent of the City's assessed valuation which is subject to debt limitation. The statutory debt limitation for the City is 8.625%. The City's legal debt margin limitation is as follows for the fiscal year ended April 30, 2017:

Assessed valuation (2016)	<u>\$ 105,298,524</u>
Statutory debt limitation (8.625%)	9,081,998
Amount of debt applicable to debt limitation	-
Legal Debt Margin	<u>\$ 9,081,998</u>

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements For the Year Ended April 30, 2017

NOTE 14: TAX INCREMENT FINANCING DISTRICTS

The TIF District #2 existed for the full life of 23 years and expired in December 2016. The City has been working to complete all of its projects throughout this fiscal year and will continue to work on all projects in the upcoming fiscal year to ensure that all TIF projects are complete. On September 12, 2017, the City approved an ordinance to allow TIF District #2 until 12/31/2017 for all funds to be spent or transferred and to officially dissolve. On December 27, 2011, an ordinance was approved establishing the TIF District #3. The TIF District #3 will remain for the full life of 23 years and will expire December 2034.

NOTE 15: FUND BALANCE – GASB 54 PRESENTATION

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned Fund Balance. Below are definitions of the differences in how these balances are reported.

A. Non-spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Debt Service Funds are by definition restricted for these specified purposes. The City has several different funds that also fall into these categories.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the City Council itself or (b) the finance committee or by the Treasurer/Administrator when the City Council has delegated the authority to assign amounts to be used for specific purposes.

CITY OF BRAIDWOOD, ILLINOIS

Notes to Basic Financial Statements
For the Year Ended April 30, 2017

NOTE 15: FUND BALANCE – GASB 54 PRESENTATION – (Continued)

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds. Expenditures exceeded revenues in the General Fund, resulting in a deficit fund balance of \$995,885 in total. However, the total General Fund deficit of \$1,041,099 is classified as unassigned as of April 30, 2017.

F. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

NOTE 16: SUBSEQUENT EVENT

Management has evaluated subsequent events through October 24, 2017, the date the Statements were available to be issued. There are no subsequent events that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAIDWOOD, ILLINOIS
GENERAL CORPORATE FUND

SCHEDULE A-1

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash in Bank	\$ 680,762
Accounts Receivable	466,832
Property Taxes Receivable	1,099,273
Prepaid Expenses	45,214
Total Assets	<u>\$ 2,292,081</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>	
Liabilities:	
Overdraft payable	\$ 2,591,441
Accounts Payable and Accrued Expenses	45,421
Accrued Payroll & Taxes	83,447
Developer Deposits	41,262
Total Liabilities	<u>2,761,571</u>
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	<u>526,395</u>
Fund Balance:	
Nonspendable Fund Balance	45,214
Unassigned Fund Balance (Deficit)	<u>(1,041,099)</u>
Total Fund Balance (Deficit)	<u>(995,885)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,292,081</u>

CITY OF BRAIDWOOD, ILLINOIS
GENERAL CORPORATE FUND

SCHEDULE A-2

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

	Original & Final Budget	Year Ended April 30, 2017	2016
Revenues:			
Property Taxes	\$ 1,100,000	1,074,828	1,066,592
Utility Tax	380,000	398,290	383,891
State Sales Tax	445,000	452,763	395,766
State Income Taxes	600,000	586,285	627,529
Local Use Taxes	115,000	152,648	142,913
Replacement Taxes	8,000	8,809	7,930
Hotel/Motel Taxes	-	17,123	17,472
Vehicle Stickers	50,000	40,888	43,287
Liquor License	25,000	16,925	22,475
Other Licenses	40,000	150	185
Rental Income	-	675	75
Business Annual	3,000	3,450	2,900
Grants	25,000	28,291	6,669
Donations	-	530	-
State Gaming	-	33,912	13,367
Franchise Fee	60,000	64,142	60,265
Interest Income	-	9,034	1,234
Miscellaneous	39,123	12,786	26,355
Contractor's Registration	65,000	(44,250)	67,000
Building permits	50,000	31,986	27,316
Zoning Variances	-	595	281
Zoning Fees	-	770	557
Fines	130,000	137,862	105,794
Special Detail	50,000	8,694	54,971
Impound Fee	30,000	20,359	24,575
Overtime Reimbursement	2,000	7,003	1,266
Reimbursements	38,000	61,299	42,975
Sale of Equipment	150,000	-	-
Dog Licenses	-	455	550
Total Revenues	\$ 3,405,123	3,126,302	3,144,190

**CITY OF BRAIDWOOD, ILLINOIS
GENERAL CORPORATE FUND**

SCHEDULE A-2
Continued

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Total Revenues (carried forward)	\$ 3,405,123	3,126,302	3,144,190
Expenditures			
Administrative:			
Salary & Benefits	356,616	224,752	259,273
Professional Development	-	5,121	1,850
Professional Services	160,000	127,106	173,743
Utilities - Telephone	6,500	8,031	8,783
Postage, Printing, & Supplies	37,700	5,748	7,563
Ordinance Codification	4,000	-	-
Claypool Drainage	600	3,908	-
Maintenance	-	17,299	15,313
Contractual Services	-	-	590
Operating Supplies and Expenses	8,000	32,304	34,503
Marketing & Promotional Items	-	2,176	1,558
Equipment	15,000	3,656	9,954
Development:			
Salary & Benefits	118,140	89,134	94,697
Professional Services	14,500	21,607	29,044
Utilities - Telephone	3,500	5,699	4,423
Postage, Printing, & Supplies	6,300	828	11,551
Maintenance	500	-	-
Equipment	3,000	1,485	1,227
Police Protection:			
Salary & Benefits	1,778,717	1,689,463	1,429,951
Pension Contributions	-	201,188	230,493
Professional Development	-	20,288	11,764
Uniforms	9,000	15,852	12,727
Professional Services	225,000	278,105	294,339
Utilities - Telephone	17,000	32,789	25,850
Maintenance	32,000	71,438	58,316
Equipment	39,200	54,245	17,644
Postage, Printing, & Supplies	14,000	25,897	13,058
Fuel	40,000	45,677	37,256

CITY OF BRAIDWOOD, ILLINOIS
GENERAL CORPORATE FUND

SCHEDULE A-2
Continued

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

	Original & Final Budget	Year Ended April 30, 2017	2016
Expenditures (continued)			
Street:			
Salary & Benefits	\$ 394,350	429,581	278,686
Professional Development	-	542	582
Professional Services	19,000	50,006	20,551
Utilities - Telephone	7,000	4,982	4,142
Maintenance	11,500	20,067	14,812
Operating	-	2,465	4,811
Capital Outlay	31,500	-	26,588
Fuel	19,500	16,238	15,970
Postage, Printing, & Supplies	5,000	2,691	3,818
Equipment	17,000	13,751	19,606
Culvert Pipe - City	-	34	645
Animal Control:			
Salary & Benefits	8,500	7,406	7,365
Fees	2,500	3,795	2,242
Repair & Maintenance:			
City Hall/Police Department	50,000	5,097	32,708
Railroad Depot	-	182	-
Food Pantry	-	982	1,379
Economic Development:			
Professional Services	10,000	-	-
Total Expenditures	3,465,123	3,541,615	3,219,375
Excess of revenues over (under) expenditures	(60,000)	(415,313)	(75,185)
Other Financing Sources (Uses):			
Transfers In	60,000	-	60,000
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	60,000	-	60,000
Net Change in Fund Balance	\$ -	(415,313)	(15,185)
Fund balance (deficit), beginning of year		(580,572)	(565,387)
Fund balance (deficit), end of year		\$ (995,885)	(580,572)

CITY OF BRAIDWOOD, ILLINOIS
TIF #2 FUND

SCHEDULE B-1

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash in bank	\$ 136,971
Property Taxes Receivable	99,387
Total Assets	<u>\$ 236,358</u>
<u>Deferred Inflows of Resources & Fund Balance</u>	
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	\$ 43,694
Restricted Fund Balance	192,664
Total Deferred Inflows of Resources & Fund Balance	<u>\$ 236,358</u>

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

SCHEDULE B-2

	Original & Final Budget	Year Ended <u>April 30,</u>	
		2017	2016
Revenues:			
Property Tax	\$ 100,000	96,283	89,210
Total Revenues	100,000	96,283	89,210
Expenditures:			
Capital Outlay	100,000	-	29,032
Services - miscellaneous	-	520	20,135
Total Expenditures	100,000	520	49,167
Net Change in Fund Balance	\$ -	95,763	40,043
Fund balance, beginning of year		96,901	56,858
Fund balance, end of year		<u>\$ 192,664</u>	<u>96,901</u>

CITY OF BRAIDWOOD, ILLINOIS
TIF #3 FUND

SCHEDULE B-3

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash in Bank	\$ 1,627,141
Accounts Receivable	40,095
Property Taxes Receivable	52,614
Total Assets	<u>\$ 1,719,850</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 3,350
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	26,974
Fund Balance:	
Restricted Fund Balance	1,689,526
Total Fund Balance	<u>1,689,526</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,719,850</u>

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

SCHEDULE B-4

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Property Tax	\$ 30,000	41,895	27,868
Interest Income	5,000	9,189	5,049
Sale of TIF Property	-	20,062	-
Total Revenues	<u>35,000</u>	<u>71,146</u>	<u>32,917</u>
Expenditures:			
Contractual	115,000	393,756	386,879
Capital Outlay	320,000	3,285	150,555
Miscellaneous	50,000	-	-
Total Expenditures	<u>485,000</u>	<u>397,041</u>	<u>537,434</u>
Net Change in Fund Balance	<u>\$ (450,000)</u>	<u>(325,895)</u>	<u>(504,517)</u>
Fund balance, beginning of year		2,015,421	2,519,938
Fund balance, end of year		<u>\$ 1,689,526</u>	<u>2,015,421</u>

CITY OF BRAIDWOOD, ILLINOIS

Illinois Municipal Retirement Fund - Regular Plan

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2016	2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 100,425	91,645
Interest	264,289	270,925
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(90,155)	(362,756)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Member Contributions	(97,578)	(87,786)
Net Change in Total Pension Liability	176,981	(87,972)
Total Pension Liability - Beginning	3,522,432	3,610,404
Total Pension Liability - Ending	<u>\$ 3,699,413</u>	<u>3,522,432</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 62,522	58,276
Contributions - Member	41,681	39,024
Net Investment Income	254,970	20,136
Benefit Payments, Including Refunds of Member Contributions	(97,578)	(87,786)
Administrative Expenses	56,753	(348,172)
Net Change in Plan Fiduciary Net Position	318,348	(318,522)
Plan Net Position - Beginning	3,703,915	4,022,437
Plan Net Position - Ending	<u>\$ 4,022,263</u>	<u>3,703,915</u>
EMPLOYER'S NET PENSION LIABILITY (ASSET)	<u>\$ (322,850)</u>	<u>(181,483)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.73%	105.15%
Covered-Employee Payroll	\$ 926,255	867,205
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	-34.86%	-20.93%

NOTES TO SCHEDULE:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

**Illinois Municipal Retirement Fund
Schedule of Employer Contributions**

Regular Plan					
Calendar Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 62,522	62,522	-	926,255	6.75%
2015	58,276	58,276	-	867,205	6.72%

Note to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.50%
Price inflation	2.75% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.50% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational project scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Notes: There were no benefit changes during the year.

CITY OF BRAIDWOOD, ILLINOIS

Police Pension Fund

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2017	2016	2015
TOTAL PENSION LIABILITY			
Service Cost	\$ 245,300	173,313	-
Interest	397,878	376,687	-
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	529,502	-	-
Changes of Assumptions	(14,092)	-	-
Benefit Payments, Including Refunds of Member Contributions	(262,030)	(185,929)	-
Net Change in Total Pension Liability	896,558	364,071	-
Total Pension Liability - Beginning	6,252,215	5,888,144	
Total Pension Liability - Ending	<u>\$ 7,148,773</u>	<u>6,252,215</u>	<u>5,888,144</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 201,188	230,493	292,560
Contributions - Member	58,565	66,826	85,272
Contributions - Other	97,331	-	-
Net Investment Income	243,105	40,949	191,773
Benefit Payments, Including Refunds of Member Contributions	(262,030)	(185,929)	(141,088)
Administrative Expenses	(43,940)	(50,077)	(28,222)
Net Change in Plan Fiduciary Net Position	294,219	102,262	400,295
Plan Net Position - Beginning	3,378,068	3,275,806	2,875,511
Plan Net Position - Ending	<u>\$ 3,672,287</u>	<u>3,378,068</u>	<u>3,275,806</u>
EMPLOYER'S NET PENSION LIABILITY (ASSET)	<u>\$ 3,476,486</u>	<u>2,874,147</u>	<u>2,612,338</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.37%	54.03%	55.63%
Covered-Employee Payroll	\$ 820,561	679,411	760,573
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	423.67%	423.04%	343.47%

Police Pension Plan
Schedule of Employer Contributions

Regular Plan					
Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 238,985	201,188	37,797	820,561	24.52%
2016	228,582	230,493	(1,911)	679,411	33.93%
2015	237,082	292,560	(55,478)	760,573	38.47%

Note to Schedule

Valuation Date: The actuarially determined contribution shown for the current year is from the April 30, 2016 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December 2016 tax levy.

Methods and assumptions used to determine contribution rates:

Economic Assumptions:

Discount Rate used for the Total Pension Liability	6.50%
Long-Term Expected Rate of Return on Plan Assets	6.50%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.82%
Projected Individual Salary Increases	3.75% - 9.24%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

Demographic Assumptions:

Mortality Table	L&A Illinois Police Mortality Rates
Retirement Rates	L&A Illinois Police Retirement Rates Capped at age 65
Disability Rates	L&A Illinois Police Disability Rates
Termination Rates	L&A Illinois Police Termination Rates
Percent Married	80.0%

Other Information

The assumptions were changed 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 underlying index used is The Bond Buyer 20-Bond GO Index as discussed in more detail later in this section. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions.

For more information on the selection of the actuarial assumptions, please see the actuarial valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAIDWOOD, ILLINOIS

Notes to Required Supplementary Information
For the Year Ended April 30, 2017

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

The City utilizes the estimated revenues and budget ordinance as a management control device. The budget is prepared based on the modified accrual basis of accounting, which is the same basis used to prepare the accompanying statements of revenues, expenditures, and changes in fund balance.

Transfers between line items of the appropriation ordinance must be approved by City officials.

The budget ordinance amounts were passed by City officials on May 10, 2016 and was not amended.

NOTE 2: BUDGETARY COMPARISONS

A summary of budgeted to actual expenditures for the City's major funds is as follows:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>(Over) Under</u>
General	\$ 3,465,123	3,541,615	(76,492)
TIF #2	100,000	520	99,480
TIF #3	485,000	397,041	87,959

NOTE 3: EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded the appropriated amount in the General Fund as a result of an increase of street maintenance salaries and a budget not being approved for police pension contributions during the 2017 fiscal year.

OTHER INFORMATION

CITY OF BRAIDWOOD, ILLINOIS
NON MAJOR GOVERNMENTAL FUNDS

SCHEDULE C-1

Combining Balance Sheet
April 30, 2017

	Special Revenue Funds						Total Nonmajor	
	Illinois						Governmental Funds	
	Motor Fuel Tax Fund	FICA & Medicare Fund	Audit Fund	Municipal Retirement Fund	Liability Insurance Fund	Police Forfeiture Fund	Debt Service Fund	April 30, 2016
<u>Assets</u>								
Cash in Bank	\$ 667,939	13,712	1,429	29,195	-	17,825	44,330	774,430
Accounts Receivable	13,555	-	-	-	-	-	-	13,555
Property Taxes Receivable	-	157,794	17,754	69,022	220,933	-	-	471,425
Prepaid Insurance/Expenses	-	-	-	-	94,227	-	-	94,227
Total Assets	\$ 681,494	171,506	19,183	98,217	315,160	17,825	44,330	1,347,715
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>								
<u>Liabilities:</u>								
Accounts Payable	\$ 6,729	-	-	-	-	-	-	6,729
Overdraft Payable	479,366	-	-	-	40,833	-	-	520,199
Total Liabilities	486,095	-	-	-	40,833	-	-	526,928
Deferred Inflows of Resources:								
Property Taxes Levied for Subsequent Years	-	75,561	8,501	33,052	105,796	-	-	222,910
Fund balance:								
Non-spendable	-	-	-	-	94,227	-	-	94,227
Restricted	195,399	95,945	10,682	65,165	74,304	17,825	44,330	592,617
Total Fund Balance	195,399	95,945	10,682	65,165	168,531	17,825	44,330	697,499
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 681,494	171,506	19,183	98,217	315,160	17,825	44,330	1,347,715
								927,887

CITY OF BRAIDWOOD, ILLINOIS
NON MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures and
Changes Fund Balances
For the Year Ended April 30, 2017

	Special Revenue Funds							Total Nonmajor Governmental Funds	
	Motor Fuel Tax Fund	FICA & Medicare Fund	Audit Fund	Illinois Municipal Retirement Fund	Liability Insurance Fund	Police Forfeiture Fund	Debt Service Fund	2017	April 30, 2016
Revenues:									
Property Taxes	\$ -	156,717	17,660	68,561	219,377	-	-	462,315	468,869
Interest Income	-	-	-	-	-	1	-	1	671
State Motor Fuel Taxes	163,526	-	-	-	-	-	-	163,526	164,958
Fines and Forfeitures	-	-	-	-	-	64,454	-	64,454	24,851
Total Revenues	163,526	156,717	17,660	68,561	219,377	64,455	-	690,296	659,349
Expenditures:									
General Government	-	44,437	18,350	36,433	263,543	-	-	362,763	317,752
Highways and Streets	123,944	44,679	-	19,209	-	-	-	187,832	157,537
Capital Outlay	-	-	-	-	-	66,165	-	66,165	101,717
Public Safety	-	85,954	-	10,646	-	76,558	-	173,158	201,843
Total Expenditures	123,944	175,070	18,350	66,288	263,543	142,723	-	789,918	778,849
Net Change in Fund Balance	39,582	(18,353)	(690)	2,273	(44,166)	(78,268)	-	(99,622)	(119,500)
Fund balance, beginning of year	155,817	114,298	11,372	62,892	212,697	96,093	44,330	697,499	816,999
Fund balance, end of year	\$ 195,399	95,945	10,682	65,165	168,531	17,825	44,330	597,877	697,499

CITY OF BRAIDWOOD, ILLINOIS
MOTOR FUEL TAX FUND

SCHEDULE C-3

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash in bank	\$ 667,939
Accounts Receivable	13,555
Total Assets	<u>\$ 681,494</u>
<u>Liabilities & Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 6,729
Overdraft Payable	479,366
Total Liabilities	<u>486,095</u>
Restricted Fund Balance	<u>195,399</u>
Total Liabilities & Fund Balance	<u>\$ 681,494</u>

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

SCHEDULE C-4

	Original & Final Budget	Year Ended <u>April 30,</u>	
		2017	2016
Revenues:			
State MFT High Growth	\$ -	6,606	6,598
Interest Income	-	-	669
State Motor Fuel Tax	201,000	156,920	158,360
Total Revenues	<u>201,000</u>	<u>163,526</u>	<u>165,627</u>
Expenditures:			
Engineering	12,000	23,077	-
Street Maintenance	45,000	6,339	7,163
Utilities	44,000	46,111	35,935
Rock Salt	95,000	40,619	55,851
Miscellaneous	5,000	7,798	3,255
Total Expenditures	<u>201,000</u>	<u>123,944</u>	<u>102,204</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>39,582</u>	<u>63,423</u>
Fund balance, beginning of year		<u>155,817</u>	<u>92,394</u>
Fund balance, end of year		<u>\$ 195,399</u>	<u>155,817</u>

**CITY OF BRAIDWOOD, ILLINOIS
FICA & MEDICARE FUND**

SCHEDULE C-5

**Balance Sheet
April 30, 2017**

<u>Assets</u>	
Cash	\$ 13,712
Property Taxes Receivable	157,794
Total Assets	<u>\$ 171,506</u>
<u>Deferred Inflows of Resources & Fund Balance</u>	
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	\$ 75,561
Restricted Fund Balance	95,945
Total Deferred Inflows of Resources & Fund Balance	<u>\$ 171,506</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

SCHEDULE C-6

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Property Taxes - FICA	\$ 130,000	127,298	129,038
Property Taxes - Medicare	30,000	29,419	29,899
Total Revenues	160,000	156,717	158,937
Expenditures:			
FICA - Administration	11,000	10,204	11,927
FICA - Zoning	2,000	2,158	2,128
FICA - Police Protection	74,000	85,449	70,930
FICA - Street	13,000	24,586	24,379
FICA - Animal Control	500	-	-
FICA - Water & Sewer	28,000	19,396	15,051
Medicare - Administration	2,000	5,750	5,701
Medicare - Zoning	500	2,393	2,790
Medicare - Police Protection	17,000	505	498
Medicare - Street	3,500	20,093	16,588
Medicare - Animal Control	500	-	-
Medicare - Water & Sewer	8,000	4,536	3,520
Total Expenditures	160,000	175,070	153,512
Excess of revenues over (under) expenditures	\$ -	(18,353)	5,425
Fund balance, beginning of year		114,298	108,873
Fund balance, end of year		<u>\$ 95,945</u>	<u>114,298</u>

CITY OF BRAIDWOOD, ILLINOIS
AUDIT FUND

SCHEDULE C-7

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash	\$ 1,429
Property Taxes Receivable	17,754
Total Assets	<u>\$ 19,183</u>
<u>Deferred Inflows of Resources & Fund Balance</u>	
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	\$ 8,501
Restricted Fund Balance	10,682
Total Deferred Inflows of Resources & Fund Balance	<u>\$ 19,183</u>

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

SCHEDULE C-8

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Property Taxes	\$ 18,000	17,660	17,957
Total Revenues	18,000	17,660	17,957
Expenditures:			
Audit Services	18,000	18,350	17,854
Total Expenditures	18,000	18,350	17,854
Net Change in Fund Balance	<u>\$ -</u>	(690)	103
Fund balance, beginning of year		11,372	11,269
Fund balance, end of year		<u>\$ 10,682</u>	<u>11,372</u>

CITY OF BRAIDWOOD, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE C-9

Balance Sheet
April 30, 2017

<u>Assets</u>	
Cash	\$ 29,195
Property Taxes Receivable	69,022
Total Assets	<u>\$ 98,217</u>
<u>Deferred Inflows of Resources & Fund Balance</u>	
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	<u>\$ 33,052</u>
Restricted Fund Balance	65,165
Total Deferred Inflows of Resources & Fund Balance	<u>\$ 98,217</u>

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

SCHEDULE C-10

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Property Taxes	\$ 70,000	68,561	69,553
Total Revenues	<u>70,000</u>	<u>68,561</u>	<u>69,553</u>
Expenditures:			
IMRF - Administration	14,000	8,564	10,689
IMRF - Zoning	2,500	2,284	2,310
IMRF - Police Protection	6,000	10,646	5,493
IMRF - Street	16,000	19,209	14,366
IMRF - Water & Sewer	31,500	25,585	25,820
Total Expenditures	<u>70,000</u>	<u>66,288</u>	<u>58,678</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	2,273	10,875
Fund balance, beginning of year		<u>62,892</u>	<u>52,017</u>
Fund balance, end of year		<u>\$ 65,165</u>	<u>62,892</u>

**CITY OF BRAIDWOOD, ILLINOIS
LIABILITY INSURANCE FUND**

SCHEDULE C-11

**Balance Sheet
April 30, 2017**

<u>Assets</u>	
Property Taxes Receivable	\$ 220,933
Prepaid Insurance	94,227
Total Assets	<u>\$ 315,160</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>	
Liabilities	
Overdraft Payable	<u>\$ 40,833</u>
Deferred Inflows of Resources:	
Property Taxes Levied for Subsequent Years	<u>105,796</u>
Non-spendable Fund Balance	94,227
Restricted Fund Balance	<u>74,304</u>
Total Fund Balance	<u>168,531</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balance	<u>\$ 315,160</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

SCHEDULE C-12

	Original & Final Budget	Year Ended <u>April 30,</u>	
		2017	2016
Revenues:			
Property Taxes	<u>\$ 224,000</u>	<u>219,377</u>	<u>222,422</u>
Total Revenues	<u>224,000</u>	<u>219,377</u>	<u>222,422</u>
Expenditures:			
Insurance	<u>224,000</u>	<u>263,543</u>	<u>219,962</u>
Total Expenditures	<u>224,000</u>	<u>263,543</u>	<u>219,962</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(44,166)</u>	<u>2,460</u>
Fund balance, beginning of year		<u>212,697</u>	<u>210,237</u>
Fund balance, end of year		<u>\$ 168,531</u>	<u>212,697</u>

**CITY OF BRAIDWOOD, ILLINOIS
POLICE FORFEITURE FUND**

SCHEDULE C-13

**Balance Sheet
April 30, 2017**

<u>Assets</u>	
Cash in Bank	\$ 17,825
Total Assets	<u>\$ 17,825</u>
<u>Fund Balance</u>	
Restricted Fund Balance	\$ 17,825
Total Fund Balance	<u>\$ 17,825</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

SCHEDULE C-14

	Original & Final Budget	Year Ended April 30, 2017	2016
Revenues:			
Fines and Forfeitures	\$ -	64,454	24,851
Interest income	-	1	2
Total Revenues	-	64,455	24,853
Expenditures:			
Operating	-	76,558	124,798
Capital Outlay	-	66,165	101,717
Return of State/Local Funds	-	-	124
Total Expenditures	-	142,723	226,639
Excess of revenues over (under) expenditures	<u>\$ -</u>	(78,268)	(201,786)
Fund balance, beginning of year		96,093	297,879
Fund balance, end of year		<u>\$ 17,825</u>	<u>96,093</u>

**CITY OF BRAIDWOOD, ILLINOIS
DEBT SERVICE FUND**

SCHEDULE C-15

**Balance Sheet
April 30, 2017**

<u>Assets</u>	
Cash and Investments	\$ 44,330
Total Assets	<u>\$ 44,330</u>
<u>Fund Balance</u>	
Restricted Fund Balance	\$ 44,330
Total Fund Balance	<u>\$ 44,330</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

SCHEDULE C-16

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Property Taxes	\$ -	-	-
Total Revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Principal & interest	-	-	-
Total Expenditures	-	-	-
Excess of revenues over (under) expenditures	<u>\$ -</u>	-	-
Fund balance, beginning of year		44,330	44,330
Fund balance, end of year		<u>\$ 44,330</u>	<u>44,330</u>

**CITY OF BRAIDWOOD, ILLINOIS
ENTERPRISE FUND**

SCHEDULE D-1

**Statement of Fund Net Position
April 30, 2017**

<u>Assets</u>	
Cash and Investments	\$ 3,470,471
Accounts Receivable	385,788
Prepaid Insurance	33,031
Capital Assets:	
Land	419,805
Construction in Progress	53,596
Equipment	1,100,110
Buildings and Improvements	29,687,441
Infrastructure	21,096,696
Accumulated Depreciation	(14,170,160)
Total Assets	<u>\$ 42,076,778</u>
<u>Liabilities and Net Position</u>	
Liabilities:	
Accounts Payable	\$ 224,882
Accrued Payroll	17,230
Compensated Absences	82,707
Due Within One Year:	
IEPA Loan Payable	575,658
Due in More Than One Year:	
IEPA Loan Payable	9,553,876
Total Liabilities	<u>10,454,353</u>
Net Position:	
Net Investment in Capital Assets	28,057,954
Unrestricted	3,564,471
Total Net Position	<u>31,622,425</u>
Total Liabilities and Net Position	<u>\$ 42,076,778</u>

CITY OF BRAIDWOOD, ILLINOIS
ENTERPRISE FUND

SCHEDULE D-2

Statement of Revenues, Expenses and Change in Fund Net Position - Budget & Actual
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)

	Original & Final Budget	Year Ended April 30,	
		2017	2016
Revenues:			
Water	\$ 803,000	744,195	763,155
Sewer	1,437,000	1,082,221	1,453,188
Water capacity fees	-	1,500	-
Garbage collection fees	575,000	572,571	575,175
Water meters	-	2,400	1,200
Penalties	121,000	59,503	121,374
Interest	-	2,909	408
Sewer permits	-	180	120
Insurance reimbursement	-	54,525	-
Miscellaneous	93,000	74,559	87,908
Total Revenues	3,029,000	2,599,813	3,002,528
Expenses:			
Salary & benefits	582,500	568,198	554,563
Contractual	425,000	440,048	450,870
Utilities	212,000	278,947	261,710
Maintenance	174,500	104,767	95,145
Professional fees	70,000	91,943	87,836
Depreciation	956,000	942,478	928,953
Insurance - liability	71,000	78,807	57,651
IEPA annual fees	10,000	17,500	10,000
Postage, printing, supplies, etc.	16,000	10,550	13,322
Fuel - gasoline	11,000	6,933	6,380
Equipment & tools	26,000	16,276	18,934
Chemicals, sand, salt & water testing	204,000	106,021	116,989
Repairs & install cost - water meters	28,000	24,397	25,479
Capital outlay	183,000	65,896	50,549
Interest	-	131,955	138,995
General	-	7,949	6,654
Total Expenses	2,969,000	2,892,665	2,824,030
Excess of revenues over (under) expenses	60,000	(292,852)	178,498
Other Financing Sources (Uses):			
Contributed capital	-	-	102,845
Transfer out	(60,000)	-	(60,000)
Total Other Financing Sources (Uses)	(60,000)	-	42,845
Change in Net Position	\$ -	(292,852)	221,343
Net Position, beginning of year		31,915,277	31,693,934
Net Position, end of year		\$ 31,622,425	31,915,277

SUPPLEMENTAL INFORMATION

**CITY OF BRAIDWOOD, ILLINOIS
POLICE AGENCY FUND**

SCHEDULE E-1

**Statement of Fiduciary Net Position
April 30, 2017**

<u>Assets</u>	
Cash in Bank	\$ 3,297
Total Assets	<u>\$ 3,297</u>
<u>Liabilities</u>	
Payable to Others	\$ 3,297
Total Liabilities	<u>\$ 3,297</u>

**Statement of Changes in Fiduciary Net Position
For the Year Ended April 30, 2017
(With Comparative Figures for 2016)**

SCHEDULE E-2

	Year Ended April 30,	
	2017	2016
Additions:		
Donations	\$ 360	1000
Total Additions	<u>360</u>	<u>1000</u>
Deductions:		
Benevolent	<u>1,995</u>	<u>273</u>
Total Deductions	<u>1,995</u>	<u>273</u>
Net Change	(1,635)	727
Due to others, beginning of year	<u>4,932</u>	<u>4,205</u>
Due to others, end of year	<u>\$ 3,297</u>	<u>4,932</u>

**Assessed Valuations, Tax Rates, Tax Extensions
and Tax Collections**

	2012	2013	2014	2015	2016
Assessed valuations	\$ 114,239,038	108,775,137	101,496,075	101,570,173	105,298,524
Tax Rates:					
Corporate	0.4373	0.4375	0.4342	0.4375	0.4323
Municipal Retirement	0.0403	0.0543	0.0685	0.0690	0.0657
Social Security	0.0946	0.1196	0.1271	0.1281	0.1220
Liability Insurance	0.0787	0.1131	0.2190	0.2207	0.2103
Audit	0.0141	0.0166	0.0177	0.0178	0.0169
Bond and Interest	0.0806	-	-	-	-
Police Protection	0.6000	0.6000	0.5954	0.6000	0.5929
Medicare	0.0219	0.0276	0.0294	0.0296	0.0282
Totals	1.3675	1.3687	1.4913	1.5027	1.4683
Tax extensions:					
Corporate	\$ 499,274	475,891	440,702	444,370	455,205
Municipal Retirement	46,011	59,065	69,526	70,083	69,181
Social Security	108,007	130,095	129,003	130,111	128,464
Liability Insurance	89,853	123,025	222,280	224,165	221,443
Audit	16,098	18,057	17,965	18,079	17,795
Bond and Interest	92,023	-	-	-	-
Police Protection	685,032	652,651	604,316	609,421	624,315
Medicare	25,004	30,022	29,840	30,065	29,694
	1,561,302	1,488,806	1,513,632	1,526,294	1,546,098
Township Road and Bridge	20,140	20,068	20,586	21,261	22,237
Totals	\$ 1,581,442	1,508,874	1,534,218	1,547,555	1,568,334
Tax collections	\$ 1,555,468	1,502,374	1,537,143	1,549,699	

Tax Rates and Tax Extensions for TIF Districts

	Tax Year				
	2012	2013	2014	2015	2016
Tax Rates:					
TIF 2					
Reed Township	6.3783	6.6681	7.1472	7.2457	7.2039
TIF 3					
Reed Township	6.3783	6.6810	7.1472	7.2457	7.2039
Reed Township	-	-	-	-	-
Reed Township	5.0108	5.2994	5.6559	5.7430	5.7356
Reed Township	-	-	-	-	-
Wilmington Township	7.7727	8.1937	8.6561	8.6526	8.3853
Totals	25.5401	26.8422	28.6064	28.8870	28.5287
Tax extensions:					
TIF 2					
Reed Township	\$ 97,647	94,180	90,876	93,875	99,387
TIF 3					
Reed Township	32,668	29,416	26,706	28,985	52,602
Reed Township	-	-	-	-	-
Reed Township	4	-	-	9	11
Reed Township	-	-	-	-	-
Totals	\$ 130,319	123,596	117,582	122,869	152,001

OTHER REPORTS



116 E. Washington Street
Suite One
Morris, Illinois 60450

Phone: (815) 942-3306
Fax: (815) 942-9430
www.mackcpas.com

TAWNYA R. MACK, CPA
LAURI POPE, CPA
ERICA BLUMBERG, CPA
TREVOR DEBELAK, CPA
MATT MELVIN
CHRIS CHRISTENSEN
STEPHANIE HEISNER

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

To the Honorable Mayor and
Board of Commissioners
City of Braidwood, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Braidwood, Illinois, as of and for the year ended April 30, 2017, and the related notes to basic financial statements, which collectively comprise City of Braidwood, Illinois' basic financial statements and have issued our report thereon dated October 24, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. [2017-01 and 2017-02].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings to be a significant deficiency. [2017-03].

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Braidwood, Illinois, in a separate letter dated October 24, 2017.

City of Braidwood, Illinois' Response to Findings

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

Purpose of this Report

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


Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
October 24, 2017

**Schedule of Findings
For the Year Ended April 30, 2017**

We consider the deficiencies in internal control described below to be material weaknesses:

2017-01: Financial Oversight

Condition:

There is insufficient financial oversight of the City's accounts and financial reporting by City personnel and those charged with governance. Oversight of the City's processes, procedures, and controls related to financial reporting are not effective to ensure the financial statements and related disclosures are accurate. Council review of financial reporting was not sufficient to prevent and detect material misstatements. The City underbilled utilities from June 2016 through April 2017. The error was brought to the City's attention during the audit as City personnel did not detect the issue, resulting in a material underbilling during the 2017 fiscal year. The City's financial statements are presented using Generally Accepted Accounting Principles (GAAP). However, the City records governmental activities using the cash basis of accounting. Receivables, payables, prepaids, and accruals are not reported or calculated by the City.

Criteria:

The City Council has the ultimate responsibility for oversight of the City's system of internal control over financial reporting. While it is acceptable to outsource various functions, responsibility for financial oversight cannot be outsourced to external auditors. As independent auditors, the external auditors cannot be considered a part of the City's system of internal controls.

The City Council and management should regularly receive and review accurate financial reports for the City's accounts, sufficient to oversee the system of internal control over financial reporting for these accounts.

Cause:

Insufficient oversight is the result of inadequate design of internal controls over financial statement preparation and almost all significant accounting processes, including financial statement review. As elected officials, Commissioners may not possess comprehensive financial and regulatory knowledge to effectively oversee the City's system of internal controls over financial reporting. Commissioners were not provided with sufficient or accurate financial reporting to perform necessary review procedures.

Effect:

Material misstatements to the financial statements were not prevented or detected during the normal course of operations.

Recommendation:

It is imperative that City personnel involved in the financial reporting process and those charged with governance take responsibility for oversight of all of the City's accounts and are provided with adequate reporting to do so.

**Schedule of Findings
For the Year Ended April 30, 2017**

2017-01: Financial Oversight – (Continued)

Response:

The City has embarked on a comprehensive review of all processes surrounding daily financial transactions, including both inflows and outflows of funds, and the associated reporting and controls over same. These reports and controls then, will be utilized within the broader financial function to provide Commissioners with accurate and regular reporting that illustrates proper controls and oversight of the related activities. Examples include daily balancing of payments received from citizens to transaction reports and resulting bank deposits, and random reviews of these reconciliations by the Finance Director.

2017-02: Significant Audit Adjustments

Condition:

During the course of our audit, we identified significant misstatements requiring audit adjustments to be posted. The City's financial statements are presented using Generally Accepted Accounting Principles (GAAP). However, the City records governmental activities using the cash basis of accounting. Receivables, payables, prepaids, and accruals are not reported or calculated by the City. City personnel did not reverse prior year or record any current year accounts receivables, accounts payables or accruals relating to any of the governmental funds. Year-end calculations and adjusting journal entries are required and recorded as part of the audit. External auditors cannot be considered part of the City's internal controls.

Criteria:

Financial reports should be reviewed for completeness and accuracy prior to providing to the external auditors. All audit adjustments should be posted to the City's general ledger. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Cause:

The City does not have sufficient processes and procedures in place to allow employees involved in the financial reporting process to identify and correct such misstatements. Misstatements were not detected by the City because there are not adequate controls in place. Personnel did not perform bank reconciliations using the SpringBrook software and do not possess adequate knowledge of the bank reconciliation function within the accounting software. While bank reconciliations were performed outside of the software, this allows for opportunities for errors or fraud to occur and not be detected by the Council or Auditor.

Effect:

If the misstatements had not been identified and corrected by the external auditors, the City's financial statements would have been significantly misstated.

**Schedule of Findings
For the Year Ended April 30, 2017**

2017-02: Significant Audit Adjustments – (Continued)

Recommendation:

The City must implement an effective system of internal controls. The City should consider additional training for employees involved in the financial reporting process. We recommend that the balance sheet, income statement, and general ledger be reviewed by appropriate personnel both on a periodic basis and at year end to ensure completeness and accuracy of the financial records.

Response:

The City has instituted an operational control requirement that all bank accounts be reconciled no later than the 25th of each month, for the preceding month as some statements are received after the 15th of the month. This is a financial best practice that will drive timely identification of all transactions that require proper recording and accounting by the City...transactions that previously may have been missed, resulting in misstatements referenced here. This discipline also contributes to our response in 2017-01, as any out-of-balances or missing transactions will be identified and resolved in a timely fashion.

We consider the deficiency in internal control described below to be a significant deficiency:

2017-03: Financial Statement Preparation

Condition:

The City's personnel do not prepare the City's financial statements and related disclosures. The City engages the external auditors to assist in preparing these reports using the financial reports provided by the City.

Criteria:

The City Council has the ultimate responsibility for the City's system of internal control over financial reporting. As independent auditors, the external auditors cannot be considered a part of the City's system of internal controls. While it is acceptable to outsource various functions, responsibility for internal control cannot be outsourced to external auditors.

It is common practice for the auditors to prepare the financial statements for many entities; however, this is considered an internal control deficiency in accordance with generally accepted auditing standards, which requires written communication to those charged with governance.

Cause:

Management and personnel do not possess the comprehensive financial and regulatory knowledge to effectively prepare the financial statements and related disclosures.

Effect:

Because the auditors, not management, have prepared the financial statements and related disclosures, material misstatements to the financial statements may not be prevented or detected by the City's system of internal controls.

**Schedule of Findings
For the Year Ended April 30, 2017**

2017-03:Financial Statement Preparation – (Continued)

Recommendation:

The City could implement internal control procedures related to preparation and/or review of financial statements, such as hiring additional staff with knowledge and ability to prepare the financial statements and related disclosures in accordance with GASB standards, providing necessary training and education to current staff to provide them with knowledge and ability to prepare the financial statements and related disclosures in accordance with GASB standards, or hiring a third party accountant to prepare the financial statements and related disclosures before the audit commences. However, the City may determine that the cost of implementing internal controls related to financial statement preparation in accordance with GASB standards outweighs the benefits to be gained.

Response:

The City is already in the process of seeking a third party governmental accounting firm. In addition to adding a third party accountant for our Finance Office, we have been streamlining and improving processes for every project/duty that the Finance/Accounting office is responsible for. This will enable continuation in the Finance Department allowing more efficient, timely reports.