

# **City of Mount Carroll, Illinois**

## **Financial Report**

Year Ended April 30, 2015



# City of Mount Carroll, Illinois

Year Ended April 30, 2015

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# City of Mount Carroll, Illinois

Year Ended April 30, 2015

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Mount Carroll  
Mount Carroll, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Carroll, Illinois, (the "City") as of and for the year ended April 30, 2015, 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; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Carroll, Illinois, as of April 30, 2015, 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.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 4 through 11 and 39 through 41 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, 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The schedules listed as supplementary information on pages 42 through 53 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2015, on our consideration of the City's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Wipfli LLP*

Sterling, Illinois  
August 6, 2015

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**Management Discussion And Analysis  
(Unaudited)**

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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The City of Mount Carroll, Illinois (the "City") provides this Management's Discussion and Analysis ("MD&A") of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended April 30, 2015. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements, which follow:

### **2014 Financial Highlights**

- The City's Governmental Activities had a decrease in net position of \$71 thousand during the year ended April 30, 2015. The Business-Type Activities net position increased from \$1,029 thousand on April 30, 2014 to \$1,163 thousand on April 30, 2015.
- The City's combined Governmental Funds had a decrease of \$55 thousand.
- The April 30, 2015 General Fund balance alone stood at \$133 thousand.
- The Water and Sewer Fund operating revenues increased approximately 3.2% from \$608 thousand in fiscal year 2014 to \$628 thousand in fiscal year 2015. Water and Sewer Fund expenses decreased from \$633 thousand in fiscal year 2014 to \$626 thousand in fiscal year 2015. The increase in the Water and Sewer Fund revenues is due to an increase in the sewer rates during the year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's major funds budgets for the year to the major funds activity for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and combining water and sewer funds.

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### *Government-Wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Government-Wide Financial Statements are designed to emulate the corporate sector's annual reports by consolidating all governmental and business-type activities into columns that add to a total for the Primary Government. The Statement of Net Position and Statement of Activities report provide information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's 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 City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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 not result in cash flows until future fiscal periods.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental Activities include general government, public safety, streets and highways, culture and recreation, community, special revenue, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- Business-Type Activities include the water and sewer systems and the garbage collection. These activities are financed primarily by user charges and are intended to be self-sustaining.

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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### REPORTING THE CITY'S FINANCIAL ACTIVITIES (continued)

#### *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 has two kinds of funds:

- 1) Government funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Funds, and 2) the Special Revenue Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. This fund reports services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds are the Water and Sewer Fund and the Garbage Collection Fund and are both considered to be major funds of the City. The City is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business-type activities.

	Condensed Statement of Net Position (in thousands) at April 30,					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$644	\$644	\$264	\$189	\$908	\$833
Noncurrent assets	950	973	4,318	4,336	5,268	5,310
<b>Total assets</b>	<b>1,594</b>	<b>1,617</b>	<b>4,582</b>	<b>4,525</b>	<b>6,176</b>	<b>6,143</b>
Current liabilities	22	25	260	234	282	260
Noncurrent liabilities	26	18	3,134	3,240	3,160	3,258
<b>Total liabilities</b>	<b>48</b>	<b>43</b>	<b>3,394</b>	<b>3,474</b>	<b>3,442</b>	<b>3,518</b>
Deferred inflows of resources	208	165	25	22	233	187
<b>Total liabilities and deferred inflows of resources</b>	<b>256</b>	<b>208</b>	<b>3,419</b>	<b>3,496</b>	<b>3,675</b>	<b>3,705</b>
<b>Net position:</b>						
Net investment in capital assets	814	821	972	917	1,786	1,738
Restricted	430	474	0	0	430	474
Unrestricted	94	114	191	112	285	226
<b>Total net position</b>	<b>\$1,338</b>	<b>\$1,409</b>	<b>\$1,163</b>	<b>\$1,029</b>	<b>\$2,501</b>	<b>\$2,438</b>

Net position of governmental activities decreased from fiscal year 2014 by approximately \$71 thousand. Net position of business-type activities increased from fiscal year 2014 by approximately \$134 thousand. A portion of the City's net position is net investment in capital assets. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$285 thousand at the end of this year.

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

**Condensed Statement of Activities**  
(in thousands) for the Year Ended April 30,

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues -						
Charges for services	\$49	\$51	\$697	\$681	\$746	\$732
Operating grants and contributions	20	16	0	0	20	16
Capital grants and contributions	52	85	102	0	154	85
General revenues:						
Property taxes	222	309	17	29	239	338
Sales tax	292	291	0	0	292	291
State income tax	168	181	0	0	168	181
Other taxes	52	50	3	0	55	50
Miscellaneous	9	13	11	8	20	21
Unrestricted investment earnings	4	5	1	1	5	6
<b>Total revenues</b>	<b>868</b>	<b>1,001</b>	<b>831</b>	<b>719</b>	<b>1,699</b>	<b>1,720</b>
<b>Expenses:</b>						
General government	164	199	0	0	164	199
Public safety	268	262	0	0	268	262
Streets and highways	378	364	0	0	378	364
Culture and recreation	77	73	0	0	77	73
Cemetery operations	26	22	0	0	26	22
Water and sewer	0	0	626	634	626	634
Garbage collection	0	0	97	101	97	101
<b>Total expenses</b>	<b>913</b>	<b>920</b>	<b>723</b>	<b>735</b>	<b>1,636</b>	<b>1,655</b>
Change in net position before transfers	(45)	81	108	(16)	63	65
Transfers	(26)	(23)	26	23	0	0
Change in net position	(71)	58	134	7	63	65
Net position – beginning of year	1,409	1,351	1,029	1,022	2,438	2,373
<b>Net position – end of year</b>	<b>\$1,338</b>	<b>\$1,409</b>	<b>\$1,163</b>	<b>\$1,029</b>	<b>\$2,501</b>	<b>\$2,438</b>

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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### INDIVIDUAL MAJOR FUND ANALYSIS

#### Governmental Fund Highlights

As the City of Mount Carroll, Illinois completed this year with its governmental funds reported at a combined fund balance of \$550 thousand, which is \$55 thousand less than the total fund balance as of April 30, 2014.

#### Proprietary Fund Highlights

The water and sewer fund and the garbage collection fund ended fiscal year 2015 with a \$1,163 thousand net position balance compared to the prior year ending net position balance of \$1,029 thousand.

### BUDGETARY HIGHLIGHTS

The budgetary comparison and related disclosures are reported as Required Supplemental Information.

#### General Fund Budget Variance

##### Revenues:

The most significant revenues for the general fund during fiscal year 2015 continue to be intergovernmental revenues. This revenue for FY2015 was \$497 thousand, compared to the budgeted amount of \$479 thousand. The budgetary variance is attributable to actual revenues being more than anticipated and conservative budgeting.

##### Expenditures:

The City budgeted expenditures for Streets and Highways \$322 thousand. Actual expenditures for Streets and Highways for the year total \$270 thousand, for a budget variance of \$52 thousand. This variance is due to the City budgeting for additional road projects that were not completed during the year.

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The City's capital assets for governmental activities totaled \$814 thousand (net of accumulated depreciation) at April 30, 2015. Capital assets for business-type activities totaled \$4,318 thousand (net of accumulated depreciation) at April 30, 2015. The major capital asset purchase during the year was new sewer lining for the sewer system for \$126 thousand. See Note 4 to the financial statements for more information about the City's capital assets.

<b>Net Book Value of Capital Assets at April 30, 2015 (in thousands)</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land	\$47	
Plant and related property	3	\$3,752
Machinery and equipment	43	211
Improvements	671	355
Vehicles	50	
<b>Total</b>	<b>\$814</b>	<b>\$4,318</b>

<b>Net Book Value of Capital Assets at April 30, 2014 (in thousands)</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land	\$47	
Plant and related property	4	\$3,881
Machinery and equipment	38	208
Improvements	695	247
Vehicles	37	
<b>Total</b>	<b>\$821</b>	<b>\$4,336</b>

#### Debt Administration

At April 30, 2015, the City had \$3,346 thousand in business-type activities long term debt which consisted of a note payable and a loan. Amounts due next year on these obligations are \$218 thousand. See Note 9 for details of debt.

<b>Business-Type Activities Outstanding Debt at April 30, 2015 (in thousands)</b>	
Notes payable	\$3,346

<b>Business-Type Activities Outstanding Debt at April 30, 2013 (in thousands)</b>	
Notes payable	\$3,419

# City of Mount Carroll, Illinois

## Management Discussion and Analysis

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### **ECONOMIC FACTORS THAT AFFECT THE CITY OF MOUNT CARROLL**

The continued economic turmoil and downturn throughout the nation has presented more challenges down to the local government. With a decreased population, and some late distributions from the State of Illinois, the revenue shortfalls have triggered continued review of the City's budget priorities.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's finances and operating activities. If you have any questions or require additional information please contact the City Clerk at:

Julie Cuckler  
City Clerk  
302 North Main Street  
Mount Carroll, Illinois  
815-244-4424

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## **Basic Financial Statements**

# City of Mount Carroll, Illinois

## Statement of Net Position

April 30, 2015

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$283,624	\$118,574	\$402,198
<b>Receivables:</b>			
Property taxes	208,442	20,944	229,386
State of Illinois	124,286	854	125,140
Accounts	0	124,020	124,020
Notes	13,879	0	13,879
Prepaid items	6,790	6,819	13,609
Internal balances	6,610	(6,610)	0
<b>Total current assets</b>	<b>643,631</b>	<b>264,601</b>	<b>908,232</b>
<b>Noncurrent assets:</b>			
Notes receivable	136,752	0	136,752
<b>Capital assets:</b>			
Land and construction in progress	47,170	0	47,170
Depreciable assets	1,469,308	8,238,899	9,708,207
Less: accumulated depreciation	(702,544)	(3,921,016)	(4,623,560)
<b>Total noncurrent assets</b>	<b>950,686</b>	<b>4,317,883</b>	<b>5,268,569</b>
<b>Total assets</b>	<b>1,594,317</b>	<b>4,582,484</b>	<b>6,176,801</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued payroll	18,815	7,468	26,283
Accrued interest payable	0	20,354	20,354
Customer deposits	0	13,484	13,484
Compensated absences	2,934	760	3,694
Note payable	0	218,128	218,128
<b>Total current liabilities</b>	<b>21,749</b>	<b>260,194</b>	<b>281,943</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	16,030	1,686	17,716
Accrued postretirement benefits other than pension	10,052	4,574	14,626
Note payable	0	3,127,730	3,127,730
<b>Total noncurrent liabilities</b>	<b>26,082</b>	<b>3,133,990</b>	<b>3,160,072</b>
<b>Total liabilities</b>	<b>47,831</b>	<b>3,394,184</b>	<b>3,442,015</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	0	4,170	4,170
Unavailable property taxes	208,272	20,926	229,198
<b>Total deferred inflows of resources</b>	<b>208,272</b>	<b>25,096</b>	<b>233,368</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>256,103</b>	<b>3,419,280</b>	<b>3,675,383</b>
<b>NET POSITION</b>			
Net investment in capital assets	813,934	972,025	1,785,959
Restricted	429,902	0	429,902
Unrestricted	94,378	191,179	285,557
<b>Total net position</b>	<b>\$1,338,214</b>	<b>\$1,163,204</b>	<b>\$2,501,418</b>

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

## Statement of Activities

For the year ended April 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$164,191	\$17,465	\$0	\$1,075	(\$145,651)		(\$145,651)
Public safety	267,246	8,210	0	476	(258,560)		(258,560)
Streets and highways	377,301	0	0	50,035	(327,266)		(327,266)
Culture and recreation	77,296	8,107	8,845	0	(60,344)		(60,344)
Solid waste management	489	0	0	0	(489)		(489)
Cemetery Operations	26,235	15,485	10,770	0	20		20
Welfare	131	0	182	0	51		51
<b>Total governmental activities</b>	<b>912,889</b>	<b>49,267</b>	<b>19,797</b>	<b>51,586</b>	<b>(\$792,239)</b>		<b>(792,239)</b>
<b>Business-type activities -</b>							
Water and Sewer	625,984	616,935	0	101,850	92,821		92,821
Garbage	97,337	80,054	0	0	(17,283)		(17,283)
<b>Total business-type activities</b>	<b>723,301</b>	<b>696,989</b>	<b>0</b>	<b>101,850</b>	<b>75,538</b>		<b>75,538</b>
<b>Total government</b>	<b>\$1,636,190</b>	<b>\$746,256</b>	<b>\$19,797</b>	<b>\$153,436</b>	<b>(792,239)</b>		<b>(716,701)</b>
<b>General revenues</b>							
Taxes:							
Property taxes					221,829	17,551	239,380
Telecommunication tax					28,437	0	28,437
State income tax					168,024	0	168,024
Sales tax					292,197	0	292,197
Replacement tax					18,873	0	18,873
Other					5,141	2,906	8,047
Unrestricted investment earnings					4,468	585	5,053
Miscellaneous					8,496	11,336	19,832
<b>Total general revenues</b>					<b>747,465</b>	<b>32,378</b>	<b>779,843</b>
Transfers					(26,400)	26,400	0
Change in net position					(71,174)	134,316	63,142
Net position - beginning of year					1,409,388	1,028,888	2,438,276
Net position - end of year					\$1,338,214	\$1,163,204	\$2,501,418

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

## Balance Sheet - Governmental Funds

April 30, 2015

<b>ASSETS</b>	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Cash and cash equivalents	\$12,768	\$270,856	\$283,624
Receivables:			
Property taxes	50,115	158,327	208,442
State of Illinois	116,994	7,292	124,286
Accounts	0	0	0
Notes	0	150,631	150,631
Prepaid items	5,126	1,664	6,790
Advances to other funds	8,000	13,000	21,000
<b>Total assets</b>	<b>\$193,003</b>	<b>\$601,770</b>	<b>\$794,773</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$5,316	\$5,397	\$10,713
Accrued payroll	1,788	6,314	8,102
Accrued compensated absences	2,934	0	2,934
Advances from other funds	0	14,390	14,390
<b>Total liabilities</b>	<b>10,038</b>	<b>26,101</b>	<b>36,139</b>
Deferred inflows of resources:			
Unavailable revenue	0	0	0
Unavailable property taxes	50,073	158,199	208,272
<b>Total deferred inflows of resources</b>	<b>50,073</b>	<b>158,199</b>	<b>208,272</b>
Fund balances (deficit):			
Nonspendable	5,126	1,664	6,790
Restricted	0	429,902	429,902
Committed	6,546	0	6,546
Unassigned	121,220	(14,096)	107,124
<b>Total fund balances</b>	<b>132,892</b>	<b>417,470</b>	<b>550,362</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$193,003</b>	<b>\$601,770</b>	<b>\$794,773</b>

# City of Mount Carroll, Illinois

## Reconciliation of the Balance Sheet to the Statement of Net Position

April 30, 2015

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Total governmental fund balances	\$550,362
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$1,469,308 and the accumulated depreciation is \$702,544.	813,934
Other postretirement employee benefits are not reported in the governmental funds.	(10,052)
Compensated absences not due and payable from current resources are not reported in the governmental funds.	<u>(16,030)</u>
Net position of governmental activities	<u><u>\$1,338,214</u></u>

# City of Mount Carroll, Illinois

## Statement of Revenues, Expenditures and Changes in Fund Balance For the year ended April 30, 2015

	General Fund	Nonmajor Funds	Total
<b>Revenues:</b>			
Property taxes	\$62,718	\$159,111	\$221,829
Intergovernmental revenue	496,743	66,440	563,183
Licenses and permits	17,465	0	17,465
Fines and costs	8,210	0	8,210
Charges for services	0	23,592	23,592
Interest	455	4,013	4,468
Miscellaneous income	4,834	24,534	29,368
<b>Total revenues</b>	<b>590,425</b>	<b>277,690</b>	<b>868,115</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	87,303	72,895	160,198
Public safety	215,843	32,769	248,612
Streets and highways	270,656	77,982	348,638
Culture and recreation	5,839	65,602	71,441
Solid waste management	0	489	489
Cemetery operations	0	24,233	24,233
Welfare	0	131	131
Capital outlay	32,403	10,894	43,297
<b>Total expenditures</b>	<b>612,044</b>	<b>284,995</b>	<b>897,039</b>
Excess (deficiency) of revenues over (under) expenditures	(21,619)	(7,305)	(28,924)
<b>Other financing sources (uses):</b>			
Transfers in	14,360	0	14,360
Transfers out	0	(40,760)	(40,760)
<b>Total other financing sources (uses)</b>	<b>14,360</b>	<b>(40,760)</b>	<b>(26,400)</b>
<b>Net change in fund balances</b>	<b>(7,259)</b>	<b>(48,065)</b>	<b>(55,324)</b>
<b>Fund balances, beginning</b>	<b>140,151</b>	<b>465,535</b>	<b>605,686</b>
<b>Fund balances, end of year</b>	<b>\$132,892</b>	<b>\$417,470</b>	<b>\$550,362</b>

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the year ended April 30, 2015

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Net change in fund balance - Governmental funds	(\$55,324)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Donated capital assets are only reported in the statement of activities. This is the amount by which depreciation expense of \$50,529 exceeded capitalized fixed assets of \$43,297 during the period.	(7,232)
Other postretirement employee benefits are not reported in the governmental funds as payments are not made with current financial resources.	(2,192)
Vacation and compensated pay for employees is expensed in the Statement of Activities.	<u>(6,426)</u>
Change in net position - Statement of Activities	<u><u>(\$71,174)</u></u>

# City of Mount Carroll, Illinois

Proprietary Funds

Statement of Net Position

April 30, 2015

<b>ASSETS</b>	<b>Water and Sewer</b>	<b>Garbage Collection</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$95,316	\$23,258	\$118,574
<b>Receivables:</b>			
Property taxes	0	20,944	20,944
State of Illinois	854	0	854
Accounts receivable	118,609	5,411	124,020
Prepaid items	6,719	100	6,819
Advances to other funds	(6,610)	0	(6,610)
<b>Total current assets</b>	<b>214,888</b>	<b>49,713</b>	<b>264,601</b>
<b>Noncurrent assets:</b>			
Depreciable assets	8,238,899	0	8,238,899
Less: accumulated depreciation	(3,921,016)	0	(3,921,016)
<b>Total noncurrent assets</b>	<b>4,317,883</b>	<b>0</b>	<b>4,317,883</b>
<b>Total assets</b>	<b>4,532,771</b>	<b>49,713</b>	<b>4,582,484</b>
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$5,506	\$0	\$5,506
Accrued payroll	1,962	0	1,962
Customer deposits	13,484	0	13,484
Accrued interest payable	20,354	0	20,354
Accrued compensated absences	760	0	760
Note payable	218,128	0	218,128
<b>Total current liabilities</b>	<b>260,194</b>	<b>0</b>	<b>260,194</b>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences	1,686	0	1,686
Accrued postretirement benefits other than pension	4,574	0	4,574
Note payable	3,127,730	0	3,127,730
<b>Total noncurrent liabilities</b>	<b>3,133,990</b>	<b>0</b>	<b>3,133,990</b>
<b>Total liabilities</b>	<b>3,394,184</b>	<b>0</b>	<b>3,394,184</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	0	4,170	4,170
Unavailable property taxes	0	20,926	20,926
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>25,096</b>	<b>25,096</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,394,184</b>	<b>25,096</b>	<b>3,419,280</b>
<b>NET POSITION</b>			
Net investment in capital assets	972,025	0	972,025
Unrestricted	166,562	24,617	191,179
<b>Total net position</b>	<b>\$1,138,587</b>	<b>\$24,617</b>	<b>\$1,163,204</b>

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Net Position

For the year ended April 30, 2015

	Water and Sewer	Garbage Collection	Total
Operating revenues:			
Charges for services	\$612,206	\$79,072	\$691,278
Penalties	4,729	982	5,711
Miscellaneous	11,168	168	11,336
<b>Total operating revenues</b>	<b>628,103</b>	<b>80,222</b>	<b>708,325</b>
Operating expenses:			
Personnel services	229,039	3,762	232,801
Contractual services	16,560	0	16,560
Commodities	51,102	0	51,102
Other expenses	73,275	93,575	166,850
Depreciation	172,665	0	172,665
<b>Total operating expenses</b>	<b>542,641</b>	<b>97,337</b>	<b>639,978</b>
Operating income (loss)	85,462	(17,115)	68,347
Nonoperating revenues (expenses) -			
Property taxes	0	17,551	17,551
Grant Income	101,850	0	101,850
Other taxes	2,906	0	2,906
Interest income	371	214	585
Interest expense	(83,323)	0	(83,323)
<b>Total nonoperating revenues (expenses)</b>	<b>21,804</b>	<b>17,765</b>	<b>39,569</b>
Income (loss) before transfers	107,266	650	107,916
Net transfer in	26,400	0	26,400
Change in net position	133,666	650	134,316
Net position, beginning of year	1,004,921	23,967	1,028,888
<b>Net position, end of year</b>	<b>\$1,138,587</b>	<b>\$24,617</b>	<b>\$1,163,204</b>

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

Proprietary Funds

Statement of Cash Flows

For the year ended April 30, 2015

	Water and Sewer	Garbage Collection	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$622,500	\$80,643	\$703,143
Cash paid to suppliers	(146,379)	(93,575)	(239,954)
Cash paid to employees	(231,585)	(4,173)	(235,758)
Net cash flows from operating activities	244,536	(17,105)	227,431
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Property taxes	0	21,051	21,051
Other taxes	2,052	0	2,052
Proceeds of note payable	110,000	0	110,000
Interfund loans	10,000	0	10,000
Transfers from other funds (net)	26,400	0	26,400
Net cash flows from non-capital financing activities	148,452	21,051	169,503
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments - debt certificates	(183,089)	0	(183,089)
Grant Income	101,850	0	101,850
Acquisition of capital assets	(154,117)	0	(154,117)
Interest paid	(84,337)	0	(84,337)
Net cash flows from capital and related financing activities	(319,693)	0	(319,693)
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>			
Interest income	371	214	585
Net cash flows from capital and related financing activities	371	214	585
Net increase (decrease) in cash and cash equivalents	73,666	4,160	77,826
Cash and cash equivalents, May 1, 2013	21,650	19,098	40,748
Cash and cash equivalents, April 30, 2014	\$95,316	\$23,258	\$118,574
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income	\$85,462	(\$17,115)	\$68,347
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation	172,665	0	172,665
Effects of changes in operating assets and liabilities:			
Accounts receivables	(6,940)	1,137	(5,803)
Prepaid items	(1,169)	0	(1,169)
Accounts payable	(4,273)	0	(4,273)
Accrued wages payable	(5,252)	(411)	(5,663)
Accrued compensated absences	1,784	0	1,784
Customer deposits	1,337	0	1,337
Deferred revenue	0	(716)	(716)
Postretirement benefits other than pension	922	0	922
Net cash flows from operating activities	\$244,536	(\$17,105)	\$227,431

See Accompanying Notes to Financial Statements.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies

#### Introduction

The financial statements of City of Mount Carroll, Illinois (the "City"), have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The principal office are located at 302 North Main Street, Mount Carroll, Illinois. The significant accounting principles and policies utilized by the City are described below.

#### Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### Financial Reporting Entity

The City is governed by a mayor and six aldermen. The accompanying financial statements present the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials are financially accountable or whose exclusion would render the financial statements misleading because of nature and significance of their relationship. Based on these criteria, the City is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

#### Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (continued)**

#### **Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The General Fund is used to account for all financial resources of the City except those which are required to be accounted for in another fund. The General Fund consists of the General Fund, the Building Fund, the Debit Credit Account Fund, and the Check Clearing Account Fund. The services which are administered by and accounted for in the general fund include general government, public safety, streets and highways, and culture and recreation.

The City reports the following major enterprise funds:

The Water and Sewer Fund is used to account for the operation and maintenance of the City's water and sewer systems.

The Garbage Collection Fund is used to account for the payment to the contract hauler for the services to pick up the solid waste from all of the residential premises within the City's corporate limits, and the administration fee of the fee collections from the residents.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (continued)

#### **Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City has elected to take exception to this assumption for revenue remitted by the State. Due to the State being late with payments, the City considers those amounts applicable to the current fiscal year to be available as it is vouchered by the State and will be paid after the 60 day period. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

#### **Use of Estimates**

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

#### **Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The cash balances of most City funds are pooled and invested. Each fund's share of the investment pool is reflected on its respective balance sheet.

#### Investments

Permitted investments are outlined in Chapter 30 Section 235 of the Illinois Compiled Statutes. Section 235 also contains eleven provisions regarding repurchase agreements.

#### Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Management has determined the cost of these expendable supplies is not significant to the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, are defined by the City as assets with an initial, individual cost of more than the threshold identified below and an estimated useful life in excess of one year.

Equipment and vehicles	\$2,500
Buildings	\$10,000
Infrastructure	\$50,000

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Equipment and vehicles	5 - 20 years
Buildings	25 - 40 years
Infrastructure	15 - 40 years

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (continued)**

#### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

#### **Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized an official of the City Council to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (continued)**

#### **Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### **Property taxes**

Property taxes attach as an enforceable lien on property on January 1 and are payable in two installments in July and September subsequent to the year of levy. The City receives significant distributions of tax receipts approximately one month after these due dates. The 2013 levy was approved on November 11, 2013. The 2014 levy was approved on November 24, 2014.

Since the 2014 property tax levy is levied to finance the operations of fiscal year 2016, the 2014 property tax is recorded as a receivable and the 2014 property tax revenue (less early distributions) is shown as unavailable revenue. The 2013 property tax levy is recorded as revenue by the City in accordance with the applicable measurement focus and basis of accounting for fiscal year 2015.

#### **Compensated Absences**

##### Vacation and compensatory time off

The City's policy permits employees to accumulate earned but unused vacation benefits and compensatory time off, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

##### Sick Leave

Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

#### **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

### Note 2 Stewardship, Compliance and Accountability

#### Excess of expenditures over appropriations

As of April 30, 2015 there were five funds that have expenditures that exceeded appropriations:

Oak Hill Cemetery	\$1,881
Motor Fuel Tax	\$1,893
Insurance	\$243
IMRF	\$2,726
Band	\$585

#### Deficit Fund Equity

As of April 30, 2015, the Recreation fund had a deficit fund balance of \$14,096.

### Note 3 Cash Deposits with Financial Institutions

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. As of April 30, 2015, the City's bank balance was \$446,094 and the entire balance was insured and collateralized with securities in the City's name.

### Note 4 Capital Assets

Capital assets activity for the year ended April 30, 2015 is as follows:

<b>Governmental Activities:</b>	<b>Balance 4/30/14</b>	<b>Additions</b>	<b>Transfers &amp; Deletions</b>	<b>Balance 4/30/15</b>
Capital assets not being depreciated:				
Land	\$47,170	\$0	\$0	\$47,170
Capital assets being depreciated:				
Plant and related properties	110,960	0	0	110,960
Machinery and equipment	283,903	14,171	0	298,074
Improvements	817,933	0	0	817,933
Software	3,500	0	0	3,500
Vehicles	228,391	29,126	(18,676)	238,841
<b>Total assets being depreciated</b>	<b>1,444,687</b>	<b>43,297</b>	<b>(18,676)</b>	<b>1,469,308</b>
Less accumulated depreciation for:				
Plant and related properties	107,336	558	0	107,894
Machinery and equipment	245,406	10,163	0	255,569
Improvements	123,183	23,329	0	146,512
Software	3,500	0	0	3,500
Vehicles	191,266	16,479	(18,676)	189,069
<b>Total accumulated depreciation</b>	<b>670,691</b>	<b>50,529</b>	<b>(18,676)</b>	<b>702,544</b>

# City of Mount Carroll, Illinois

## Notes to Financial Statements

### Note 4 Capital Assets (continued)

<b>Governmental Activities:</b>	<b>Balance 4/30/14</b>	<b>Additions</b>	<b>Transfers &amp; Deletions</b>	<b>Balance 4/30/15</b>
Total capital assets being depreciated, net	773,996	(7,232)	0	766,764
<b>Governmental activities capital assets, net</b>	<b>\$821,166</b>	<b>(\$7,232)</b>	<b>\$0</b>	<b>\$813,934</b>
Depreciation expense was charged to functions of the City as follows:				
General government				\$4,445
Public safety				11,830
Highways and streets				26,397
Parks and recreation				5,855
Cemetery				2,002
Total governmental activities depreciation expense				\$50,529
<b>Business-type activities:</b>	<b>Balance 4/30/14</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 4/30/15</b>
Capital assets not being depreciated - Land	\$0	\$0	\$0	\$0
Total capital assets not being depreciated	0	0	0	0
Building	5,376,437	7,289	0	5,383,726
Equipment	2,063,162	20,998	(2,377)	2,081,783
Improvements	618,760	125,830	0	744,590
Software	1,500	0	0	1,500
Vehicles	27,300	0	0	27,300
Total assets being depreciated	8,087,159	154,117	(2,377)	8,238,899
Less accumulated depreciation for:				
Building	1,495,623	136,378	0	1,632,001
Equipment	1,855,098	17,899	(2,377)	1,870,620
Improvements	371,207	18,388	0	389,595
Software	1,500	0	0	1,500
Vehicles	27,300	0	0	27,300
Total accumulated depreciation	3,750,728	172,665	(2,377)	3,921,016
Total capital assets being depreciated, net	4,336,431	(18,548)	0	4,317,883
<b>Business-type activities capital assets, net</b>	<b>\$4,336,431</b>	<b>(\$18,548)</b>	<b>0</b>	<b>\$4,317,883</b>

# City of Mount Carroll, Illinois

## Notes to Financial Statements

### Note 4 Capital Assets (continued)

Depreciation expense was charged to functions of the City as follows:

Water	\$117,791
Sewer	54,874
<hr/>	
Total business-type activities depreciation expense	\$172,665

### Note 5 Loans Receivable

The City received grants from DCEO for economic development loans to local businesses. These loans are to be repaid to the City with the principal and interest being deposited into the Revolving Loan Fund. This fund was established to provide financial assistance to new or expanding businesses and to secure public benefit for the residents of the City of Mount Carroll. The City has net loans receivable with area businesses in the amount of \$150,631 at April 30, 2015. The following is a summary of changes in loans receivable for the year ended April 30, 2015:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental activities:</b>				
Loans Receivable:				
Campbell Center	\$41,200	\$0	\$600	\$40,600
Mount Carroll Community Development	81,435	0	5,100	76,335
Red Gate Embroidery	16,091	0	1,793	14,298
Country Girl Boutique	25,115	0	5,717	19,398
Allowance for doubtful accounts	0	0	0	0
<hr/>				
Governmental activity loans receivable	\$163,841	\$0	\$13,210	\$150,631

### Note 6 Pension Plan and Retirement System

*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 employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information (RSI). That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2014 was 13.64 percent. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 6 Pension Plan and Retirement System (continued)**

*Annual Pension Cost.* The required contribution for calendar year 2014 was \$58,971.

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/14	\$58,971	100%	\$0
12/31/13	60,851	100%	0
12/31/12	62,330	100%	0

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of the employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market values of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 75.21 percent funded. The actuarial accrued liability for benefits was \$1,592,349 and the actuarial value of assets was \$1,197,556, resulting in an underfunded actuarial accrued liability (UAAL) of \$394,793. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$432,337 and the ratio of UAAL to the covered payroll was 91 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Note 7 Deferred Compensation Plan**

The City, on January 1, 1997, established a Deferred Compensation Plan for the voluntary participation of all eligible City employees, officials, and independent contractors. The Plan is in accordance with the Internal Revenue Code Section 457 and allows participants to defer a portion of their current salary until termination, retirement, death, or unforeseeable emergency.

The Administrative Agent agrees to hold harmless and indemnify the City, its appointed and elected officers, and participating employees from any loss resulting from the Administrative Agent's failure to perform its duties and services. It is implicitly understood that other than the incidental expenses of collecting and disbursing the employee's deferrals and other minor administrative matters, there is to be no cost to the City for the Program.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 8 Other Post-Employment Benefits**

*Plan Description.* The City operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and a net OPEB obligation.

*Benefits provided.* The City provides continued health insurance coverage at the active employer rate to all eligible employees. To be eligible for the benefits, an employee must qualify for retirement under the City's retirement plan.

*Funding Policy.* The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Costs and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The City first had an actuarial valuation performed for the plan as of July 1, 2013 to determine the funded status of the plan as of the date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2015. The annual OPEB cost is the amount the City charges as the cost of the postemployment health care benefits each fiscal year. If there is not net OPEB obligation, then the annual OPEB cost reflects adjustments for interest on the net OPEB obligation. The City's annual OPEB cost reflects adjustment for interest on the net OPEB obligation. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended April 30, 2015 and the preceding fiscal year was as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
4/30/15	\$3,114	\$0	0.0%	\$14,626
4/30/14	3,085	0	0.0%	11,512
4/30/13	2,839	0	0.0%	8,427

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 8 Other Post-Employment Benefits (continued)**

The net OPEB obligation as of April 30, 2015 was calculated as follows:

Annual required contribution	\$3,453
Interest on net OPEB obligation	288
Adjustment to annual required contribution	(627)
Annual OPEB cost	3,114
Contribution made	0
Increase in net OPEB obligation	3,114
Net OPEB obligation, beginning of year	11,512
Net OPEB obligation, end of year	\$14,626

The net OPEB obligation is the difference between the annual OPEB cost and the City's contributions to the plan since the implementation date.

*Funded Status and Funding Progress.* As of April 30, 2015, the actuarial accrued liability for benefits was as follows:

Actuarial accrued liability (AAL)	\$35,324
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$35,324
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 8 Other Post-Employment Benefits (continued)**

In the July 1, 2013, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 2.5% investment rate of return and a healthcare cost trend rate of 6.0%. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions used in this study determined that retirees would not elect to remain on the City's healthcare plan upon reaching age 65. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013, was 30 years.

### **Note 9 Risk Management**

The City is exposed to various risks of loss including employee health, property, liability and casualty, worker compensation, and public officer's liability. In order to limit its exposure in risk, the City participates in the Illinois Public Risk Fund, all of its property and casualty insurance and all health insurance through policies written by commercial carriers. The City assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year.

Potentially the City could be assessed additional premiums for its share of any losses of the fund. Historically, the City has not been assessed any additional premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

### **Note 10 Long-Term Debt**

#### ***Illinois EPA Note Payable***

On October 22, 2007, the City entered in to a loan agreement with the Illinois Environmental Protection Agency for the purpose of paying the costs of certain improvements to the public water system of the City. The total loan amount is \$4,173,000 at an annual fixed loan rate of 2.5%. The principal amount of the loan shall be the total amount of the loan disbursements plus all interest accrued on the disbursements at the completion of the project when the repayment period begins. Semi-annual payments were required with the first repayment due on January 1, 2010, and the final repayment due on July 1, 2029.

Also, on April 15, 2015 the City entered into a loan agreement with the State Bank of Pearl City for the purpose of paying the costs of certain improvements to the public sewer system of the City. The total loan amount is \$110,000 at an annual fixed loan rate of 2.75%. Monthly payments are required with the first repayment due on June 1, 2015, and the final repayment due on August 1, 2018.

#### **Business-Type Activities**

<u>Note Payable</u>	<u>Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 4/30/15</u>
ILEPA	10/22/07	\$4,173,000	2.5%	7/1/29	\$3,235,858
State Bank of Pearl City	4/15/15	110,000	2.75%	8/1/18	\$110,000

# City of Mount Carroll, Illinois

## Notes to Financial Statements

### Note 10 Long-Term Debt (continued)

Debt service requirements to maturity are as follows:

#### Business-Type Activities:

Year ending April 30:	Notes Payable	
	Principal	Interest
2016	\$218,128	\$82,298
2017	226,650	76,776
2018	232,454	70,972
2019	212,358	65,257
2020	207,307	60,119
2021 – 2025	1,117,436	219,694
2026 – 2030	1,131,525	71,891
	<b>\$3,345,858</b>	<b>\$647,007</b>

Long term liability activity for the year ended April 30, 2015 is as follows:

	Balance 5/1/14	Additions	Reductions	Balance 4/30/15	Due Within One Year
<b>Governmental activities:</b>					
Accrued compensated absences	\$12,037	\$30,758	\$23,831	\$18,964	\$2,934
	<b>\$12,037</b>	<b>\$30,758</b>	<b>\$23,831</b>	<b>\$18,964</b>	<b>\$2,934</b>
<b>Business-type activities:</b>					
Note payable	\$3,418,947	\$0	\$183,089	\$3,235,858	\$187,696
Loan payable	0	110,000	0	110,000	36,000
Accrued compensated absences	662	12,471	10,687	2,446	760
	<b>\$3,419,609</b>	<b>112,471</b>	<b>\$193,776</b>	<b>\$3,348,304</b>	<b>\$218,888</b>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$14,610,077. As of April 30, 2015, the City had \$1,260,119 of remaining legal debt margin.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### Note 11 Net Position

Net position reported on the government wide statement of net position at April 30, 2015 as follows:

**Governmental activities:**

Net investment in capital assets:

Land and construction in progress	\$47,170
Other capital assets, net of accumulated depreciation	766,764

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Total net investment in capital assets	813,934
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Restricted:

State statutes and enabling legislation	347,335
Donor requirements	82,567

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Total restricted	429,902
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Unrestricted	94,378
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Total governmental activities net position	\$1,338,214
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**Business-type activities:**

Net investment in capital assets:

Other capital assets, net of accumulated depreciation	\$4,317,883
Less: related long-term debt outstanding	(3,345,858)

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Total net investment in capital assets	972,025
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Unrestricted -  
Unrestricted

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191,179
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Total business-type activities net position	\$1,163,204
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# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### **Note 12 Fund Balance**

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the how these balances are reported.

#### **Nonspendable Fund Balance**

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The City has nonspendable balances at year end that are listed below.

#### ***Restricted Fund Balance***

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Examples of these restrictions could be those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted balances at year end that are listed below.

#### ***Committed Fund Balance***

The City commits fund balance by making motions or passing resolution to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The City has committed balances at year end that are listed below.

#### ***Assigned Fund Balance***

The assigned fund balance classification refers to amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Board to assign amounts to be used for specific purposes. The City has no assigned balances at year end.

# City of Mount Carroll, Illinois

## Notes to Financial Statements

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### Note 12 Fund Balance (continued)

#### **Unassigned Fund Balance**

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund and for funds with negative fund balances.

#### **Nonspendable:**

Major Funds -	
General Fund - Prepaid items	\$5,126
Nonmajor Funds-	
Prepaid items	1,664
<hr/>	
Total nonspendable	6,790

#### **Restricted:**

Nonmajor Funds:	
State statutes and enabling legislation:	
Cemetery operations	\$4,153
Audit	1,101
Civil defense	2,273
Insurance	1,820
Motor fuel tax	45,463
Illinois municipal retirement	33,614
Park	18,402
Social security	18,456
Band	527
Forestry	4,444
Revolving loan	217,141
Special tax allocation	15
Donor requirements -	
Cemetery operations	60,138
Park	21,213
Brick street	1,044
Health and welfare	172
<hr/>	
Total restricted	429,902

Committed -	
General Fund-	
Building	6,546
<hr/>	
Total committed	6,546

Unassigned -	
Major Fund -	
General	121,220
Non-major Funds -	
Recreation	(14,096)
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Total unassigned	107,124

Total governmental fund balances	\$550,362
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# City of Mount Carroll, Illinois

## Notes to Financial Statements

### Note 13 Advances to/from

Below are the interfund balances as of April 30, 2015:

<u>Advance from Fund</u>	<u>Advance to Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$8,000
Nonmajor governmental funds	Nonmajor governmental funds	6,390
Nonmajor governmental funds	Water and Sewer Fund	6,610
		\$21,000

The outstanding balances between funds were to meet the expenses in the Recreation Fund and Water and Sewer Fund. These loans are to be repaid as soon as funding is available.

### Note 14 Interfund Transfers

Below are the interfund transfers as of April 30, 2015:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major funds:		
General Fund	\$14,360	
Water and Sewer Fund	26,400	
Nonmajor governmental funds		\$40,760
	\$40,760	\$40,760

All transfers were made to simplify cash flows within the City, approved TIF expenditures, and future projects.

### Note 15 Contingencies

From time to time, the City is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

### Note 16 Impact of Pending Accounting Principles

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The City is required to implement this standard for the fiscal year ending April 30, 2016. The City has not yet determined the full impact that adoption of GASB Statement 68 will have on the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The City is required to implement this standard for the fiscal year ending April 30, 2016. The City has not yet determined the full impact that adoption of GASB Statement 71 will have on the financial statements.

**Required Supplementary Information  
(Unaudited)**

# City of Mount Carroll, Illinois

## General Fund

### Schedule of Revenues, Expenditures and Changes in

### Fund Balance Compared with Budget

For the year ended April 30, 2015

	Original Budget	Actual	Variance with Final Budget
<b>Revenues:</b>			
Property taxes	\$74,650	\$62,718	(\$11,932)
Intergovernmental revenue	479,000	496,743	17,743
Licenses and permits	18,000	17,465	(535)
Fines and costs	5,500	8,210	2,710
Interest	250	191	(59)
Miscellaneous income	3,750	3,699	(51)
<b>Total revenues</b>	<b>581,150</b>	<b>589,026</b>	<b>7,876</b>
<b>Expenditures:</b>			
General government	114,350	90,580	23,770
Public safety	259,050	244,969	14,081
Streets and highways	321,950	270,656	51,294
Culture and recreation	6,725	5,839	886
<b>Total expenditures</b>	<b>702,075</b>	<b>612,044</b>	<b>90,031</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(120,925)</b>	<b>(23,018)</b>	<b>97,907</b>
<b>Other financing sources (uses):</b>			
Transfers in	5,000	14,360	9,360
Transfers out	(5,000)	0	5,000
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>14,360</b>	<b>14,360</b>
<b>Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)</b>	<b><u>(\$120,925)</u></b>	<b><u>(8,658)</u></b>	<b><u>\$112,267</u></b>
<b>Fund balances, beginning of year</b>		<b>133,732</b>	
<b>Fund balances, end of year</b>		<b><u>\$125,074</u></b>	
<b>GAAP fund balance for General Revenue Funds</b>			
Building Fund		\$6,546	
Debit Credit Account Fund		214	
Check Clearing Account Fund		<u>1,058</u>	
<b>GAAP fund balance for General Revenue Funds</b>		<b><u>\$132,892</u></b>	

See Notes to Required Supplementary Information.

# City of Mount Carroll, Illinois

## Schedule of IMRF Funding Progress and Other Postemployment Benefit Funding Progress

### Schedule of IMRF Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a) /c)
12/31/14	\$1,197,556	\$1,592,349	\$394,793	75.21%	\$432,337	91.32%
12/31/13	1,027,212	1,408,146	380,934	72.95%	426,728	89.27%
12/31/12	1,198,677	1,603,665	404,988	74.75%	427,504	94.73%

On the market value basis, the actuarial value of assets as of December 31, 2014 is \$1,474,638. On a market basis, the funded ratio would be 92.61%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Mount Carroll. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

### Schedule of Other Postemployment Benefit Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a) /c)
4/30/15	\$0	\$35,324	\$35,324	0.0%	Not Available	Not Available
4/30/14	0	35,760	35,760	0.0%	Not Available	Not Available
4/30/11	0	26,318	26,318	0.0%	Not Available	Not Available

Information for prior years is not available as the City implemented GASB Statement No. 45 in fiscal year 2011. In addition, information is presented for the most recent actuarial valuation date.

# City of Mount Carroll, Illinois

## Notes to Required Supplementary Information

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### **Note 1 Budget Procedures:**

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. The fund constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budgeted revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. The appropriations (as reflected in these financial statements) are prepared as follows:

- 1) Prior to the fourth Tuesday in July, the City Clerk submits to the City Council a schedule of proposed appropriations covering the General, Special Revenue, and Enterprise funds for the fiscal year commencing May 1 of that year.
- 2) Public hearings are conducted at City Hall to obtain taxpayer comments.
- 3) Prior to August 1, the appropriations are legally enacted through passage of an ordinance.
- 4) All transfers of appropriated amounts must be approved by the City Council and meet state statute restrictions.
- 5) The budget for the operating funds and proprietary fund operations are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

### **Note 2 Basis of Accounting:**

Annual budgets are adopted for all governmental funds using the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

### **Note 3 Excess Cash Disbursements Over Appropriations:**

There were no major funds where actual expenditures exceeded budgeted amounts for the year ended April 30, 2015.

## **Supplementary Information**

# City of Mount Carroll, Illinois

## Balance Sheet - General Funds

April 30, 2015

<b>ASSETS</b>	<b>General Fund</b>	<b>Building Fund</b>	<b>Debit Credit Account Fund</b>	<b>Check Clearing Account Fund</b>	<b>Total General Fund</b>
Cash and cash equivalents	\$4,950	\$6,546	\$214	\$1,058	\$12,768
Receivables:					
Property taxes	50,115	0	0	0	50,115
State of Illinois	116,994	0	0	0	116,994
Prepaid items	5,126	0	0	0	5,126
Advances to other funds	8,000	0	0	0	8,000
<b>Total assets</b>	<b>\$185,185</b>	<b>\$6,546</b>	<b>\$214</b>	<b>\$1,058</b>	<b>\$193,003</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$5,316	\$0	\$0	\$0	\$5,316
Accrued payroll	1,788	0	0	0	1,788
Accrued compensated absences	2,934	0	0	0	2,934
Advances from other funds	0	0	0	0	0
<b>Total liabilities</b>	<b>10,038</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,038</b>
Deferred inflows of resources -					
Unavailable revenue	0	0	0	0	0
Unavailable property taxes	50,073	0	0	0	50,073
<b>Total deferred inflows of resources</b>	<b>50,073</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,073</b>
Fund balances (deficit):					
Nonspendable	5,126	0	0	0	5,126
Restricted	0	0	0	0	0
Committed	0	6,546	0	0	6,546
Unassigned	119,948	0	214	1,058	121,220
<b>Total fund balances</b>	<b>125,074</b>	<b>6,546</b>	<b>214</b>	<b>1,058</b>	<b>132,892</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$185,185</b>	<b>\$6,546</b>	<b>\$214</b>	<b>\$1,058</b>	<b>\$193,003</b>

# City of Mount Carroll, Illinois

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### General Funds

For the year ended April 30, 2015

	General Fund	Building Fund	Debit Credit Account Fund	Check Clearing Account Fund	Total General Fund
<b>Revenues:</b>					
Property taxes	\$62,718	\$0	\$0	\$0	\$62,718
Intergovernmental revenue	496,743	0	0	0	496,743
Licenses and permits	17,465	0	0	0	17,465
Fines and costs	8,210	0	0	0	8,210
Charges for services	0	0	0	0	0
Interest	191	48	0	216	455
Miscellaneous income	3,699	1,000	135	0	4,834
<b>Total revenues</b>	<b>589,026</b>	<b>1,048</b>	<b>135</b>	<b>216</b>	<b>590,425</b>
<b>Expenditures:</b>					
General government	90,580	0	0	0	90,580
Public safety	244,969	0	0	0	244,969
Streets and highways	270,656	0	0	0	270,656
Culture and recreation	5,839	0	0	0	5,839
<b>Total expenditures</b>	<b>612,044</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>612,044</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(23,018)</b>	<b>1,048</b>	<b>135</b>	<b>216</b>	<b>(21,619)</b>
<b>Other financing sources (uses):</b>					
Transfers in	14,360	0	0	0	14,360
Transfers out	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>14,360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,360</b>
<b>Net change in fund balance</b>	<b>(8,658)</b>	<b>1,048</b>	<b>135</b>	<b>216</b>	<b>(7,259)</b>
<b>Fund balances, beginning of year</b>	<b>133,732</b>	<b>5,498</b>	<b>79</b>	<b>842</b>	<b>140,151</b>
<b>Fund balances, end of year</b>	<b>\$125,074</b>	<b>\$6,546</b>	<b>\$214</b>	<b>\$1,058</b>	<b>\$132,892</b>

# City of Mount Carroll, Illinois

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 April 30, 2015

ASSETS	Total	Special				
		Oak Hill Cemetery Fund	Audit Fund	Civil Defense Fund	Insurance Fund	Motor Fuel Tax Fund
Cash and cash equivalents	\$270,856	\$54,217	\$1,085	\$2,273	\$2,585	\$44,217
Receivables:						
Property taxes	158,327	0	18,949	399	37,900	0
State of Illinois	7,292	0	0	0	0	3,993
Notes	150,631	0	0	0	0	0
Prepaid items	1,664	83	0	0	1,498	0
Advances from other funds	13,000	10,000	0	0	0	0
<b>Total assets</b>	<b>\$601,770</b>	<b>\$64,300</b>	<b>\$20,034</b>	<b>\$2,672</b>	<b>\$41,983</b>	<b>\$48,210</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$5,397	\$0	\$0	\$0	\$797	\$2,747
Accrued payroll	6,314	0	0	0	0	0
Advances from other funds	14,390	0	0	0	0	0
<b>Total liabilities</b>	<b>26,101</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>797</b>	<b>2,747</b>
Deferred inflows of resources -						
Unavailable property taxes	158,199	0	18,933	399	37,868	0
Fund balances (deficit):						
Nonspendable	1,664	83	0	0	1,498	0
Restricted	429,902	64,217	1,101	2,273	1,820	45,463
Unassigned	(14,096)	0	0	0	0	0
<b>Total fund balances</b>	<b>417,470</b>	<b>64,300</b>	<b>1,101</b>	<b>2,273</b>	<b>3,318</b>	<b>45,463</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$601,770</b>	<b>\$64,300</b>	<b>\$20,034</b>	<b>\$2,672</b>	<b>\$41,983</b>	<b>\$48,210</b>

**Revenue Funds**

IMRF Fund	Park Fund	Social Security Fund	Band Fund	Recreation Fund	Brick Street Fund	Forestry Fund	Health & Welfare Fund	Revolving Loan Fund	Special Tax Allocation Fund
\$36,582	\$37,775	\$18,436	\$1,224	\$283	\$1,044	\$4,438	\$172	\$66,510	\$15
32,912	14,311	29,920	3,989	12,965	0	6,982	0	0	0
3,299	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	150,631	0
0	83	0	0	0	0	0	0	0	0
0	3,000	0	0	0	0	0	0	0	0
<b>\$72,793</b>	<b>\$55,169</b>	<b>\$48,356</b>	<b>\$5,213</b>	<b>\$13,248</b>	<b>\$1,044</b>	<b>\$11,420</b>	<b>\$172</b>	<b>\$217,141</b>	<b>\$15</b>
\$0	\$1,153	\$0	\$700	\$0	\$0	\$0	\$0	\$0	\$0
6,295	19	0	0	0	0	0	0	0	0
0	0	0	0	14,390	0	0	0	0	0
6,295	1,172	0	700	14,390	0	0	0	0	0
32,884	14,299	29,900	3,986	12,954	0	6,976	0	0	0
0	83	0	0	0	0	0	0	0	0
33,614	39,615	18,456	527	0	1,044	4,444	172	217,141	15
0	0	0	0	(14,096)	0	0	0	0	0
33,614	39,698	18,456	527	(14,096)	1,044	4,444	172	217,141	15
<b>\$72,793</b>	<b>\$55,169</b>	<b>\$48,356</b>	<b>\$5,213</b>	<b>\$13,248</b>	<b>\$1,044</b>	<b>\$11,420</b>	<b>\$172</b>	<b>\$217,141</b>	<b>\$15</b>

# City of Mount Carroll, Illinois

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended April 30, 2015

		Special				
	Total	Oak Hill Cemetery Fund	Audit Fund	Civil Defense Fund	Insurance Fund	Motor Fuel Tax Fund
<b>Revenues:</b>						
Property taxes	\$159,111	\$0	\$15,463	\$334	\$25,081	\$0
Intergovernmental revenue	66,440	0	0	0	0	50,035
Charges for services	23,592	15,485	0	0	0	0
Interest	4,013	220	9	17	72	379
Miscellaneous	24,534	10,770	0	0	974	0
<b>Total revenues</b>	<b>277,690</b>	<b>26,475</b>	<b>15,472</b>	<b>351</b>	<b>26,127</b>	<b>50,414</b>
<b>Expenditures:</b>						
General government	72,895	0	18,000	0	31,243	0
Public safety	32,769	0	0	0	0	0
Streets and highways	77,982	0	0	0	0	55,393
Culture and recreation	65,602	0	0	0	0	0
Solid waste management	489	0	0	0	0	0
Cemetery operations	24,233	21,981	0	0	0	0
Welfare	131	0	0	0	0	0
Capital outlay	10,894	0	0	0	0	0
<b>Total expenditures</b>	<b>284,995</b>	<b>21,981</b>	<b>18,000</b>	<b>0</b>	<b>31,243</b>	<b>55,393</b>
Excess (deficiency) of revenues over (under) expenditures	(7,305)	4,494	(2,528)	351	(5,116)	(4,979)
<b>Other financing sources (uses):</b>						
Transfers in	0	0	0	0	0	0
Transfers out	(40,760)	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>(40,760)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balance</b>	<b>(48,065)</b>	<b>4,494</b>	<b>(2,528)</b>	<b>351</b>	<b>(5,116)</b>	<b>(4,979)</b>
<b>Fund balance (deficit), beginning of year</b>	<b>465,535</b>	<b>59,806</b>	<b>3,629</b>	<b>1,922</b>	<b>8,434</b>	<b>50,442</b>
<b>Fund balances (deficit), end of year</b>	<b>\$417,470</b>	<b>\$64,300</b>	<b>\$1,101</b>	<b>\$2,273</b>	<b>\$3,318</b>	<b>\$45,463</b>

**Revenue Funds**

IMRF Fund	Park Fund	Social Security Fund	Band Fund	Recreation Fund	Brick Street Fund	Forestry Fund	Health & Welfare Fund	Revolving Loan Fund	Special Tax Allocation Fund
\$29,249	\$11,998	\$22,562	\$3,344	\$10,798	\$0	\$5,017	\$0	\$0	\$35,265
16,405	0	0	0	0	0	0	0	0	0
0	0	0	0	8,107	0	0	0	0	0
303	133	196	18	0	8	47	0	2,443	168
0	0	0	0	12,498	110	0	182	0	0
45,957	12,131	22,758	3,362	31,403	118	5,064	182	2,443	35,433
3,703	0	2,374	0	0	0	0	0	0	17,575
19,965	0	12,804	0	0	0	0	0	0	0
13,763	0	8,826	0	0	0	0	0	0	0
3,625	18,978	2,325	4,635	25,534	0	10,505	0	0	0
298	0	191	0	0	0	0	0	0	0
1,372	0	880	0	0	0	0	0	0	0
0	0	0	0	0	0	0	131	0	0
0	0	0	0	10,894	0	0	0	0	0
42,726	18,978	27,400	4,635	36,428	0	10,505	131	0	17,575
3,231	(6,847)	(4,642)	(1,273)	(5,025)	118	(5,441)	51	2,443	17,858
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	(40,760)
0	0	0	0	0	0	0	0	0	(40,760)
3,231	(6,847)	(4,642)	(1,273)	(5,025)	118	(5,441)	51	2,443	(22,902)
30,383	46,545	23,098	1,800	(9,071)	926	9,885	121	214,698	22,917
\$33,614	\$39,698	\$18,456	\$527	(\$14,096)	\$1,044	\$4,444	\$172	\$217,141	\$15

# City of Mount Carroll, Illinois

## Combining Statement of Net Position - Water and Sewer Funds

April 30, 2015

<b>ASSETS</b>	<b>Total Water &amp; Sewer Fund</b>	<b>Bond Reserve Fund</b>
Current assets:		
Cash and cash equivalents	\$95,316	\$229
Receivables:		
State of Illinois	854	0
Accounts receivable	118,609	0
Prepaid items	6,719	0
Advances to other funds	(6,610)	0
Total current assets	214,888	229
Noncurrent assets:		
Depreciable assets - at cost	8,238,899	0
Less: accumulated depreciation	(3,921,016)	0
Total noncurrent assets	4,317,883	0
<b>Total assets</b>	<b>4,532,771</b>	<b>229</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	5,506	0
Accrued payroll	1,962	0
Customer deposits	13,484	0
Accrued interest payable	20,354	0
Accrued compensated absences	760	0
Note payable	218,128	0
Total current liabilities	260,194	0
Noncurrent liabilities:		
Accrued compensated absences	1,686	0
Accrued postretirement benefits other than pension	4,574	0
Note payable	3,127,730	0
Total noncurrent liabilities	3,133,990	0
<b>Total liabilities</b>	<b>3,394,184</b>	<b>0</b>
<b>NET POSITION</b>		
Net investment in capital assets	972,025	0
Unrestricted	166,562	229
<b>Total net position</b>	<b>\$1,138,587</b>	<b>\$229</b>

Water Fund	Depreciation Fund	Customer Deposits Fund	Sewer Fund	Sewer Capital Improvement Fund	Bond & Interest Sinking Fund
\$2,542	\$145	\$13,484	\$7,842	\$4,359	\$66,715
0	0	0	0	854	0
33,604	0	0	36,388	5,332	43,285
3,245	0	0	3,474	0	0
(8,470)	0	0	(11,140)	0	13,000
30,921	145	13,484	36,564	10,545	123,000
4,727,984	0	0	3,510,915	0	0
(985,706)	0	0	(2,935,310)	0	0
3,742,278	0	0	575,605	0	0
3,773,199	145	13,484	612,169	10,545	123,000
2,257	0	0	3,249	0	0
1,011	0	0	951	0	0
0	0	13,484	0	0	0
20,224	0	0	130	0	0
380	0	0	380	0	0
187,696	0	0	30,432	0	0
211,568	0	13,484	35,142	0	0
843	0	0	843	0	0
2,378	0	0	2,196	0	0
3,048,162	0	0	79,568	0	0
3,051,383	0	0	82,607	0	0
3,262,951	0	13,484	117,749	0	0
506,420	0	0	465,605	0	0
3,828	145	0	28,815	10,545	123,000
\$510,248	\$145	\$0	\$494,420	\$10,545	\$123,000

# City of Mount Carroll, Illinois

## Combining Statement of Revenues, Expenses and Changes in Net Position - Water and Sewer Funds For the year ended April 30, 2015

	Total Water & Sewer Fund	Bond Reserve Fund
Operating revenues:		
Charges for services	\$612,206	\$0
Penalties	4,729	0
Miscellaneous	11,168	0
<b>Total operating revenues</b>	<b>628,103</b>	<b>0</b>
Operating expenses:		
Personnel services	229,039	0
Contractual services	16,560	0
Commodities	51,102	0
Other expenses	73,275	0
Depreciation	172,665	0
<b>Total operating expenses</b>	<b>542,641</b>	<b>0</b>
Operating income (loss)	85,462	0
Nonoperating revenues (expenses):		
Grant income	101,850	0
Other taxes	2,906	0
Interest income	371	2
Interest expense	(83,323)	0
<b>Total nonoperating revenues (expenses)</b>	<b>21,804</b>	<b>2</b>
Income (loss) before transfers	107,266	2
Transfer in	267,426	0
Transfers out	(241,026)	0
Change in net position	133,666	2
Net position, beginning of year	1,004,921	227
<b>Net position, end of year</b>	<b>\$1,138,587</b>	<b>\$229</b>

Water Fund	Depreciation Fund	Customer Deposits Fund	Sewer Fund	Sewer Capital Improvement Fund	Bond & Interest Sinking Fund
\$178,683	\$0	\$0	\$188,574	\$7,614	\$237,335
1,370	0	0	1,473	21	1,865
10,912	0	0	256	0	0
190,965	0	0	190,303	7,635	239,200
120,033	0	0	109,006	0	0
11,526	0	0	5,034	0	0
24,559	0	0	26,543	0	0
35,964	0	0	37,311	0	0
117,791	0	0	54,874	0	0
309,873	0	0	232,768	0	0
(118,908)	0	0	(42,465)	7,635	239,200
0	0	0	101,850	0	0
0	0	0	0	2,906	0
42	1	0	11	4	311
(83,193)	0	0	(130)	0	0
(83,151)	1	0	101,731	2,910	311
(202,059)	1	0	59,266	10,545	239,511
267,426	0	0	0	0	0
0	0	0	0	0	(241,026)
65,367	1	0	59,266	10,545	(1,515)
444,881	144	0	435,154	0	124,515
\$510,248	\$145	\$0	\$494,420	\$10,545	\$123,000

# City of Mount Carroll, Illinois

## Combining Statement of Cash Flows - Water and Sewer Funds

For the year ended April 30, 2015

	Total Water & Sewer Fund	Bond Reserve Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$622,500	\$0
Cash paid to suppliers	(146,379)	0
Cash paid to employees	(231,585)	0
Net cash flows from operating activities	244,536	0
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Other taxes	2,052	0
Proceeds from notes payable	110,000	0
Interfund loans	10,000	0
Transfers from other funds (net)	26,400	0
Net cash flows from non-capital financing activities	148,452	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments - debt certificates	(183,089)	0
Grant income	101,850	0
Acquisition of capital assets	(154,117)	0
Interest paid	(84,337)	0
Net cash flows from capital and related financing activities	(319,693)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Interest income	371	2
Net cash flows from capital and related financing activities	371	2
Net increase (decrease) in cash and cash equivalents	73,666	2
Cash and cash equivalents, May 1, 2014	21,650	227
Cash and cash equivalents, April 30, 2015	\$95,316	\$229
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$85,462	\$0
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	172,665	0
Effects of changes in operating assets and liabilities:		
Receivables	(6,940)	0
Prepaid items	(1,169)	0
Accounts payable	(4,273)	0
Accrued wages payable	(5,252)	0
Accrued compensated absences	1,784	0
Customer deposits	1,337	0
Postretirement benefits other than pension	922	0
Net cash flows from operating activities	\$244,536	\$0

Water Fund	Depreciation Fund	Customer Deposits Fund	Sewer Fund	Sewer Capital Improvement Fund	Bond & Interest Sinking Fund
\$190,047	\$0	\$1,337	\$189,136	\$2,303	\$239,677
(74,375)	0	0	(72,004)	0	0
(121,112)	0	0	(110,473)	0	0
(5,440)	0	1,337	6,659	2,303	239,677
0	0	0	0	2,052	0
0	0	0	110,000	0	0
7,940	0	2,060	(59,000)	0	59,000
267,426	0	0	0	0	(241,026)
275,366	0	2,060	51,000	2,052	(182,026)
(183,089)	0	0	0	0	0
0	0	0	101,850	0	0
0	0	0	(154,117)	0	0
(84,337)	0	0	0	0	0
(267,426)	0	0	(52,267)	0	0
42	1	0	11	4	311
42	1	0	11	4	311
2,542	1	3,397	5,403	4,359	57,962
0	144	10,087	2,439	0	8,753
\$2,542	\$145	\$13,484	\$7,842	\$4,359	\$66,715
(\$118,908)	\$0	\$0	(\$42,465)	\$7,635	\$239,200
117,791	0	0	54,874	0	0
(918)	0	0	(1,167)	(5,332)	477
(793)	0	0	(376)	0	0
(1,533)	0	0	(2,740)	0	0
(2,439)	0	0	(2,813)	0	0
892	0	0	892	0	0
0	0	1,337	0	0	0
468	0	0	454	0	0
(\$5,440)	\$0	\$1,337	\$6,659	\$2,303	\$239,677

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## **Compliance Section**

**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**

Honorable Mayor and  
Members of the City Council  
City of Mount Carroll, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Carroll, Illinois, (the "City") as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as 2015-001 and 2015-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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*.

## **Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses were 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wipfli LLP*

Sterling, Illinois  
August 6, 2015

# City of Mount Carroll, Illinois

## Schedule of Findings and Responses

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### Section II – Financial Statements Findings

#### **Finding 2015-001**

Condition - Due to the complexity of several of the footnote disclosures, management does not currently possess the expertise to accurately prepare the financial statements and related disclosures for accuracy and completeness in accordance with accounting principles generally accepted in the United States of America.

Effects – The City relies on the external auditors to prepare the financial statements with footnote disclosures.

Cause – Due to the complexity of several of the footnote disclosures, management does not currently possess the expertise to accurately prepare the financial statements and related disclosures for accuracy and completeness in accordance with the accounting principles generally accepted in the United States of America.

Recommendation – It does not appear to be economically feasible to hire additional personnel to help prepare the financial statements and required footnote disclosures in accordance with accounting principles generally accepted in the United States of America. However, the City's management and City Council's close review of the financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

View of responsible officials and planned corrective actions – The City's management and City Council's close review of the financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

#### **Finding 2015-002**

Condition – The City does not have effective controls to safeguard assets, and prevent or detect misstatements on a timely basis, as a result of a lack of segregation of duties. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis. Due to the small number of people employed in administrative functions, the City may not be able to fully achieve an ideal segregation of duties.

Effects – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Cause – The City has a limited number of personnel performing accounting functions.

Recommendation – In a small office environment, it may be impractical to achieve an ideal segregation of duties. However, when this condition exists, management's close supervision, review of accounting information, and segregating of duties among the limited number of employees as able is the best means of preventing or detecting errors and irregularities.

View of responsible officials and planned corrective actions – Management will continue to maintain close supervision, review accounting information, and segregate duties as able, but an inadequate segregation of duties problem will remain due to the limited number of staff.

**Independent Auditor's Report on Compliance  
with State of Illinois Public Act 85-1142**

Honorable Mayor and  
Members of the City Council  
City of Mount Carroll, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Carroll, Illinois, (the "City") as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated August 6, 2015. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the City's compliance with the provisions of subsection (q) of the Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended April 30, 2015 for the Special Tax Allocation Fund. The management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

Our audit was made in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Mount Carroll, Illinois, complied, in all material respects, with the requirements of subsection (q) of the Illinois Compiled Statutes (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended April 30, 2015 for the Special Tax Allocation Fund.

*Wipfli LLP*

Sterling, Illinois  
August 6, 2015

