



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CANTON, ILLINOIS

FINANCIAL STATEMENTS

For the year ended April 30, 2016

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
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 <i>GOVERNMENT AUDITING STANDARDS</i>	3 – 5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position – Modified Cash Basis	6
Statement of Activities – Modified Cash Basis	7 - 8
Statement of Assets, Liabilities and Fund Equity – Modified Cash Basis – Governmental Fund Types	9
Reconciliation of the Statement of Assets, Liabilities and Fund Equity – Modified Cash Basis – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds to the Statement of Activities	12
Statement of Net Position – Modified Cash Basis – Proprietary Funds	13
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds	14
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	15 - 16
Statement of Fiduciary Net Position – Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	18
Notes to Financial Statements	19 - 50
SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	51 - 53
Budgetary Comparison Schedule – Modified Cash Basis – Canton 1 Tax Increment Financing District	54
OTHER SUPPLEMENTARY INFORMATION:	
Combining Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Non-Major Governmental Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Modified Cash Basis – Non-Major Governmental Funds	56
Combining Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Non-Major Special Revenue Funds	57 - 58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Non-Major Special Revenue Funds	59 - 60
Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Non-Major Capital Projects Fund	61

TABLE OF CONTENTS
(continued)

PAGE NUMBER

Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Modified Cash Basis – Non-Major Capital Projects Fund	62
Combining Statement of Revenues, Expenses, and Change in Net Position –	
Modified Cash Basis – Enterprise Funds	63
Schedule of Operating Expenditures Other than Depreciation – Water and Sewer Fund	64 – 65
Schedule of Changes in Net Pension Liability and Related Ratios	
Illinois Municipal Retirement System	66
Schedule of Employer Contributions - Illinois Municipal Retirement System	67
Notes to Schedule of Employer Contributions – Illinois Municipal Retirement System	68
Schedule of Property Tax Levies, Rates, Extensions, Collections, and Assessed	
Valuations	69 - 70



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Canton, Illinois

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canton, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audits contained in *Government Audit 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 of material misstatement.

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

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

Basis of Qualified Opinion on Pension Trust Funds

Management has elected not to obtain actuarial valuations in compliance with Governmental Accounting Standards Board Statement (GASB) 67 *Financial Reporting for Pension Plans* or GASB 68 *Accounting and Financial Reporting for Pensions* for the Police and Fire Pension Trust Funds, accordingly these financial statements do not include all the required disclosures and supplemental schedules.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Pension Trust Funds” paragraph, the Pension Trust Funds present fairly, in all material respects, the financial position of the Pension Trust Funds as of April 30, 2016, and the respective changes in financial position thereof, for the year ended, in conformity with generally accepted accounting principles.

Unmodified Opinions

In our opinion, except for the Pension Trust Funds, 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 Canton, Illinois as of April 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw your attention to Note 1 of the financial statements which describes the basis of accounting. As discussed in Note 1, except for the Pension Trust Funds financial statements, the City of Canton, Illinois, prepares its financial statements on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The City of Canton, Illinois, prepares its Pension Trust Funds financial statements on the accrual basis of accounting, which is the basis of accounting generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Canton’s basic financial statements. The budgetary comparison information, combining statements, and the Schedule of Operating Expenditures Other than Depreciation – Water and Sewer Fund presented on pages 51 through 65 are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The statistical schedules on pages 66 through 70 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 such information.

Other Reporting Required By Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of City of Canton, 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 City of Canton, Illinois' internal control over financial reporting and compliance.

Phillips, Salmi & Associates, LLC

December 14, 2016
Washington, Illinois



**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 City Council
City of Canton, 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 City of Canton, Illinois as of and for the year ended April 30, 2016, and the notes to the financial statements, which collectively comprise the City of Canton, Illinois' basic financial statements and have issued our report thereon dated December 14, 2016. The City of Canton, Illinois, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Canton, 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 Canton, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Canton, Illinois' internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness:

Lack of Financial Reporting Processes in regards to the Police Pension Trust Fund

During the audit we noted the pension fund accounting and state required financial reporting was not completed in a timely manner. The employees tasked with these functions in prior years are no longer employed. While the City has employees and procedures to account for the day to day cash transactions, reconciliations and year end reporting was not completed. We recommend the City implement procedures to ensure these functions are completed on a timely basis in the future. The City is aware of this situation and will implement processes and procedures to address these accounting functions in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canton, 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*.

City of Canton's Response to Findings

The City of Canton's responses to the findings identified in our audit are described previously. The City of Canton's 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.

Phillips, Salmi & Associates, LLC

December 14, 2016

CITY OF CANTON, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
April 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,632,000	\$ 481,521	\$ 3,113,521
Restricted assets	-	924,620	924,620
Due from other governments	12,235	-	12,235
Other assets	-	389	389
Economic development loans receivable	26,749	-	26,749
Capital Assets:			
Non-depreciable	186,111	-	186,111
Depreciable, net	9,343,601	34,776,020	44,119,621
 Total Assets	 \$ 12,200,696	 \$ 36,182,550	 \$ 48,383,246
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Bond refunding deferred charges	\$ -	\$ 1,104,147	\$ 1,104,147
<u>LIABILITIES</u>			
Payroll liabilities payable	\$ 13,636	\$ -	\$ 13,636
Current portion of bonds and loans payable	346,338	2,039,603	2,385,941
Non-Current Liabilities:			
Bonds payable after one year	-	13,413,545	13,413,545
Loans due after one year	6,140,000	1,055,755	7,195,755
 Total Liabilities	 6,499,974	 16,508,903	 23,008,877
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,043,374	19,371,264	22,414,638
Restricted for:			
Debt service	-	663,199	663,199
Perpetual care and maintenance	-	261,421	261,421
Special police expenditures	66,701	-	66,701
Workers compensation insurance	18,734	-	18,734
Redevelopment	679,594	-	679,594
Retirement	468,137	-	468,137
Motor Fuel Tax	309,136	-	309,136
Small business loans	89,721	-	89,721
Capital projects	252,336	-	252,336
Unrestricted	772,989	481,910	1,254,899
 Total Net Position	 5,700,722	 20,777,794	 26,478,516
	 \$ 12,200,696	 \$ 37,286,697	 \$ 49,487,393

See Notes to Financial Statments.

CITY OF CANTON, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year ended April 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary government:				
Governmental activities				
General government	\$ 2,445,727	\$ 101,834	\$ -	\$ -
Public safety	5,278,120	54,795	-	85,375
Public works	1,080,722	287,914	-	-
Community development	623,856	-	-	-
Buildings and grounds	127,885	-	-	-
Sanitation	474,387	705,603	-	-
Interest on long-term debt	271,703	-	-	-
Total governmental activities	10,302,400	1,150,146	-	85,375
Business-type activities:				
Water and sewer utilities	5,761,106	5,874,714	-	168,122
Cemetery operations	114,269	56,465	-	-
Total business-type activities	5,875,375	5,931,179	-	168,122
Total primary government	\$ 16,177,775	\$ 7,081,325	\$ -	\$ 253,497
General Revenues				
Local taxes				
State taxes and allotments				
Interest and investment income				
Miscellaneous				
Gain on sale of fixed assets				
Transfers in (out)				
Total general revenues, special items and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

**Net (Expense) Revenue and Changes
in Net Position - Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (2,343,893)	\$ -	\$ (2,343,893)
(5,137,950)	-	(5,137,950)
(792,808)	-	(792,808)
(623,856)	-	(623,856)
(127,885)	-	(127,885)
231,216	-	231,216
(271,703)	-	(271,703)
<u>(9,066,879)</u>	<u>-</u>	<u>(9,066,879)</u>
-	281,730	281,730
<u>-</u>	<u>(57,804)</u>	<u>(57,804)</u>
-	223,926	223,926
<u>(9,066,879)</u>	<u>223,926</u>	<u>(8,842,953)</u>
4,442,937	20,239	4,463,176
5,104,859	-	5,104,859
7,884	16,589	24,473
176,312	-	176,312
106,950	-	106,950
(366,155)	366,155	-
<u>9,472,787</u>	<u>402,983</u>	<u>9,875,770</u>
405,908	626,909	1,032,817
<u>5,294,814</u>	<u>20,150,885</u>	<u>25,445,699</u>
<u>\$ 5,700,722</u>	<u>\$ 20,777,794</u>	<u>\$ 26,478,516</u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY
MODIFIED CASH BASIS - GOVERNMENTAL FUND TYPES
April 30, 2016

	General	Canton 1 Tax Increment Financing District	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 602,704	\$ 695,013	\$ 1,334,283	\$ 2,632,000
DCCA loans receivable	-	-	26,749	26,749
Due from other governments	11,123	1,112	-	12,235
Due from other funds	1,228,665	295,000	489,420	2,013,085
	<u>\$ 1,842,492</u>	<u>\$ 991,125</u>	<u>\$ 1,850,452</u>	<u>\$ 4,684,069</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Current liabilities:				
Payroll taxes withheld	\$ 13,636	\$ -	\$ -	\$ 13,636
Due to other funds	465,688	311,531	1,235,866	2,013,085
	<u>479,324</u>	<u>311,531</u>	<u>1,235,866</u>	<u>2,026,721</u>
Fund equity:				
Fund balances:				
Restricted for:				
Special police expenditures	513	-	66,188	66,701
Workers compensation insurance	18,734	-	-	18,734
Redevelopment	-	679,594	-	679,594
Retirement	-	-	468,137	468,137
Motor Fuel Tax	-	-	309,136	309,136
Small business loans	-	-	89,721	89,721
Capital projects	-	-	252,336	252,336
Assigned for:				
Garbage expenditures	216,603	-	-	216,603
Tourism promotion expenditures	27,830	-	-	27,830
Special police expenditures	8,248	-	-	8,248
Fire capital improvements	119,761	-	-	119,761
Fire technical rescue	30,268	-	-	30,268
Working cash	-	-	561,136	561,136
Unassigned	941,211	-	(1,132,068)	(190,857)
	<u>1,363,168</u>	<u>679,594</u>	<u>614,586</u>	<u>2,657,348</u>
Total fund balances	<u>1,363,168</u>	<u>679,594</u>	<u>614,586</u>	<u>2,657,348</u>
Total liabilities & fund balances	<u>\$ 1,842,492</u>	<u>\$ 991,125</u>	<u>\$ 1,850,452</u>	<u>\$ 4,684,069</u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,
AND FUND EQUITY - MODIFIED CASH BASIS - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
April 30, 2016

Total fund balance - total governmental funds	\$ 2,657,348
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets of \$14,970,967 net of accumulated depreciation of \$5,441,255 are not financial resources and, therefore, are not reported in the funds.	9,529,712
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	<u>(6,486,338)</u>
Net position of governmental activities	<u><u>\$ 5,700,722</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
Year ended April 30, 2016

	General	Canton 1 Tax Increment Financing District	Other Governmental Funds	Total Governmental Funds
<u>REVENUES RECEIVED</u>				
Local taxes	\$ 2,451,541	\$ 937,916	\$ 1,053,480	\$ 4,442,937
Intergovernmental	4,704,258	-	485,976	5,190,234
Licenses and permits	101,834	-	-	101,834
Fines	64,591	-	4,618	69,209
Charges for services	760,398	-	-	760,398
Interest	356	2,886	4,642	7,884
Franchise fees	287,914	-	-	287,914
Other	101,013	3,720	2,370	107,103
	<u>8,471,905</u>	<u>944,522</u>	<u>1,551,086</u>	<u>10,967,513</u>
<u>EXPENDITURES DISBURSED</u>				
General government	1,707,476	-	679,444	2,386,920
Buildings and grounds	124,709	-	-	124,709
Public safety	5,174,103	-	9,048	5,183,151
Public works/transportation	672,942	-	53,084	726,026
Sanitation	449,277	-	-	449,277
Community development	-	490,856	117,031	607,887
Capital outlay	100,194	137,619	904,978	1,142,791
Debt service:				
Principal repayment	-	320,000	-	320,000
Interest	3,284	268,419	-	271,703
	<u>8,231,985</u>	<u>1,216,894</u>	<u>1,763,585</u>	<u>11,212,464</u>
Revenues received over (under) expenditures disbursed before other financing sources (uses)	239,920	(272,372)	(212,499)	(244,951)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from sale of capital assets	106,950	-	-	106,950
Operating transfers in	134,629	-	-	134,629
Operating transfers out	-	(366,155)	(134,629)	(500,784)
	<u>241,579</u>	<u>(366,155)</u>	<u>(134,629)</u>	<u>(259,205)</u>
Change in fund balance	481,499	(638,527)	(347,128)	(504,156)
FUND BALANCE, beginning	<u>881,669</u>	<u>1,318,121</u>	<u>961,714</u>	<u>3,161,504</u>
FUND BALANCE, ending	<u><u>\$ 1,363,168</u></u>	<u><u>\$ 679,594</u></u>	<u><u>\$ 614,586</u></u>	<u><u>\$ 2,657,348</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
April 30, 2016

Net change in fund balances - total governmental funds	\$ (504,156)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay of \$1,142,791 exceeded depreciation of \$552,727 in the current period.	590,064
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>320,000</u>
Change in net position of governmental activities	<u><u>\$ 405,908</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
April 30, 2016

	Water & Sewer	Cemetery	Total
<u>ASSETS</u>			
Unrestricted current assets:			
Cash and cash equivalents	\$ 211,821	\$ 269,700	\$ 481,521
Other assets	389	-	389
	<hr/>	<hr/>	<hr/>
Total unrestricted current assets	212,210	269,700	481,910
	<hr/>	<hr/>	<hr/>
Restricted current assets:			
Cash and cash equivalents	663,199	161,421	824,620
Investments	-	100,000	100,000
	<hr/>	<hr/>	<hr/>
Total restricted current assets	663,199	261,421	924,620
	<hr/>	<hr/>	<hr/>
Total current assets	875,409	531,121	1,406,530
	<hr/>	<hr/>	<hr/>
Capital assets, net of accumulated depreciation	34,725,078	50,942	34,776,020
	<hr/>	<hr/>	<hr/>
Total assets	<u><u>\$ 35,600,487</u></u>	<u><u>\$ 582,063</u></u>	<u><u>\$ 36,182,550</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Bond refunding deferred charges	<u><u>\$ 1,104,147</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,104,147</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current liabilities (payable from current assets):			
Current portion of long-term liabilities	<u><u>\$ 2,039,603</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,039,603</u></u>
	<hr/>	<hr/>	<hr/>
Long-term liabilities:			
Illinois EPA loan payable	1,055,755	-	1,055,755
Revenue bonds payable	13,413,545	-	13,413,545
	<hr/>	<hr/>	<hr/>
Total long-term liabilities, net of current portion	14,469,300	-	14,469,300
	<hr/>	<hr/>	<hr/>
Total liabilities	16,508,903	-	16,508,903
	<hr/>	<hr/>	<hr/>
Fund equity:			
Net position:			
Invested in capital assets net of related debt	19,320,322	50,942	19,371,264
Restricted for:			
Debt service	663,199	-	663,199
Perpetual care and maintenance	-	261,421	261,421
Unrestricted	212,210	269,700	481,910
	<hr/>	<hr/>	<hr/>
Total fund equity	20,195,731	582,063	20,777,794
	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	<u><u>\$ 36,704,634</u></u>	<u><u>\$ 582,063</u></u>	<u><u>\$ 37,286,697</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2016

	Water & Sewer Fund	Cemetery Fund	Total Enterprise Funds
<u>OPERATING REVENUES</u>			
Charges for service and sales	\$ 5,794,712	\$ 51,600	\$ 5,846,312
Other income	<u>80,002</u>	<u>4,865</u>	<u>84,867</u>
Total operating revenues	<u>5,874,714</u>	<u>56,465</u>	<u>5,931,179</u>
<u>OPERATING EXPENSES</u>			
Operations and maintenance	3,515,269	107,953	3,623,222
Depreciation	<u>1,529,444</u>	<u>6,316</u>	<u>1,535,760</u>
Total operating expenses	<u>5,044,713</u>	<u>114,269</u>	<u>5,158,982</u>
Operating income (loss)	<u>830,001</u>	<u>(57,804)</u>	<u>772,197</u>
<u>NONOPERATING REVENUE & EXPENSES</u>			
Bond issuance costs	(63,227)	-	(63,227)
Interest income	13,402	3,187	16,589
Interest expense	(653,166)	-	(653,166)
Grant proceeds	168,122	-	168,122
Property taxes	<u>-</u>	<u>20,239</u>	<u>20,239</u>
	<u>(534,869)</u>	<u>23,426</u>	<u>(511,443)</u>
Net income (loss) before transfers	295,132	(34,378)	260,754
<u>OTHER FINANCING SOURCES</u>			
Operating transfers in	<u>366,155</u>	<u>-</u>	<u>366,155</u>
Change in net position	661,287	(34,378)	626,909
NET POSITION, beginning	<u>19,534,444</u>	<u>616,441</u>	<u>20,150,885</u>
NET POSITION, ending	<u><u>\$ 20,195,731</u></u>	<u><u>\$ 582,063</u></u>	<u><u>\$ 20,777,794</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2016

	Water & Sewer	Cemetery Fund	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 5,874,714	\$ 56,465	\$ 5,931,179
Cash payments to suppliers for goods & services	(1,507,423)	(19,349)	(1,526,772)
Cash payments to employees for services	(2,008,235)	(88,604)	(2,096,839)
Net cash provided by (applied to) operating activities	<u>2,359,056</u>	<u>(51,488)</u>	<u>2,307,568</u>
<u>Cash flows from noncapital financing activities:</u>			
Operating transfers in	366,155	-	366,155
Property taxes received	-	20,239	20,239
Receipt/(repayment) of loans from other funds	(61,721)	-	(61,721)
Net cash provided by noncapital financing activities	<u>304,434</u>	<u>20,239</u>	<u>324,673</u>
<u>Cash flows from capital and related financing activities:</u>			
Principal paid on IL EPA loan	(169,639)	-	(169,639)
Principal paid on Alt. Rev. Source bonds	(1,675,000)	-	(1,675,000)
Bond issuance costs	(63,227)	-	(63,227)
Capital grant proceeds	168,122	-	168,122
Interest paid	(500,592)	-	(500,592)
Property and equipment purchases	(1,249,480)	(9,082)	(1,258,562)
Net cash applied to capital and related financing activities	<u>(3,489,816)</u>	<u>(9,082)</u>	<u>(3,498,898)</u>
<u>Cash flows from investing activities:</u>			
Interest income received	<u>3,018</u>	<u>3,187</u>	<u>6,205</u>
Net decrease in cash and cash equivalents	(823,308)	(37,144)	(860,452)
Cash and cash equivalents - beginning of year	<u>1,698,328</u>	<u>468,265</u>	<u>2,166,593</u>
Cash and cash equivalents - end of year	<u><u>\$ 875,020</u></u>	<u><u>\$ 431,121</u></u>	<u><u>\$ 1,306,141</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2016

	<u>Water & Sewer Fund</u>	<u>Cemetery Fund</u>	<u>Total Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED BY (APPLIED TO)			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 830,001	\$ (57,804)	\$ 772,197
Adjustments to reconcile operating income (loss) to net cash provided (applied to) operating activities:			
Depreciation	1,529,444	6,316	1,535,760
Change in assets and liabilities:			
Increase in other assets	(389)	-	(389)
Net cash provided by (applied to) operating activities	<u><u>\$ 2,359,056</u></u>	<u><u>\$ (51,488)</u></u>	<u><u>\$ 2,307,568</u></u>

**PRESENTATION OF CASH AND CASH
EQUIVALENTS ON THE STATEMENT OF NET
ASSETS PROPRIETARY FUNDS**

	<u>Water & Sewer Fund</u>	<u>Cemetery Fund</u>	<u>Total Enterprise Funds</u>
Cash and cash equivalents	\$ 211,821	\$ 269,700	\$ 481,521
Restricted cash and cash equivalents	663,199	161,421	824,620
Cash and cash equivalents at end of year	<u><u>\$ 875,020</u></u>	<u><u>\$ 431,121</u></u>	<u><u>\$ 1,306,141</u></u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
April 30, 2016

	Police Pension Trust Fund	Fire Pension Trust Funds	Total Pension Trust Funds	Private Purpose Trust Fund
<u>ASSETS</u>				
Cash and short-term investments	\$ 136,980	\$ 519,374	\$ 656,354	\$ 14,292
Receivables				
Employer	375,060	585,052	960,112	-
Interest and other	28,603	25,031	53,634	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total receivables	403,663	610,083	1,013,746	-
Investments, at fair value	13,641,126	5,789,730	19,430,856	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 14,181,769</u>	<u>\$ 6,919,187</u>	<u>\$ 21,100,956</u>	<u>\$ 14,292</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	 <u>\$ 14,181,769</u>	 <u>\$ 6,919,187</u>	 <u>\$ 21,100,956</u>	 <u>\$ 14,292</u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year ended April 30, 2016

	Police Pension Trust Fund	Fire Pension Trust Fund	Total Pension Trust Funds	Private Purpose Trust Fund
<u>ADDITIONS</u>				
Contributions				
Employer	\$ 416,195	\$ 654,815	\$ 1,071,010	\$ -
Plan member	144,184	103,113	247,297	-
Transfers in from other plans	180,426	-	180,426	-
	<u>740,805</u>	<u>757,928</u>	<u>1,498,733</u>	<u>-</u>
Investment income				
Net appreciation (depreciation) in fair value of investments	(1,038,830)	(210,565)	(1,249,395)	-
Interest income	183,937	104,000	287,937	3
Dividend income	632,099	65,021	697,120	-
	<u>(222,794)</u>	<u>(41,544)</u>	<u>(264,338)</u>	<u>3</u>
Total additions	<u>518,011</u>	<u>716,384</u>	<u>1,234,395</u>	<u>3</u>
<u>DEDUCTIONS</u>				
Benefits	882,960	918,818	1,801,778	-
Administrative expense	-	35,993	35,993	-
Miscellaneous expense	109,811	-	109,811	-
	<u>992,771</u>	<u>954,811</u>	<u>1,947,582</u>	<u>-</u>
NET INCREASE (DECREASE)	(474,760)	(238,427)	(713,187)	3
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES				
Beginning of year	<u>14,656,529</u>	<u>7,157,614</u>	<u>21,814,143</u>	<u>14,289</u>
End of year	<u>\$ 14,181,769</u>	<u>\$ 6,919,187</u>	<u>\$ 21,100,956</u>	<u>\$ 14,292</u>

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Canton, Illinois is a non home-rule unit and operates under a Mayor-Aldermanic Form of government. The City provides the following services to its citizens: general government, public safety (police and fire), streets, sanitation, cemetery, economic development and water and sewer utilities.

A. FINANCIAL REPORTING ENTITY AND BASIS OF PRESENTATION

1. FINANCIAL REPORTING ENTITY

Financial criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, have been reviewed to determine whether outside agencies with activities, which benefit the citizens of the City, should be included within its financial reporting entity. The criteria include, whether the City exercises significant oversight responsibility on the agencies' selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. It has been determined that no other outside agency meets the above criteria, and therefore, no other agency has been included as component unit in the City's financial statements.

The accounts of the Parlin-Ingersoll Library are excluded from the accompanying financial statements because the City does not fund the Library and the Library's board of trustees controls operations. Although the Mayor appoints the trustees, the City does not exercise any other form of control over library operations, thus the Library has not been included in these statements.

2. BASIS OF PRESENTATION – GOVERNMENT – WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the City government as a whole. They include all funds of the City except for the fiduciary funds that are reported in separate 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.

3. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Major individual governmental and proprietary funds are reported in separate columns with composite columns for other non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of 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 of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described as follows:

Governmental Fund Types:

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund includes the City's General Fund, Liability Insurance Fund, Unemployment Compensation Fund, Worker's Compensation Fund, Fire Technical Rescue Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, which are reported as non-major funds with the exception of the Canton 1 Tax Increment Financing District:

<u>Fund</u>	<u>Brief Description</u>
Working Cash Fund	Accounts for assets legally restricted for providing short-term working cash loans to other funds.
Civil Defense Fund	Accounts for real estate taxes legally restricted for providing Civil Defense activities to the public.

Illinois Municipal Retirement	Accounts for real estate taxes legally restricted for IMRF and providing retirement benefits to employees.
Social Security Fund	Accounts for real estate taxes legally restricted for Social Security and providing retirement benefits to employees.
Motor Fuel Tax	Accounts for motor fuel taxes legally restricted for street and alley improvements.
Canton 1 Tax Increment Financing District	Accounts for revenues legally restricted for development projects within the designated tax increment financing project area.
Canton 2 Tax Increment Financing District	Accounts for revenues legally restricted for development projects within the designated tax increment financing project area.
Audit Fund	Accounts for real estate taxes legally restricted for obtaining required annual financial statement audit services.
Drug Prevention Fund	Accounts for fine and forfeiture revenues restricted for prevention and awareness activities.
DUI Fund	Accounts for the fine revenues restricted for capital expenditures.
Video Gaming Fund	Accounts for proceeds of video gaming taxes.
DCCA Loan Fund	Accounts for grant revenues legally restricted for making economic development loans to businesses and other organizations.

Capital Projects Fund

Account for the financial resources used for the acquisition or construction of major capital facilities, property development, and environmental assessment and remediation, other than those financed by the enterprise funds. The reporting entity includes the following capital project fund which is reported as a non-major fund:

<u>Fund</u>	<u>Brief Description</u>
IT&EC Environmental Remediation Fund	Accounts for settlement proceeds restricted for remediation activities at the former International Harvester Project Site.

Proprietary Fund Types:

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

<u>Fund</u>	<u>Brief Description</u>
Water Works and Sewer Fund	Accounts for the providing of public water and waste water treatment services as well as lake recreational activities.
Cemetery Fund	Accounts for the activities of operating and maintaining Greenwood Cemetery.

Fiduciary Fund Types:

Trust and Agency Funds

Account for assets held by the City in a trustee capacity of as an agent for individuals, private organizations or other governments. These include the police and fire pension trust funds, and the private purpose trust fund. The private purpose trust fund includes the Orendorf Fence and Hildebrand Trust which stipulate that only income from amounts donated can be spent for cemetery maintenance expenditures. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The City does not have an agency fund.

B. MEASUREMENT FOCUS

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements.

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item “C” below. Internal activity (transactions between or within funds) are reclassified and eliminated with the government-wide statements. Reimbursements are reported as a reduction of expenses.

In the fund financial statements, the “current financial resources” measurement focus as applied to the modified cash basis of accounting:

- a. The governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. The pension trust funds financial statements are prepared using economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

C. BASIS OF ACCOUNTING

Basis of accounting is a term to describe “when” transactions are recorded in the financial statements.

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statement, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, and the proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as water deposits, accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. As a modification to the cash basis, the City has elected to report loans receivable as an asset in the DCCA Loan Funds.

The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as applicable to modified cash basis reporting. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, as applicable to modified cash basis reporting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

D. CASH AND CASH EQUIVALENTS

Cash from certain City funds are invested in time deposits with an original maturity of three months or more when purchased. These accounts are classified as investments and are recorded at cost.

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Certificates of deposits are considered cash equivalents if the original maturity is three months or less.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer, is reported at a \$1 per share value, which equals the City’s fair value in the pool.

E. INVESTMENTS

Investments are comprised of non-negotiable certificates of deposit, money market mutual funds, insurance contracts, and State, Local and U.S. government obligations and mutual funds are reported at fair value. Fair value is based on published prices on major exchanges as of April 30, 2016.

F. CAPITAL ASSETS

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS – 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 live using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to record all capital assets. The range of the estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than building	20 years
Machinery, furniture, and equipment	5-12 years
Utility property and improvements	15-25 years
Infrastructure	40 years

2. FUND FINANCIAL STATEMENTS – CAPITAL ASSETS

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. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

G. LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

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

H. EQUITY CLASSIFICATION

Equity is classified as net position in the government-wide statements, and is displayed in three components:

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

Government fund equity is classified as fund balance in the fund financial statements, and proprietary fund equity is classified the same as in the government-wide statements.

I. PROGRAM REVENUES

In the Statement of Activities, modified cash 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, if any, in each activity:

General Government	Fees, permits and hall rentals.
Public Safety	Contract with schools.
Public Works	Charges for maintenance services.
Sanitation	Garbage service fees.

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

J. 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, noncapital financing, or investing activities.

K. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity, if any, and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid from them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

L. FUND BALANCE

Governmental fund equity is classified as fund balance. The components of fund balance are:

- Non-spendable – consists of resources that cannot be spent because of their form.
- Restricted – consists of resources which have limitations imposed by enabling legislation and limitations imposed by creditors, grantors, or contributors.
- Committed – consists of resources which have limitations imposed by the governing board through formal action.
- Assigned – consists of resources which have limitations resulting from intended use.
- Unassigned – consists of the residual net resources of a fund.

The City's assigned fund balance is reporting authorized by the City Council.

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

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Water and Sewer Fund. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, there are no deferred inflows of resources reported in City's financial statements.

O. ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues collected, expenditures paid, and other changes in fund equity during the reporting period. Actual results could differ from those estimates.

NOTE 2. TAX LEVIES AND COLLECTIONS

Property taxes attach as an enforceable lien on property as of January 1: The City adopted its 2015 tax levy on December 15, 2015. The City must submit its tax levy to the county clerk on or before the last Tuesday in December. The county clerk extends the amount called for under the respective funds and within the constraints of each fund's maximum tax rate. The county treasurer normally mails property tax bills to the taxpayers during May of the following year.

The bills are due in early June and September by the county treasurer who remits the tax collected in June, July, August, September and November to the City. As of April 30, 2016, the City had received all of its 2014 levy and none of its 2015 levy.

Following is a schedule of tax rates by fund for the 2015 levy per \$100 of equalized assessed valuation:

<u>Fund</u>	<u>Rate</u>	<u>Maximum Allowable Rate</u>
Governmental Fund Types:		
Corporate	.0000	.2500
Unemployment Compensation	.0219	
Fire Protection	.0875	.1500
Police Protection	.0569	.0750
Civil Defense	.0032	.0500
I.M.R.F.	.5249	
Social Security	.3062	
Liability Insurance	.2298	
Audit	.0175	
Workman's Compensation	.2187	
Proprietary Fund:		
Cemetery Fund	.0175	.0250
Fiduciary Fund Type:		
Fire Pension	.5118	
Police Pension	.3281	
	<u>2.3240</u>	

The City also receives road and bridge property taxes. However, these taxes are levied by Canton and Buckheart Townships.

NOTE 3. CASH AND INVESTMENTS

Investment risks include: credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. Deposit risks include: custodial credit risk and foreign currency risk.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposit policy provides that all deposits be guaranteed by the U.S. government, insured by the Federal Deposit Insurance Corporation (FDIC), or fully collateralized with securities held by the City or its agent in the City's name or by its counterparty's trust department or agent in the City's name.

The City's cash and cash equivalents at April 30, 2016 consisted of deposits with financial institutions and the Illinois Funds Money Market Fund. The Illinois Funds have a credit rating of AAAm, by an independent rating agency, indicating a strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks.

The monies invested in the Illinois Funds by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

At April 30, 2016, all the City's deposits, excluding cash on hand, were covered by federal depository insurance, by collateral held by the financial institution's trust department or agent in the City's name, or invested in Illinois Funds Money Market Fund.

Investments

As of April 30, 2016, the City had the following investments:

Type of Investment	Fair Value/ Carrying Amount	Average Credit Quality/ Ratings (1)	Weighted Average Years to Maturity (2)
Primary Government			
Business-type Activities (included in Restricted Assets)			
Certificate of Deposit	\$100,000	N/A	4

Fiduciary Funds

Certificates of deposit	\$ 320,000	N/A	3.36
Corporate bonds	2,614,663	A2	4.63
State & Local government	209,624	AAA	3.06
U.S. Government obligations and agency securities	4,844,119	AAA	6.32
Annuities	1,045,887	N/A	N/A
Common stock	3,168,320	N/A	N/A
Mutual funds	7,228,243	N/A	N/A
Total Fiduciary Investments	<u>\$ 19,430,856</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(2) Interest rate risk is estimated using the weighted average years to maturity method.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing for the Fiduciary Fund is performed in accordance with investment policies adopted by the Board of Trustees complying with Illinois Compiled Statutes. Funds shall be invested as per Illinois Pension Code Section 3-135 and by the Public Funds Investment Act (20 ILCS 235/01).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Fund's policy provides that investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities while the Fund maintains sufficient liquidity. Investment guidelines have been established for monies invested to meet approximate market rates of return on its investments, consistent with constraints established by its safety objectives, cash flow considerations, and Illinois State laws that restrict the placement of public funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy provides that investments be diversified or collateralized to avoid incurring unreasonable risks regarding specific security types and/or financial institutions. Investments are insured by FDIC insurance or collateralized with securities held by the City or its agent in the City's name.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Investments representing 5% or more of total investments at April 30, 2016 are as follows:

Federal National Mortgage Association	\$ 1,826,929
Federal Home Loan Bank	1,604,151

NOTE 4. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the year ended April 30, 2016, is as follows:

	Ending Balance 4/30/2015	Additions	Deletions	Ending Balance 4/30/2016
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 186,111	\$ -	\$ -	\$ 186,111
Depreciable Assets:				
Buildings & Infrastructure	9,524,906	1,042,597	-	10,567,503
Equipment	1,469,265	100,194	-	1,569,459
Motor Vehicles	2,986,794	-	338,900	2,647,894
	<u>14,167,076</u>	<u>1,142,791</u>	<u>338,900</u>	<u>14,970,967</u>
Accumulated depreciation				
Buildings & Infrastructure	1,975,052	355,209	-	2,330,261
Equipment	1,150,086	79,767	-	1,229,853
Motor Vehicles	2,102,290	117,751	338,900	1,881,141
	<u>5,227,428</u>	<u>552,727</u>	<u>338,900</u>	<u>5,441,255</u>
Governmental activities capital assets, net	<u>\$ 8,939,648</u>	<u>\$ 590,064</u>	<u>\$ -</u>	<u>\$ 9,529,712</u>

Depreciation expenses were charged to governmental functions:

General Government	\$ 58,807
Buildings and Grounds	3,176
Public Safety	94,969
Public Works	354,696
Community Development	15,969
Sanitation	25,110
Total	<u>\$ 552,727</u>

Business-Type Activities:	Ending Balance 4/30/2015	Additions	Deletions	Ending Balance 4/30/2016
<u>Greenwood Cemetery Fund</u>				
Mowers and equipment	\$ 112,767	\$ 9,082	\$ -	\$ 121,849
Vehicle	15,266	-	-	15,266
Fence	1,097	-	-	1,097
Building	45,137	-	-	45,137
Land improvements	9,532	-	-	9,532
	183,799	9,082	-	192,881
Accumulated depreciation	135,623	6,316	-	141,939
Greenwood Cemetery Fund Capital Assets, net	48,176	2,766	-	50,942
<u>Water & Sewer Fund</u>				
Water plant	24,967,849	354,981	-	25,322,830
Sewer plant	24,046,762	528,344	-	24,575,106
Water extensions	1,521,724	366,155	-	1,887,879
Sewer extensions	4,346,609	-	-	4,346,609
Office equipment	56,101	-	-	56,101
Water equipment	985,444	-	-	985,444
Sewer equipment	744,156	-	-	744,156
	56,668,645	1,249,480	-	57,918,125
Accumulated depreciation	21,663,603	1,529,444	-	23,193,047
Water and Sewer Fund Capital Assets, net	35,005,042	(279,964)	-	34,725,078
Total business-type activity capital asset, net	<u>\$35,053,218</u>	<u>\$ (277,198)</u>	<u>\$ -</u>	<u>\$34,776,020</u>

NOTE 5. LONG-TERM DEBT

The following is a summary of the changes in each type of long-term debt:

	Balance April 30, 2015	Additions	Reductions	Balance April 30, 2016	Amounts Due within One Year
Changes in governmental activities Long-Term Debt:					
Contracts and loans payable:					
Brownfield Repayment	\$ 136,338	\$ -	\$ 65,000	\$ 71,338	\$ 71,338
2011 Debt Certificate	6,670,000	-	255,000	6,415,000	275,000
Total long-term debt, governmental activities	\$ 6,806,338	\$ -	\$ 320,000	\$ 6,486,338	\$ 346,338
Changes in business-type activities Long-Term Debt:					
IL EPA loan	\$ 1,399,997	\$ -	\$ 169,639	\$ 1,230,358	\$ 174,603
General obligation bonds (alternate revenue source)					
2005 Series	4,775,000	-	4,775,000	-	-
2012 Series	9,610,000	-	165,000	9,445,000	175,000
2013 Series	2,685,000	-	60,000	2,625,000	50,000
2015 Series	-	3,325,000	-	3,325,000	1,640,000
Net issuance premium (discount)	(120,627)	4,172	-	(116,455)	-
Total general obligation Bonds	16,949,373	3,329,172	5,000,000	15,278,545	1,865,000
Total long-term debt business-type activities	\$ 18,349,370	\$ 3,329,172	\$ 5,169,639	\$ 16,508,903	\$ 2,039,603

Governmental Activities Long-term Debt:

The City's governmental activities long-term debt as of April 30, 2016, consisted of the following:

Brownfields Cooperative Agreement

Pursuant to the Brownfields Cooperative Agreement between the Illinois Environmental Protection Agency and the City, the City is required to repay a portion of the grant funds received due to the City selling a portion of the land under the agreement within 15 years of the date of the agreement. Total grant proceeds were \$425,000.

The agreement specifies the City will repay a negotiated amount greater than 0% but not more than 80% of the proceeds received. The total repayments are \$201,338. The annual remaining debt service requirements on this repayment are as follows:

<u>Year Ending 4/30</u>	<u>Principal</u>
2017	\$ 71,338

General Obligation Debt Certificates:

During 2012, the City issued \$7,000,000 Debt Certificates, Series 2011. This issuance is to finance various municipal improvements and to refund the outstanding balance on the 2009 debt certificate. Interest rates vary based on maturity and range from 3% to 4.625%. The debt service requirements on these debt certificates are as follows:

<u>Year Ending 4/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 275,000	\$ 258,356	\$ 533,356
2018	315,000	248,732	563,732
2019	345,000	239,282	584,282
2020	370,000	228,586	598,586
2021	400,000	216,192	616,192
2022	425,000	201,792	626,792
2023	460,000	185,854	645,854
2024	495,000	167,684	662,684
2025	530,000	147,389	677,389
2026	605,000	124,864	729,864
2027	680,000	99,150	779,150
2028	730,000	70,252	800,252
2029	785,000	36,306	821,306
	<u>\$ 6,415,000</u>	<u>\$ 2,224,439</u>	<u>\$ 8,639,439</u>

Business-type Activities Long-term Debt:

The City's business-type activities long-term debt as of April 30, 2016, consisted of the following:

Illinois EPA Loan:

In connection with a waterworks and sewer system maintenance project the City borrowed \$3,012,062 on an Illinois EPA Construction loan, including \$84,002 of construction period interest. The loan is payable in semi-annual installments of \$104,543 including interest at a rate of 2.93%, due February 28 and August 28 of each year. The final payment is due August 28, 2022.

The debt service requirements to maturity, on this loan, are as follows:

<u>Year ending 4/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 174,603	\$ 34,483	\$ 209,086
2018	179,712	29,374	209,086
2019	184,971	24,115	209,086
2020	190,383	18,703	209,086
2021	195,954	13,132	209,086
2022	201,688	7,398	209,086
2023	103,047	1,505	104,552
	<u>\$ 1,230,358</u>	<u>\$ 128,710</u>	<u>\$ 1,359,068</u>

General Obligations Bonds (Alternate Revenue Source):

The City issued \$3,325,000 in General Obligation Refunding Bonds Series 2015 (Alternative Revenue Source) with interest rates ranging from 1.1 to 1.3 percent to advance refund the remaining \$3,260,000 of outstanding 2005 Series bonds with interest rates ranging from 4.1 to 4.2 percent. Total bond issuance costs incurred related to this advance refunding were \$63,227. As a result of the refunding, the City reduced its future cash outflows related to this debt by \$73,624 over the next 2 years.

The City issued \$12,810,000 in General Obligation Refunding Bonds Series 2012 and 2013 (Alternative Revenue Source) with an average interest rate of 2.1 percent to advance refund \$11,000,000 of outstanding 2005 Series bonds with an average interest rate of 5 percent. The net proceeds of \$12,543,108 (after payment of \$106,367 in underwriting fees, insurance, and other issuance costs) purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2005 Series bonds. As a result, \$11,000,000 of the 2005 Bond Series are considered to be defeased and the liability for those bonds has been removed from the financial statements.

As a result of the refunding, the City reduced its future cash outflows related to this debt by \$756,091 over the next 11 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$681,747. While the refunding reduced the future cash outflows, the total debt outstanding increased. This increase, net of bond issuance costs, of \$1,518,202 is recorded as a deferred charge and is being amortized on a straight-line basis over the life of the bonds. The amortized deferred charge on the bond issue was \$138,019 during 2016 and the accumulated amortization was \$414,055 at April 30, 2016.

On October 1, 2005 the City issued \$26,430,000 of General Obligation Bonds (alternate revenue source) in connection with water and sewer system improvements. During 2013, \$11,000,000 of the bonds were refunded. During 2016, the remaining principal on the bonds of \$3,260,000 was refunded.

On December 19, 2012, the City issued \$10,000,000 of General Obligation Refunding Bonds (alternate revenue source). Principal on the bonds is payable in annual installments ranging from \$165,000 to \$1,725,000 due December 1. Interest on the bonds is payable semi-annually on June 1 and December 1, at rates ranging from 0.7% to 2.55%. The bonds mature through December 1, 2023. The bonds were issued at a \$125,000 discount. This discount is being amortized on a straight-line basis over the life of the bonds. The amortized discount on the bond issue at April 30, 2016, was \$90,910.

On February 12, 2013, the City issued \$2,810,000 of General Obligation Refunding Bonds (alternate revenue source). Principal on the bonds is payable in annual installments ranging from \$50,000 to \$450,000 due December 1. Interest on the bonds is payable semi-annually on June 1 and December 1, at rates ranging from 0.85% to 2.50%. The bonds mature through December 1, 2023. The bonds were issued at a \$35,125 discount. This discount is being amortized on a straight-line basis over the life of the bonds. The amortized discount on the bond issue at April 30, 2016, was \$25,545.

The General Obligation Refunding Bonds and the General Obligation Bonds bond ordinances stipulate that monies held in the water and sewer fund shall be aggregated and restricted to separate reserve accounts in the priority indicated by the order of the following:

Account	Amount	Expenditures
System Improvements	2005 G.O. Alternate Bond proceeds plus interest earned on invested proceeds net of allowable project costs.	Paying of costs of Water and Sewer plant and system improvements.
Operations and Maintenance	Monthly amounts sufficient to pay current operations and maintenance expenses.	Paying of operations and maintenance expenses.
Depreciation	Monthly deposits as deemed necessary.	Cost of extraordinary repairs and placements to the existing system.
Surplus	All remaining money after the deposits to the Operations and Depreciation accounts.	Paying of bond principal and interest maturities, repairs and replacements and deficiencies to accounts listed above.

Bond debt service requirements to maturity are as follows:

<u>Year ending 4/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,865,000	\$ 294,299	\$ 2,159,299
2018	1,900,000	266,680	2,166,680
2019	1,955,000	241,765	2,196,765
2020	1,990,000	210,485	2,200,485
2021	2,025,000	174,665	2,199,665
2022	2,065,000	133,950	2,198,950
2023	2,110,000	88,310	2,198,310
2024	1,485,000	37,670	1,522,670
	<u>\$ 15,395,000</u>	<u>\$ 1,447,824</u>	<u>\$ 16,842,824</u>

During the year, the City established a short term line of credit with a local financial institution. The line was opened in June of 2015 and expired in December of 2015. The maximum allowable borrowings were \$600,000 and the interest rate was 2.75%. The City borrowed and repaid \$475,000 and paid \$3,284 in interest on this line during the year.

NOTE 6. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2016.

Civil Defense	\$ 77,230
Social Security	318,143
Canton 2 TIF	734,934
Audit	1,761

NOTE 7. RISK MANAGEMENT

The City has joined together with other local governments in Illinois to form the Municipal Insurance Cooperative Agency (MICA). MICA is a public entity risk pool operating a common risk management and insurance program for its member government. MICA maintains self-insured retention limits of \$150,000 for property claims, \$200,000 limit on liability claims, \$400,000 limit on worker's compensation claims, and a \$50,000 limit on crime claims. In addition, MICA maintains a \$2,000,000 reinsurance contract for total loss aggregate of \$10,500,000. The City pays an annual premium to MICA based upon the City's share of liability exposure and prior experience within the pool to cover potential claims to the total loss aggregate. Amounts paid into the pool in excess of claims for any coverage year are rebated back to members in subsequent periods. The City records such rebates as miscellaneous revenue in the Risk Management Fund in the year in which they are received.

NOTE 8.**DEFINED BENEFIT PENSION PLANS****IMRF**

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

Plan Description

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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

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

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

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	77
Inactive plan members entitled to but not yet receiving	33
Active plan members	<u>70</u>
Total	<u><u>180</u></u>

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires the Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 13.6%. 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.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Since the City follows the modified cash basis of accounting, the liability is not recognized on the financial statements.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.48%
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant 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 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

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

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.47% 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 3.57%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 19,758,120	\$ 17,225,717	\$ 2,532,403
Changes for the year:			
Service Cost	368,920	-	368,920
Interest on the Total Pension Liability	1,459,467	-	1,459,467
Differences Between Expected and Experience of the Total Pension	(400,914)	-	(400,914)
Changes of Assumptions	25,883	-	25,883
Contributions - Employer	-	447,344	(447,344)
Contributions - Employees	-	156,338	(156,338)
Net Investment Income	-	85,483	(85,483)
Benefit Payments, including Refunds of Employee Contributions	(861,971)	(861,971)	-
Other (Net Transfer)	-	(66,357)	66,357
Net Changes	591,385	(239,163)	830,548
Balances at December 31, 2015	\$ 20,349,505	\$ 16,986,554	\$ 3,362,951

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 7.47%, 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 (6.47%)	Discount Rate (7.47%)	1% Increase (8.47%)
Net Pension Liability	\$ 6,178,051	\$ 3,362,951	\$ 1,055,627

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

If the City were on the accrual basis of accounting at December 31, 2015, the City would have recognized pension expense of \$611,286. If the City was on the accrual basis of accounting at December 31, 2015, the City would have reported deferred outflows or 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
Deferred Amounts to be Recognized in Expense in Future Periods		
Differences between expected and actual	\$ -	\$ 308,744
Changes of assumptions	19,932	-
Net difference between projected and actual earnings on pension plan investments	955,418	-
Total Deferred Amounts Related to Pensions	\$ 975,350	\$ 308,744

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

Year Ending	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2016	\$ 152,635	\$ -
2017	152,635	-
2018	152,635	-
2019	208,701	-
Total	<u>\$ 666,606</u>	<u>\$ -</u>

Police Pension Fund

Plan Description:

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan and which is administered by a board of trustees appointed by the Mayor and elected by pension members. The plan issues a stand-alone financial report that is filed with the Illinois Department of Insurance. A copy of the report may be obtained from the City. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (40ILCS 5/3) and may be amended only by the Illinois legislature. The city accounts for the plan as a pension trust fund.

At May 1, 2015, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries currently Receiving Benefits	19
Terminated Employees Entitled to Benefits but not yet Receiving Them	4
	<hr/>
	23
Current Employees	23
	<hr/>
Total	46
	<hr/>

Funding Policy:

The Recommended contribution is based on the Funding Policy for the Plan. A Funding Policy has three key numerical components:

1. The Actuarial Cost Method: The Actuarial Cost Method creates a contribution pattern for each year of an employee's working career ("Normal Cost" contributions). In addition the Actuarial Cost Method can measure how well the funding is progressing to date.
2. Amortization Policy: When Plan funding is not where expected (according to plan), procedures are put into place to pay down any shortfall. This leads to a second piece of the cash contribution (the "Amortization Payment").
3. Actuarial Value of Assets: Fluctuations in the plans assets due to short-term gains and losses may be smoothed over some period of time to minimize long-term contribution volatility.

Actuarial Cost Method:

The Actuarial Cost Method under the Funding Policy is the Entry Age Normal (EAN) Cost Method (as a percent of payroll). The EAN method creates a pattern of contributions over employee working careers that are expected to be stable as a percent of payroll over time, creating equity over generations of taxpayers.

Amortization Policy:

The Funding Policy establishes that the unfunded liability (up to 90% of liability) as of 4/30/2015 will be amortized on a level dollar basis over 25 years. Future changes in unfunded will be handled separately.

The Police Pension Plan provides retirement benefits as well as death and disability benefits.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The city is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary.

Annual Pension Cost and Net Pension Obligation – The City’s annual pension cost of \$389,965 was equal to the required contribution. The actual contribution paid by the City was \$363,225. The City obtained an actuarial valuation for the year ending May 1, 2015. The City based the current year contribution based on the actuarial valuation using the following assumptions:

The following methods have been prescribed in accordance with Section 3-125 of the Illinois Pension Code.

Funding method	Projected Unit Credit
Amortization method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset valuation method	Investment gains and losses are recognized over a 5-year period.

Actuarial Assumptions

Interest rate	6.75%
Interest rate, prior fiscal year	6.75%
Healthy mortality rates - Male	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Healthy mortality rates - Female	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Disability mortality rates - Male	RP-2000 Disabled Retiree Mortality
Disability mortality rates - Female	RP-2000 Disabled Retiree Mortality
Decrement other than mortality	Experience tables
Rate of service-related deaths	5%
Rate of service-related disabilities	70%
Salary increases	Service-related table with rates grading from 11% to 4% at 30 years of service
Payroll growth	4.50%
Tier 2 cost-of-living adjustment	1.25%
Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses.

The Police Pension Fund’s unfunded actuarial liability is being amortized as a level percentage of projected payroll. The remaining amortization period at May 1, 2015, is 25 years.

As of May 1, 2015, the most recent actuarial valuation date, the Police Pension Plan was 80% funded. The actuarial accrued liability for benefits was \$18,715,366 and the actuarial value of assets was \$15,053,336, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,662,029.

Fire Pension Fund

Plan Description

Fire sworn personnel are covered by the Fire Pension Plan which is a defined benefit single-employer pension plan and which is administered by a board of trustees appointed by the Mayor and elected by pension members. The Plan issues a stand-alone financial report that is filed with the Illinois Department of Insurance. A copy of the report may be obtained from the City. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (401ILCS 5/4) and may be amended only by the Illinois legislature.

The City accounts for the plan as pension trust fund. At May 1, 2015, the Fire Pension Plan membership consisted of:

Retirees and Beneficiaries currently	
Receiving Benefits	24
Terminated Employees Entitled to	
Benefits but not yet Receiving Them	-
	<hr/> 24
Current Employees	16
Total	<hr/> 40

The Fire Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increases 3% annually.

Covered employees are required to contribute 9.455% of their salary to the Fire Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City funded 101% of its 2016 actuarially calculated contribution of \$651,363. The Fire Pension Fund's unfunded actuarial liability is being amortized as a level percentage of projected payroll. The remaining amortization period at May 1, 2015, is 25 years.

The City obtained an actuarial valuation for the year ending April 30, 2016. The City based the current year contribution using the entry age normal cost funding method. The City based the current year contribution based on the actuarial valuation using the following assumptions:

The following methods have been prescribed in accordance with Section 4-118 of the Illinois Pension Code.

Funding method	Projected Unit Credit
Amortization method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset valuation method	Investment gains and losses are recognized over a 5-year period.

Actuarial Assumptions

Interest rate	6.50%
Interest rate, prior fiscal year	6.50%
Healthy mortality rates - Male	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Healthy mortality rates - Female	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Disability mortality rates - Male	RP-2000 Disabled Retiree Mortality
Disability mortality rates - Female	RP-2000 Disabled Retiree Mortality
Decrements other than mortality	Experience tables
Rate of service-related deaths	5%
Rate of service-related disabilities	90%
Salary increases	Service-related table with rates grading from 12% to 4% at 30 years of service
Payroll growth	4.50%
Tier 2 cost-of-living adjustment	1.25%
Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses.

As of May 1, 2015, the most recent actuarial valuation date, the Fire Pension Plan was 43% funded. The actuarial accrued liability for benefits was \$16,819,664 and the actuarial value of assets was \$7,237,087, the unfunded accrued liability was \$9,582,577.

Police and Fire Pension Funds

Summary of the Plan's Significant Accounting Policies and Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when dues and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value on the financial statements. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at a current exchange rates. For actuarial calculation purposes investments in the U.S. Government and Agency obligations are valued at amortized cost.

NOTE 9. VACATION, SICK PAY & PERSONAL DAYS BENEFITS

Accumulated unpaid vacation, sick pay and personal day benefits for all City employees that have not been accrued on the financial statements total \$1,051,126.

NOTE 10. INTERFUND BALANCES AND TRANSACTIONS

The following schedule reports interfund receivables and payables:

<u>Amount</u>	<u>Due to:</u>	<u>Due from:</u>
\$520,000	General Fund	Special Revenue Fund: Canton 2 TIF
311,531	General Fund	Special Revenue Fund: Canton 1 TIF
77,230	General Fund	Special Revenue Fund: Civil Defense
318,143	General Fund	Special Revenue Fund: Social Security
1,761	General Fund	Special Revenue Fund: Audit
23,732	Special Revenue Fund: Canton 2 TIF	Special Revenue Fund: Motor Fuel Tax
465,688	Special Revenue Fund: Working Cash	General Fund
295,000	Special Revenue Fund: Canton 1 TIF	Special Revenue Fund: Canton 2 TIF

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The balances will be repaid with the excess of revenues over expenditures in future years; therefore a significant majority of the balances will not be collected in the subsequent year.

Interfund transfers for the year ended April 30, 2016 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 134,629	\$ -
Video Gaming Fund	-	134,629
Canton 1 TIF	-	366,155
Water and Sewer Fund	366,155	-
	<u>\$ 500,784</u>	<u>\$ 500,784</u>

Transfers are used to (1) move revenues from the fund collecting them to the fund that statute or budget reflects to expend them and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11. COMMITMENT/SUBSEQUENT EVENTS

As of April 30, 2016, the Canton 1 Tax Increment Fund has commitments with local businesses to refund a portion of the tax increment. These commitments are based on an agreed upon percentage of the total yearly increment and are capped at a maximum. The maximum commitments total approximately \$1,750,000. There are also agreements with other local taxing bodies to share a portion of the annual increment.

As of April 30, 2016, the Canton 2 Tax Increment Fund has commitments with local businesses to refund a portion of the tax increment. These commitments are based on an agreed upon percentage of the total yearly increment and are capped at a maximum. The maximum commitments total approximately \$800,000. There are also agreements with other local taxing bodies to share a portion of the annual increment.

The City has evaluated subsequent events through December 14, 2016, the date which the financial statements were available to be issued.

NOTE 12. CONTINGENCIES

LITIGATION

The City is the defendant in several claims and lawsuits. Based on information of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 13. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the City provides post-retirement hospital, health, life, and dental insurance coverage to retired employees in accordance with personnel policy or union contract. The portion of insurance coverage paid by the City varies depending on whether the employee was union or nonunion, the personnel policy in effect at the date of retirement, and the retiree's length of service. Generally, the City pays 100% of the retiree's insurance and a portion or all of the retiree's dependent coverage until the retiree reaches age 65. At age 65, the insurance coverage is terminated and the retiree can then make application to Medicare at his own expense. Retired employees are eligible for this coverage only if they also qualify for pension benefits under the Police, Fire, or IMRF pension fund.

As of April 30, 2016, the most recent actuarial valuation date, the City's actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for post-employment health care benefits equals \$8,887,900. The \$8,887,900 unfunded actuarial accrued liability (UAAL) is comprised of \$4,585,296 for active employees and \$4,302,604 for retirees. Because the City is on a pay-as-you-go basis and does not have a fund set aside in an irrevocable trust for post-employment health care benefits, the \$8,887,900 unfunded actuarial accrued liability (UAAL) is equal to the \$8,889,900 actuarial accrued liability (AAL) less no assets set aside in an irrevocable trust. Based on a 25-year amortization of the UAAL, the annual required contribution (ARC) needed to fully fund the UAAL equals \$881,776.

SUPPLEMENTARY INFORMATION

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND
Year ended April 30, 2016

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE FROM BUDGET
<u>Resources (inflows):</u>			
Local taxes:			
Property taxes	\$ 1,515,411	\$ 1,508,737	\$ (6,674)
Utility tax	655,000	635,903	(19,097)
Telecommunications tax	250,000	239,702	(10,298)
Hotel/Motel taxes	61,800	67,199	5,399
Total local taxes	2,482,211	2,451,541	(30,670)
Intergovernmental:			
Sales tax	2,940,258	2,938,241	(2,017)
Income tax	1,400,000	1,570,066	170,066
Replacement tax	22,000	107,296	85,296
State reimbursements & grants	3,600	3,280	(320)
Federal grants	-	85,375	85,375
Total intergovernmental	4,365,858	4,704,258	338,400
Other:			
License and permits	76,000	101,834	25,834
Franchise fees	285,000	287,914	2,914
Fines and forfeitures	100,000	64,591	(35,409)
Charges for services	739,000	760,398	21,398
Donations	-	-	-
Interest income	1,000	356	(644)
Miscellaneous	99,641	101,013	1,372
Total other	1,300,641	1,316,106	15,465
Total resources (inflows)	8,148,710	8,471,905	323,195

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND (Continued)
Year ended April 30, 2016

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE FROM BUDGET
<u>Charges to expenditures (outflows):</u>			
General government:			
Salaries and benefits	\$ 725,980	\$ 732,570	\$ (6,590)
Supplies	97,155	70,107	27,048
Contractual services	801,042	869,534	(68,492)
Other charges and services	-	35,265	(35,265)
Capital outlay	-	11,655	(11,655)
	<u>1,624,177</u>	<u>1,719,131</u>	<u>(94,954)</u>
Total general government			
Public safety:			
Police:			
Salaries and benefits	2,835,176	2,909,434	(74,258)
Supplies	64,875	53,793	11,082
Contractual services	105,817	83,848	21,969
	<u>3,005,868</u>	<u>3,047,075</u>	<u>(41,207)</u>
Total police			
Fire:			
Salaries and benefits	1,959,835	2,009,604	(49,769)
Supplies	35,845	26,299	9,546
Contractual services	75,791	91,125	(15,334)
Capital outlay	-	88,539	(88,539)
	<u>2,071,471</u>	<u>2,215,567</u>	<u>(144,096)</u>
Total fire			
Public Works/Transportation:			
Streets:			
Salaries and benefits	441,990	406,239	35,751
Supplies	185,490	118,366	67,124
Contractual services	141,670	148,337	(6,667)
Total public works/ transportation	<u>769,150</u>	<u>672,942</u>	<u>96,208</u>

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND (Continued)
Year ended April 30, 2016

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE FROM BUDGET
Buildings and Grounds:			
Salaries and benefits	\$ 98,571	\$ 108,877	\$ (10,306)
Supplies	19,860	9,075	10,785
Contractual services	13,895	6,757	7,138
	<u>132,326</u>	<u>124,709</u>	<u>7,617</u>
Sanitation:			
Salaries and benefits	264,956	261,707	3,249
Supplies	60,115	46,194	13,921
Contractual services	151,784	132,398	19,386
Miscellaneous	-	8,978	(8,978)
	<u>476,855</u>	<u>449,277</u>	<u>27,578</u>
Debt Service:			
Interest expense	-	3,284	(3,284)
	<u>-</u>	<u>3,284</u>	<u>(3,284)</u>
Other financing sources (uses):			
Proceeds from sale of equipment	-	106,950	106,950
Operating transfers in	67,500	134,629	134,629
	<u>67,500</u>	<u>241,579</u>	<u>241,579</u>
Total charges to expenditures	<u>8,012,347</u>	<u>7,990,406</u>	<u>89,441</u>
CHANGE IN			
FUND BALANCE	<u><u>\$ 136,363</u></u>	<u><u>\$ 481,499</u></u>	<u><u>\$ 233,754</u></u>

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
CANTON 1 TAX INCREMENT FINANCING DISTRICT FUND
Year ended April 30, 2016

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE FROM BUDGET
<u>REVENUES RECEIVED</u>			
Local taxes	\$ 934,325	\$ 937,916	\$ 3,591
Interest	2,450	2,886	436
Other	-	3,720	3,720
	<u>936,775</u>	<u>944,522</u>	<u>7,747</u>
<u>EXPENDITURES DISBURSED</u>			
Community development	1,373,937	490,856	883,081
Capital outlay	-	137,619	(137,619)
Debt service:			
Principal repayment	388,959	320,000	68,959
Interest	133,960	268,419	(134,459)
	<u>1,896,856</u>	<u>1,216,894</u>	<u>679,962</u>
Revenues received over (under) expenditures disbursed before other financing sources	(960,081)	(272,372)	687,709
Other financing sources:			
Operating transfers out	-	(366,155)	(366,155)
	<u>\$ (960,081)</u>	<u>\$ (638,527)</u>	<u>\$ 321,554</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF CANTON, ILLNOIS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -
MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS
April 30, 2016

	Total Non-Major Special Revenue Funds	Total Non- Major Capital Project Funds	Total Non-Major Governmental Funds
<u>ASSETS</u>			
Cash	\$ 1,081,947	\$ 252,336	\$ 1,334,283
DCCA loans receivable	26,749	-	26,749
Due from other funds	489,420	-	489,420
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,598,116	\$ 252,336	\$ 1,850,452
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 1,235,866	\$ -	\$ 1,235,866
	<hr/>	<hr/>	<hr/>
Fund balances:			
Restricted	933,182	252,336	1,185,518
Assigned	561,136	-	561,136
Unassigned	(1,132,068)	-	(1,132,068)
	<hr/>	<hr/>	<hr/>
Total fund balances	362,250	252,336	614,586
	<hr/>	<hr/>	<hr/>
Total liabilities & fund balances	\$ 1,598,116	\$ 252,336	\$ 1,850,452
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS
Year ended April 30, 2016

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Project Funds	Total Non-Major Governmental Funds
<u>REVENUES</u>			
Local taxes:			
Property taxes	\$ 1,053,480	\$ -	\$ 1,053,480
Intergovernmental:			
Motor fuel taxes	376,848	-	376,848
Replacement taxes	23,357	-	23,357
Other taxes	85,771	-	85,771
Fines and forfeitures	4,618	-	4,618
Interest	4,497	145	4,642
Other	332	2,038	2,370
	<hr/>	<hr/>	<hr/>
Total revenues	1,548,903	2,183	1,551,086
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
General governmental	679,444	-	679,444
Public safety:			
Civil defense	1,665	-	1,665
Law enforcement	7,383	-	7,383
Public works/transportation:			
Streets & sidewalks	53,084	-	53,084
Capital outlay	904,978	-	904,978
Community development:			
Other	116,431	600	117,031
	<hr/>	<hr/>	<hr/>
Total expenditures	1,762,985	600	1,763,585
	<hr/>	<hr/>	<hr/>
Revenue received over (under) expenditures	(214,082)	1,583	(212,499)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Operating transfers in (out)	(134,629)	-	(134,629)
	<hr/>	<hr/>	<hr/>
Revenue received and other financing sources over (under) expenditures disbursed and other financing uses	(348,711)	1,583	(347,128)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning	710,961	250,753	961,714
	<hr/>	<hr/>	<hr/>
Fund balance, ending	\$ 362,250	\$ 252,336	\$ 614,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -
MODIFIED CASH BASIS - NON-MAJOR SPECIAL REVENUE FUNDS
April 30, 2016

	Working Cash	Civil Defense	Illinois Municipal Retirement Fund	Social Security	Motor Fuel Tax	Canton 2 Tax Increment Financing District
<u>ASSETS</u>						
Cash	\$ 95,448	\$ -	\$ 468,137	\$ -	\$ 332,868	\$ 56,334
DCCA loans receivable	-	-	-	-	-	-
Due from general fund	465,688	-	-	-	-	-
Due from motor fuel tax fund	-	-	-	-	-	23,732
Total assets	<u>\$ 561,136</u>	<u>\$ -</u>	<u>\$ 468,137</u>	<u>\$ -</u>	<u>\$ 332,868</u>	<u>\$ 80,066</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to Canton 1 TIF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,000
Due to general fund	-	77,230	-	318,143	-	520,000
Due to Canton 2 TIF	-	-	-	-	23,732	-
Total liabilities	<u>-</u>	<u>77,230</u>	<u>-</u>	<u>318,143</u>	<u>23,732</u>	<u>815,000</u>
Fund Balances (deficit):						
Restricted	-	-	468,137	-	309,136	-
Assigned	561,136	-	-	-	-	-
Unassigned	-	(77,230)	-	(318,143)	-	(734,934)
Total fund balances (deficit)	<u>561,136</u>	<u>(77,230)</u>	<u>468,137</u>	<u>(318,143)</u>	<u>309,136</u>	<u>(734,934)</u>
Total liabilities & fund balances	<u>\$ 561,136</u>	<u>\$ -</u>	<u>\$ 468,137</u>	<u>\$ -</u>	<u>\$ 332,868</u>	<u>\$ 80,066</u>

Audit	Drug Prevention	DUI Fund	Video Gaming	DCCA Loan Fund	Total Non- Major Special Revenue Funds
\$ -	\$ 58,410	\$ 7,778	\$ -	62,972	\$ 1,081,947
-	-	-	-	26,749	26,749
-	-	-	-	-	465,688
-	-	-	-	-	23,732
<u>\$ -</u>	<u>\$ 58,410</u>	<u>\$ 7,778</u>	<u>\$ -</u>	<u>\$ 89,721</u>	<u>\$ 1,598,116</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,000
1,761	-	-	-	-	917,134
-	-	-	-	-	23,732
<u>1,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,235,866</u>
-	58,410	7,778	-	89,721	933,182
-	-	-	-	-	561,136
(1,761)	-	-	-	-	(1,132,068)
<u>(1,761)</u>	<u>58,410</u>	<u>7,778</u>	<u>-</u>	<u>89,721</u>	<u>362,250</u>
<u>\$ -</u>	<u>\$ 58,410</u>	<u>\$ 7,778</u>	<u>\$ -</u>	<u>\$ 89,721</u>	<u>\$ 1,598,116</u>

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NON-MAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2016

	Working Cash	Civil Defense	Illinois Municipal Retirement Fund	Social Security	Motor Fuel Tax
<u>REVENUES</u>					
Property taxes	\$ -	\$ 3,732	\$ 645,292	\$ 199,003	\$ -
Intergovernmental:					
Motor fuel taxes	-	-	-	-	376,848
Replacement taxes	-	-	-	23,357	-
Other taxes	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest	-	-	-	-	3,274
Other	-	-	-	-	-
Total revenues	-	3,732	645,292	222,360	380,122
<u>EXPENDITURES</u>					
General government	-	-	388,738	269,706	-
Public safety					
Civil defense	-	1,665	-	-	-
Law enforcement	-	-	-	-	-
Public works/transportation:					
Streets & sidewalks	-	-	-	-	53,084
Capital outlay	-	-	-	-	904,978
Community development:					
Other	-	-	-	-	-
Total expenditures	-	1,665	388,738	269,706	958,062
Revenue received over (under) expenditures	-	2,067	256,554	(47,346)	(577,940)
Other financing sources (uses):					
Operating transfers in (out)	-	-	-	-	-
Revenue received and other financing sources over (under) expenditures disbursed and other financing uses	-	2,067	256,554	(47,346)	(577,940)
Fund balance (deficit), beginning	561,136	(79,297)	211,583	(270,797)	887,076
Fund balance (deficit), ending	\$ 561,136	\$ (77,230)	\$ 468,137	\$ (318,143)	\$ 309,136

Canton 2 Tax Increment Financing District	Audit	Drug Prevention	DUI Fund	Video Gaming	DCCA Loan Fund	Total Non- Major Special Revenue Funds
\$ 191,319	\$ 14,134	\$ -	\$ -	\$ -	\$ -	\$ 1,053,480
-	-	-	-	-	-	376,848
-	-	-	-	-	-	23,357
-	-	-	-	85,771	-	85,771
-	-	2,151	2,467	-	-	4,618
180	-	-	-	-	1,043	4,497
-	-	-	-	-	332	332
191,499	14,134	2,151	2,467	85,771	1,375	1,548,903
-	21,000	-	-	-	-	679,444
-	-	-	-	-	-	1,665
-	-	5,903	1,480	-	-	7,383
-	-	-	-	-	-	53,084
-	-	-	-	-	-	904,978
113,153	-	-	-	3,194	84	116,431
113,153	21,000	5,903	1,480	3,194	84	1,762,985
78,346	(6,866)	(3,752)	987	82,577	1,291	(214,082)
-	-	-	-	(134,629)	-	(134,629)
78,346	(6,866)	(3,752)	987	(52,052)	1,291	(348,711)
(813,280)	5,105	62,162	6,791	52,052	88,430	710,961
\$ (734,934)	\$ (1,761)	\$ 58,410	\$ 7,778	\$ -	\$ 89,721	\$ 362,250

CITY OF CANTON, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE -
MODIFIED CASH BASIS - NON-MAJOR CAPITAL PROJECTS FUND
April 30, 2016

	IT&EC
	Environmental
	<u>Escrow</u>
<u>ASSETS</u>	
Cash	<u>\$ 252,336</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Fund balance:	
Restricted	<u>\$ 252,336</u>

CITY OF CANTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -
MODIFIED CASH BASIS - NON-MAJOR CAPITAL PROJECTS FUND
Year ended April 30, 2016

	IT&EC Environmental Escrow
<u>REVENUES</u>	
Other	
Interest	\$ 145
Miscellaneous	2,038
Total revenues	<u>2,183</u>
<u>EXPENDITURES</u>	
Community Development:	
Other	<u>600</u>
Revenue received over expenditures	1,583
Fund balance, beginning	<u>250,753</u>
Fund balance, ending	<u><u>\$ 252,336</u></u>

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - ENTERPRISE FUNDS
Year ended April 30, 2016

	Enterprise Funds		
	Water & Sewer	Greenwood Cemetery	Total
<u>OPERATING REVENUES</u>			
Charges for services	\$ 5,794,712	\$ 37,190	\$ 5,831,902
Lot sales	-	14,410	14,410
Lot leases	13,739	-	13,739
Fees & permits	45,688	-	45,688
Miscellaneous income	20,575	4,865	25,440
Total operating revenues	5,874,714	56,465	5,931,179
<u>OPERATING EXPENSES</u>			
Personal services	2,008,235	88,604	2,096,839
Supplies	566,100	14,548	580,648
Contractual services	928,097	4,801	932,898
Depreciation	1,529,444	6,316	1,535,760
Other	12,837	-	12,837
Total operating expenses	5,044,713	114,269	5,158,982
Operating income (loss)	830,001	(57,804)	772,197
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Property taxes	-	20,239	20,239
Grant proceeds	168,122	-	168,122
Bond issuance costs	(63,227)	-	(63,227)
Interest expense	(653,166)	-	(653,166)
Interest income	13,402	3,187	16,589
Total nonoperating revenues (expenses)	(534,869)	23,426	(511,443)
Net income (loss) before transfers	295,132	(34,378)	260,754
<u>OTHER FINANCING SOURCES</u>			
Transfers in	366,155	-	366,155
Increase (decrease) in net position	661,287	(34,378)	626,909
Net position, beginning	19,534,444	616,441	20,150,885
Net position, ending	\$ 20,195,731	\$ 582,063	\$ 20,777,794

CITY OF CANTON, ILLINOIS
SCHEDULE OF OPERATING EXPENDITURES OTHER THAN DEPRECIATION -
WATER AND SEWER FUND
Year ended April 30, 2016

	General Administration	System Maintenance	Water	Waste- Water
Salaries and wages	\$ 92,692	\$ 384,656	\$ 612,349	\$ 426,711
Group insurance	29,177	99,405	134,813	105,779
Maintenance:				
System	-	-	-	97,762
Building	-	-	132	15,055
Equipment	3,008	8,340	17,840	40,456
Utilities	103	8,275	173,067	252,737
Travel and training	53	-	820	716
Fuel and oil	-	8,911	6,176	10,966
Services	22,659	31,628	176,336	4,404
Supplies:				
Office	30,715	-	286	1,603
Maintenance	-	38,670	13,941	10,603
Operating	-	17,659	359,340	60,683
Rentals	-	-	-	29,370
Other	7,637	5,030	170	-
	<u>186,044</u>	<u>602,574</u>	<u>1,495,270</u>	<u>1,056,845</u>
Total	<u>\$ 186,044</u>	<u>\$ 602,574</u>	<u>\$ 1,495,270</u>	<u>\$ 1,056,845</u>

<u>Meters</u>	<u>Lake</u>	<u>Total</u>
\$ 94,955	\$ 3,200	\$ 1,614,563
24,498	-	393,672
-	-	97,762
-	-	15,187
24,752	4,567	98,963
1,668	13,967	449,817
-	-	1,589
2,359	1,010	29,422
-	382	235,409
-	-	32,604
14	-	63,228
939	2,225	440,846
-	-	29,370
-	-	12,837
<u>\$ 149,185</u>	<u>\$ 25,351</u>	<u>\$ 3,515,269</u>

CITY OF CANTON
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
(schedule to be built prospectively from 2015)

	<u>2015</u>
Calendar year ending December 31,	
Total pension liability:	
Service cost	\$ 368,920
Interest on the total pension liability	1,459,467
Difference between expected and actual experience	(400,914)
Assumption changes	25,883
Benefit payments and refunds	<u>(861,971)</u>
Net change in total pension liability	591,385
Total pension liability - beginning	<u>19,758,120</u>
Total pension liability - ending (a)	<u>\$ 20,349,505</u>
Plan fiduciary net position:	
Contributions - employer	\$ 447,344
Contributions - employee	156,338
Net investment income	85,483
Benefit payments and refunds	(861,971)
Other (net transfer)	<u>(66,357)</u>
Net change in plan fiduciary net position	(239,163)
Plan fiduciary net position - beginning	<u>17,225,717</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,986,554</u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 3,362,951</u></u>
Plan fiduciary net position as a percentage of the total pension liability	83.47%
Covered - employee payroll	\$ 3,289,296
City's net position liability as a percentage of covered-employee payroll	102.24%

**CITY OF CANTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
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IMRF

12/31/2015	\$	447,344	*	\$	447,344	\$	-	\$	3,289,296	13.60%
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*Estimated based on contribution rate of 13.60% and covered valuation payroll of \$3,289,296

Schedule to be built prospectively as the City implemented GASB Statement No. 68 in the fiscal year ending 04/30/2016.

CITY OF CANTON
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Notes to Schedule:

***Summary of Actuarial Methods and Assumptions Used in the Calculation
of the 2015 Contribution Rate****

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.
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Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes:	There were no benefit changes during the year.
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* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

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

CITY OF CANTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, EXTENSIONS,
COLLECTIONS, AND ASSESSED VALUATIONS

	2015 Tax Levy Year*				
	Levy	Rate	Extension	Collections	Levy
<u>General Fund:</u>					
Fire Protection	\$ 100,000	0.0875	\$ 100,023	\$ -	\$ 100,000
Police Protection	65,000	0.0569	65,044	-	50,000
Street & Bridge**	-	-	-	-	-
Liability Insurance	262,602	0.2298	262,690	-	160,000
Workmen's					
Compensation	250,000	0.2187	250,002	-	202,103
Unemployment Comp	25,000	0.0219	25,034	-	54,158
<u>Special Revenue Funds:</u>					
Civil Defense	3,600	0.0032	3,658	-	3,600
Social Security	350,000	0.3062	350,025	-	197,104
I.M.R.F.	600,000	0.5249	600,027	-	639,275
Audit	20,000	0.0175	20,005	-	14,000
<u>Enterprise Fund:</u>					
Cemetery	20,000	0.0175	20,005	-	20,000
<u>Pension Trust Funds:</u>					
Police Pension	375,000	0.3281	375,060	-	322,069
Fire Pension	585,000	0.5118	585,052	-	546,723
	<u>\$ 2,656,202</u>	<u>2.3240</u>	<u>\$ 2,656,625</u>	<u>\$ -</u>	<u>\$ 2,309,032</u>
Assessed valuation		<u>\$ 114,312,559</u>			

* Collections of 2015 tax levies not received until after April 30, 2016.

** Street and bridge taxes are levied by townships. The City then receives a portion of the tax levies. Total received during the year ended April 30, 2016, was \$58,242

2014 Tax Levy Year				2013 Tax Levy Year			
Rate	Extension	Collections	Levy	Rate	Extension	Collections	
0.0893	\$ 100,044	\$ 100,972	\$ 160,338	0.1438	\$ 160,349	\$ 159,096	
0.0447	50,078	50,542	83,000	0.0745	83,074	82,426	
-	-	-	-	-	-	-	
0.1429	160,092	161,578	195,000	0.1749	195,028	193,503	
0.1804	202,104	203,980	220,000	0.1973	220,006	218,286	
0.0484	54,223	54,726	10,000	0.0090	10,036	9,957	
0.0033	3,697	3,732	3,600	0.0033	3,680	3,651	
0.1760	197,174	199,003	180,000	0.1615	180,086	178,677	
0.5707	639,360	646,292	500,000	0.4484	500,003	496,098	
0.0125	14,004	14,134	24,000	0.0216	24,086	23,897	
0.0179	20,053	20,239	26,000	0.0234	26,093	25,889	
0.2875	322,089	325,078	255,698	0.2294	255,800	253,800	
0.4881	546,823	551,896	541,410	0.4856	541,484	537,252	
2.0617	\$ 2,309,741	\$ 2,332,172	\$ 2,199,046	1.9727	\$ 2,199,722	\$ 2,182,532	
<u>\$ 112,030,881</u>				<u>\$ 111,508,184</u>			