

**CITY OF SOUTH BELOIT**  
**South Beloit, Illinois**

Annual Financial Report

December 31, 2020

(With Independent Auditor's Report Thereon)

**CITY OF SOUTH BELOIT, ILLINOIS**

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## Independent Auditor's Report

The Honorable Mayor and  
Members of the Board of Commissioners  
City of South Beloit, Illinois

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Beloit, Illinois (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Revolving Loan Fund	Unmodified
Motor Fuel Tax Fund	Unmodified
Sewage Disposal Fund	Unmodified
Pension Trust Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

***Basis for Qualified Opinion on Governmental Activities***

Management has not obtained an independent actuarial valuation required under the provisions of Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* for the South Beloit Police and Firefighters Pension Funds. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred outflows of resources, and deferred inflows of resources for defined benefit pension plans have an actuarial study to determine the effect on net position. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and net position has not been determined.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Governmental Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of South Beloit, Illinois, as of December 31, 2020, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of South Beloit, Illinois, as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Beloit, Illinois' basic financial statements. The supplementary information and other information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

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

The schedule of tax data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this.



Freeport, Illinois  
August 31, 2021

## **CITY OF SOUTH BELOIT, ILLINOIS**

### Management's Discussion and Analysis

December 31, 2020 (Unaudited)

As management of the City of South Beloit, Illinois (the City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of South Beloit, Illinois for the year ended December 31, 2020.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the governmental activities of the City of South Beloit exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$8,694,692
- As of the close of the current year, the City of South Beloit's governmental assets reported combined ending fund balances of \$5,558,351, an increase of \$239,145.
- At the end of the current fiscal year, unrestricted, unassigned fund balance for the general fund was \$3,456,518 or 60% of the total general fund expenditures for the 2020 year.

#### **Using This Financial Report**

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information, which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City: 1) government-wide financial statements and 2) fund financial statements.

#### **Government-Wide Statements**

The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status, similar to a private sector business. In the government-wide financial statements, the City's activities are shown in two categories – governmental activities and business-type activities. The City's governmental activities are general government, public safety, public works, sanitation, and culture and recreation. These activities are largely financed with property taxes and state shared revenues. The City's business-type activities consist of sewage disposal. These activities are largely financed with user fees.

The statement of net position presents information on all of the City's assets and deferred net outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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



## CITY OF SOUTH BELOIT, ILLINOIS

### Management's Discussion and Analysis

To assess the overall health of the City you need to consider additional non-financial factors such as the condition of the City's buildings and facilities, economic conditions, population growth and new regulations.

#### **Fund Financial Statements**

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

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

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

The City of South Beloit maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the fund balances for the general and revolving loan, both of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of South Beloit adopts an annual budget for its general fund as well as its other governmental funds. A budgetary comparison statement has been provided for the general fund and all other major funds to demonstrate compliance with this budget.

Proprietary fund: The City of South Beloit maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of South Beloit uses an enterprise fund to account for its Sewer activities.