

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

Annual Financial Report

As of and for the Year Ended
December 31, 2018

CITY OF SOUTH BELOIT, ILLINOIS

Table of Contents

	<u>Page</u>
<u>Independent Auditor's Report</u>	1 – 3
<u>General Purpose External Financial Statements</u>	
Management's Discussion and Analysis.....	4 – 13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14 – 15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds:	
Balance Sheet.....	17
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	18 – 19
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities.....	21
Proprietary Funds	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24 – 25
Fiduciary Funds	
Statement of Fiduciary Net Position.....	26
Statement of Changes in Fiduciary Net Position.....	27
Notes to Financial Statements	28 – 56

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Revolving Loan Fund	58
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund	59
Police Pension Fund	60
Firefighters’ Pension Fund	61
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios	
Illinois Municipal Retirement Fund	62
Police Pension Fund	63
Firefighters’ Pension Fund	64
Schedule of Investment Returns	
Police Pension Fund	65
Firefighters’ Pension Fund	66
Notes to Required Supplementary Information	67

Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	68 – 73
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Nonmajor Governmental Funds

Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Hotel Tax Fund	76
Motor Fuel Tax Fund	77
Illinois Housing Development Authority Fund	78
TIF Fund	79
Community Development Fund	80
Capital Projects Fund	81

Non-Major Component Unit – Governmental Fund:	
Balance Sheet.....	82
Statement of Revenues, Expenditures, and Changes in Fund Balance..	83
Fiduciary Funds	
Combining Schedule of Fiduciary Net Position	84
Combining Schedule of Changes in Fiduciary Net Position	85
<u>Other Information</u>	
Schedule of Tax Data.....	86
<u>Compliance Section</u>	
Independent Accountant’s Report on Compliance with State of Illinois Public Act 85-1142.....	87
Single Audit	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	88 – 89
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance required by the Uniform Guidance.....	90 – 92
Schedule of Expenditures of Federal Awards.....	93
Notes to Schedule of Expenditures of Federal Awards.....	94
Schedule of Findings and Questioned Costs.....	95 –98
Corrective Action Plan.....	99



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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, 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, 2018, 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 19, 2019

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

December 31, 2018 (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, 2018.

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 \$6,668,876.
- As of the close of the current year, the City of South Beloit's governmental assets reported combined ending fund balances of \$5,581,287, an increase of \$420,077.
- At the end of the current fiscal year, unrestricted, unassigned fund balance for the general fund was \$3,433,111 or 60% of the total general fund expenditures for the 2018 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

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

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).

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 nine (9) 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.

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

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.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage Disposal Fund which is considered a major fund of the City of South Beloit.

Fiduciary funds: The City of South Beloit maintains pension trust funds, one for the police pension and one for the firefighters' pension.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the City as a Whole

An analysis of the City's financial position begins with a review of The Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes therein. It should be noted that the financial position could also be affected by non-financial factors, including economic conditions, population growth and new regulations.

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

A summary of the City's Statement of Net Position is presented in Table 1.

**Table 1
Statement of Net Position
As of December 31, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current and other assets	\$ 7,602,649	7,494,516	6,604,296	4,391,210	14,206,945	11,885,726
Capital assets	4,986,169	3,809,625	8,897,116	5,594,459	13,883,285	9,404,084
Deferred outflows of resources	2,541,098	2,163,832	175,531	34,074	2,716,629	2,197,906
Total assets and deferred outflows of resources	15,129,916	13,467,973	15,676,943	10,019,743	30,806,859	23,487,716
Other liabilities	644,290	432,572	1,854,795	58,310	2,499,085	490,882
Net pension liability	4,693,924	4,542,480	54,020	–	4,747,944	4,542,480
Long-term liabilities	–	161,000	3,243,647	462,786	3,243,647	623,786
Deferred inflows of resources	3,122,826	3,151,351	146,031	138,596	3,268,857	3,289,947
Total liabilities and deferred inflows of resources	8,461,040	8,287,403	5,298,493	659,692	13,759,533	8,947,095
Net position:						
Net investment in capital assets	4,986,169	3,809,625	5,653,469	5,131,673	10,639,638	8,941,298
Restricted	2,035,219	1,861,026	–	–	2,035,219	1,861,026
Unrestricted	(352,512)	(490,081)	4,724,981	4,228,378	4,372,469	3,738,297
Total net position	\$ 6,668,876	5,180,570	10,378,450	9,360,051	17,047,326	14,540,621

The largest portion of the City's net position (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery and equipment, and vehicles), less any debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (30%) represents resources that are subject to external restrictions on how they may be used. The remainder (-5%), represents a deficit in the government's ongoing obligation to provide future services to citizens and creditors.

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

**Table 2
Changes in Net Position
As of December 31, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
REVENUES						
Program revenues:						
Charges for services	\$ 1,303,315	\$ 1,169,934	\$ 2,203,274	\$ 1,846,393	\$ 3,506,589	\$ 3,016,327
Grants and contributions:						
Operating	1,563,363	352,892	–	–	1,563,363	352,892
Capital contributions	–	–	–	16,471	–	16,471
General revenues:						
Property taxes	1,331,707	1,283,744	–	–	1,331,707	1,283,744
Other taxes	3,409,402	3,376,081	–	–	3,409,402	3,376,081
Other	296,358	244,179	71,371	32,717	367,729	276,896
Total revenues	7,904,145	6,426,830	2,274,645	1,895,581	10,178,790	8,322,411
EXPENSES						
General government	1,835,050	1,860,545	–	–	1,835,050	1,860,545
Public safety	3,098,141	2,607,890	–	–	3,098,141	2,607,890
Public works	939,130	796,131	–	–	939,130	796,131
Sanitation	384,752	377,920	–	–	384,752	377,920
Culture and recreation	157,059	157,710	–	–	157,059	157,710
Sanitary sewer	–	–	1,256,246	1,093,383	1,256,246	1,093,383
Interest and fiscal charges	1,707	5,025	–	–	1,707	5,025
Total expenses	6,415,839	5,805,221	1,256,246	1,093,383	7,672,085	6,898,604
Changes in net position	1,488,306	621,609	1,018,399	802,198	2,506,705	1,423,807

The Statement of Net Position (Table 1) shows the comparative amounts of the various components of the net position for governmental activities, business-type activities and total amounts for the two years. The Changes in Net Position (Table 2) provides the specific nature or source of the changes in net position.

Overall, the City's financial position, as measured by the changes in the net position, increased \$2,506,705 in 2018. The governmental activities change in financial position was a increase of \$1,488,306 for the year ended 12/31/18. The business-type activities operations resulted in an increase of \$1,018,399.

Financial Analysis of the City's Funds

The City of South Beloit uses fund accounting to ensure and demonstrate compliance with finance related requirements.

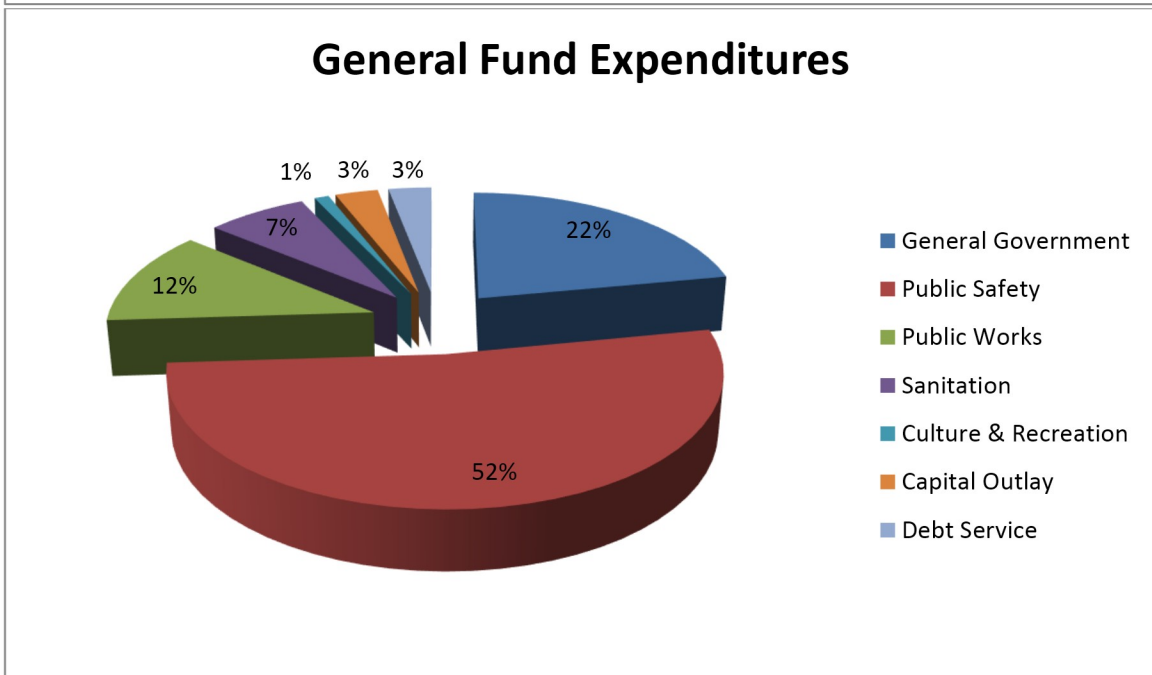
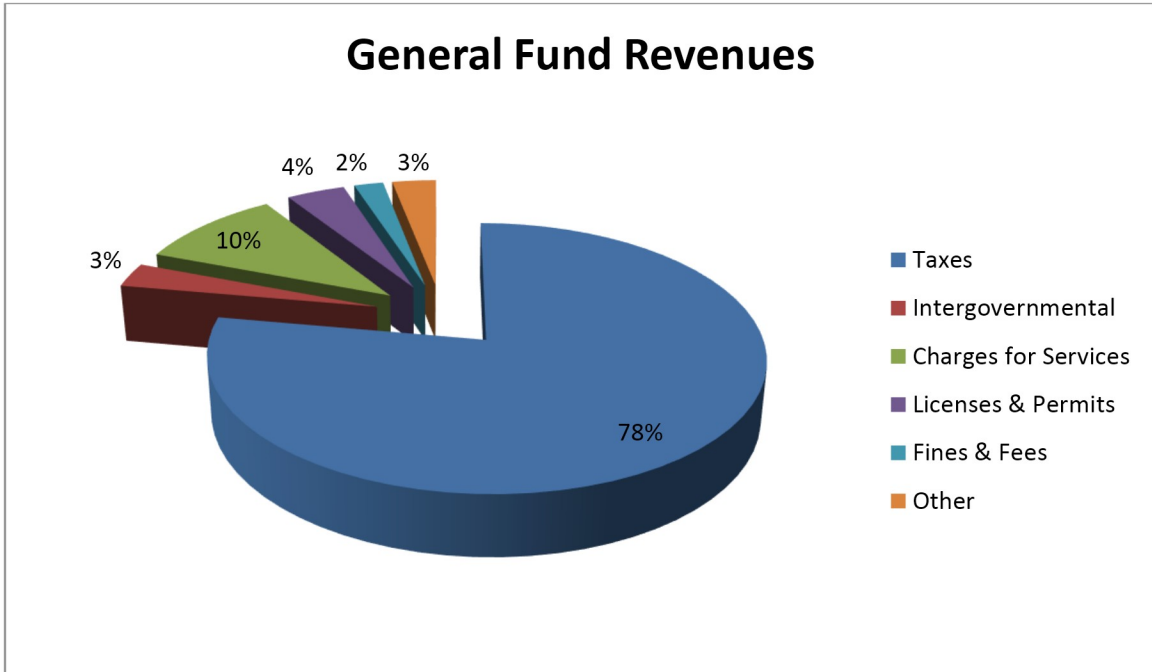
Governmental funds: The focus of the City of South Beloit's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of South Beloit's financing requirements. In

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. Total fund balance of the General Fund is \$3,489,406 as of 12/31/18.

The following two charts provide a percentage breakdown of the sources and uses of resources.



CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

As of the end of 2018, the City of South Beloit's governmental funds reported combined ending fund balance of \$5,581,287, an increase of \$420,077 from the prior year. The General Fund's fund balance of \$3,489,406 includes \$42,277 of funds committed for future contributions to the Nature at the Confluence project and \$14,018 of nonspendable (prepaid expense) funds leaving \$3,433,111 unassigned and available for spending at the government's discretion. Approximately 33% of the total amount, \$1,835,219, is restricted for community development, public safety, tourism, and highways and streets.

General Fund Budgetary Comparison

The City adopted the Annual Appropriation Ordinance/Budget in December 2017 for the year beginning January 1, 2018 and ending December 31, 2018. The budgets are adopted for General, Hotel, Motor Fuel, Revolving Loan, IHDA, TIF, and Community Development. The budgets for all funds are prepared on the modified accrual basis of accounting. This is the same basis used in budgetary comparisons for financial reporting. This allows for comparability between budget and actual amounts.

The General Fund revenues were more than the final budgeted amount by \$380,704. Tax revenues and intergovernmental revenues were \$111,395 and \$187,185 more than budget, respectively. Most other revenues were near budgeted amounts, but netted to a positive variance of \$82,124.

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

General Fund expenditures were \$86,398 less than budget. All departments were within their final budget amounts with the exception of Public Works. The following schedule provides a summary of the General Fund Original Budget, Final Budget, and Actual for the year ended December 31, 2018:

General Fund Budgetary Highlights

General Fund	Original Budget	Final Budget	Actual	% of Total
Revenues:				
Taxes	\$ 4,215,300	4,215,300	4,326,695	75%
Intergovernmental	8,500	8,500	195,685	3%
Charges for services	570,000	570,000	577,764	10%
Licenses and permits	228,000	228,000	249,547	4%
Fines and other fees	65,000	65,000	99,678	2%
Investment income	20,000	20,000	43,042	1%
Other	105,500	253,500	271,642	5%
Total revenues	5,212,300	5,360,300	5,764,053	100%
Expenditures:				
General government	1,221,100	1,367,100	1,268,601	22%
Public safety	2,686,000	3,025,000	3,001,811	52%
Public works	641,400	641,400	702,557	12%
Sanitation	390,000	390,000	384,752	7%
Culture and recreation	111,000	111,000	90,473	2%
Capital outlay	-	148,000	148,000	3%
Debt service	162,800	162,800	162,707	3%
Total expenditures	5,212,300	5,845,300	5,758,901	100%

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

Capital Assets

The following (Table 3) Change in Net Capital Assets provides a summary of the changes in capital assets of the Governmental Activities and Business Activities for the year ended December 31, 2018. For more details, see Note 3 in the Notes to Financial Statements.

**Table 3
Entity Wide
Change in Net Capital Assets**

	Governmental Activities			Business-type Activities		
	Beginning Balance	Net Change	Ending Balance	Beginning Balance	Net Change	Ending Balance
Not being depreciated:						
Land	\$ 603,796	59,200	662,996	–	148,000	148,000
Construction in progress	207,775	878,066	1,085,841	1,600,489	2,994,884	4,595,373
Total not being depreciated	811,571	937,266	1,748,837	1,600,489	3,142,884	4,743,373
Being depreciated:						
Infrastructure	3,691,116	329,504	4,020,620	5,335,779	–	5,335,779
Buildings	2,460,995	63,126	2,524,121	2,408,596	–	2,408,596
Equipment	2,580,137	83,856	2,663,993	1,655,645	–	1,655,645
Vehicles	2,249,485	33,869	2,283,354	43,931	397,848	441,779
Total being depreciated	10,981,733	510,355	11,492,088	9,443,951	397,848	9,841,799
Less: Accumulated Depreciation	(7,983,679)	(271,077)	(8,254,756)	(5,449,981)	(238,074)	(5,688,055)
Net assets being depreciated	2,998,054	239,278	3,237,332	3,993,970	159,774	4,153,744
Net capital assets	\$3,809,625	1,176,544	4,986,169	5,594,459	3,302,658	8,897,117

Long-Term Debt

At December 31, 2018, the City's governmental activities had long-term debt consisting of net pension obligations of \$4,693,924 and compensated absences of \$129,200 for a total of \$4,823,124.

Also, at December 31, 2018, the business activities had outstanding long-term debt consisting of an IEPA loan of \$419,185, the IEPA sewer plant loan of \$2,786,551 and compensated absences of \$18,675 for a total of \$3,224,411.

See Note 5 of the Notes to Financial Statements for more details of the City's long-term debt.

Factors or Conditions Impacting Future Periods

The City of South Beloit is currently experiencing decreasing revenues from sales, income, corporate replacement, and telecommunication taxes. This source of funding is approximately 40% of the City's General Fund revenue and is projected to be \$120,000 less than received in 2017. Property tax which is another 30% of the General Fund remains about the same as the previous year. During 2017, the City entered into a franchise agreement with Rock Energy allowing them to provide electric and gas services within the City. This source of revenue is

CITY OF SOUTH BELOIT, ILLINOIS

Management's Discussion and Analysis

expected to generate approximately \$300,000 per year and will be utilized to partially fund the City's future capital projects.

The City adopted a balanced budget for 2018 with total budgeted expenditures of \$5,212,300 which is \$273,393 less than expended in 2017. In this budget the budgeted expenditures for public safety (Fire & Police) increased from 49% of the total budget to 53%. The main non-locally controllable expenditure continues to be the fire & police pensions. As the City looks forward to 2019, the actuarial funding requirement for fire pension increases from \$92,000 in 2018 to \$200,000 while the police pension contribution will decrease from \$304,600 to \$259,000. The funding level for fire pension dropped from 55.2 % to 40.8 % while the police pension improved from 59.6% to 64.8%. The change in the fire pension funding requirements is partially due to the Fire Chief's retirement. The police pension funding decrease was due to three police officers with over 40 years of combined experience transferring to the City of Rockford. These officers will be replaced by officers who will be classified as tier 2 officers who will eventually be eligible for reduced pension benefits compared to tier 1 officers. The increase in funding requirements for 2019 would have been significantly higher had the funds not benefited from an outstanding return on the investment of fund assets. Fire pension obtained a 12.93% return while police pension obtained a 14.51% return. However, since the historic average of pension funds across the State of Illinois has been lower, the actuary was required to use a 5.00% return for fire pension and 5.75% return for police pension in calculating the 2019 contribution amounts.

The City has also had its engineering firm complete a study of its roads and the future level of funding needed to adequately maintain or replace its roads. The current available sources of funds are not sufficient to meet this current and future funding requirement.

The City expects budgets for future years to be extremely tight as revenues are not expected to increase significantly and expenditures for critical services are likely to increase beyond the City's ability to pay. Tough decisions in determining the services and service levels to be provided lie ahead.

The City's sewer plant is in need of a significant upgrade. In connection with this need, the City awarded the contract to River City Construction LLC to construct a wastewater treatment plant in the amount of \$34,703,000. The estimated total cost of the project of \$39,753,000 includes design engineering of \$1,736,000, construction engineering of \$1,686,000, contingency of \$1,041,000 and construction interest of \$587,000. The project is being funded through an IEPA 30 year loan at 1.32% interest.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of South Beloit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of South Beloit, 519 Blackhawk Blvd., South Beloit, Illinois 61080.

CITY OF SOUTH BELOIT, ILLINOIS

Statement of Net Position

December 31, 2018

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>South Beloit Public Library</u>
Assets				
Cash and cash equivalents	\$ 5,488,689	5,803,578	11,292,267	70,171
Investments	–	–	–	1,149,666
Receivables				
Taxes	1,697,253	393,374	2,090,627	–
Garbage	18,863	–	18,863	–
Loans	284,256	–	284,256	–
Interest	10,881	–	10,881	–
Grant	12,591	–	12,591	–
Franchise fee	24,143	–	24,143	–
Motor fuel tax allotment	17,141	–	17,141	–
Hotel tax	13,394	–	13,394	–
Accounts	–	159,377	159,377	–
Unbilled	–	235,080	235,080	–
Other	–	12,887	12,887	–
Due from others funds	21,420	–	21,420	2,289
Prepays	14,018	–	14,018	–
Capital assets:				
Nondepreciable	1,748,837	4,743,372	6,492,209	3,827
Depreciable, net of accumulated depreciation	<u>3,237,332</u>	<u>4,153,744</u>	<u>7,391,076</u>	<u>75,862</u>
Total assets	<u>12,588,818</u>	<u>15,501,412</u>	<u>28,090,230</u>	<u>1,301,815</u>
Deferred outflows of resources				
Pension items:				
IMRF	492,108	175,531	667,639	131,387
Police Pension	796,729	–	796,729	–
Firefighter's Pension	<u>1,252,261</u>	<u>–</u>	<u>1,252,261</u>	<u>–</u>
Total deferred outflows of resources	<u>2,541,098</u>	<u>175,531</u>	<u>2,716,629</u>	<u>131,387</u>
Liabilities				
Accounts payable	417,068	1,822,448	2,239,516	12,662
Accrued payroll	98,023	10,347	108,370	3,904
Interest payable	–	3,325	3,325	–
Due to other funds	–	–	–	–
Compensated absences	129,199	18,675	147,874	–
Net pension liability:				
IMRF	151,444	54,020	205,464	40,435
Police Pension	2,114,269	–	2,114,269	–
Firefighter's Pension	<u>2,428,211</u>	<u>–</u>	<u>2,428,211</u>	<u>–</u>
Noncurrent liabilities				
Due within one year	–	22,039	22,039	–
Due in more than one year	–	<u>3,221,608</u>	<u>3,221,608</u>	–
Total liabilities	\$ <u>5,338,214</u>	<u>5,152,462</u>	<u>10,490,676</u>	<u>57,001</u>

(This statement is continued on the following page.)

CITY OF SOUTH BELOIT, ILLINOIS

Statement of Net Position (Continued)

December 31, 2018

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>South Beloit Public Library</u>
Deferred inflows of resources				
Deferred revenue	\$ 1,408,243	18,157	1,426,400	—
Pension items:				
IMRF	358,502	127,874	486,376	95,716
Police Pension	1,269,054	—	1,269,054	—
Firefighter's Pension	87,027	—	87,027	—
Total deferred inflows of resources	<u>3,122,826</u>	<u>146,031</u>	<u>3,268,857</u>	<u>95,716</u>
Net position				
Net investment in capital assets	4,986,169	5,653,469	10,639,638	79,689
Restricted for				
Community development	1,096,233	—	1,096,233	—
Tourism	504,825	—	504,825	—
Public safety	48,023	—	48,023	—
Highways and streets	386,138	—	386,138	—
Library	—	—	—	1,200,796
Unrestricted (deficit)	<u>(352,512)</u>	<u>4,724,981</u>	<u>4,372,469</u>	<u>—</u>
Total net position	<u>\$ 6,668,876</u>	<u>10,378,450</u>	<u>17,047,326</u>	<u>1,280,485</u>

See accompanying notes to financial statements.

CITY OF SOUTH BELOIT, ILLINOIS

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
<i>Governmental Activities</i>							
General government	\$ 1,835,050	553,403	1,362,858	-	81,211	-	81,211
Public safety	3,098,141	295,913	14,385	-	(2,787,843)	-	(2,787,843)
Public works	939,130	72,471	22,646	-	(844,013)	-	(844,013)
Sanitation	384,752	381,528	34,040	-	30,816	-	30,816
Culture and recreation	157,059	-	129,434	-	(27,625)	-	(27,625)
Interest on long-term debt	1,707	-	-	-	(1,707)	-	(1,707)
Total governmental activities	6,415,839	1,303,315	1,563,363	-	(3,549,161)	-	(3,549,161)
<i>Business-Type Activities</i>							
Sanitary sewer	1,256,246	2,203,274	-	-	-	947,028	947,028
Total Primary Government	\$ 7,672,085	3,506,589	1,563,363	-	(3,549,161)	947,028	(2,602,133)
Component Unit -							
South Beloit Public Library	\$ 255,067	1,983	15,993	-	-	-	(237,091)
General revenues							
Taxes							
Property tax					1,331,707	-	1,331,707
Sales and use tax					970,386	-	970,386
Telecommunications tax					125,935	-	125,935
Replacement tax					257,761	-	257,761
Motor fuel tax					202,001	-	202,001
Utility tax					630,473	-	630,473
Income tax					761,292	-	761,292
Other taxes					461,554	-	461,554
Investment income					83,536	71,371	154,907
Other					74,147	-	74,147
Gain on sale of capital asset					138,675	-	138,675
Total general revenues					5,037,467	71,371	5,108,838
Change in net position					1,488,306	1,018,399	2,506,705
Net position							
Beginning					5,180,570	9,360,051	14,540,621
Ending	\$				6,668,876	10,378,450	17,047,326

See accompanying notes to financial statements.

CITY OF SOUTH BELOIT, ILLINOIS

Balance Sheet

Governmental Funds

December 31, 2018

	<u>General</u>	<u>Revolving Loan</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,313,637	1,057,882	1,117,170	5,488,689
Receivables (net of allowance where applicable)				
Taxes	1,697,253	-	-	1,697,253
Garbage	18,863	-	-	18,863
Loans	106,740	177,516	-	284,256
Interest	6,977	2,335	1,569	10,881
Grant	-	-	12,591	12,591
Franchise fee	-	-	24,143	24,143
Motor fuel tax allotment	-	-	17,141	17,141
Hotel tax	-	-	13,394	13,394
Prepays	14,018	-	-	14,018
Due from other funds	77,087	-	-	77,087
Total assets	\$ <u>5,234,575</u>	<u>1,237,733</u>	<u>1,186,008</u>	<u>7,658,316</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
<i>Liabilities</i>				
Accounts payable	137,295	169,169	110,604	417,068
Accrued payroll	98,023	-	-	98,023
Unearned revenue	119,244	-	-	119,244
Due to other funds	3,580	-	52,087	55,667
Total liabilities	<u>358,142</u>	<u>169,169</u>	<u>162,691</u>	<u>690,002</u>
<i>Deferred Inflows of Resources</i>				
Unavailable revenue	-	-	-	-
Deferred revenue	1,387,027	-	-	1,387,027
Total deferred inflows of resources	<u>1,387,027</u>	<u>-</u>	<u>-</u>	<u>1,387,027</u>
Total liabilities and deferred inflows of resources	<u>1,745,169</u>	<u>169,169</u>	<u>162,691</u>	<u>2,077,029</u>
<i>Fund Balances</i>				
Nonspendable	14,018	-	-	14,018
Restricted for				
Community development	-	1,068,564	27,669	1,096,233
Public safety	-	-	48,023	48,023
Tourism	-	-	304,825	304,825
Highways and streets	-	-	386,138	386,138
Committed for tourism	42,277	-	-	42,277
Unassigned	3,433,111	-	256,662	3,689,773
Total fund balances	<u>3,489,406</u>	<u>1,068,564</u>	<u>1,023,317</u>	<u>5,581,287</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>5,234,575</u>	<u>1,237,733</u>	<u>1,186,008</u>	<u>7,658,316</u>

See accompanying notes to financial statements

CITY OF SOUTH BELOIT, ILLINOIS

Reconciliation of Fund Balances of the Governmental Funds to the
Governmental Activities in the Statement of Net Position

December 31, 2018

Fund balances of governmental funds	\$ 5,581,287
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues receivable by the City and recognized in the statement of net position do not represent current financial resources and are deferred in the governmental funds balance sheet	98,028
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the fund	
Nondepreciable capital assets	1,748,837
Depreciable capital assets, net of accumulated depreciation	3,237,332
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:	
Compensated absences	(129,199)
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position	(151,444)
Differences between expected and actual experiences, assumption changes net differences between projected and actual earnings, and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	133,606
Net pension liability for the Police Pension Fund is shown as a liability on the statement of net position	(2,114,269)

(This statement is continued on the following page.)

CITY OF SOUTH BELOIT, ILLINOIS

Reconciliation of Fund Balances of the Governmental Funds to the
Governmental Activities in the Statement of Net Position (Continued)

December 31, 2018

Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Police Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	\$ (472,325)
Net pension liability for the Firefighters' Pension Fund is shown as a liability on the statement of net position	(2,428,211)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Firefighters' Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	<u>1,165,234</u>
Net position of governmental activities	\$ <u><u>6,668,876</u></u>

See accompanying notes to financial statements.

CITY OF SOUTH BELOIT, ILLINOIS

Statement of Revenues, Expenditures, and
Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2018

	<u>General</u>	<u>Revolving Loan</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 4,326,695	-	145,724	4,472,419
Intergovernmental	195,685	-	423,582	619,267
Licenses and permits	249,547	-	-	249,547
Fines and fees	99,678	-	328,003	427,681
Charges for services	577,764	-	-	577,764
Investment income	43,042	21,383	19,111	83,536
Other	120,593	1,363,853	-	1,484,446
Total revenues	<u>5,613,004</u>	<u>1,385,236</u>	<u>916,420</u>	<u>7,914,660</u>
Expenditures				
Current:				
General government	1,268,601	1,133,883	413,988	2,816,472
Public safety	3,001,812	-	4,508	3,006,320
Public works	702,557	-	334,352	1,036,909
Sanitation	384,752	-	-	384,752
Culture and recreation	90,473	-	-	90,473
Capital outlay	148,000	-	-	148,000
Debt service:				
Principal	161,000	-	-	161,000
Interest	1,707	-	-	1,707
Total expenditures	<u>5,758,902</u>	<u>1,133,883</u>	<u>752,848</u>	<u>7,645,633</u>
Excess (deficiency) of revenues over expenditures	<u>(145,898)</u>	<u>251,353</u>	<u>163,572</u>	<u>269,027</u>
Other Financing Sources (Uses)				
Sale of capital asset	151,050	-	-	151,050
Transfer in and out	-	-	-	-
Total other financing sources (uses)	<u>151,050</u>	<u>-</u>	<u>-</u>	<u>151,050</u>
Net changes in fund balances	5,152	251,353	163,572	420,077
Fund balances, January 1	<u>3,484,254</u>	<u>817,211</u>	<u>859,745</u>	<u>5,161,210</u>
Fund balances, December 31	<u>\$ 3,489,406</u>	<u>1,068,564</u>	<u>1,023,317</u>	<u>5,581,287</u>

See accompanying notes to financial statements.

CITY OF SOUTH BELOIT, ILLINOIS

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to the
Governmental Activities in the Statement of Activities

For the Year Ended December 31, 2018

Net changes in fund balances – total governmental funds	\$ 420,077
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenue included in the statement of activities does not provide current financial resources and, therefore, is deferred in the governmental fund statements	(149,189)
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities:	
Capital asset purchases capitalized less capital asset disposals	1,530,345
Depreciation expense	(353,801)
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	161,000
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds – Compensated absences	(5,733)
The change in the net pension asset (liability) for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(539,076)
The change in deferred inflows and outflows of resources for the Illinois Municipal Retirement Fund is reported only in the statement of activities	424,683
The change in the net pension liability for the Police Pension Fund is reported only in the statement of activities	-
The change in deferred inflows and outflows for the Police Pension Fund is reported only in the statement of activities	-
The change in the net pension liability for the Firefighters' Pension Fund is reported only in the statement of activities	-
The change in deferred inflows and outflows for the Firefighters' Pension Fund is reported only in the statement of activities	-
Change in net position of the governmental activities	\$ <u>1,488,306</u>

See accompanying notes to financial statements.