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CITY OF MARENGO, ILLINOIS

Annual Financial Report
For the Year Ended April 30, 2016

CITY OF MARENGO, ILLINOIS

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CITY OF MARENGO, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor
and Members of the City Council
City of Marengo, 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 City of Marengo, Illinois as of and for the year ended April 30, 2016, which collectively comprise the City of Marengo's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statement 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 City of Marengo, Illinois as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016 as discussed in Note 1 to the financial statements:

Statement No. 68 – Accounting and Financial Reporting for Pensions

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise City of Marengo, Illinois' financial statements as a whole. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

George Roach & Associates, P.C.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 27, 2016

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS –
UNAUDITED

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

As management of the City of Marengo (City), we offer readers of the City's statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at April 30, 2016 by \$1,123,506 (net position). Of this amount, (\$23,661,321) is unrestricted net position.
- The City's total net position decreased by \$556,800 from operations and \$10,196,099 due to the implementation of GASB No. 68 (see note 11 of the audit report).
- At April 30, 2016, the City's governmental funds reported combined ending fund balances of \$2,830,353, a decrease of \$37,639 from the prior year.
- At April 30, 2016, the unassigned fund balance for the General Fund was \$1,476,293.
- The City's total capital assets increased by \$2,387,166 during the year ended April 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and transportation, culture and recreation, and economic development. The business-type activities of the City include culture and recreation, water and sewer, and refuse. The government-wide financial statements can be found on pages 12 and 13 of this report.

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be the City's only major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 12 through 21 of this report.

Proprietary funds - The City maintains one type of proprietary fund (enterprise fund). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer services, and for refuse and recycling services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer services, and refuse and recycling services, all of which are considered to be major funds of the City.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes a fiduciary fund to segregate developer deposits. The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 48 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in meeting its obligation to provide as fully adequate as possible services to its residents.

The City adopts an annual budget for all funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The budgetary comparison for the general fund can be found on pages 53 to 58 of this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,123,506 at April 30, 2016.

Of the City's net position, \$5,960,978 reflects its investment in capital assets (e.g., land, construction in progress, buildings, systems and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Marengo -- Net Position					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Current and Other Assets	\$ 4,513,320	\$ 4,568,715	\$ 4,568,613	\$ 5,711,796	\$ 9,081,933	\$ 10,280,511
Capital Assets	4,002,473	3,788,470	19,966,851	17,793,688	23,969,324	21,582,158
Total Assets	\$ 8,515,793	\$ 8,357,185	\$ 24,535,464	\$ 23,505,484	\$ 33,051,257	\$ 31,862,669
Deferred Outflows	\$ 4,975,219	\$ -	-	\$ -	\$ 4,975,219	\$ -
Current and Other Liabilities	\$ 166,177	\$ 136,094	42,127	\$ 61,271	\$ 208,304	\$ 197,365
Long-Term Liabilities Outstanding	14,539,507	1,738,192	17,203,011	16,486,078	31,742,518	18,224,270
Total Liabilities	14,705,684	1,874,286	17,245,138	16,547,349	31,950,822	18,421,635
Deferred Inflows	4,952,148	1,564,629	-	-	-	1,564,629
Net Position						
Net Investment in Capital Assets	3,141,275	2,159,385	2,819,703	1,367,267	5,960,978	3,526,652
Restricted -- Net Position	1,354,060	1,529,948	17,469,789	15,417,696	18,823,849	16,947,644
Unrestricted -- Net Position	(10,662,155)	1,228,937	(12,999,166)	(9,826,828)	(23,661,321)	(8,597,891)
Total Net Position	\$ (6,166,820)	\$ 4,918,270	\$ 7,290,326	\$ 6,958,135	\$ 1,123,506	\$ 11,876,405

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$23,661,321).

The City's net position decreased by \$10,752,899 during the year ended April 30, 2016 (including the GASB No. 68 adjustment of \$10,196,099).

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

Governmental activities

Governmental activities decreased the City's net position by \$11,085,090 (including \$10,196,099 GASB No. 68 adjustment). The most significant change from the prior year was the reporting of actuarial pension expenses and implementation of GASB No. 68.

Business-type activities

Business-type activities increased the City's net position by \$332,191.

Key elements of the increases/(decreases) to net position by governmental and business type activities are as follows:

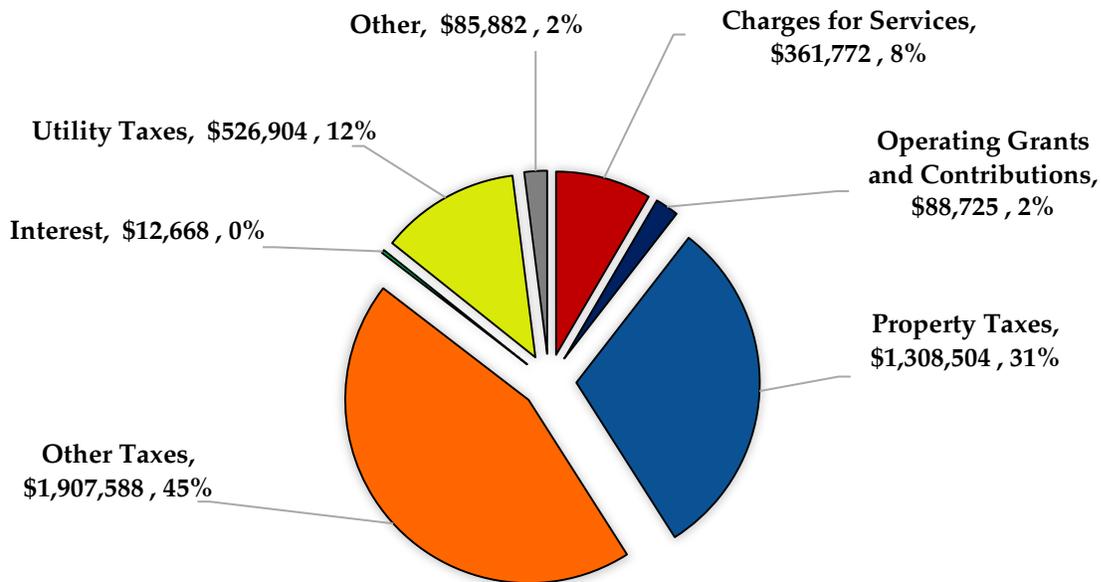
	City of Marengo -- Activities and Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	4/30/2016	4/30/2015	4/30/2016	4/30/2015	4/30/2016	4/30/2015
Program Revenues						
Charges for Services	\$ 361,772	\$ 421,330	\$ 2,278,242	\$ 2,117,803	\$ 2,640,014	\$ 2,539,133
Operating Grants and Contributions	88,725	10,921	-	-	88,725	10,921
General Revenues						
Property Taxes	1,308,504	1,301,762	-	-	1,308,504	1,301,762
Other Taxes	1,907,588	1,837,589	-	-	1,907,588	1,837,589
Utility Taxes	526,904	565,849	-	-	526,904	565,849
Other	85,882	48,641	-	-	85,882	48,641
Interest	12,668	7,273	11,557	12,598	24,225	19,871
Total Revenues	4,292,043	4,193,365	2,289,799	2,130,401	6,581,842	6,323,766
Expenses						
General Government	1,045,733	1,319,319	-	-	1,045,733	1,319,319
Public Safety	1,964,847	1,983,702	-	-	1,964,847	1,983,702
Streets and Roads	935,610	169,306	-	-	935,610	169,306
IMRF Pension actuarial expenses	508,622	-	-	-	508,622	-
Police Pension actuarial expenses	636,005	-	-	-	636,005	-
Interest on Long-Term Debt	92,681	80,708	401,881	141,013	494,562	221,721
Proprietary Activities	-	-	1,558,370	1,813,422	1,558,370	1,813,422
Total Expenses	5,183,498	3,553,035	1,960,251	1,954,435	7,143,749	5,507,470
Increase/(Decrease) before Transfers	(891,455)	640,330	329,548	175,966	(561,907)	816,296
Transfers in/(out)	2,464	2,416	(2,464)	(2,416)	-	-
Increase/(Decrease) in Net Position	(888,991)	642,746	327,084	173,550	(561,907)	816,296
Net Position - Beginning of Year	4,918,270	4,275,524	6,958,135	6,777,779	11,876,405	11,053,303
Restatement adjustment	(10,196,099)	-	-	-	(10,196,099)	-
Capital Contributions	-	-	5,107	6,806	5,107	6,806
Net Position - End of Year	\$ (6,166,820)	\$ 4,918,270	\$ 7,290,326	\$ 6,958,135	\$ 1,123,506	\$11,876,405

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

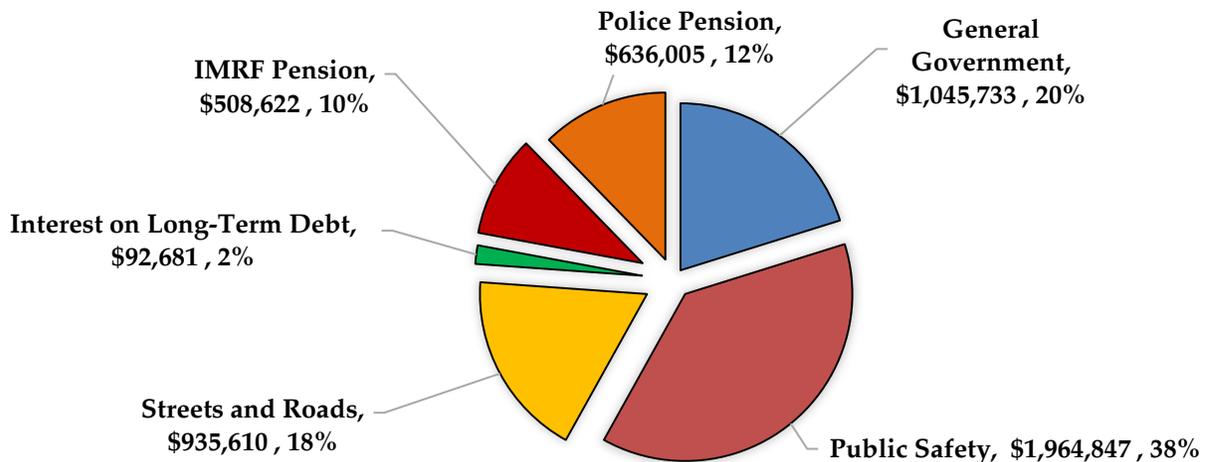
2016 REVENUES

ROUND TO NEAREST PERCENT



2016 EXPENSES

ROUND TO NEAREST PERCENT



CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At April 30, 2016, the City's governmental funds reported combined ending fund balances of \$2,830,353, a decrease of \$37,639 in comparison with the prior year. A portion of this amount (\$1,476,293) constitutes unassigned fund balance, which is available, to meet the City's ongoing obligations to citizens and creditors. The remainder of the fund balance is assigned or restricted to indicate that it is not available for new spending because it has already been allocated for specific restricted purposes.

The General Fund is the chief operating fund of the City. At April 30, 2016, the fund balance of the General Fund was \$1,476,293. This represents an increase of \$138,249 compared to the prior fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were relatively minor. Total differences between the final amended budget and the actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$91,185 (favorable).
- The difference between the estimated expenditures and the actual expenditures was \$858,313 (favorable).

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of April 30, 2016 amounts to \$23,969,324 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, systems, and equipment.

	City of Marengo's Capital Assets					
	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Water and Sewage System	\$ -	\$ -	\$ 13,835,071	\$ 13,816,727	13,835,071	\$ 13,816,727
Buildings Land and Improvements	3,123,013	2,850,583	789,152	789,152	3,912,165	3,639,735
Equipmetn, Furniture, and Fixtures	1,220,900	1,122,553	761,789	726,516	1,982,689	1,849,069
Construction in Progress	1,053,356	1,053,356	13,682,959	11,086,352	14,736,315	12,139,708
Total Capital Assets	5,397,269	5,026,492	29,068,971	26,418,747	34,466,240	31,445,239
Accumulated Depreciation	1,394,796	1,238,022	9,102,120	8,625,059	10,496,916	9,863,081
Total Net Capital Assets	\$ 4,002,473	\$ 3,788,470	\$ 19,966,851	\$ 17,793,688	\$ 23,969,324	\$ 21,582,158

Additional information on the City's capital assets can be found in note 3 on pages 29-30.

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis

April 30, 2016

ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the City for 2015 is \$108,850,273. That represents an increase in EAV of \$4,755,989 over the prior year's EAV. Taxes recorded in these financial statements are from the 2014 levy. A summary of the assessed valuations and extensions for tax years 2015, 2014, and 2013 is as follows:

ASSESSED VALUATIONS, EXTENDED TAX RATES						
PERCENTAGE ALLOCATIONS, EXTENDED TAX RATES						
TAX LEVY YEAR	2015		2014		2013	
ASSESSED VALUATION						
McHenry County	\$	108,850,273	\$	104,094,284	\$	109,999,448
TAX RATES AND PERCENTAGE ALLOCATIONS BY FUND						
Funds	Rate	Percentage	Rate	Percentage	Rate	Percentage
General Fund	0.424979	29.65	0.423234	29.65	0.437500	33.03
IMRF	0.070473	4.92	0.070184	4.92	0.065102	4.92
Police Protection	0.383702	26.79	0.382713	26.81	0.296234	22.37
Police Pension	0.251713	17.56	0.250679	17.56	0.220542	16.66
Cemetery	0.000092	0.00	0.000000	0.00	0.025000	1.89
Garbage	0.000092	0.00	0.000000	0.00	0.000000	0.00
Audit	0.015779	1.10	0.015402	1.08	0.010457	0.79
Liability Insurance	0.059478	4.15	0.059234	4.15	0.054945	4.15
Street Lighting	0.048570	3.39	0.048370	3.39	0.049617	3.75
ESDA	0.002172	0.15	0.002163	0.15	0.002006	0.15
Social Security	0.102418	7.15	0.101997	7.15	0.094611	7.15
Unemployment Insurance	0.005370	0.37	0.005348	0.37	0.004960	0.37
Workman's Compensation	0.068356	4.77	0.068076	4.77	0.063146	4.77
Totals	1.433194	100.00	1.427400	100.00	1.324120	100.00
Property Tax Extensions						
Funds	2015		2014		2013	
General Fund	\$	444,207	\$	453,435	\$	481,247
IMRF		73,659		75,193		71,612
Police Protection		401,233		403,721		325,856
Police Pension		263,102		274,666		242,595
Cemetery		-		100		27,500
Garbage		-		100		-
Audit		16,491		16,500		11,503
Liability Insurance		62,175		63,461		60,439
Street & Bridge		-		100		-
Street Lighting		50,768		51,821		54,578
ESDA		2,275		2,317		2,207
Social Security		107,054		109,275		104,071
Unemployment Insurance		5,617		5,729		5,456
Workman's Compensation		71,449		72,933		69,461
Totals	\$	1,498,030	\$	1,529,351	\$	1,456,525

CITY OF MARENGO, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, City of Marengo, 132 East Prairie, Marengo, IL 60152.

BASIC FINANCIAL STATEMENTS

CITY OF MARENGO, ILLINOIS

Government-wide - Statement of Net Position

Year Ended April 30, 2016

	Primary Government		Total
	Governmental	Business-Type	
	Activities	Activities	
Assets			
Cash and investments, at cost	\$ 2,392,556	\$ 3,877,880	\$ 6,270,436
Accounts receivable	88,502	690,733	779,235
Property tax receivable	1,623,339	-	1,623,339
Due from other Governments	408,923	-	408,923
Fixed assets	4,002,473	19,966,851	23,969,324
Total Assets	\$ 8,515,793	\$ 24,535,464	\$ 33,051,257
Deferred Outflows			
IMRF pension fund	\$ 299,837	\$ -	\$ 299,837
Police pension Fund	4,675,382	-	4,675,382
Total Deferred Outflows	\$ 4,975,219	\$ -	\$ 4,975,219
Liabilities			
Accounts payable	\$ 15,641	\$ 15,241	\$ 30,882
Accrued payroll liabilities	43,987	26,886	70,873
Notes payable -- current portion	46,549	38,646	85,195
Bonds payable -- current portion	60,000	370,000	430,000
IEPA note payable -- current portion	-	518,969	518,969
Total Current Liabilities	166,177	969,742	1,135,919
Premium on bonds	-	47,075	47,075
Notes payable	322,558	82,372	404,930
Bonds payable	1,105,000	4,870,000	5,975,000
IEPA note payable	-	11,267,162	11,267,162
IMRF pension accrued liability	783,074	-	783,074
Police pension accrued liability	12,204,062	-	12,204,062
Deferred Compensation	124,813	8,787	133,600
Total Long-term Liabilities	14,539,507	16,275,396	30,814,903
Total Liabilities	14,705,684	17,245,138	31,950,822
Deferred Inflows			
Property taxes	1,623,339	-	1,623,339
IMRF pension fund	16,565	-	16,565
Police pension fund	3,312,244	-	3,312,244
Total Deferred Inflows	4,952,148	-	4,952,148
Net Position			
Net investment in Capital Assets	3,141,275	2,819,703	5,960,978
Restricted - Capital projects/debt service	542,276	17,469,789	18,012,065
Restricted - Other nonmajor governmental funds	811,784	-	811,784
Unrestricted	(10,662,155)	(12,999,166)	(23,661,321)
Total Net Position	\$ (6,166,820)	\$ 7,290,326	\$ 1,123,506

The accompanying notes are an integral part of these statements.

CITY OF MARENGO, ILLINOIS

Government-wide - Statement of Activities and Changes in Net Position

Year Ended April 30, 2016

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
General government	\$ 1,045,733	\$ 263,646	\$ 88,725	\$ -	\$ (693,362)	\$ -	\$ (693,362)
Public safety	1,964,847	98,126	-	-	(1,866,721)	-	(1,866,721)
Public properties	935,610	-	-	-	(935,610)	-	(935,610)
IMRF Pension actuarial expenses	508,622	-	-	-	(508,622)	-	(508,622)
Police Pension actuarial expenses	636,005	-	-	-	(636,005)	-	(636,005)
Interest on long-term debt	92,681	-	-	-	(92,681)	-	(92,681)
Total Governmental Activities	5,183,498	361,772	88,725	-	(4,733,001)	-	(4,733,001)
Business-Type Activities							
Proprietary activities	1,558,370	2,278,242	-	-	-	719,872	719,872
Interest on long-term debt	401,881	-	-	-	-	(401,881)	(401,881)
Total Business-Type Activities	1,960,251	2,278,242	-	-	-	317,991	317,991
Total Primary Government	\$ 7,143,749	\$ 2,640,014	\$ 88,725	\$ -	(4,733,001)	317,991	(4,415,010)
General Revenues:							
Property taxes					1,308,504	-	1,308,504
Intergovernmental revenue					1,907,588	-	1,907,588
Utility taxes					526,904	-	526,904
Miscellaneous revenue					85,882	-	85,882
Investment income					12,668	11,557	24,225
Total Revenues					3,841,546	11,557	3,853,103
Transfers in/(out)					2,464	(2,464)	-
Changes in Net Position					(888,991)	327,084	(561,907)
Net Position Beginning					4,918,270	6,958,135	11,876,405
Restatement adjustment (See Note 11)					(10,196,099)	-	(10,196,099)
Capital Contributions					-	5,107	5,107
Total Net Position, Ending					\$ (6,166,820)	\$ 7,290,326	\$ 1,123,506

The accompanying notes are an integral part of these statements.

CITY OF MARENGO, ILLINOIS

Governmental Funds - Balance Sheet

Year Ended April 30, 2016

Assets	General Fund	Other Nonmajor Governmental Funds	Capital Project Funds	Total
Cash and cash equivalents	\$ 1,053,573	\$ 796,707	\$ 542,276	\$ 2,392,556
Total cash and cash equivalents	1,053,573	796,707	542,276	2,392,556
Property taxes receivable, net of 1% allowance for loss	1,549,794	73,545	-	1,623,339
Other receivables	88,502	-	-	88,502
Due from other governmental units	391,518	17,405	-	408,923
Total Assets	\$ 3,083,387	\$ 887,657	\$ 542,276	\$ 4,513,320
Liabilities				
Accounts payable	\$ 13,313	\$ 2,328	\$ -	\$ 15,641
Accrued payroll	43,987	-	-	43,987
Total Liabilities	57,300	2,328	-	59,628
Deferred Inflows -- property taxes	1,549,794	73,545	-	1,623,339
Fund Balance				
Nonspendable	-	-	-	-
Restricted	-	811,784	542,276	1,354,060
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,476,293	-	-	1,476,293
Total Fund Balance	1,476,293	811,784	542,276	2,830,353
Total Liabilities and Fund Balance	\$ 3,083,387	\$ 887,657	\$ 542,276	\$ 4,513,320

The accompanying notes are an integral part of these statements.

CITY OF MARENGO, ILLINOIS

Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended April 30, 2016

	General Fund	Other Nonmajor Governmental Funds	Capital Projects Funds	Total
Revenues				
Property taxes	\$ 1,284,478	\$ 24,026	\$ -	\$ 1,308,504
Intergovernmental revenue	1,703,595	203,993	-	1,907,588
Utility taxes	526,904	-	-	526,904
Licenses, fees, and permits	224,328	39,318	-	263,646
Fines	98,126	-	-	98,126
Grants and donations	88,725	-	-	88,725
Interest income	861	10,365	1,442	12,668
Miscellaneous revenue	57,444	28,438	-	85,882
Total Revenues	3,984,461	306,140	1,442	4,292,043
Expenditures				
Administrative	843,338	120,914	-	964,252
Police	1,985,417	13,144	-	1,998,561
Street	541,019	197,154	-	738,173
Public grounds	248,861	83,367	-	332,228
Building	94,584	-	-	94,584
Operation and maintenance	-	-	26,970	26,970
Principal payments on debt	-	60,000	-	60,000
Interest payments on debt	-	67,958	-	67,958
Contingency	49,420	-	-	49,420
Total Expenditures	3,762,639	542,537	26,970	4,332,146
Excess (Deficiency) of Revenue over expenditures	221,822	(236,397)	(25,528)	(40,103)
Operating Transfers In/(Out)	(83,573)	11,037	75,000	2,464
Net Change in Fund Balance	138,249	(225,360)	49,472	(37,639)
Fund Balance				
Fund balance, beginning	1,338,044	1,037,144	492,804	2,867,992
Total Fund Balance, Ending	\$ 1,476,293	\$ 811,784	\$ 542,276	\$ 2,830,353

The accompanying notes are an integral part of these statements.

CITY OF MARENGO, ILLINOIS

Reconciliations of the Governmental Fund Statements to the
Statement of Net Position and Statement of Activities
Year Ended April 30, 2016

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total Fund Balances--Total Governmental Funds	\$	2,830,353
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Amount net of depreciation.		4,002,473
Other employee benefit obligations accruals are not reported in funds.		(124,813)
Deferred pension outflows/inflows and net pension liabilities are not reported in funds. Deferred pension outflows		4,975,219
Net pension liabilities are not reported in funds.		(12,987,136)
Deferred pension inflows		(3,328,809)
Long term debt is not recorded in the fund statement but is included as a liability in the Statement of Net Position.		(1,534,107)
Total Net Position of Governmental Activities	<u>\$</u>	<u>(6,166,820)</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Excess (Deficiency) of Revenue Over Expenditures		
Governmental Funds	\$	(37,639)
Governmental funds report capital outlays as expenditures; however for the Statement of Activities the amounts are capitalized and depreciated over their useful life. (Amount shown is net of depreciation)		214,003
Governmental funds report the payment of debt as an expenditure; however the Statement of Activities records the payment as a reduction in the debt liability.		94,978
Change in deferred pension outflows/inflows and net pension liabilities are not reported in funds.		(1,144,627)
Governmental funds do not accrue for deferred compensation but the expenses are accrued for the Statement of Activities.		(15,706)
Changes in Net Position Governmental Funds	<u>\$</u>	<u>(888,991)</u>

The accompanying notes are an integral part of these statements.

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Statement of Net Position

Year Ended April 30, 2016

Assets	Operating and Maintenance	Bond and Interest Account	Capital Construction Fund	Equipment Replacement Fund	Water			Total
					Improvement 2014 Bond Fund	IEPA WWTP Debt Fund	IEPA WWTP Debt Fund	
Cash	\$ 314,339	\$ 671,412	\$ 28,375	\$ 26,000	\$ 2,271,398	\$ 566,356	\$ 3,877,880	
Sewer billing receivable	467,444	-	-	-	-	223,289	690,733	
Property and equipment, net of accumulated depreciation	6,283,892	-	-	-	-	-	6,283,892	
Construction In Progress	-	-	-	-	963,034	12,719,925	13,682,959	
Total Assets	\$ 7,065,675	\$ 671,412	\$ 28,375	\$ 26,000	\$ 3,234,432	\$ 13,509,570	\$ 24,535,464	
Liabilities								
Accounts payable	\$ 15,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,241	
Other accruals/liabilities	26,886	-	-	-	-	-	26,886	
IEPA note payable	11,786,131	-	-	-	-	-	11,786,131	
Notes payable	121,018	-	-	-	-	-	121,018	
Premium on Bonds	47,075	-	-	-	-	-	47,075	
Alt. Revenue Bonds	5,240,000	-	-	-	-	-	5,240,000	
Deferred compensation	8,787	-	-	-	-	-	8,787	
Total Liabilities	17,245,138	-	-	-	-	-	17,245,138	
Net Position								
Reserve for authorized expenditures	-	671,412	28,375	26,000	3,234,432	13,509,570	17,469,789	
Contributed Capital	2,377,402	-	-	-	-	-	2,377,402	
Retained earnings (deficit)	(12,556,865)	-	-	-	-	-	(12,556,865)	
Total Net Position	(10,179,463)	671,412	28,375	26,000	3,234,432	13,509,570	7,290,326	
Total Liabilities and Net Position	\$ 7,065,675	\$ 671,412	\$ 28,375	\$ 26,000	\$ 3,234,432	\$ 13,509,570	\$ 24,535,464	

The accompanying notes are an integral part of these financial statements.

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Statement of Revenues, Expenses and Changes in Net Position

Year Ended April 30, 2016

Revenues	Operating and Maintenance	Bond and Interest Account	Capital Construction Fund	Equipment Replacement Fund	Water		Total
					Improvement 2014 Bond Fund	IEPA WWTP Debt Fund	
Water - supply and distribution	\$ 532,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 532,486
Water - debt service	129,937	-	-	-	-	-	129,937
Sewer - collection and treatment	524,936	-	-	-	-	652,312	1,177,248
Sewer - debt service	376,016	-	-	-	-	47,021	423,037
Miscellaneous revenue	15,534	-	-	-	-	-	15,534
Total Revenues	1,578,909	-	-	-	-	699,333	2,278,242
Expenses							
Water department	409,142	-	-	-	-	-	409,142
Sewer department	648,838	-	10,886	-	-	-	659,724
Debt service fees	-	1,277	-	-	-	-	1,277
Contingency	11,165	-	-	-	-	-	11,165
Total Expenditures	1,069,145	1,277	10,886	-	-	-	1,081,308
Operating Income Before Depreciation/Amortization	509,764	(1,277)	(10,886)	-	-	699,333	1,196,934
Less: Depreciation and Amortization	477,062	-	-	-	-	-	477,062
Operating Income (Loss)	32,702	(1,277)	(10,886)	-	-	699,333	719,872
Non-Operating Income (Expense)							
Interest expense	(224,597)	(177,284)	-	-	-	-	(401,881)
Interest income	406	2,219	58	-	8,874	-	11,557
Total Non-operating Income/(Expense)	(224,191)	(175,065)	58	-	8,874	-	(390,324)
Net Income (Loss)	(191,489)	(176,342)	(10,828)	-	8,874	699,333	329,548
Net Position, Beginning	(8,459,561)	667,507	45,903	13,000	3,225,558	11,465,728	6,958,135
Operating Transfers	(1,533,520)	180,247	(6,700)	13,000	-	1,344,509	(2,464)
Capitalized connection fees	5,107	-	-	-	-	-	5,107
Total Net Position	\$ (10,179,463)	\$ 671,412	\$ 28,375	\$ 26,000	\$ 3,234,432	\$ 13,509,570	\$ 7,290,326

The accompanying notes are an integral part of these financial statements.

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Statement of Cash Flows

Year Ended April 30, 2016

	Operating and Maintenance	Bond and Interest Account	Capital Construction Fund	Equipment Replacement Fund	Water Improvement 2014 Bond Fund	IEPA WWTP Debt Fund	Total
Cashflows from Operating Activities:							
Cash received from customers and users	\$ 1,491,765	\$ -	\$ -	\$ -	\$ -	\$ 626,098	\$ 2,117,863
Cash paid to suppliers/employees	(643,153)	(1,277)	(10,886)	-	-	-	(655,316)
Net Cash Provided by Operating Activities	1,023,353	(1,277)	(10,886)	-	-	626,098	1,637,288
Cashflows from Investing Activities:							
System additions -- net	(25,044)	-	-	-	(887,930)	(1,737,251)	(2,650,225)
Net Cashflows Provided by Investing Activities	(25,044)	-	-	-	(887,930)	(1,737,251)	(2,650,225)
Cashflows from Capital & Financing Activities:							
Operating transfers	(1,533,520)	180,247	(6,700)	13,000	-	1,344,509	(2,464)
Investment income	406	2,219	58	-	8,874	-	11,557
Investment expense	(224,597)	(177,284)	-	-	-	-	(401,881)
Loan and bond proceeds	1,345,276	-	-	-	-	-	1,345,276
Bond/note payments, net	(624,548)	-	-	-	-	-	(624,548)
Net Cashflows Provided by Capital and Financing Activities	(1,036,983)	5,182	(6,642)	13,000	8,874	1,344,509	327,940
Net Increase in Cash	(38,674)	3,905	(17,528)	13,000	(879,056)	233,356	(684,997)
Connection Fees Capitalized	5,107	-	-	-	-	-	5,107
Cash at Beginning of Year	347,906	667,507	45,903	13,000	3,150,454	333,000	4,557,770
Cash at End of Year	\$ 314,339	\$ 671,412	\$ 28,375	\$ 26,000	\$ 2,271,398	\$ 566,356	\$ 3,877,880
Reconciliation of Operating Income to Net cash provided by Operating Activities:							
Net income (loss) for the year	\$ 32,702	\$ (1,277)	\$ (10,886)	\$ -	\$ -	\$ 699,333	\$ 719,872
Depreciation/amortization	477,062	-	-	-	-	-	477,062
(Increase) decrease in accounts receivable	87,144	-	-	-	-	(73,235)	13,909
(Increase) decrease in IEPA receivable	449,384	-	-	-	-	-	449,384
Increase (decrease) in accounts payable	(10,448)	-	-	-	-	-	(10,448)
(Increase) decrease in other liabilities	(8,696)	-	-	-	-	-	(8,696)
Increase (decrease) in deferred compensation	(3,795)	-	-	-	-	-	(3,795)
Net Cash Provided by Operating Activities	\$ 1,023,353	\$ (1,277)	\$ (10,886)	\$ -	\$ -	\$ 626,098	\$ 1,637,288

Cash payments for interest made during the year were \$ 224,597.

The accompanying notes are an integral part of these financial statements.

CITY OF MARENGO, ILLINOIS

Fiduciary Funds - Statement of Net Position

Year Ended April 30, 2016

Assets	Police Pension Trust	Agency Funds	
		Retained Personnel	Grant Fund 90-24109 Revolving Loan Fund
Cash and Cash Equivalents	\$ 36,054	\$ 361,833	\$ 320,014
Investments, at Fair Value:			
Money Market Mutual Funds	41,300	-	-
Fixed Income	2,774,945	-	-
Mutual Funds	1,978,065	-	-
Total Cash and Investments	4,830,364	361,833	320,014
Accrued Interest Receivable	26,469	-	-
Prepays	530	-	-
Total Assets	\$ 4,857,363	\$ 361,833	\$ 320,014
Liabilities			
Pension and Benefits Due/Unpaid	\$ -	\$ -	\$ -
Expenses Due/Unpaid	1,004	-	-
Due for Distribution	-	361,833	-
Total Liabilities	1,004	361,833	-
Net Position			
Held in Trust for Pension Benefits	4,856,359	-	-
Net Position Agency Funds	-	-	320,014
Total Net Position	\$ 4,856,359	\$ -	\$ 320,014

The accompanying notes are an integral part of these financial statements.

CITY OF MARENGO, ILLINOIS

Fiduciary Funds - Statement of Changes in Net Position

Year Ended April 30, 2016

	Police Pension Trust	Agency Funds	
		Retained Personnel	Grant Fund 90-24109 Revolving Loan Fund
Additions			
Contributions - Employer	\$ 259,382	\$ -	\$ -
Contributions - Plan Members	108,697	-	-
Total Contributions	368,079	-	-
Investment Income			
Interest and Dividends Earned	79,478	-	960
Net Change in Fair Value	-	-	-
Total Investment Income	79,478	-	960
Less Investment Expenses			
Net Investment Income	79,478	-	960
Total Additions	447,557	-	960
Deductions			
Administration	25,695	-	-
Benefits and Refunds			
Benefits	308,893	-	-
Refunds	5,484	-	-
Total Deductions	340,072	-	-
Change in Net Position	107,485	-	960
Net Position			
Net Position, Beginning	4,748,874	-	319,054
Net Position, Ending	\$ 4,856,359	\$ -	\$ 320,014

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC
FINANCIAL STATEMENTS

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Marengo, Illinois (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Marengo, Illinois.

REPORTING ENTITY –

The City has developed criteria to determine whether outside agencies with activities that benefit the citizens of the City should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financial relationships.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items are not properly included among program revenues but reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION –

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The Water and Sewer Fund is used to account for the purchase and distribution of water to the citizens of Marengo, Illinois. Treated water and sewerage services are purchased from the City. User charges to customers based upon consumption account for substantially all the revenue of this fund.

The accrual basis of accounting is used for non-expendable trust funds and pension trusts.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS –

The City maintains a cash pool which is available for use by the General and Special Revenue Funds. All other funds either have their own cash accounts in the form of regular checking or money market accounts.

The City's investment policies are governed by state statutes. All funds are deposited in federally insured banks and savings and loans. The cash and investments reflected in the combined balance sheet consist of demand accounts, certificates of deposit and federal securities.

RECEIVABLES AND REVENUE RECOGNITION –

Property taxes receivable are recognized at the time they are levied. Property taxes are levied and attached as an enforceable lien on property on January 1 and are payable in two installments on June 1 and September 1 subsequent to the year of levy. The portion of the property taxes, which are not available for the current year's operations are shown as, deferred inflows. The tax levy ordinance was adopted on December 14, 2015. The taxes related to the levy are collected between June and December of the following year.

Substantially, all other shared revenues are recorded during the period when received by the collecting authority, the State of Illinois.

Income from investments, accounts and unbilled usage receivables are recognized when earned. Licenses and permits, fines and forfeits, fees and refunds, charges for service (other than enterprise funds), miscellaneous and other revenues are recorded as revenue when received in cash as they are generally not measurable until actually received.

FIXED ASSETS –

Property and equipment is carried at cost less its accumulated depreciation. Depreciation is provided using the straight-line method over periods of 5 to 35 years.

DEFERRED INFLOWS –

Deferred inflows are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City reported \$4,952,148 as deferred inflows which is for property taxes, IMRF, and police pensions.

PENSION PLAN –

The City has a pension plan covering substantially all the full time employees. Employees are

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

covered by the Illinois Municipal Retirement Fund. The sworn police are covered by the Marengo Police Pension Fund.

BUDGET –

The budget represents departmental appropriations as authorized by the City's appropriation ordinance and includes revisions authorized by the City Council to reflect changes in departmental programs. At April 30, 2016, unexpended appropriations of the budgetary funds (general fund and special revenue funds) automatically lapse. The appropriations ordinance was passed on July 27, 2015. The budget is prepared on the modified accrual basis.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS -

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015, therefore, the City implemented this Statement in fiscal year ending April 30, 2016.

NOTE 2 – CASH AND INVESTMENTS

The investment policies of the City of Marengo are governed by state statutes whereby City money must be deposited in FDIC - insured banks located within the state. Permissible investments include demand accounts and certificates of deposits.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at April 30, 2016. The categories are described as follows:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

	Category			Bank Balance	Carrying Value
	1	2	3		
Pooled deposits					
Checking/Savings	\$ 792,098	\$ 5,769,238	\$ -	\$ 6,561,336	\$ 6,260,681
Illinois Funds	-	-	-	9,755	9,755
Totals	\$ 792,098	\$ 5,769,238	\$ -	\$ 6,571,091	\$ 6,270,436

POLICE PENSION FUND INVESTMENTS –

At year-end, the carrying amount of the Pension Fund checking and savings deposits totaled \$36,054 and the bank balances totaled \$36,054. At year-end, the Pension Fund has the following investments and maturities:

Fixed Income Investments	Investment Maturities (in Years)				
	Fair	Less Than			More than
	Value	1	1 to 5	6 to 10	10
Schwab Govt. Money Market	\$ 41,300	\$ 41,300	\$ -	\$ -	\$ -
U.S. Treasury Notes	374,119	-	269,150	104,969	-
Fannie MAE	159,319	-	159,319	-	-
Federal Home Loan Bank	775,980	-	122,601	627,120	26,259
Federal Farm Credit	315,841	-	-	210,558	105,283
Federal Farm Credit Bank	427,297	51,258	376,039	-	-
Federal Home Loan Mortgage	152,430	-	152,430	-	-
American Express Bond	15,242	-	15,242	-	-
Apple Inc. Bond	30,774	-	30,774	-	-
Bershire Hathway Bond	15,824	-	15,824	-	-
Exxon Mobil Bond	25,496	-	-	25,496	-
General Electric Bond	10,703	-	10,703	-	-
Goldman Sachs Bond	14,031	-	14,031	-	-
McDonalds Corp. Bond	20,726	-	20,726	-	-
Microsoft Bond	27,417	-	27,417	-	-
GNMA & FHLMC Mortgage Pools	4,462	4,462	-	-	-
Municipal Bonds	405,284	15,213	83,887	250,057	56,127
	\$ 2,816,245	\$ 112,233	\$ 1,298,143	\$ 1,218,200	\$ 187,669

The Pension Fund assumes any callable securities will not be called.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

INTEREST RATE RISK –

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Fund's investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

CREDIT RISK –

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of U.S. government agencies and state and local securities were all rated AAA by Standard & Poor's or by Moody's Investors Services. Corporate Bonds held at year-end were rated between BBB+ and A by Standard & Poor's.

The Pension Fund's investment policy also prescribes to the "prudent person" rule, which states, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

CUSTODIAL CREDIT RISK – DEPOSITS –

In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to the City. At April 30, 2016, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension Fund's investment policy requires that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default.

CUSTODIAL CREDIT RISK – INVESTMENTS –

For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Equity mutual funds are not subject to custodial credit risk. At April 30, 2016, the U.S. Government Agencies and the State and Local obligations are held by the counterparty in the trust department. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONCLUDED)

CONCENTRATION CREDIT RISK –

This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. In accordance with the Pension Fund's investment policy, the Pension Fund may invest in any type of investment instrument permitted by Illinois law. At April 30, 2016, the Pension Fund has over 5% of plan net position invested in various agency securities as indicated in the previous table. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation.

The Pension Board has diversified its mutual fund holdings as follows:

Mutual Funds	
American Beacon Intl	\$ 25,451
Bridgeway Ultra Small	55,743
Chen & Steers Inst.	54,569
Fidelity Adv. Materials	25,605
First Eagle Overseas	32,643
Hennessy Focus Fund I	58,438
Homestead Small Company	134,167
LSV Value Equity Fund Inst.	227,581
Oppenheimer Developing	28,865
Openheimer Intl. Growth	64,194
Pioneer Equity Income Y	232,677
T Rowe Price Growth Stock	421,144
T Rowe Price US Small Cap	140,811
Vanguard Energy Fund	9,131
Vanguard 500 Index Fund	467,046
	<u>\$ 1,978,065</u>

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 3 – CHANGES IN PROPERTY AND EQUIPMENT

During the year ended April 30, 2016, property and equipment transactions were as follows:

Governmental Type Activities:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Nondepreciable capital assets				
Land	\$ 240,497	\$ -	\$ -	\$ 240,497
Depreciable capital assets				
Machinery and equipment	437,260	71,377	-	508,637
Vehicles	685,293	26,970	-	712,263
Construction in progress	1,053,356	-	-	1,053,356
Infrastructure	2,610,086	272,430	-	2,882,516
Total depreciable assets	4,785,995	370,777	-	5,156,772
Less accumulated depreciation				
Machinery and equipment	330,943	19,028	-	349,971
Vehicles	442,130	48,361	-	490,491
Infrastructure	464,949	89,385	-	554,334
Total depreciation	1,238,022	156,774	-	1,394,796
Total net depreciable capital assets	3,547,973	214,003	-	3,761,976
Total net capital assets	\$ 3,788,470	\$ 214,003	\$ -	\$ 4,002,473

Business Type Activities:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Nondepreciable capital assets				
Land	\$ 403,988	\$ -	\$ -	\$ 403,988
Depreciable capital assets				
Buildings	385,164	-	-	385,164
Machinery and equipment	681,641	35,273	-	716,914
Vehicles	44,875	-	-	44,875
Construction in progress	11,086,352	2,625,180	(28,573)	13,682,959
Infrastructure	13,816,727	18,344	-	13,835,071
Total depreciable assets	26,014,759	2,678,797	(28,573)	28,664,983
Less accumulated depreciation				
Buildings	230,893	23,027	-	253,920
Machinery and equipment	394,096	33,520	-	427,616
Vehicles	39,365	5,508	-	44,873
Infrastructure	7,960,705	415,006	-	8,375,711
Total depreciation	8,625,059	477,061	-	9,102,120
Total net depreciable capital assets	17,389,700	2,201,736	(28,573)	19,562,863
Total net capital assets	\$ 17,793,688	\$ 2,201,736	\$ (28,573)	\$ 19,966,851

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 3 – CHANGES IN PROPERTY AND EQUIPMENT (CONCLUDED)

Total depreciation charged to activities for the year ended April 30, 2016 were:

Governmental Activities	
Public Safety	\$ 39,244
Culture and Recreation	4,358
Highways and Streets	113,172
Business-Type Activities	
Water and Sewer	<u>477,061</u>
Total Depreciation	<u><u>\$ 633,835</u></u>

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT

IMRF PLAN DESCRIPTION

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

BENEFITS PROVIDED -

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

is increased by 3% of the original amount on January 1 every year after retirement.

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

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

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

	IMRF
Retirees and Beneficiaries currently receiving benefits	24
Inactive Plan Members entitled to but not yet receiving benefits	27
Active Plan Members	<u>16</u>
Total	67

CONTRIBUTIONS -

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 11.18%. For the fiscal year ended April 30, 2016, the City contributed \$122,459 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY -

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

ACTUARIAL ASSUMPTIONS -

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Executive Summary as of December 31, 2015

Actuarial Valuation Date	12/31/2015
Measurement Date of the Net Pension Liability	12/31/2015
Fiscal Year End	4/30/2016

Membership

Number of	
- Retirees and Beneficiaries	24
- Inactive, Non-Retired Members	27
- Active Members	16
- Total	<u>67</u>
Covered Valuation Payroll	<u>\$ 1,095,350</u>

Net Pension Liability

Total Pension Liability/(Asset)	\$ 6,064,713
Plan Fiduciary Net Position	<u>5,281,639</u>
Net Pension Liability/(Asset)	<u>\$ 783,074</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.09%
Net Pension Liability as a Percentage of Covered Valuation Payroll	71.49%

Development of the Single Discount Rate as of December 31, 2015

Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate*	3.57%
Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded	2088
Resulting Single Discount Rate based on the above development	7.48%
Single Discount Rate calculated using December 31, 2014 Measurement Date	7.49%

Total Pension Expense/(Income) \$ 49,857

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 16,565
Changes in assumptions	5,111	-
Net difference between projected and actual earnings on pension plan investments	<u>294,726</u>	<u>-</u>
Total	<u>\$ 299,837</u>	<u>\$ 16,565</u>

* "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2015. The statistical release describes this rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality." In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Services's Aa2 rating and Standard & Poor's Corp.'s AA.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SINGLE DISCOUNT RATE -

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.48%.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE -

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.48%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios -- Current Period Calendar Year Ended December 31, 2015

A. Total pension liability

1. Service Cost	\$ 121,358
2. Interest on the Total Pension Liability	430,107
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	(24,019)
5. Changes of assumptions	7,411
6. Benefit payments, including refunds of employee contributions	(303,757)
7. Net change in total pension liability	231,100
8. Total pension liability – beginning	5,833,613
9. Total pension liability – ending	<u>\$ 6,064,713</u>

B. Plan fiduciary net position

1. Contributions – employer	\$ 122,459
2. Contributions – employee	49,291
3. Net investment income	25,976
4. Benefit payments, including refunds of employee contributions	(303,757)
5. Other (Net Transfer)	126,461
6. Net change in plan fiduciary net position	20,430
7. Plan fiduciary net position – beginning	5,261,209
8. Plan fiduciary net position – ending	<u>\$ 5,281,639</u>

C. Net pension liability/(asset)

\$ 783,074

D. Plan fiduciary net position as a percentage of the total pension liability

87.09%

E. Covered Valuation payroll

\$ 1,095,350

F. Net pension liability as a percentage of covered valuation payroll

71.49%

Sensitivity of Net Pension Liability/(Asset) to the Single discount rate Assumption

	1% Decrease 6.48%	Current Single Discount Rate Assumption 7.48%	1% Increase 8.48%
Total Pension Liability	\$ 6,871,225	\$ 6,064,713	\$ 5,448,130
Plan Fiduciary Net Position	5,281,639	5,281,639	5,281,639
Net Pension Liability/(Asset)	<u>\$ 1,589,586</u>	<u>\$ 783,074</u>	<u>\$ 166,491</u>

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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

For the year ended April 30, 2016, the City recognized pension expense of \$122,459. At April 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual	\$ -	\$ 16,565
Changes of assumptions	5,111	-
Net difference between projected and actual earnings on pension plan investments	<u>294,726</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>299,837</u>	<u>16,565</u>
Total Deferred Amounts Related to Pensions	<u>\$ 299,837</u>	<u>\$ 16,565</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2016	\$ 68,527	\$ -
2017	68,527	-
2018	72,535	-
2019	73,683	-
2020	-	-
Thereafter	<u>-</u>	<u>-</u>
Total	<u>\$ 283,272</u>	<u>\$ -</u>

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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

Valuation Date: December 31, 2015

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.0% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year

* Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 5 – POLICE PENSION

PLAN DESCRIPTION –

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 108 1/2 Article 3) and may be amended only by the Illinois legislature. The City of Marengo accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2016 was \$1,063,953.

The following is a summary of the Police Pension Plan as provided for in the Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 1/2 of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded. (Duplicate paragraph, see paragraph at bottom of above page)

Membership

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	<u>14</u>
Total	<u><u>23</u></u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS-

Basis of accounting -- The financial statements are prepared using the accrual basis of accounting. Employees and employer contributions are recognized as revenues in the period in which employee services are performed.

Method used to value investments -- Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS –

Discount Rate used for the Total Pension Liability	4.18%
Long-Term Expected Rate of Return on Plan Assets	6.50%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.32%
Projected Individual Salary Increases	3.50 - 7.55%
Projected Increase in Total Payroll	3.50%
Consumer Price Index	2.50%
Inflation Rate Included	2.50%

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

EXPECTED RETURN ON PENSION PLAN INVESTMENTS –

Asset Class	Long-Term Expected Rate of Return	Long-Term Inflation Expectations	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Domestic Equity	10.10%	3.15%	6.95%	28.00%
Small Cap Domestic Equity	12.20%	3.15%	9.05%	8.00%
International Equity	10.30%	3.15%	7.15%	4.00%
Fixed Income	5.30%	3.15%	2.15%	60.00%

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

TOTAL PENSION LIABILITY –

	2016
Active Employees	\$ 10,608,091
Inactive Employees	
Terminated Employees - Vested	137,129
Retired Employees	2,894,842
Disabled Employees	2,505,722
Other Beneficiaries	914,637
Total Pension Liability	\$ 17,060,421

SENSITIVITY OF THE DISCOUNT RATE -

	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Employer Net Pension Liability	\$ 15,651,687	\$ 12,204,062	\$ 9,517,900

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 5 – POLICE PENSION (CONTINUED)

CHANGES IN THE TOTAL PENSION LIABILITY –

	2016
Service Cost	\$ 433,546
Interest	618,613
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(3,862,451)
Changes in Assumptions	5,225,813
Benefit Payments and Refunds	(308,893)
Net Change in Total Pension Liability	\$ 2,106,628
Total Pension Liability - Beginning	14,953,793
Total Pension Liability - Ending (a)	<u>\$ 17,060,421</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,856,359</u>
Employer's Net Pension Liability - Ending (a)-(b)	<u>\$ 12,204,062</u>
Plan fiduciary Net Position as a Percentage of the Total pension Liability	28%
Covered-Employee Payroll	\$ 1,063,953
Employer's Net Pension Liability as a Percentage of Employee Payroll	1147%

CHANGES IN NET PENSION LIABILITY -

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balances Beginning at 5/01/15	\$ 14,953,793	\$ 4,748,874	\$ 10,204,919
Changes for the year:			
Service Cost	\$ 433,546	\$ -	\$ 433,546
Interest	618,613	-	618,613
Actuarial Experience	(3,862,451)	-	(3,862,451)
Assumptions Changes	5,225,813	-	5,225,813
Plan Changes	-	-	-
Contributions - Employer	-	259,382	(259,382)
Contributions - Employee	-	108,697	(108,697)
Contributions - Other	-	-	-
Net Investment Income	-	67,493	(67,493)
Benefit payments, including refunds	(308,893)	(308,893)	-
Administrative Expense	-	(19,194)	19,194
Net Changes	<u>2,106,628</u>	<u>107,485</u>	<u>1,999,143</u>
Balances Ending at 4/30/16	<u>\$ 17,060,421</u>	<u>\$ 4,856,359</u>	<u>\$ 12,204,062</u>

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 5 – POLICE PENSION (CONCLUDED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES –

The table below shows the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5 year period. Amounts not yet recognized are summarized below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 3,312,244
Changes in Assumptions	4,481,395	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	193,987	-
Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 4,675,382</u>	<u>\$ 3,312,244</u>

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

Year Ended April, 30:

2017	\$ 242,708
2018	242,708
2019	242,708
2020	242,708
2021	194,211
Thereafter	<u>198,095</u>
Total	<u>\$ 1,363,138</u>

NOTE 6 – PROPERTY TAXES

Property taxes are recorded on the "deferred method". Because of the long period of time between levy date and receipt of tax distributions from the County Collector, all of the property taxes are not "available" to finance current year expenditures. For those funds on the modified accrual basis, the current tax levy is recorded as property tax receivable, and deferred inflows -- tax revenue for those revenues not considered available at April 30, 2016.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 7 – GENERAL OBLIGATIONS AND (ALTERNATE REVENUE SOURCE) BONDS AND DEBT

GOVERNMENTAL TYPE ACTIVITIES DEBT OBLIGATIONS

The City has three general obligation installment loans outstanding at April 30, 2016.

	<u>Balance</u>
Bond payable – MFT project, Payable in semi-annual installments, Plus interest at variable rate	\$ 1,165,000
Note payable to bank, Payable in annual installments, Plus interest at 3.55%	\$ 194,651
Note payable to bank, Payable in annual installments, Plus interest at 3.41%	\$ 174,456

Annual repayment requirements of the governmental type activities debt obligations are as follows:

SCHEDULE OF GENERAL OBLIGATION DEBT MATURITIES								
Fiscal Year Ended due	Motor Fuel Tax Project		Property Loan		Police Bldg. Addition		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
4-30-17	\$ 60,000	\$ 41,256	\$ 26,630	\$ 5,819	\$ 19,919	\$ 6,813	\$ 106,549	\$ 53,888
4-30-18	65,000	39,496	27,575	4,874	20,230	6,116	112,805	50,486
4-30-19	65,000	37,510	28,537	3,912	20,541	5,408	114,078	46,830
4-30-20	70,000	35,292	29,532	2,917	20,863	4,689	120,395	42,898
4-30-21	70,000	32,892	30,556	1,893	21,197	3,958	121,753	38,743
4-30-22	75,000	30,334	31,626	822	21,542	3,217	128,168	34,373
4-30-23	80,000	27,537	-	-	21,900	2,463	101,900	30,000
4-30-24	85,000	24,534	-	-	22,271	1,696	107,271	26,230
4-30-25	90,000	21,291	-	-	22,654	917	112,654	22,208
4-30-26	90,000	17,898	-	-	3,534	124	93,534	18,022
4-30-27	95,000	14,380	-	-	-	-	95,000	14,380
4-30-28	100,000	10,641	-	-	-	-	100,000	10,641
4-30-29	105,000	6,641	-	-	-	-	105,000	6,641
4-30-30	115,000	2,280	-	-	-	-	115,000	2,280
Total	\$ 1,165,000	\$ 341,982	\$ 174,456	\$ 20,237	\$ 194,651	\$ 35,401	\$ 1,534,107	\$ 397,620

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 7 – GENERAL OBLIGATIONS AND (ALTERNATE REVENUE SOURCE) BONDS AND DEBT (CONTINUED)

BUSINESS TYPE ACTIVITIES DEBT OBLIGATIONS

Two general obligation (alternate revenue source) bond issues and one debt certificate issue are in effect at April 30, 2016 for the improvement of the waterworks and sewerage system and building acquisition. The General Obligation (Alternate Revenue Source) Bond Ordinance in effect requires all money in the Waterworks and Sewerage Fund be segregated and restricted in separate special reserve accounts, in the priority and for the purposes indicated by the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
(a) Operation and Maintenance	Sufficient amount to pay the reasonable expenses	Expenses of operating, maintaining and repairing the system
(b) Bond	One-sixth of the interest and one-twelfth of the principal per month becoming due the next succeeding payment date	Paying principal and interest on bonds
(c) Depreciation and Surplus	The amount remaining after payments to the above accounts	Cost of necessary repairs and replacements to the system and/or the payment of principal and/or interest Improvement and extension of the system and/or all bonds and/or any other purposes
(d) Bond Reserve	Discretionary	Paying principal and interest on bonds

Annual repayment requirements of the business type activities debt obligations are as follows:

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 7 – GENERAL OBLIGATIONS AND (ALTERNATE REVENUE SOURCE) BONDS AND DEBT (CONTINUED)

SCHEDULE OF OUTSTANDING "ARS" BONDS AND DEBT -- WATER AND SEWERAGE FUND (Concluded)												
Fiscal Year Ended due	Bonds Dated August 15, 2005		Bonds Dated June 25, 2014		Debt Certificates Dated June 1, 2009		Equipment Note June 1, 2009		IEPA Loan June 1, 2009		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
4-30-17	\$ 345,000	\$ 14,490	\$ 25,000	\$ 148,150	\$ 19,000	\$ 2,461	\$ 19,646	\$ 2,136	\$ 518,969	\$ 224,980	\$ 927,615	\$ 392,217
4-30-18	-	-	385,000	147,650	20,000	1,692	20,334	1,448	529,034	214,916	954,368	365,706
4-30-19	-	-	390,000	139,950	21,000	872	21,038	736	539,293	204,656	971,331	346,214
4-30-20	-	-	395,000	132,150	-	-	-	-	549,752	194,198	944,752	326,348
4-30-21	-	-	290,000	124,250	-	-	-	-	560,413	183,536	850,413	307,786
4-30-22	-	-	295,000	118,450	-	-	-	-	571,282	172,668	866,282	291,118
4-30-23	-	-	305,000	109,600	-	-	-	-	582,360	161,589	887,360	271,189
4-30-24	-	-	315,000	100,450	-	-	-	-	593,654	150,295	908,654	250,745
4-30-25	-	-	195,000	91,000	-	-	-	-	605,167	138,783	800,167	229,783
4-30-26	-	-	195,000	85,150	-	-	-	-	616,903	127,047	811,903	212,197
4-30-27	-	-	200,000	79,300	-	-	-	-	628,867	115,083	828,867	194,383
4-30-28	-	-	205,000	73,050	-	-	-	-	641,063	102,887	846,063	175,937
4-30-29	-	-	215,000	66,388	-	-	-	-	653,495	90,455	868,495	156,843
4-30-30	-	-	225,000	59,400	-	-	-	-	666,168	77,782	891,168	137,182
4-30-31	-	-	230,000	50,400	-	-	-	-	679,087	64,863	909,087	115,263
4-30-32	-	-	240,000	41,200	-	-	-	-	692,257	51,693	932,257	92,893
4-30-33	-	-	250,000	31,600	-	-	-	-	705,682	38,268	955,682	69,868
4-30-34	-	-	265,000	21,600	-	-	-	-	719,367	24,583	984,367	46,183
4-30-35	-	-	275,000	11,000	-	-	-	-	733,318	10,632	1,008,318	21,632
Total	\$ 345,000	\$ 14,490	\$ 4,895,000	\$ 1,630,738	\$ 60,000	\$ 5,025	\$ 61,018	\$ 4,320	\$ 11,786,131	\$ 2,348,914	\$ 17,147,149	\$ 4,003,487

Long-term liability activity for the year ended April 30, 2016 was as follows:

	Balance			Amounts Due Within	
	May 1, 2015	Additions	Retirements	April 30, 2016	One Year
Governmental Activities: Long-Term Debt					
Police Building Improvement	\$ 204,085	\$ -	\$ 9,434	\$ 194,651	\$ 19,919
Street bond -- MFT project	1,225,000	-	60,000	1,165,000	60,000
Property Loan	200,000	-	25,544	174,456	26,630
Total Long-Term Debt	1,629,085	-	94,978	1,534,107	106,549
Other Long Term Liabilities					
Compensated Absences	109,107	124,813	109,107	124,813	-
Total Governmental Long Term Obligations	\$ 1,738,192	\$ 124,813	\$ 204,085	\$ 1,658,920	\$ 106,549

Business -Type Activities: Long-Term Debt

Equipment note payable	\$ 80,000	\$ -	\$ 20,000	\$ 60,000	\$ 19,000
Building bonds	79,000	-	17,982	61,018	19,646
Bonds (ARS) dated August 15, 2005	700,000	-	355,000	345,000	345,000
Bonds (ARS) dated June 25, 2014	4,895,000	-	-	4,895,000	25,000
IEPA Construction Loan	10,672,421	1,345,276	231,566	11,786,131	518,969
Total Long-Term Debt	16,426,421	1,345,276	624,548	17,147,149	927,615
Other Long Term Liabilities					
Compensated Absences	\$ 12,582	\$ 8,787	\$ 12,582	\$ 8,787	\$ -
Total Business -Type Long Term Obligations	\$ 16,439,003	\$ 1,354,063	\$ 637,130	\$ 17,155,936	\$ 927,615

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 7 – GENERAL OBLIGATIONS AND (ALTERNATE REVENUE SOURCE) BONDS AND DEBT (CONCLUDED)

Long-term liabilities at April 30, 2016	Maturity Dates	Interest Rates	Face Amount	Carrying Amount
Governmental Activities:				
Police Building Improvement	1/8/2024	variable	\$ 280,000	\$ 194,651
Property Loan	12/1/2021	3.410%	\$ 200,000	\$ 174,456
Street bond -- MFT project	4/28/2030	variable	\$ 1,500,000	\$ 1,165,000
Business -Type Activities:				
Equipment note payable	8/29/2018	3.550%	\$ 80,000	\$ 60,000
Building bonds	10/1/2018	variable	\$ 175,000	\$ 61,018
Bonds (ARS) dated August 15, 2005	8/15/2017	variable	\$ 3,075,000	\$ 345,000
Bonds (ARS) dated June 25, 2014	12/1/2034	variable	\$ 4,975,000	\$ 4,895,000
IEPA Construction Loan	12/20/2034	1.930%	\$ 10,672,421	\$ 11,786,131

NOTE 8 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 – CONTINGENCIES

The City is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial Statements are issued, or are available to be issued. There are two types of subsequent events: recognized (events that relate to conditions present at the balance sheet date) and non-recognized (events or conditions that did not exist at the balance sheet date but arose after that date).

There have been no other recognized or non-recognized subsequent events that have occurred between April 30, 2016 and the date of this audit report requiring disclosure in the financial statements.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year Ended April 30, 2016

NOTE 11 – NET POSITION RESTATEMENT

The City restated the April 30, 2015 net position in the government-wide statements to reflect the change in accounting principles from GASB Statement No. 68. This restatement represents the IMRF and police pension net pension asset/liability and deferred outflows/inflows that existed at April 30, 2015 and were reported to the City in the IMRF pension actuarial report and the police pension actuarial report.

Net Position, Beginning as previously reported	\$	11,876,405
IMRF GASB 68 - Pension Adjustment		8,820
Police GASB 68 - Pension Adjustment		<u>(10,204,919)</u>
Net Position, Beginning as restated	\$	<u>1,680,306</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARENGO, ILLINOIS
Multi-year Schedule of Changes in Net IMRF Pension Liability and Related Ratios
Last 10 Calendar Years
(schedule to be built prospectively from 2014)

Calendar Year Ending	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 121,358									
Interest on the Total Pension Liability	430,107									
Benefit Changes	-									
Difference between Expected and Actual Experience	(24,019)									
Assumption Changes	7,411									
Benefit Payments and Refunds	(303,757)									
Net Change in Total Pension Liability	231,100									
Total Pension Liability - Beginning	5,833,613									
Total Pension Liability - Ending (a)	<u>\$ 6,064,713</u>									
Plan Fiduciary Net Position										
Employer Contributions	122,459									
Employee Contributions	49,291									
Pension Plan Net Investment Income	25,976									
Benefit Payments and Refunds	(303,757)									
Other	126,461									
Net Change in Plan Fiduciary Net Position	20,430									
Plan Fiduciary Net Position - Beginning	5,261,209									
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,281,639</u>									
Net Pension Liability/(Asset) - Ending (a) - (b)	783,074									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.09%									
Covered Valuation Payroll	\$ 1,095,350									
Net Pension Liability as a Percentage of Covered Valuation Payroll	71.49%									

CITY OF MARENGO, ILLINOIS
Multi-year Schedule of IMRF Pension Contributions
Last 10 Calendar Years

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 122,460 *	\$ 122,459	\$ 1	\$ 1,095,350	11.18%

* Estimated based on a contribution rate of 11.18% and covered valuation payroll of \$1,095,350.

CITY OF MARENGO, ILLINOIS
Multi-year Schedule of Changes in Net Police Pension Liability and Related Ratios

Last 10 Calendar Years

(schedule to be built prospectively from 2014)

Fiscal Year Ending	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	\$ 433,546	\$ 388,671								
Interest	618,613	651,415								
Changes of Benefit Terms	-	-								
Difference between Expected and Actual Experience	(3,862,451)	-								
Changes in Assumptions	5,225,813	-								
Benefit Payments and Refunds	(308,893)	(372,353)								
Net Change in Total Pension Liability	2,106,628	667,733								
Total Pension Liability - Beginning	14,953,793	14,286,060								
Total Pension Liability - Ending (a)	\$ 17,060,421	\$ 14,953,793								
Plan Fiduciary Net Position										
Employer Contributions	259,382	265,941								
Employee Contributions	108,697	108,009								
Net Investment Income	67,492	229,792								
Benefit Payments and Refunds	(308,893)	(372,353)								
Administrative Expense	(19,194)	(20,991)								
Prior Period Audit Adjustment	-	1,709								
Net Change in Plan Fiduciary Net Position	107,485	212,107								
Plan Fiduciary Net Position - Beginning	4,748,874	4,536,766								
Plan Fiduciary Net Position - Ending (b)	\$ 4,856,359	\$ 4,748,873								
Net Pension Liability/(Asset) - Ending (a) - (b)	12,204,062	10,204,920								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	28.47%	31.76%								
Covered Valuation Payroll	\$ 1,063,953	\$ 1,036,449								
Net Pension Liability as a Percentage of Covered Valuation Payroll	1147.05%	984.60%								

CITY OF MARENGO, ILLINOIS
Multi-year Schedule of Police Pension Contributions
Last 10 Calendar Years

Fiscal Year Ending	Actuarially Determined		Actual Contribution	Contribution Deficiency (Excess)	Covered		Actual Contribution as a % of Covered Valuation Payroll
	Contribution	Contribution			Valuation	Payroll	
2016	\$ 470,799	\$ 259,382	\$ 211,417	\$ 1,063,953	24.4%		
2015	\$ 490,739	\$ 265,941	\$ 224,798	\$ 1,036,449	25.7%		

* Estimated based on a contribution rate of 24.4% and covered valuation payroll of \$1,063,953.

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Revenues - Budget and Actual

Year Ended April 30, 2016

Revenues	Original Budget	Final Budget	Modified Accrual Basis Actual
Property tax	\$ 1,291,755	\$ 1,291,755	\$ 1,284,478
State use tax	141,488	141,488	176,546
State sales tax	660,000	660,000	631,310
State income tax	741,856	741,856	782,289
Utility tax--electricity	255,000	255,000	244,880
Utility tax--gas	115,000	115,000	85,591
Utility tax--telephone	222,000	222,000	196,433
Planning commission fees	1,000	1,000	7,800
Video gaming & charitable games tax	48,000	48,000	68,468
Replacement tax	38,432	38,432	38,851
Marengo Township road & bridge	7,500	7,500	6,131
Liquor licenses	42,000	42,000	45,567
Vending machines/games	3,125	3,125	3,575
Cable TV franchise fees	91,000	91,000	93,333
Video service franchise fees	2,000	2,000	8,492
Scavenger license	1,400	1,400	1,050
Permits--building	30,000	30,000	40,197
Permits--other	220	220	430
Permits--vehicles	58,000	58,000	53,884
Court fines	80,000	80,000	73,540
Parking fines	8,000	8,000	7,150
Other fines--prosecution fees	9,000	9,000	9,421
Drug fines	500	500	625
Ordinance fines	6,500	6,500	6,275
ADM processing fees	1,500	1,500	1,040
Security Alarms	100	100	75
Rental	100	100	150
Interest income	1,200	1,200	861
Police grant receipts	2,500	2,500	404
Grant receipts	7,800	7,800	88,321
Detail officer pay reimbursements	1,300	1,300	1,251
Donations police	1,000	1,000	400
Miscellaneous receipts	5,000	5,000	5,790
Pace township receipts	13,000	13,000	11,500
Elevator inspections	1,000	1,000	-
Surplus property proceeds	2,000	2,000	7,828
Unclaimed evidence proceeds	500	500	-
Fingerprint fees	500	500	525
Impound fees	2,000	2,000	-
Total Revenues	\$ 3,893,276	\$ 3,893,276	\$ 3,984,461

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Modified Accrual Basis Actual
Administrative Department			
Administrative salaries			
Salary - full time	\$ 289,786	\$ 258,701	\$ 238,567
Salary - elected officials	58,272	58,272	44,788
Overtime	1,200	1,200	459
Total administrative salaries	349,258	318,173	283,814
Administrative expenses			
Health/Life Insurance - city	74,158	74,158	65,460
I.M.R.F. - city share	32,532	32,532	26,453
F.I.C.A/Medicare - city share	26,718	26,718	17,516
Direct deposit fees	216	216	180
Liability insurance	80,452	80,452	76,644
Worker's compensation	101,407	101,407	84,555
Unemployment insurance	37,979	37,979	21,287
Capitol - building improvements	1,200	1,200	-
Equipment maintenance	3,600	4,460	4,455
Telephone	10,800	10,800	8,823
Website hosting & maintenance	2,400	2,400	576
Expenses - city officials	1,200	1,200	356
Expenses - planning commission	1,200	1,200	263
Expenses - E.S.D.A.	3,000	3,000	2,500
Training	2,400	2,400	2,370
Subscriptions	600	600	227
Postage	6,600	6,600	3,847
Legal printing and advertising	1,800	1,800	1,351
Printing - miscellaneous	8,400	8,400	5,428
Filing of documents	1,200	1,200	94
Main street contribution	18,000	18,000	10,833
Radio station donation	4,680	4,680	-
Safety committee initiatives	9,000	9,000	7,928
Services - engineering	36,000	38,610	36,435
Services - engineering/interchange design	-	19,150	-
Services - legal	85,200	85,200	62,598
Services - professional TIF	4,500	4,500	1,750
Services - other professional	6,000	6,000	5,603
Services - drug/alcohol testing	240	240	-
Dues and memberships	6,600	6,600	5,546
Transfer to 27th payroll sinking fund	10,288	10,288	-

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Modified Accrual Basis Actual
Administrative expenses (continued)			
Supplies - office	\$ 6,600	\$ 6,600	\$ 5,734
Miscellaneous - city function expenses	300	300	-
Miscellaneous - community functions	330	330	195
Miscellaneous - city office	1,200	1,200	457
City administrator expenses	1,800	1,800	649
Sales tax rebate	66,000	66,000	58,376
Contract payments	4,800	4,800	3,544
Contract payment - PACE	25,920	25,920	22,559
Contract utility audit	6,000	14,465	14,464
New equipment	4,800	4,800	468
Total administrative expenses	696,120	727,205	559,524
Total administrative department	1,045,378	1,045,378	843,338
Police Department			
Police salaries			
Salary - full-time	98,645	91,940	79,398
Salary - full-time sworn	1,292,004	1,292,004	1,060,250
Salary - part-time	25,387	25,387	17,744
Salary - over-time	600	600	-
Salary - over-time sworn	138,000	138,000	113,691
Total police salaries	1,554,636	1,547,931	1,271,083
Administrative expenses			
I.M.R.F. - city share	11,028	11,028	9,292
F.I.C.A./Medicare - city share	118,930	118,930	96,254
Fire and police commission expenses	4,800	4,800	1,475
Maintenance - building	6,000	6,000	3,043
Maintenance - vehicles	12,000	12,000	1,133
Maintenance - equipment	12,000	16,415	16,158
Telephone	70,800	70,800	29,060
Copier	4,320	4,320	2,882
Training	18,000	18,000	10,935
Postage	1,800	1,800	838
Legal services - collective bargaining	6,000	6,000	17
Legal services	55,200	57,490	57,488
Dues	3,000	3,000	2,875
Supplies - operating	12,000	12,000	8,254

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Modified Accrual Basis Actual
Administrative expenses (continued)			
Uniform allowance	\$ 21,000	\$ 21,000	\$ 8,632
Miscellaneous - donation proceeds	1,200	1,200	352
Dispatch contract	137,522	137,522	112,355
Transfer to vehicle replacement fund	24,000	24,000	-
Building addition payment	32,040	32,040	26,731
Total administrative expenses	929,172	935,877	714,334
Total police department	2,483,808	2,483,808	1,985,417
Street department salaries			
Salary - fulltime	290,056	224,711	205,424
Overtime	24,000	24,000	22,866
Total street department salaries	314,056	248,711	228,290
Administrative expenses			
Health/Life insurance - city	91,534	91,534	76,490
I.M.R.F. - city share	35,112	35,112	26,216
F.I.C.A./Medicare - city share	24,025	24,025	15,912
Maintenance - vehicles	12,000	15,375	15,027
Maintenance - equipment	10,800	10,800	7,361
Maintenance - streets	-	57,070	57,069
Street signs	3,000	3,000	2,581
Sidewalks - maintenance	3,600	3,600	149
Sidewalks - 50/50 program	2,400	2,400	341
Telephone	5,400	6,085	5,884
New storm sewers	1,800	2,140	2,140
Street lighting	93,600	79,360	72,460
Street lights	3,600	3,600	3,114
Rentals	600	600	-
Training	1,200	1,200	602
Postage	600	600	100
Services - engineering	1,200	1,200	-
Services - other professional	5,400	5,400	1,050
Pre-employment testing	300	300	184
Gas, oil, and petroleum products	16,800	10,240	10,238
Supplies - maintenance	7,200	4,185	4,147
Uniform allowance	5,400	5,475	5,016
Small tools and equipment	2,400	6,160	6,010

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Modified Accrual Basis Actual
Administrative expenses (continued)			
Transfer to vehicle replacement fund	\$ 66,000	\$ 57,097	\$ -
Total administrative expenses	394,571	427,198	312,729
Total street department	708,627	675,909	541,019
Public Grounds Department			
Salary - part-time	20,710	14,000	12,597
F.I.C.A./Medicare - city share	1,584	1,050	1,005
Maintenance - buildings	10,800	24,455	23,333
Maintenance - equipment	600	2,375	2,373
Maintenance - grounds	26,400	4,345	4,344
Maintenance - parking lot	6,000	6,000	-
Maintenance - elevator	3,600	2,095	4,031
Equipment purchases	-	-	81,526
Utilities - other	9,000	5,750	5,563
Supplies - maintenance	600	1,155	1,154
Tree trimming and stump removal	18,000	24,730	24,730
Forestry expenses	11,400	11,400	-
Spencer Park maintenance	3,000	3,000	-
Small tools and equipment	600	75	71
Lighting upgrades	-	81,530	-
Land acquisition	37,493	32,975	32,972
Downtown streetscaping	3,000	1,935	1,930
Total public grounds department	216,987	270,105	248,861
Building Department			
Salary - fulltime	76,933	73,928	50,374
Overtime	1,000	1,000	231
Health/Life insurance - city	16,604	16,604	13,556
I.M.R.F. - city share	8,602	8,602	5,824
F.I.C.A. - city share	5,886	5,886	3,636
Maintenance - vehicles	600	600	415
Maintenance - equipment	300	300	225
Telephone	4,320	4,320	4,001
Expenses	300	300	16
Training	1,200	1,200	-
Subscriptions and books	600	600	-

CITY OF MARENGO, ILLINOIS

General Fund - Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Modified Accrual Basis Actual
Building Department (continued)			
Postage	\$ 480	\$ 480	\$ 100
Services - building inspections	6,000	9,005	8,655
Services - other professional	6,000	6,000	3,550
Dues and memberships	300	300	185
Supplies	1,440	1,440	682
Fuel and oil	900	900	638
Uniform allowance	480	480	-
Contract payments	3,000	3,000	-
Small tools and equipment	180	180	-
New equipment	600	600	-
Software maintenance and service	-	-	2,496
Total building department	135,725	135,725	94,584
Contingencies			
General contingency	93,600	93,600	49,420
Total contingencies	93,600	93,600	49,420
Capital Reserves and Transfers			
Transfer to Capital Improvements fund	-	-	55,000
Transfer to 27th Payroll Fund	-	-	8,573
Transfer to Vehicle Replacement Fund	-	-	20,000
Total capital reserves and transfers	-	-	83,573
Total General Fund	\$ 4,684,125	\$ 4,704,525	\$ 3,846,212

CITY OF MORENGO, ILLINOIS

Notes to Required Supplementary Information
Year ended April 30, 2016

NOTE 1 - BUDGETARY INFORMATION

The accounting policies of the City of Marengo include the preparation of financial statements on the modified accrual basis of accounting. The City also prepares its budget on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, debt service expenditures, and claims and judgments are recognized only when payment is due.

Budgets are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

The City procedures in establishing the budgetary data reflected in the General Fund Financial Statements are presented below:

1. Prior to July 15th the City Board receives a proposed operating budget (appropriation ordinance) for the fiscal year commencing on proceeding May 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at a public meeting to obtain taxpayers comments.
3. The budget is legally enacted through passage of an ordinance prior to July 31st.
4. The City Treasurer, in conjunction with the City Board, is authorized to expend the unexpensed balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
5. The original budget was not amended during the fiscal year.
6. Formal budgetary integration is not employed as a management control device during the year for any fund.

CITY OF MORENGO, ILLINOIS

*Notes to Required Supplementary Information
Year ended April 30, 2016*

NOTE 1 - BUDGETARY INFORMATION (CONCLUDED)

7. Budgetary comparisons presented in the accompanying financial statements are prepared on the modified cash basis of accounting, which is comprehensive basis of accounting other than generally accepted accounting principles. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
8. Expenditures cannot legally exceed appropriations at the fund level.
9. All appropriations lapse at year-end.
10. The budget for City was adopted on July 27, 2015

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

No funds had expenditures exceeding the appropriations.

OTHER INFORMATION

CITY OF MARENGO, ILLINOIS

Special Revenue Funds - Balance Sheet

Year Ended April 30, 2016

	Total	Motor Fuel Tax	Cemetery	Audit	Police Drug & Alcohol Awareness	Police Drug Forfeiture	Police Squad Acquisition & Maintenance	Special Service Area # 2	Payroll Sinking Fund	Downtown TIF Fund	East Corridor TIF Fund
Assets											
Cash and cash equivalents	\$ 796,707	\$ 165,836	\$ 579,660	\$ -	\$ 6,528	\$ 14,558	\$ 17	\$ 21,200	\$ -	\$ 8,864	\$ 44
Taxes receivable, net of 1% allowance of loss	73,545	-	-	16,326	-	-	-	7,479	-	4,838	44,902
Due from other governmental units	17,405	17,405	-	-	-	-	-	-	-	-	-
Total Assets	\$ 887,657	\$ 183,241	\$ 579,660	\$ 16,326	\$ 6,528	\$ 14,558	\$ 17	\$ 28,679	\$ -	\$ 13,702	\$ 44,946
Liabilities											
Accounts payable/accruals	\$ 2,328	\$ -	\$ 698	\$ 1,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	2,328	-	698	1,630	-	-	-	-	-	-	-
Deferred Inflows											
property taxes	73,545	-	-	16,326	-	-	-	7,479	-	4,838	44,902
Fund Balance											
Fund balance, Ending	811,784	183,241	578,962	(1,630)	6,528	14,558	17	21,200	-	8,864	44
Total Liabilities and Fund Balance	\$ 887,657	\$ 183,241	\$ 579,660	\$ 16,326	\$ 6,528	\$ 14,558	\$ 17	\$ 28,679	\$ -	\$ 13,702	\$ 44,946

CITY OF MARENGO, ILLINOIS

Special Revenue Funds - Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended April 30, 2016

	Total	Motor Fuel Tax	Cemetery	Audit	Police Drug & Alcohol Awareness	Police Drug Forfeiture	Police Squad Acquisition & Maintenance	Special Service Area # 2	Payroll Sinking Fund	Downtown TIF Fund	East Corridor TIF Fund
Revenues											
Property taxes	\$ 24,026	\$ -	\$ 380	\$ 15,936	\$ -	\$ -	\$ -	\$ 3,488	\$ -	\$ 4,180	\$ 42
Intergovernmental revenue	203,993	203,993	-	-	-	-	-	-	-	-	-
Licenses, fees, and permits	39,318	-	29,226	-	-	-	10,092	-	-	-	-
Interest income	10,365	842	9,498	-	-	6	4	10	-	5	-
Other	28,438	21,746	-	-	2,900	3,792	-	-	-	-	-
Total Revenues	306,140	226,581	39,104	15,936	2,900	3,798	10,096	3,498	-	4,185	42
Expenditures											
Operations and maintenance	542,537	325,112	83,367	16,500	3,107	-	10,037	500	102,164	1,750	-
Operating Transfers in/(out)	11,037	-	-	-	-	-	-	-	11,037	-	-
Net Change in Fund Balance	(225,360)	(98,531)	(44,263)	(564)	(207)	3,798	59	2,998	(91,127)	2,435	42
Fund Balance											
Fund balance, Beginning	1,037,144	281,772	623,225	(1,066)	6,735	10,760	(42)	18,202	91,127	6,429	2
Total Fund Balance, Ending	\$ 811,784	\$ 183,241	\$ 578,962	\$ (1,630)	\$ 6,528	\$ 14,558	\$ 17	\$ 21,200	\$ -	\$ 8,864	\$ 44

CITY OF MARENGO, ILLINOIS

Capital Projects Funds - Balance Sheet

Year Ended April 30, 2016

	Total	Capital Projects & Equipment	Capital Projects & Streets	Police Vehicle Replacement Fund	Street Vehicle Replacement Fund
Assets					
Cash and cash equivalents	\$ 542,276	\$ 50,465	\$ 375,643	\$ 6,168	\$ 110,000
Total Assets	<u>\$ 542,276</u>	<u>\$ 50,465</u>	<u>\$ 375,643</u>	<u>\$ 6,168</u>	<u>\$ 110,000</u>
Liabilities					
Accounts payable/accruals	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance					
Fund balance, Ending	542,276	50,465	375,643	6,168	110,000
Total Liabilities and Fund Balance	<u>\$ 542,276</u>	<u>\$ 50,465</u>	<u>\$ 375,643</u>	<u>\$ 6,168</u>	<u>\$ 110,000</u>

CITY OF MARENGO, ILLINOIS

Capital Projects Funds - Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended April 30, 2016

	Total	Capital Projects & Equipment	Capital Projects & Streets	Police Vehicle Replacement Fund	Street Vehicle Replacement Fund
Revenues					
Interest income	\$ 1,442	\$ 127	\$ 1,315	\$ -	\$ -
Total Revenues	<u>1,442</u>	<u>127</u>	<u>1,315</u>	<u>-</u>	<u>-</u>
Expenditures					
Operations and maintenance	26,970	-	-	26,970	-
Operating Transfers in/(out)	75,000	-	-	20,000	55,000
Excess (Deficiency) of Revenue Over Expenditures and Other Uses	<u>49,472</u>	<u>127</u>	<u>1,315</u>	<u>(6,970)</u>	<u>55,000</u>
Fund Balance					
Fund balance, beginning	492,804	50,338	374,328	13,138	55,000
Total Fund Balance, ending	<u>\$ 542,276</u>	<u>\$ 50,465</u>	<u>\$ 375,643</u>	<u>\$ 6,168</u>	<u>\$ 110,000</u>

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Schedule of Revenues, Expenses and

Changes in Net Position - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Accrual Basis
Revenues			
Water - supply and distribution	\$ 660,000	\$ 660,000	\$ 650,161
Water - debt service	109,044	109,044	61,265
Sewer - collection and treatment	535,000	535,000	552,778
Sewer - debt service	358,044	358,044	320,224
Meter sales - WTP	1,000	1,000	2,246
Meter sales - W/S	1,000	1,000	2,246
Capital improvements	2,000	2,000	-
Interest income	600	600	773
Sprinkler user fees	-	-	3,000
Water surplus property proceeds	-	-	24,615
Miscellaneous	7,000	7,000	8,144
Total revenues	1,673,688	1,673,688	1,625,452
Water department expenditures			
Salaries - full-time	225,825	221,733	200,329
Salaries - overtime	24,000	24,875	35,000
Medical insurance-city	27,067	27,067	24,871
IMRF-city	27,930	27,930	27,943
FICA/Medicare-city	19,111	19,111	15,925
Unemployment insurance	2,534	2,534	3,261
Workers compensation	5,573	5,875	5,629
Maintenance vehicles	1,200	1,200	2,621
Maintenance building	1,440	2,060	6,197
Maintenance equipment	4,800	170	5,702
Maintenance utility infrastructure	54,000	54,000	65,824
Telephone	3,000	3,000	2,966
Utilities	69,600	69,600	60,589
Rental	300	300	-
Training	1,800	1,800	150
Postage	3,000	3,000	2,945
Professional services	8,400	8,715	23,081
Engineering service	6,000	6,000	2,402
Legal service	-	-	1,114
Dues	600	695	692
New meters	-	-	126
Lab analysis	7,200	7,200	6,193
Pre-employment testing	300	300	176

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Schedule of Revenues, Expenses and

Changes in Net Position - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Accrual Basis
Water department expenditures (continued)			
Supplies - office	\$ 3,600	\$ 3,600	\$ 2,555
Maintenance supplies	60,000	1,205	1,225
Materials and supplies	-	-	56,039
Water department expenditures (concluded)			
Gas and oil	4,800	4,800	4,535
Uniform allowance	3,000	300	2,252
Transfer to 27th payroll fund	2,956	2,956	-
Debt service payments	668,951	668,951	-
Small tools and equipment	-	510	8,970
Transfer to W/S vehicle replacement fund	15,600	15,600	-
Total water department expenditures	1,252,587	1,185,087	569,312
Sewer department expenditures			
Salary - full-time	302,185	302,185	304,180
Salary - overtime	12,000	12,000	15,319
Health/Life insurance	50,483	50,483	35,439
I.M.R.F. city share	35,126	35,126	32,831
F.I.C.A./Medicare city share	24,035	24,035	18,358
Unemployment insurance	3,803	3,803	6,675
Workers compensation	10,642	10,642	13,134
Maintenance - buildings	3,000	3,000	10,062
Maintenance - vehicles	1,200	1,200	2,478
Maintenance - equipment	10,800	10,800	7,593
Maintenance - utility infrastructure	36,000	36,000	40,269
NPDES permit	21,000	21,000	17,500
Telephone	4,800	4,800	4,858
Utilities	126,000	126,000	121,590
Rental	600	600	-
Training	1,800	1,800	1,162
Postage	2,400	2,400	2,143
Professional services	-	-	25,830
Engineering services	18,000	18,000	2,000
Services - waste hauling	18,000	18,000	-
Services - professional	18,000	18,000	-
Dues	240	240	-
Office/lab supplies	10,800	10,800	2,016
Plant supplies	1,800	1,800	1,623

CITY OF MARENGO, ILLINOIS

Proprietary Funds - Schedule of Revenues, Expenses and

Changes in Net Position - Budget and Actual

Year Ended April 30, 2016

	Original Budget	Final Budget	Accrual Basis
Sewer department expenditures (concluded)			
Materials and supplies	\$ 21,600	\$ 21,600	\$ 17,839
Gas and oil	3,600	3,600	2,198
Uniform allowance	3,600	3,600	3,558
Small tools and equipment	-	-	343
Capital - new equipment	27,000	27,000	3,998
Total sewer department	768,514	768,514	692,996
Contingencies	49,200	49,200	4,661
Total Operating Expenditures	2,070,301	2,002,801	1,266,969
Change in Net Position	\$ (396,613)	\$ (329,113)	\$ 358,483



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CITY OF MARENGO, ILLINOIS

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

To the Mayor
and Members of the City Council
City of Marengo, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marengo, Illinois as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise City of Marengo, Illinois basic financial statements, and have issued our report thereon dated July 27, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "George Roach & Associates, P.C." in a cursive script.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 27, 2016



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CITY OF MARENGO, ILLINOIS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor
and Members of the City Council
City of Marengo, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Marengo, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Marengo's major federal programs for the year ended April 30, 2016. The City of Marengo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility to the City of Marengo, Illinois is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis,

evidence about the City of Marengo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Marengo, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Marengo, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2016.

Other Matters

The results of our auditing procedures, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of the City of Marengo, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Marengo's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marengo's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

George Roach & Associates, P.C.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 27, 2016

CITY OF MARENGO, ILLINOIS
Schedule of Expenditures of Federal Awards
Year Ended April 30, 2016

Federal Grantor/Pass-through Grantor/Title Programs	Federal CFDA Number	Loan Number	Revenue Recognized		Expenditures		Revenue Recognized		Expenditures	
			05/1/15 to 4/30/16	5/1/15 to 4/30/16	5/1/15 to 4/30/16	4/30/16	Inception to 4/30/16	Inception to 4/30/16		
Environmental Protection Agency Office of Water; Capitalization Grants for Drinking Water State Revolving Funds	66.468	L175157								
Environmental Protection Agency Office of Water; Capitalization Grants for Clean Water State Revolving Funds	66.458	L175157	\$ 1,345,276	\$ 1,345,276	\$ 1,345,276	\$ 1,345,276	\$ 12,017,697	\$ 12,017,697	\$ 12,017,697	\$ 12,017,697

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Marengo and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

The City did not provide federal awards to sub-recipients during the year ended April 30, 2016.

NOTE 3 - NONCASH ASSISTANCE

The City did not provide federal noncash assistance during the year ended April 30, 2016.

NOTE 4 - FEDERAL INSURANCE

The City did not have any federal insurance in effect during the year ended April 30, 2016.

CITY OF MARENGO, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

- 1) Summary of auditors' results:
 - a) The auditors' report expresses an unmodified opinion on the financial statements of City of Marengo.
 - b) No material weaknesses or significant deficiencies in internal controls were disclosed during the audit of the financial statements.
 - c) No instances of noncompliance material to the financial statements of City of Marengo, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
 - d) No material weaknesses or significant deficiencies in internal control over major programs were disclosed by the audit.
 - e) The auditors' report on compliance for the major federal award programs for City of Marengo expresses an unmodified opinion on all major federal programs.
 - f) No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
 - g) The programs tested as major programs included: Capitalization Grants for Drinking Water State Revolving Funds--CFDA 66.468 and Capitalization Grants for Clean Water State Revolving Funds 66.458.
 - h) The threshold used for distinguishing between Type A and Type B programs was \$300,000.
 - i) City of Marengo, Illinois does not qualify as a low-risk auditee.
- 2) There were no findings related to the financial statements which are required to be reported.
- 3) There were no findings and questioned costs for federal awards which are required to be reported.