

**CITY OF KEWANEE, ILLINOIS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED APRIL 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**CITY OF KEWANEE, ILLINOIS  
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YEAR ENDED APRIL 30, 2017**

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**CITY OF KEWANEE, ILLINOIS  
CITY OFFICIALS  
APRIL 30, 2017**

<u>Official Title</u>	<u>Official</u>	<u>Term Expiration Date of Elected Officials</u>
Elected Officials:		
Mayor	Steve Looney	4/30/2019
Council Member	Andy Koehler	4/30/2019
Council Member	Deann Schweitzer	4/30/2019
Council Member	Mike Yaklich	4/30/2021
Council Member	Steve Faber	4/30/2021
Administration:		
City Manager	Gary Bradley	
City Clerk	Melinda Edwards	
City Attorney	Justin Raver	
City Treasurer	Ray Jacobs	
Departments:		
Police	Chief James Dison	
Fire	Chief Kevin Shook	
Parks and Cemetery	Kevin Newton	
Health, Building, and Zoning	Keith Edwards	
Central Maintenance	Victor Kluever	
Operations Manager	Rod Johnson	
City Engineer	Dale Nobel	
Finance and Administrative Services	Deborah Johnson	

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, City Council, and City Manager  
City of Kewanee, Illinois  
Kewanee, Illinois

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

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kewanee, Illinois (the City), as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Pension Trust Fund or the Police Pension Trust Fund, which represent 38% and 45%, respectively, of the fund balances/net position, and 18% and 20%, respectively, of the receipts of the aggregate remaining fund information. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighter's Pension Trust Fund and the Police Pension Trust Fund, is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor, City Council, and City Manager  
City of Kewanee, Illinois

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of April 30, 2017, and the respective changes in financial position-cash basis thereof for the year then ended on the basis of accounting described in Note 1.

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

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules of cash transactions and budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining schedules of cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The schedules of cash transactions – budget to actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Peoria, Illinois  
October 31, 2017

**CITY OF KEWANEE, ILLINOIS**  
**STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

		Program Receipts		Net Receipts (Disbursements) and Changes in Cash Basis Net Position		
	Disbursements	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities:						
General Government	\$ 1,433,359	\$ 372,681	\$ -	\$ (1,060,678)	\$ -	\$ (1,060,678)
Public Safety	6,159,634	710,741	83,794	(5,365,099)	-	(5,365,099)
Public Works and Transportation	1,595,879	4,350	-	(1,591,529)	-	(1,591,529)
Culture and Recreation	77,765	-	-	(77,765)	-	(77,765)
Development	307,629	-	-	(307,629)	-	(307,629)
Debt Service:						
Principal Retirement	1,561,173	-	-	(1,561,173)	-	(1,561,173)
Interest	439,555	-	-	(439,555)	-	(439,555)
Total Governmental Activities	11,574,994	1,087,772	83,794	(10,403,428)	-	(10,403,428)
Business-Type Activities:						
Sanitation	1,073,634	1,043,198	-	-	(30,436)	(30,436)
Water	1,436,174	2,235,916	-	-	799,742	799,742
Sewer	2,570,113	1,615,499	-	-	(954,614)	(954,614)
Cemetery	267,486	65,284	-	-	(202,202)	(202,202)
Ambulance	-	1,030	-	-	1,030	1,030
Total Business-Type Activities	5,347,407	4,960,927	-	-	(386,480)	(386,480)
Total	\$ 16,922,401	\$ 6,048,699	\$ 83,794	(10,403,428)	(386,480)	(10,789,908)
GENERAL RECEIPTS AND OTHER FINANCING SOURCES (USES)						
Property and Other City Tax Levied for:						
General Purposes				2,906,565	-	2,906,565
Debt Service				292,190	-	292,190
Sales and Local Option Sales Tax				2,877,543	-	2,877,543
State Income Tax				1,229,769	-	1,229,769
Motor Fuel Tax				328,698	-	328,698
Replacement Tax				352,349	-	352,349
Interest Income				81,207	21,626	102,833
Miscellaneous				651,797	127,689	779,486
Proceeds from Bond Sale				298,000	-	298,000
Transfers In				1,365,680	733,934	2,099,614
Transfers Out				(890,860)	(1,208,754)	(2,099,614)
Total General Receipts and Other Financing Sources (Uses)				9,492,938	(325,505)	9,167,433
CHANGE IN CASH BASIS NET POSITION				(910,490)	(711,985)	(1,622,475)
Cash Basis Net Position - April 30, 2016				13,739,304	6,161,317	19,900,621
CASH BASIS NET POSITION - APRIL 30, 2017				\$ 12,828,814	\$ 5,449,332	\$ 18,278,146
ASSETS						
Cash and Cash Equivalents				\$ 12,828,814	\$ 5,449,332	\$ 18,278,146
NET POSITION						
Restricted - Nonexpendable				\$ -	\$ 1,076,925	\$ 1,076,925
Restricted - Expendable				2,170,047	2,289,994	4,460,041
Unrestricted				10,658,767	2,082,413	12,741,180
Total Cash Basis Net Position				\$ 12,828,814	\$ 5,449,332	\$ 18,278,146

See accompanying Notes to Basic Financial Statements.

**CITY OF KEWANEE, ILLINOIS**  
**STATEMENT OF CASH TRANSACTIONS**  
**GOVERNMENTAL FUND TYPES**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

		Capital Projects			
	General	Acquisition	NHR Sales Tax Infrastructure Improvement	Nonmajor Governmental	Total Governmental
	Fund	Fund	Fund	Funds	Fund Types
<b>RECEIPTS</b>					
Taxes	\$ 853,000	\$ -	\$ -	\$ 2,345,755	\$ 3,198,755
Licenses and Permits	372,681	-	-	-	372,681
Intergovernmental Receipts	3,848,154	-	615,115	328,698	4,791,967
Charges for Services	554,619	-	-	20,095	574,714
Interest Income	65,952	-	2,677	10,471	79,100
Fines and Forfeits	140,377	-	-	-	140,377
Contributions	71,560	-	-	8,626	80,186
Other Receipts	467,684	-	2,224	40,690	510,598
Total Receipts	6,374,027	-	620,016	2,754,335	9,748,378
<b>DISBURSEMENTS</b>					
General Government	519,510	-	-	903,315	1,422,825
Public Safety	4,978,445	-	-	917,032	5,895,477
Public Works and Transportation	641,911	120,888	259,668	464,374	1,486,841
Culture and Recreation	77,765	-	-	-	77,765
Development	59,156	-	-	248,473	307,629
Debt Service:					
Principal Retirement	27,500	-	235,000	1,298,673	1,561,173
Interest and Fiscal Charges	6,466	-	110,915	322,174	439,555
Total Disbursements	6,310,753	120,888	605,583	4,154,041	11,191,265
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	63,274	(120,888)	14,433	(1,399,706)	(1,442,887)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	102,802	312,750	28,627	921,501	1,365,680
Transfers Out	(608,137)	(53,321)	(57,199)	(172,203)	(890,860)
Proceeds from Bond Sale	-	-	-	298,000	298,000
Total Other Financing Sources (Uses)	(505,335)	259,429	(28,572)	1,047,298	772,820
<b>NET CHANGE IN CASH FUND BALANCES</b>	(442,061)	138,541	(14,139)	(352,408)	(670,067)
Cash Balances - April 30, 2016	5,237,988	3,995,835	497,590	3,179,727	12,911,140
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 4,795,927</u>	<u>\$ 4,134,376</u>	<u>\$ 483,451</u>	<u>\$ 2,827,319</u>	<u>\$ 12,241,073</u>
<b>CASH BASIS FUND BALANCES</b>					
Restricted	\$ 226,600	\$ -	\$ 435,780	\$ 1,507,667	\$ 2,170,047
Assigned	-	4,134,376	47,671	1,326,731	5,508,778
Unassigned	4,569,327	-	-	(7,079)	4,562,248
Total Cash Basis Fund Balances	<u>\$ 4,795,927</u>	<u>\$ 4,134,376</u>	<u>\$ 483,451</u>	<u>\$ 2,827,319</u>	<u>\$ 12,241,073</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KEWANEE, ILLINOIS**  
**STATEMENT OF CASH TRANSACTIONS**  
**PROPRIETARY FUND TYPES**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	Enterprise				Nonmajor	Total	Internal	Total
	Sanitation	Water	Sewer	Cemetery	Enterprise	Enterprise	Service	Proprietary
	Fund	Fund	Fund	Fund	Funds	Funds	Funds	Fund Types
<b>RECEIPTS</b>								
Licenses and Permits	\$ -	\$ 1,311	\$ -	\$ -	\$ -	\$ 1,311	\$ -	\$ 1,311
Charges for Services	1,016,867	2,172,194	1,586,198	65,284	1,030	4,841,573	1,229,099	6,070,672
Interest Income	-	12,914	3,318	4,800	-	21,032	2,701	23,733
Fines and Forfeits	26,331	62,411	29,301	-	-	118,043	-	118,043
Other Receipts	508	303	71,349	15,704	-	87,864	181,024	268,888
Total Receipts	<u>1,043,706</u>	<u>2,249,133</u>	<u>1,690,166</u>	<u>85,788</u>	<u>1,030</u>	<u>5,069,823</u>	<u>1,412,824</u>	<u>6,482,647</u>
<b>DISBURSEMENTS</b>								
Personnel	408,372	613,787	161,166	216,695	-	1,400,020	1,537,159	2,937,179
Contractual	580,667	455,864	936,973	9,979	-	1,983,483	95,129	2,078,612
Commodities	19,458	261,289	176,795	25,101	-	482,643	93,688	576,331
Capital Expenditures	15,775	56,491	1,285,299	3,295	-	1,360,860	2,952	1,363,812
Other	20	1,010	1,980	16	-	3,026	1,275	4,301
Total Disbursements	<u>1,024,292</u>	<u>1,388,441</u>	<u>2,562,213</u>	<u>255,086</u>	<u>-</u>	<u>5,230,032</u>	<u>1,730,203</u>	<u>6,960,235</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	19,414	860,692	(872,047)	(169,298)	1,030	(160,209)	(317,379)	(477,588)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	152,606	400,000	181,328	-	733,934	-	733,934
Transfers Out	(92,250)	(1,031,500)	(73,792)	(9,731)	(1,481)	(1,208,754)	-	(1,208,754)
Total Other Financing Sources (Uses)	<u>(92,250)</u>	<u>(878,894)</u>	<u>326,208</u>	<u>171,597</u>	<u>(1,481)</u>	<u>(474,820)</u>	<u>-</u>	<u>(474,820)</u>
<b>CHANGE IN CASH BASIS NET POSITION</b>	(72,836)	(18,202)	(545,839)	2,299	(451)	(635,029)	(317,379)	(952,408)
Cash Balances - April 30, 2016	<u>314,710</u>	<u>2,657,411</u>	<u>1,811,437</u>	<u>1,114,871</u>	<u>27,088</u>	<u>5,925,517</u>	<u>1,063,964</u>	<u>6,989,481</u>
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 241,874</u>	<u>\$ 2,639,209</u>	<u>\$ 1,265,598</u>	<u>\$ 1,117,170</u>	<u>\$ 26,637</u>	<u>\$ 5,290,488</u>	<u>\$ 746,585</u>	<u>\$ 6,037,073</u>
<b>CASH BASIS NET POSITION</b>								
Restricted - Nonexpendable	\$ -	\$ -	\$ -	\$ 1,076,925	\$ -	\$ 1,076,925	\$ -	\$ 1,076,925
Restricted - Expendable	-	1,883,924	380,464	-	25,606	2,289,994	-	2,289,994
Unrestricted	241,874	755,285	885,134	40,245	1,031	1,923,569	746,585	2,670,154
Total Cash Basis Net Position	<u>\$ 241,874</u>	<u>\$ 2,639,209</u>	<u>\$ 1,265,598</u>	<u>\$ 1,117,170</u>	<u>\$ 26,637</u>	<u>\$ 5,290,488</u>	<u>\$ 746,585</u>	<u>\$ 6,037,073</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF KEWANEE, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS**  
**FIDUCIARY FUND TYPES**  
**AS OF APRIL 30, 2017**

	Trust Funds
<b>ASSETS</b>	
Cash in Bank	\$ 345,223
Money Market Funds	155,191
Interest Receivable	93,862
Investments:	
U.S. Government and Agency Obligations	3,988,932
State and Local Obligations	1,565,114
Mutual Funds	8,384,135
Certificates of Deposit	3,004,345
Annuities	3,294
Total Assets	<u>17,540,096</u>
<b>LIABILITIES</b>	
Payroll Benefits and Taxes Payable	<u>12,964</u>
<b>NET POSITION</b>	<u><u>\$ 17,527,132</u></u>

*See accompanying Notes to Basic Financial Statements.*

**CITY OF KEWANEE, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CASH BASIS**  
**FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Trust Funds
<b>ADDITIONS</b>	
Net Appreciation in Fair Value of Investments	\$ 857,369
Realized Gain on Investments	112,181
Capital Gains	66,672
Interest (Net of Investment Expenses)	222,920
Dividends	137,592
Employer Contributions	917,032
Employee Contributions	217,066
Total Additions	<u>2,530,832</u>
<b>DEDUCTIONS</b>	
Benefit Payments - Retired and Disabled	1,428,430
Benefit Payments - Surviving Spouse	282,851
Administrative Expenses	21,663
Total Deductions	<u>1,732,944</u>
<b>CHANGE IN NET POSITION</b>	797,888
Net Position - Beginning of year	<u>16,729,244</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 17,527,132</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The City was originally incorporated in 1855 and reincorporated as a city under general law in 1872. The City is a nonhome rule unit of local government and operates under a council-manager form of government. The City provides numerous services to citizens including law enforcement, fire protection, water and sewer utility services, sanitation, recycling, and landscape waste service.

**Reporting Entity**

For financial reporting purposes, the City of Kewanee, Illinois has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The Cemetery Board of Managers is a governing board appointed by the Mayor and City Council. The Cemetery Board is authorized and empowered to receive and hold assets in perpetual trust. The income shall be applied to the upkeep of the City cemeteries. This activity is reported within the Cemetery Fund (Enterprise Fund) of the City.

The Firefighter's Pension Trust Fund and Police Pension Trust Fund were established to provide retirement, death, and disability payments to the firemen and police of the City or their beneficiaries. Each is a single-employer defined benefit pension plan. Contribution levels are mandated by Illinois Statutes and may be amended only by the Illinois legislature.

Trust funds that are to be reported in the fiduciary fund financial statements:

Firefighters' Pension Trust Fund – Funding for the pension fund is provided by a property tax levy on the citizens of Kewanee, Illinois. City officials and employees are board members of the fund.

Police Pension Trust Fund – Funding for the pension fund is provided by a property tax levy on the citizens of Kewanee, Illinois. City employees and citizens are board members of the fund.

These component units' financial information is included in the trust fund statements and schedules. See Note 16 for further information on these trust funds.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

**Measurement Focus, Basis of Accounting, and Basis of Presentation**

The City maintains its financial statements on the cash basis of accounting. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Revenues are recognized when they are received rather than earned, and expenses when paid rather than incurred. Capital assets are expensed as purchased. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified the state and federal grants as being restricted because their use is restricted by granting agencies. The City has also considered various taxes as being restricted because their use is restricted by state laws and regulations.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City 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 Acquisition Fund (capital projects fund) accounts for the acquisition of property for City purposes.

NHR Sales Tax Infrastructure Improvement Fund (capital projects fund) accounts for the additional 1/2% of sales tax implemented effective January 1, 2010 to be used for property tax relief or infrastructure improvements.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues, such as utility user charges, services and permits, and other charges result from exchange transactions associated with the principal activity of the City. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, result from nonexchange transactions or ancillary activities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses not meeting this definition, such as interest expense, are reported as nonoperating expenses.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major enterprise funds:

The Sanitation Fund accounts for sanitation services provided to the residents of the City.

The Water Fund accounts for water services provided to the residents of the City.

The Sewer Fund accounts for sewer services provided to the residents of the City.

The Cemetery Fund accounts for cemetery plot and maintenance services provided to the residents of the City.

Internal Service Funds are used to account for health insurance coverage and maintenance services provided to other departments based on actual cost.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

**Budgets**

The state of Illinois requires municipalities of less than 500,000 inhabitants to pass an ordinance within the first quarter of each fiscal year to appropriate sums of money deemed necessary to defray all necessary expenses and liabilities of the municipality. This ordinance, setting forth the appropriations budget, is adopted on the cash basis of accounting for all funds except the Firefighters' and Police Pension Funds, which are each budgeted on the accrual basis of accounting.

Statutory compliance with the appropriations budget is at the total expenditure level. State law provides authority for the City Council, by a two-thirds vote of all members of the body, to make transfers within any department of the City; however, any revisions that alter total appropriations are prohibited. All annual appropriations lapse at fiscal year-end.

An annual operating budget is also adopted, by resolution of the City Council, on the cash basis of accounting for all funds from the sum appropriated. The budget includes amounts of funds and categories of receipts and expenditures.

The City amends the budget through City Council action upon review of receipts and expenditures at mid-year and recommendation by the City Manager.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and fund equities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

**Minimum Fund Balance Requirements**

Effective June 14, 2010, the City established minimum fund balance levels for the General, Water, Sewer, and Health Insurance Reserve Funds. The minimum fund balance for the General Fund is 30% of the audited expenditures for the General Fund, plus 10% of the audited expenditures for the Water Fund, plus 10% of the audited expenditures for the Sewer Fund, as averaged over the prior three fiscal years. At April 30, 2017, the City met the minimum fund balance requirements.

**Program Revenues**

Program revenues for the City are primarily charges for services. These charges are primarily service charges such as water usage fees, sewer fees, and sanitation fees, and EMS fees.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Statutory Budget Compliance**

As explained in Note 1, the City adopts an annual appropriations budget, which is the legally binding budget. The City also adopts an operating budget by fund. The budgets are approved by the City Council and controlled by the City Manager.

Statutory compliance is demonstrated as follows:

Total Annual Appropriation	<u>\$ 99,579,346</u>
Total Operating Budget	<u>\$ 20,999,554</u>
Total Expenditures - Budgetary Basis	<u>\$ 18,151,500</u>

**Deficit Fund Balance of Individual Funds**

The following fund had a deficit fund balance at April 30, 2017:

Governmental Funds - Audit Fund	<u>\$ (7,079)</u>
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The deficit in this fund resulted from expenditures exceeding the property taxes levied and will be eliminated through future tax levies or transfers.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

At year-end, the carrying amount of the City's deposits was \$18,758,213 and the bank balance was \$19,157,850 as shown in the following schedule:

	City Excluding Pension Funds	Firefighters' Pension Fund	Police Pension Fund	Total
Total Cash and Investments	\$ 18,278,146	\$ 7,992,316	\$ 9,453,918	\$ 35,724,380
Less: Investments	-	(7,763,354)	(9,182,466)	(16,945,820)
Less: Illinois Funds	(20,347)	-	-	(20,347)
Carrying Amount of Deposits	<u>\$ 18,257,799</u>	<u>\$ 228,962</u>	<u>\$ 271,452</u>	<u>\$ 18,758,213</u>
Bank Balance	<u>\$ 18,569,129</u>	<u>\$ 296,975</u>	<u>\$ 271,399</u>	<u>\$ 19,137,503</u>

The City considers all cash accounts and all certificates of deposit, regardless of their maturity date, to be cash and cash equivalents.

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Illinois Pension Code requires all funds to be deposited into an approved depository and be either insured or collateralized.

**Illinois Funds** – The fair value of the City's position in this fund is equal to the value of the City's fund shares. The portfolio is regulated by oversight of the Treasurer of the state of Illinois and private rating agencies. The portfolio has AAAM ratings from Standard and Poor's. The assets of the fund are mainly invested in securities issued by the United States government or agencies related to the United States. Assets of the fund not invested in United States government securities are fully collateralized by pledged securities. The time to maturity of the investments in this external investment pool averages less than one year. The carrying amount of these deposits at April 30, 2017 was \$20,347.

Information regarding the City's bank balances is as follows:

	City Excluding Pension Funds	Firefighters' Pension Fund	Police Pension Fund	Total
Amount Covered by FDIC or through state pooled collateral	\$ 14,494,182	\$ 296,975	\$ 271,399	\$ 15,062,556
Collateralized with Securities Held by the Pledging Financial Institution's Trust Department Agent	2,597,367	-	-	2,597,367
Uncollateralized	1,477,580	-	-	1,477,580
Total Bank Balance	<u>\$ 18,569,129</u>	<u>\$ 296,975</u>	<u>\$ 271,399</u>	<u>\$ 19,137,503</u>



**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 4   REVOLVING LOAN FUND**

The City maintains a revolving loan fund for economic development purposes. The program was initially funded by the state of Illinois. At April 30, 2017, total outstanding loans were approximately \$876,000. During the fiscal year, the City made two new loans of approximately \$212,000 and collected principal payments of approximately \$27,000. At April 30, 2017, there was approximately \$683,000 of loans in default.

**NOTE 5   BONDS AND LOANS PAYABLE**

Revenue Bonds – The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. There are seven revenue bonds outstanding at April 30, 2017. The 2004 East and 11th Street TIF bond was issued at \$420,000 at a fixed interest rate of 4.00%. This bond was refinanced in 2009 for \$302,779, requires semi-annual payments in varying amounts, and bears interest at a fixed rate of 2.00%. During the refinancing, \$83,721 of principal was reduced. The second bond was issued in 1998 and was for the construction of the new city hall. The bond was originally issued at \$3,000,000 and was refinanced in 2005 at \$2,410,000 and again in 2011 at \$1,430,000. The bond bears a variable interest rate of 2.50% to a high of 3.00% and requires semi-annual payments in varying amounts. The third bond was issued in 2001 at \$3,200,000 and is for sewerage improvements to existing sewers and the construction of a new sewerage system. The bond was refinanced in 2011 at \$1,315,000, requiring semi-annual payments of varying amounts and bears a variable interest rate of 2.50% to a high of 3.00%. The fourth bond was issued in 2012 for \$3,755,000 and is for various municipal facilities and infrastructural improvements. This bond requires semi-annual payments in varying amounts and bears a variable interest rate of 2.00% to a high of 4.00%. The two bonds for the Mill Creek TIF were issued together in 2003 and include an \$800,000 tax-exempt portion and a \$175,000 taxable portion. They were both refinanced during 2012 for \$613,000 and \$122,000, respectively, and require semi-annual payments in varying amounts. They both bear a fixed interest rate of 1.75% with payments beginning November 15, 2013.

During the year ended April 30, 2013, the City issued revenue bonds in order to consolidate and refinance three loans originally issued by the IEPA Water Revolving Fund for the acquisition, construction, and installation of waterworks and sewerage facilities, improvements and costs. Total bonds issued were \$5,935,000 of which the City had a balance outstanding of \$3,960,000 at April 30, 2017. The bonds require annual payments of principal ranging from \$470,000 to \$680,000 and semi-annual payments of interest at rates ranging from 2.00% to 2.70%.

During the year ended April 30, 2016, the City issued revenue bonds for the purpose of financing the acquisition, construction, installation, and rehabilitation of City infrastructure, including, but not limited to, various water and sewer system facilities and paying for costs related thereto. Total bonds issued were \$3,640,000 of which the City had a balance outstanding of \$3,580,000 at April 30, 2017. The bonds require annual payments of principal ranging from \$60,000 to \$270,000 and semi-annual payments of interest at rates ranging from 2.00% to 4.00%. These bonds were issued at a premium of \$76,479 which will be amortized over the life of the bond, 17 years. The balance of the premium at April 30, 2017 was \$71,980.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 5 BONDS AND LOANS PAYABLE (CONTINUED)**

During the year ended April 30, 2017, the City issued revenue bonds for the purpose of refunding certain outstanding obligations of the City and for the payment of expenses incident thereto. Total bonds issued were \$298,000, all of which was outstanding at April 30, 2017. The bonds require a one-time principal payment of \$298,000 with a one-time interest payment at a rate of 1.90%.

Illinois Environmental Protection Agency Water Revolving Fund – During the year ended April 30, 2004, the City obtained an \$8.5 million loan from the Illinois Environmental Protection Agency for the construction of a reverse osmosis water treatment plant. During fiscal year ended April 30, 2006, the City had received its last disbursement from the loan and total funds drawn were \$8,332,214, of which the City had a balance outstanding of \$405,072 at April 30, 2013. These bonds were refinanced with the issuance of general obligation refunding alternate revenue bonds, series 2013, as noted above.

A loan was obtained during fiscal year 2012 for various water main replacement projects. Total project costs were \$468,236, of which \$128,997 was forgiven, and the City had a balance outstanding of \$264,619 at April 30, 2017. The loan requires semi-annual payments of \$10,005 and bears interest at a fixed rate of 1.25%.

A loan was obtained during fiscal year 2013 for the acquisition, construction, installation, improvement, and extension of waterworks and sewerage facilities. Total project costs were \$807,003, of which \$225,000 was forgiven, and the City had a balance outstanding of \$508,423 at April 30, 2017. The loan requires semi-annual payments of \$18,595 and bears interest at a fixed rate of 2.295%.

A loan was obtained during fiscal year 2009 for the purchase of a new emergency rescue squad ambulance for the Kewanee Fire Department. The balance of the loan was \$30,000 as of April 30, 2017. The loan requires annual payments on November 1 of each year of \$10,000 beginning November 1, 2010 and ending November 1, 2019.

A loan was obtained during fiscal year 2016 for the purchase of a new fire truck. The balance of the loan was \$332,500 as of April 30, 2017. The loan requires annual principal payments of \$17,500 and bears interest at a fixed rate of 2.21%.

The City expenses its bonds payments when the cash is disbursed rather than carrying the principal amount on the statement of activities and applying the principal payment to that balance, which is the treatment required under accounting principles generally accepted in the United States of America.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 5 BONDS AND LOANS PAYABLE (CONTINUED)**

A summary of the debt activity during the fiscal year ended April 30, 2017, is as follows:

	Balance April 30, 2016	Issued	Retired	Balance April 30, 2017
Revenue Bonds:				
General Obligation Alternative Bonds 2011B	\$ 435,000	\$ -	\$ 215,000	\$ 220,000
General Obligation NHRST Bonds 2012	3,080,000	-	235,000	2,845,000
Mill Creek Station TIF Bonds 2012 - Tax-Exempt	498,502	-	43,000	455,502
Mill Creek Station TIF Bonds 2012 - Taxable	98,993	-	8,500	90,493
East and 11th Street TIF Bonds 2009	231,971	-	17,938	214,033
General Obligation Waterworks and Sewerage Refunding Bonds 2013	4,585,000	-	625,000	3,960,000
General Obligation Alternative Bonds 2015	3,640,000	-	60,000	3,580,000
General Obligation Alternative Bonds 2015A	287,600	-	287,600	-
General Obligation Bonds Series 2016	-	298,000	-	298,000
Illinois Environmental Protection Agency Water Revolving Fund:				
Water Revolving Fund - L17422800	281,166	-	16,547	264,619
Water Revolving Fund - L17481700	533,511	-	25,088	508,423
Firetruck Loan	350,000	-	17,500	332,500
Ambulance Loan	40,000	-	10,000	30,000
Total Outstanding Debt	<u>\$ 14,061,743</u>	<u>\$ 298,000</u>	<u>\$ 1,561,173</u>	<u>\$ 12,798,570</u>

Annual debt service requirements to maturity for bonds and loans payable are as follows:

<u>Year Ending April 30,</u>	Principal	Interest	Total
2018	\$ 1,577,733	\$ 363,961	\$ 1,941,694
2019	1,030,904	328,440	1,359,344
2020	1,057,098	305,659	1,362,757
2021	1,068,308	280,502	1,348,810
2022	1,094,560	252,445	1,347,005
2023-2027	4,793,342	803,305	5,596,647
2028-2032	1,582,098	275,099	1,857,197
2033-2036	594,527	33,318	627,845
Total	<u>\$ 12,798,570</u>	<u>\$ 2,642,729</u>	<u>\$ 15,441,299</u>

The City's debt limit is 8.625% of the Total City Equalized Value or approximately \$7,571,000 as of April 30, 2017. Of the total debt listed above, approximately \$1,122,000 is applicable to the debt limit statute. Remaining debt capacity is approximately \$6,449,000.

**NOTE 6 COMPENSATED ABSENCES**

City employees are paid for vacation and compensated time by prescribed formulas based on employment contracts. The liability for compensated absences as of April 30, 2017 was approximately \$1,260,000.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 7 PENSION AND RETIREMENT BENEFITS**

Illinois Municipal Retirement Fund

*Plan Description.* The City's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The City plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and other information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the City regular plan members are required to contribute 4.50% 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 annual required contribution rate for calendar years 2017 and 2016 was 11.07% and 10.55%, respectively. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Contributions Made.* For the year ended April 30, 2017, the City contributed \$217,678. Contributions for years ended April 30, 2016 and 2015 were \$215,030 and \$217,047, respectively.

The required contribution for 2016 was determined as part of the December 31, 2014 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2014, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 3.50% per year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency, and each employee's account will be immediately 100% vested.

The plan, all amounts deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, are held in trust for the exclusive benefit of participants and their beneficiaries.

The City is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At April 30, 2017, plan assets consisted of stocks, bonds, mutual funds, and a life insurance policy.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 8 PUBLIC ENTITY RISK POOL**

The City is a member of the Municipal (Self) Insurance Cooperative Agency (MICA). MICA is a cooperative agency voluntarily established by contracting Illinois Municipalities and other Illinois units of government pursuant to Article VII, Section 10, of the 1970 Constitution of the State of Illinois and 5 ILCS 220/6 of the Illinois Compiled Statutes for the purpose of seeking the prevention or lessening of casualty losses to member governmental properties and injuries to persons or property. At April 30, 2017, MICA consisted of 25 Illinois governmental entities, including the City of Kewanee, Illinois.

MICA provides coverage to its members with the following limits: \$400 million on property claims, \$10 million on general liability claims, and \$1 million on cyber liability. MICA provides coverage on workers' compensation claims on amounts in excess of \$750,000. MICA purchases commercial insurance for coverage in excess of the self-insured reserve (SIR) limits. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Claim payments in excess of the per-occurrence retention limit and corridor deductible, if applicable, or total loss aggregates are recovered from reinsurers.

**NOTE 9 HEALTH BENEFITS**

The City has established a Health Insurance Fund for insuring benefits provided to City employees and covered dependents. This is included in the Internal Service Fund types. Health benefits are self-insured up to an annual amount of \$65,000 per individual covered, and for the City as a whole, and an unlimited aggregate annual amount. Coverage from a private insurance company is maintained for losses in excess of these amounts. All claims handling procedures are performed by an independent claims administrator.

**NOTE 10 STATE UNEMPLOYMENT TAX**

The City is on the reimbursement method for state of Illinois unemployment taxes. Claims for unemployment are paid by the State as incurred and reimbursed by the City. Claims paid for the year ending April 30, 2017 totaled \$29,270.

**NOTE 11 PROPERTY TAXES**

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy is divided into two billings: the first billing is an estimate of the current year's levy based on the prior year's taxes; the second billing reflects adjustments to the current year's actual levy. The first billing is mailed in May of each year and consists of two installments due by June and September, with penalties and interest charged on late payments. Property taxes received during the year ended April 30, 2017 were for the 2015 assessment paid in 2016.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 12 CONDUIT DEBT**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, and any political subdivisions thereof are not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of April 30, 2017, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$553,000.

**NOTE 13 COMMITMENTS**

The City has extended an agreement with Bock Inc. to operate its Wastewater Treatment Plant, excess flow lagoon and pumping station, and all lift stations. The agreement requires monthly payments and expires April 30, 2024. Total expense for the year ending April 30, 2017 was \$465,544.

In addition, the City has extended an agreement with the same company to operate its Reverse Osmosis Water Plants. The agreement requires monthly payments and expires April 30, 2024. Total expense for the year ending April 30, 2017 was \$169,887.

The City also entered into an agreement with Knox County Landfill to transfer solid waste from the transfer station to the landfill. The contract expires December 31, 2017 and requires monthly payments that are based on tonnage hauled at a specified rate identified in the contract. Total expense under this contract for the year ending April 30, 2017 was \$493,886.

The City has a contract for legal services with the City Attorney. The agreement requires monthly payments of \$6,250 and expires May 10, 2019.

The City has an agreement with Leander Construction for the Wastewater Treatment Plant clarifier upgrades project. The agreement, which has \$56,029 remaining, is to be completed during fiscal year 2018. Total expense for the year ending April 30, 2017 was \$913,303.

The City has entered into an agreement with Insituform Technologies for the CIPP sewer project. The agreement, which has \$278,616 remaining, is to be completed during fiscal year 2018. Total expense for the year ending April 30, 2017 was \$71,909.

The City has entered into an agreement with Legacy Corporation for the storm sewer projects on Oak, Park, and Prospect Streets in Kewanee. The agreement totals \$248,935 and is to be completed during fiscal year 2018.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 13 COMMITMENTS (CONTINUED)**

The City has entered into agreements with Martin Bros and Ratliff Bros for house demolitions. The agreement with Martin Bros totals \$5,890. The agreement with Ratliff Bros totals \$8,450. Both agreements are to be completed during fiscal year 2018.

The City has entered into agreements with Pat's Landscape and Sunnyfield Nursery for planters and flower baskets. The agreement with Pat's Landscape requires annual payments of \$4,973 and expires during fiscal year 2019. The agreement with Sunnyfield Nursery requires annual payments of \$1,260 and expires during fiscal year 2020.

The City has entered into an agreement with Peerless Pump for well rehabilitation work. The agreement totals \$65,383 and is to be completed during fiscal year 2018.

The City has TIF agreements in place for Carrington Building, Kewanee School District, and Wethersfield School District. The agreements require annual payments of \$10,000, \$12,000, and \$12,000, respectively, and expire April 30, 2018, April 30, 2022, and April 30, 2022, respectively.

Future payments required on the above contracts as of April 30, 2017 are:

<u>Year Ending April 30,</u>	<u>Amount</u>
2018	\$ 1,776,025
2019	765,070
2020	698,377
2021	710,663
2022	724,516
Thereafter	1,422,768
Total	<u>\$ 6,097,419</u>

**NOTE 14 RELATED PARTIES**

A City Council member manages the Henry County Humane Society. The City pays the Henry County Humane Society for animal shelter assistance. Total amount paid to the Henry County Humane Society in fiscal year 2017 was \$18,117. In addition, the City leases a building to the Humane Society for an annual fee of \$1. As of April 24, 2017, the Council member noted was no longer serving on the City Council.

The Cemetery Board of Managers Fund is a component unit of the City. A Cemetery board member is the president of People's National Bank. As of year-end, the City had approximately \$814,000 of deposits with this institution.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 15 INTERFUND TRANSFERS**

The following table summarizes the net interfund transfers for the year ended April 30, 2017.

	Transfers To	Transfers From
General Fund	\$ 102,802	\$ 608,137
Acquisition Fund	312,750	53,321
NHR Sales Tax Infrastructure Improvement Fund	28,627	57,199
Nonmajor Governmental Funds	921,501	172,203
Sanitation Fund	-	92,250
Water Fund	152,606	1,031,500
Sewer Fund	400,000	73,792
Cemetery Fund	181,328	9,731
Nonmajor Enterprise Funds	-	1,481
Total	\$ 2,099,614	\$ 2,099,614

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Transfers are also made between various funds to make debt service payments. Furthermore, the General Fund subsidizes the Cemetery Fund each year for operations. In the current fiscal year, the General Fund transferred \$35,000 to the Municipal Building Fund for maintenance repairs and \$312,750 to the Acquisition Fund for capital projects.

**NOTE 16 PENSION TRUST FUNDS**

Fire and Police personnel are covered by the City of Kewanee Firefighters' Pension Fund and Police Pension Fund, which are defined benefit single-employer pension plans. Although these funds are single-employer pension plans, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois State Statutes and may be amended only by the Illinois legislature. Complete financial statements of the Firefighters' Pension Trust Fund and the Police Pension Trust Fund, which issued separate financial statements, can be obtained from their respective administrative offices by contacting the City.

**Investments**

The City of Kewanee Firefighters' and Police Pension Funds are authorized to invest in various instruments in accordance with Chapter 40 ILCS 5, Section 1-113.2 -113.4 of the Illinois State Statutes.



**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 16 PENSION TRUST FUNDS (CONTINUED)**

**Investments (Continued)**

The assets of the City of Kewanee Firefighters' and Police Pension Funds shall be in accordance with the following asset allocation guidelines measured at fair value:

Asset Class	Target	Range
Equities	40%	10% to 45%
Fixed Income	57%	50% to 80%
Cash and Cash Equivalents	3%	1% to 10%

Investments consist of U.S. Government and agency obligations, state and local obligations, mutual funds, and certificates of deposit.

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Funds' investment policies state that risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

As of April 30, 2017, the City's Firefighters' Pension Fund had the following investments with the following maturities:

Description of Investments	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Government and Agency	\$ 3,671,824	\$ 347,556	\$ 2,053,428	\$ 1,179,115	\$ 91,725
Mutual Funds	4,088,236	4,088,236	-	-	-
Annuities	3,294	3,294	-	-	-
Total	<u>\$ 7,763,354</u>	<u>\$ 4,439,086</u>	<u>\$ 2,053,428</u>	<u>\$ 1,179,115</u>	<u>\$ 91,725</u>

As of April 30, 2017, the City's Police Pension Fund had the following investments with the following maturities:

Description of Investments	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Government and Agency	\$ 317,108	\$ -	\$ -	\$ 98,128	\$ 218,980
State and Local Obligations	1,565,114	-	220,607	215,612	1,128,895
Mutual Funds	4,295,899	4,295,899	-	-	-
Certificates of Deposit	3,004,345	322,490	2,386,218	295,638	-
Total	<u>\$ 9,182,466</u>	<u>\$ 4,618,389</u>	<u>\$ 2,606,825</u>	<u>\$ 609,378</u>	<u>\$ 1,347,875</u>

**Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 16 PENSION TRUST FUNDS (CONTINUED)**

**Investments (Continued)**

As of April 30, 2017, both the City's Firefighters' and Police Pension Funds had the following ratings:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Investment Type:		
U.S. Government and Agency	AAA	AAA

All other investment types are not rated or not required to be rated.

Investments in U.S. Government and agency obligations, state and local obligations, mutual funds, and annuities are classified as available-for-sale and carried at fair value.

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 and Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – Quoted prices in active markets for identical securities.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* – Significant unobservable inputs.

As of April 30, 2017, all investments of the Firefighters' Pension Fund were Level 1 investments.

The Police Pension Fund holds investments in a brokerage account as shown below. The investments are measured at fair value, on a recurring basis during the year, using quoted market prices in active markets for identical assets (Level 1).

A summary of the investments of the Police Pension Fund as of and for the year ended April 30, 2017, is as follows:

	2017	
	Cost	Level 1 Fair Value
U.S. Government and Agency	\$ 299,511	\$ 317,108
State and Local Obligations	1,518,684	1,565,114
Mutual Funds	3,213,584	4,295,899
Certificates of Deposit	3,013,617	3,004,345
Total	<u>\$ 8,045,396</u>	<u>\$ 9,182,466</u>

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 16 PENSION TRUST FUNDS (CONTINUED)**

**Investments (Continued)**

Concentration of Credit Risk – The Funds’ investment policies seek diversification to reduce overall portfolio risk. Where possible, it is the policies of the Funds to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. There were no significant investments (other than U.S. government and agencies’ securities and mutual funds) in any one organization that represent 5% or more of the Plans’ investments.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Funds will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Illinois Pension Code requires all funds to be deposited into an approved depository and be either insured or collateralized. As of April 30, 2017, the Funds’ deposits were entirely insured by federal depository insurance or insured by the state through pooled collateral, state sinking funds, and by the state’s ability to assess for lost funds. The Funds’ investments are not exposed to custodial credit risk as of April 30, 2017.

**Plan Description**

The following is a summary of the City of Kewanee Firefighters’ Pension Fund and Police Pension Fund as provided for in Illinois State Statutes:

The City of Kewanee Firefighters’ Pension Fund and Police Pension Fund provide retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive monthly retirement benefits of one-half the monthly salary attached to the rank held in the fire or police service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service and one-twelfth of 1% of such monthly service for each additional month over 30 years of service to a maximum of 75% of such monthly salary.

Employees with at least 10 (firefighter) or 8 (police) years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter or policeman who retired with 20 or more years of service after January 1, 1978 (firefighter) or January 1, 1977 (police), shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 16 PENSION TRUST FUNDS (CONTINUED)**

**Funding Policy**

Covered employees are required to contribute 9.455% (firefighter) or 9.910% (police) of their salary to the Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City of Kewanee, Illinois is required to contribute the remaining amounts (not less than 9.25%) necessary to finance the Plan as actuarially determined by an enrolled actuary. By the year 2040, the contributions must accumulate to the point where any past service cost for the Funds are 90% funded. At April 30, 2017, the percent funded was 56.0% and 59.0% for the Firefighters' Pension Fund and Police Pension Fund, respectively.

**NOTE 17 NET POSITION/FUND BALANCE**

The net position/fund balance is restricted for the following purposes at April 30, 2017:

Employee Benefits	\$	308,747
Public Safety		8,626
Public Works and Transportation		292,819
Development		677,978
Debt Service		226,600
Cemetery		1,100,327
Capital Projects		2,921,869
Total	\$	<u>5,536,966</u>

The governmental fund balances are assigned for the following purposes at April 30, 2017:

Employee Benefits	\$	6,030
Public Works and Transportation		1,822
Development		36,544
Debt Service		1,209,779
Cemetery		11
Capital Projects		4,254,592
Total	\$	<u>5,508,778</u>

**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 18 EXPLANATION OF DIFFERENCES BETWEEN FUND STATEMENTS AND STATEMENT OF NET POSITION**

Below is an explanation of differences between the Statement of Cash Transactions – Governmental Fund Types and the Statement of Activities and Net Position – Cash Basis:

Total Fund Balance of Governmental Funds	\$ 12,241,073
--	---------------

An internal service fund is used by the City to charge the costs of medical and dental plans and liability insurance coverage to the individual funds. A portion of the assets of the internal service fund are included in governmental activities in the statement of net position.

<u>587,741</u>
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Net Position of Governmental Activities	<u><u>\$ 12,828,814</u></u>
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Below is an explanation of differences between the Statement of Cash Transactions – Proprietary Fund Types and the Statement of Activities and Net Position – Cash Basis:

Net Position of Enterprise Funds	\$ 5,290,488
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An internal service fund is used by the City to charge the costs of medical and dental plans and liability insurance coverage to the individual funds. A portion of the assets of the internal service fund are included in business-type activities in the statement of net position.

<u>158,844</u>
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Net Position of Business-Type Activities	<u><u>\$ 5,449,332</u></u>
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**NOTE 19 EXPLANATION OF DIFFERENCES BETWEEN FUND STATEMENTS AND STATEMENT OF ACTIVITIES**

Below is an explanation of differences between the Statement of Cash Transactions – Governmental Fund Types and the Statement of Activities and Net Position – Cash Basis:

Change in Fund Balance of Governmental Funds	\$ (670,067)
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A portion of the net change in net position of the internal service fund is reported with governmental activities.

<u>(240,423)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (910,490)</u></u>
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**CITY OF KEWANEE, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 19 EXPLANATION OF DIFFERENCES BETWEEN FUND STATEMENTS AND STATEMENT OF ACTIVITIES (CONTINUED)**

Below is an explanation of differences between the Statement of Cash Transactions – Proprietary Fund Types and the Statement of Activities and Net Position – Cash Basis:

Change in Net Position of Enterprise Funds	\$ (635,029)
A portion of the net change in net position of the internal service fund is reported with business-type activities.	<u>(76,956)</u>
Change in Net Position of Business-Type Activities	<u><u>\$ (711,985)</u></u>

**NOTE 20 POSTEMPLOYMENT HEALTH PLAN**

In July 2016, the City adopted a resolution for providing a plan for postemployment health benefits for the 8 eligible firefighters hired prior to May 1, 2010. Under this plan the employee's accumulated sick leave will be placed in a postemployment health benefit plan, along with a \$20,000 contribution per employee. Employees can then use their proceeds to make premium payments or to pay for other health care related costs after their employment with the City has ended. The City paid \$53,333 during fiscal year 2017 for this plan.

**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF CASH TRANSACTIONS**  
**ALL FUND TYPES**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	Governmental Fund Types					Proprietary Fund Types			City-Wide
	General	Special Revenue	Debt Service	Capital Projects	Total	Enterprise	Internal Service	Total	Total
<b>RECEIPTS</b>									
Taxes	\$ 853,000	\$ 2,053,565	\$ 292,190	\$ -	\$ 3,198,755	\$ -	\$ -	\$ -	\$ 3,198,755
Licenses and Permits	372,681	-	-	-	372,681	1,311	-	1,311	373,992
Intergovernmental Receipts	3,848,154	328,698	-	615,115	4,791,967	-	-	-	4,791,967
Charges for Services	554,619	20,095	-	-	574,714	4,841,573	1,229,099	6,070,672	6,645,386
Interest Income	65,952	8,429	2,042	2,677	79,100	21,032	2,701	23,733	102,833
Fines and Forfeits	140,377	-	-	-	140,377	118,043	-	118,043	258,420
Contributions	71,560	8,626	-	-	80,186	-	-	-	80,186
Other Receipts	467,684	39,857	-	3,057	510,598	87,864	181,024	268,888	779,486
Total Receipts	6,374,027	2,459,270	294,232	620,849	9,748,378	5,069,823	1,412,824	6,482,647	16,231,025
<b>DISBURSEMENTS</b>									
General Government	519,510	842,447	-	60,868	1,422,825	-	-	-	1,422,825
Public Safety	4,978,445	917,032	-	-	5,895,477	-	-	-	5,895,477
Public Works and Transportation	641,911	464,374	-	380,556	1,486,841	-	-	-	1,486,841
Culture and Recreation	77,765	-	-	-	77,765	-	-	-	77,765
Development	59,156	248,473	-	-	307,629	-	-	-	307,629
Personal	-	-	-	-	-	1,400,020	1,537,159	2,937,179	2,937,179
Contractual	-	-	-	-	-	1,983,483	95,129	2,078,612	2,078,612
Commodities	-	-	-	-	-	482,643	93,688	576,331	576,331
Capital Expenditures	-	-	-	-	-	1,360,860	2,952	1,363,812	1,363,812
Other	-	-	-	-	-	3,026	1,275	4,301	4,301
Debt Service:									
Principal Retirement	27,500	69,438	1,229,235	235,000	1,561,173	-	-	-	1,561,173
Interest and Fiscal Charges	6,466	15,006	307,168	110,915	439,555	-	-	-	439,555
Total Disbursements	6,310,753	2,556,770	1,536,403	787,339	11,191,265	5,230,032	1,730,203	6,960,235	18,151,500
<b>CHANGE IN CASH BALANCES</b>	63,274	(97,500)	(1,242,171)	(166,490)	(1,442,887)	(160,209)	(317,379)	(477,588)	(1,920,475)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	102,802	47,195	839,306	376,377	1,365,680	733,934	-	733,934	2,099,614
Transfers Out	(608,137)	(19,597)	(152,606)	(110,520)	(890,860)	(1,208,754)	-	(1,208,754)	(2,099,614)
Proceeds from Bond Sale	-	-	298,000	-	298,000	-	-	-	298,000
Total Other Financing Sources (Uses)	(505,335)	27,598	984,700	265,857	772,820	(474,820)	-	(474,820)	298,000
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	(442,061)	(69,902)	(257,471)	99,367	(670,067)	(635,029)	(317,379)	(952,408)	(1,622,475)
Cash Balances - April 30, 2016	5,237,988	1,675,671	1,467,250	4,530,231	12,911,140	5,925,517	1,063,964	6,989,481	19,900,621
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 4,795,927</u>	<u>\$ 1,605,769</u>	<u>\$ 1,209,779</u>	<u>\$ 4,629,598</u>	<u>\$ 12,241,073</u>	<u>\$ 5,290,488</u>	<u>\$ 746,585</u>	<u>\$ 6,037,073</u>	<u>\$ 18,278,146</u>
<b>CASH BASIS FUND BALANCES/NET POSITION</b>									
Restricted - Nonexpendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,076,925	\$ -	\$ 1,076,925	\$ 1,076,925
Restricted - Expendable	226,600	1,507,667	-	435,780	2,170,047	2,289,994	-	2,289,994	4,460,041
Assigned	-	105,181	1,209,779	4,193,818	5,508,778	-	-	-	5,508,778
Unrestricted	-	-	-	-	-	1,923,569	746,585	2,670,154	2,670,154
Unassigned	4,569,327	(7,079)	-	-	4,562,248	-	-	-	4,562,248
Total Cash Basis Fund Balances/Net Position	<u>\$ 4,795,927</u>	<u>\$ 1,605,769</u>	<u>\$ 1,209,779</u>	<u>\$ 4,629,598</u>	<u>\$ 12,241,073</u>	<u>\$ 5,290,488</u>	<u>\$ 746,585</u>	<u>\$ 6,037,073</u>	<u>\$ 18,278,146</u>

**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF CASH TRANSACTIONS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	Total Nonmajor Governmental Funds	Audit Fund	Liability Insurance Fund	Motor Fuel Tax Fund	Municipal Retirement Fund	Social Security Fund	Chlorination of Sewer Fund
<b>RECEIPTS</b>							
Taxes	\$ 2,345,755	\$ 29,759	\$ 396,745	\$ -	\$ 223,185	\$ 223,185	\$ -
Intergovernmental Receipts	328,698	-	-	328,698	-	-	-
Charges for Services	20,095	-	-	-	-	-	-
Interest Income	10,471	7	106	1,358	60	59	-
Contributions	8,626	-	-	-	-	-	-
Other Receipts	40,690	-	5,619	-	-	-	-
Total Receipts	<u>2,754,335</u>	<u>29,766</u>	<u>402,470</u>	<u>330,056</u>	<u>223,245</u>	<u>223,244</u>	<u>-</u>
<b>DISBURSEMENTS</b>							
General Government	903,315	32,900	340,689	-	217,678	196,660	-
Public Safety	917,032	-	-	-	-	-	-
Public Works and Transportation	464,374	-	-	433,800	-	-	-
Development	248,473	-	-	-	-	-	-
Debt Service:	-	-	-	-	-	-	-
Principal Retirement	1,298,673	-	-	-	-	-	-
Interest and Fiscal Charges	322,174	-	-	-	-	-	-
Total Disbursements	<u>4,154,041</u>	<u>32,900</u>	<u>340,689</u>	<u>433,800</u>	<u>217,678</u>	<u>196,660</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,399,706)	(3,134)	61,781	(103,744)	5,567	26,584	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	921,501	-	-	-	-	-	-
Transfers Out	(172,203)	-	-	-	-	-	-
Proceeds from Bond Sale	298,000	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,047,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	(352,408)	(3,134)	61,781	(103,744)	5,567	26,584	-
Cash Balances - April 30, 2016	3,179,727	(3,945)	174,689	397,800	35,292	(9,193)	585
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 2,827,319</u>	<u>\$ (7,079)</u>	<u>\$ 236,470</u>	<u>\$ 294,056</u>	<u>\$ 40,859</u>	<u>\$ 17,391</u>	<u>\$ 585</u>
<b>CASH BASIS FUND BALANCES</b>							
Restricted	1,507,667	\$ -	\$ 230,640	\$ 292,236	\$ 40,720	\$ 17,332	\$ 583
Assigned	1,326,731	-	5,830	1,820	139	59	2
Unassigned	(7,079)	(7,079)	-	-	-	-	-
Total Cash Basis Fund Balances	<u>\$ 2,827,319</u>	<u>\$ (7,079)</u>	<u>\$ 236,470</u>	<u>\$ 294,056</u>	<u>\$ 40,859</u>	<u>\$ 17,391</u>	<u>\$ 585</u>



**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF CASH TRANSACTIONS**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	Unemployment Insurance Fund	CDAP Housing Fund	TIF Development Fund	IEPA Water Loan Fund	Revolving Loan Fund	2015 Bond Fund	2011A Sewer Bond Fund
<b>RECEIPTS</b>							
Taxes	\$ -	\$ -	\$ 263,902	\$ -	\$ -	\$ 292,190	\$ -
Intergovernmental Receipts	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-
Interest Income	-	8	967	-	5,610	1,965	77
Contributions	-	-	-	-	-	-	-
Other Receipts	-	-	4,512	-	29,726	-	-
Total Receipts	-	8	269,381	-	35,336	294,155	77
<b>DISBURSEMENTS</b>							
General Government	29,270	-	25,250	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Public Works and Transportation	-	-	30,574	-	-	-	-
Development	-	10,000	25,973	-	212,500	-	-
Debt Service:							
Principal Retirement	-	-	69,438	41,635	-	347,600	-
Interest and Fiscal Charges	-	-	15,006	15,564	-	176,786	-
Total Disbursements	29,270	10,000	166,241	57,199	212,500	524,386	-
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(29,270)	(9,992)	103,140	(57,199)	(177,164)	(230,231)	77
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	-	47,195	57,199	-	-	-
Transfers Out	-	-	-	-	-	-	(152,606)
Proceeds from Bond Sale	-	-	-	-	-	298,000	-
Total Other Financing Sources (Uses)	-	-	47,195	57,199	-	298,000	(152,606)
<b>NET CHANGE IN CASH FUND BALANCES</b>	(29,270)	(9,992)	150,335	-	(177,164)	67,769	(152,529)
Cash Balances - April 30, 2016	49,327	12,975	106,534	23,288	888,703	289,545	152,529
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 20,057</u>	<u>\$ 2,983</u>	<u>\$ 256,869</u>	<u>\$ 23,288</u>	<u>\$ 711,539</u>	<u>\$ 357,314</u>	<u>\$ -</u>
<b>CASH BASIS FUND BALANCES</b>							
Restricted	\$ 20,055	\$ 2,962	\$ 196,095	\$ -	\$ 675,016	\$ -	\$ -
Assigned	2	21	60,774	23,288	36,523	357,314	-
Unassigned	-	-	-	-	-	-	-
Total Cash Basis Fund Balances	<u>\$ 20,057</u>	<u>\$ 2,983</u>	<u>\$ 256,869</u>	<u>\$ 23,288</u>	<u>\$ 711,539</u>	<u>\$ 357,314</u>	<u>\$ -</u>

**CITY OF KEWANEE, ILLINOIS  
COMBINING SCHEDULE OF CASH TRANSACTIONS  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	2013 Bond Fund	2011B Alternate Bond Fund	Capital Maint./ Municipal Building Fund	Firefighters' Pension Fund	Police Pension Fund	Perpetual Care Fund
<b>RECEIPTS</b>						
Taxes	\$ -	\$ -	\$ -	\$ 442,430	\$ 474,359	\$ -
Intergovernmental Receipts	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	20,095
Interest Income	-	-	-	117	126	11
Contributions	-	-	-	4,127	4,499	-
Other Receipts	-	-	833	-	-	-
Total Receipts	-	-	833	446,674	478,984	20,106
<b>DISBURSEMENTS</b>						
General Government	-	-	60,868	-	-	-
Public Safety	-	-	-	442,547	474,485	-
Public Works and Transportation	-	-	-	-	-	-
Development	-	-	-	-	-	-
Debt Service:						
Principal Retirement	625,000	215,000	-	-	-	-
Interest and Fiscal Charges	101,503	13,315	-	-	-	-
Total Disbursements	726,503	228,315	60,868	442,547	474,485	-
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(726,503)	(228,315)	(60,035)	4,127	4,499	20,106
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	553,792	228,315	35,000	-	-	-
Transfers Out	-	-	-	-	-	(19,597)
Proceeds from Bond Sale	-	-	-	-	-	-
Total Other Financing Sources (Uses)	553,792	228,315	35,000	-	-	(19,597)
<b>NET CHANGE IN CASH FUND BALANCES</b>	(172,711)	-	(25,035)	4,127	4,499	509
Cash Balances - April 30, 2016	1,001,888	-	36,806	-	-	22,904
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 829,177</u>	<u>\$ -</u>	<u>\$ 11,771</u>	<u>\$ 4,127</u>	<u>\$ 4,499</u>	<u>\$ 23,413</u>
<b>CASH BASIS FUND BALANCES</b>						
Restricted	\$ -	\$ -	\$ -	\$ 4,127	\$ 4,499	\$ 23,402
Assigned	829,177	-	11,771	-	-	11
Unassigned	-	-	-	-	-	-
Total Cash Basis Fund Balances	<u>\$ 829,177</u>	<u>\$ -</u>	<u>\$ 11,771</u>	<u>\$ 4,127</u>	<u>\$ 4,499</u>	<u>\$ 23,413</u>

**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF CASH TRANSACTIONS**  
**NONMAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS**  
**AS OF AND FOR THE YEAR ENDED APRIL 30, 2017**

	Nonmajor Enterprise Funds			Internal Service Funds		
	Total Nonmajor Enterprise Funds	IEPA Water Treatment Fund	Ambulance Fund	Total Internal Service Funds	Central Maintenance Fund	Health Insurance Fund
<b>RECEIPTS</b>						
Charges for Services	\$ 1,030	\$ -	\$ 1,030	\$ 1,229,099	\$ -	\$ 1,229,099
Interest Income	-	-	-	2,701	-	2,701
Other Receipts	-	-	-	181,024	-	181,024
Total Receipts	1,030	-	1,030	1,412,824	-	1,412,824
<b>DISBURSEMENTS</b>						
Personnel	-	-	-	1,537,159	69,925	1,467,234
Contractual	-	-	-	95,129	69,917	25,212
Commodities	-	-	-	93,688	93,688	-
Capital Expenditures	-	-	-	2,952	2,952	-
Other	-	-	-	1,275	1,275	-
Total Disbursements	-	-	-	1,730,203	237,757	1,492,446
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	1,030	-	1,030	(317,379)	(237,757)	(79,622)
<b>OTHER FINANCING USES</b>						
Transfers Out	(1,481)	-	(1,481)	-	-	-
<b>CHANGE IN CASH BASIS NET POSITION</b>	(451)	-	(451)	(317,379)	(237,757)	(79,622)
Cash Balances - April 30, 2016	27,088	25,606	1,482	1,063,964	309,191	754,773
<b>CASH BALANCES - APRIL 30, 2017</b>	<u>\$ 26,637</u>	<u>\$ 25,606</u>	<u>\$ 1,031</u>	<u>\$ 746,585</u>	<u>\$ 71,434</u>	<u>\$ 675,151</u>
<b>CASH BASIS NET POSITION</b>						
Restricted - Expendable	\$ 25,606	\$ 25,606	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,031	-	1,031	746,585	71,434	675,151
Total Cash Basis Net Position	<u>\$ 26,637</u>	<u>\$ 25,606</u>	<u>\$ 1,031</u>	<u>\$ 746,585</u>	<u>\$ 71,434</u>	<u>\$ 675,151</u>

**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF FIDUCIARY NET POSITION**  
**TRUST FUNDS**  
**AS OF APRIL 30, 2017**

	Total Trust Funds	Firefighters' Pension Trust Fund	Police Pension Trust Fund
<b>ASSETS</b>			
Cash in Bank	\$ 345,223	\$ 170,523	\$ 174,700
Money Market Funds	155,191	58,439	96,752
Interest Receivable	93,862	50,778	43,084
Investments:			
U.S. Government and Agency Obligations	3,988,932	3,671,824	317,108
State and Local Obligations	1,565,114	-	1,565,114
Mutual Funds	8,384,135	4,088,236	4,295,899
Certificates of Deposit	3,004,345	-	3,004,345
Annuities	3,294	3,294	-
Total Assets	<u>17,540,096</u>	<u>8,043,094</u>	<u>9,497,002</u>
<b>LIABILITIES</b>			
Payroll Benefits and Taxes Payable	<u>12,964</u>	<u>8,549</u>	<u>4,415</u>
<b>NET POSITION</b>	<u><u>\$ 17,527,132</u></u>	<u><u>\$ 8,034,545</u></u>	<u><u>\$ 9,492,587</u></u>

**CITY OF KEWANEE, ILLINOIS**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**TRUST FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Total Trust Funds	Firefighters' Pension Trust Fund	Police Pension Trust Fund
<b>ADDITIONS</b>			
Net Appreciation in Fair Value of Investments	\$ 857,369	\$ 355,788	\$ 501,581
Realized Gain on Investments	112,181	112,181	-
Capital Gains	66,672	66,672	-
Interest (Net of Investment Expenses)	222,920	69,566	153,354
Dividends	137,592	71,607	65,985
Employer Contributions	917,032	442,547	474,485
Employee Contributions	217,066	85,536	131,530
Total Additions	<u>2,530,832</u>	<u>1,203,897</u>	<u>1,326,935</u>
<b>DEDUCTIONS</b>			
Benefit Payments - Retired and Disabled	1,428,430	829,019	599,411
Benefit Payments - Surviving Spouse	282,851	86,177	196,674
Administrative Expenses	21,663	9,006	12,657
Total Deductions	<u>1,732,944</u>	<u>924,202</u>	<u>808,742</u>
<b>CHANGE IN NET POSITION</b>	797,888	279,695	518,193
Net Position - Beginning of Year	<u>16,729,244</u>	<u>7,754,850</u>	<u>8,974,394</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 17,527,132</u></u>	<u><u>\$ 8,034,545</u></u>	<u><u>\$ 9,492,587</u></u>

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**ALL FUND TYPES**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Taxes	\$ 3,451,702	\$ 3,451,702	\$ 3,198,755	\$ (252,947)
Licenses and Permits	397,335	397,335	373,992	(23,343)
Intergovernmental Receipts	4,653,058	4,653,058	4,791,967	138,909
Charges for Services	5,431,768	5,431,768	6,645,386	1,213,618
Interest Income	49,824	49,824	102,833	53,009
Fines and Forfeits	246,430	246,430	258,420	11,990
Contributions	-	-	80,186	80,186
Other Receipts	693,837	693,837	779,486	85,649
Total Receipts	14,923,954	14,923,954	16,231,025	1,307,071
<b>DISBURSEMENTS</b>				
General Government	1,354,826	1,354,826	1,422,825	67,999
Public Safety	5,149,887	5,263,887	5,895,477	631,590
Public Works and Transportation	1,653,015	1,653,015	1,486,841	(166,174)
Health and Welfare	251,261	251,261	-	(251,261)
Culture and Recreation	78,156	78,156	77,765	(391)
Development	636,612	706,612	307,629	(398,983)
Personnel	2,746,278	2,746,278	2,937,179	190,901
Contractual	2,498,324	2,498,324	2,078,612	(419,712)
Commodities	598,181	598,181	576,331	(21,850)
Capital Expenditures	4,153,215	4,153,215	1,363,812	(2,789,403)
Other	27,000	27,000	4,301	(22,699)
Debt Service:				
Principal Retirement	1,246,074	1,246,074	1,561,173	315,099
Interest and Fiscal Charges	422,725	422,725	439,555	16,830
Total Disbursements	20,815,554	20,999,554	18,151,500	(2,848,054)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(5,891,600)	(6,075,600)	(1,920,475)	4,155,125
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,973,980	2,973,980	2,099,614	(874,366)
Transfers Out	(1,912,640)	(1,912,640)	(2,099,614)	(186,974)
Proceeds from Bond Sale	-	-	298,000	298,000
Total Other Financing Sources (Uses)	1,071,057	1,071,057	298,000	(773,057)
<b>NET CHANGE IN CASH BALANCES</b>	<u>\$ (4,820,543)</u>	<u>\$ (5,004,543)</u>	(1,622,475)	<u>\$ 3,382,068</u>
Balances - April 30, 2016			19,900,621	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 18,278,146</u>	

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Taxes	\$ 753,741	\$ 753,741	\$ 853,000	\$ 99,259
Licenses and Permits	396,135	396,135	372,681	(23,454)
Intergovernmental Receipts	3,937,958	3,937,958	3,848,154	(89,804)
Charges for Services	566,731	566,731	554,619	(12,112)
Interest Income	36,000	36,000	65,952	29,952
Fines and Forfeits	119,750	119,750	140,377	20,627
Contributions	-	-	71,560	71,560
Other Receipts	530,120	530,120	467,684	(62,436)
Total Receipts	6,340,435	6,340,435	6,374,027	33,592
<b>DISBURSEMENTS</b>				
General Government	469,874	469,874	519,510	49,636
Public Safety	4,225,412	4,339,412	4,978,445	639,033
Public Works and Transportation	1,036,801	1,036,801	641,911	(394,890)
Culture and Recreation	78,156	78,156	77,765	(391)
Development	396,712	396,712	59,156	(337,556)
Debt Service:				
Principal Retirement	-	-	27,500	27,500
Interest and Fiscal Charges	-	-	6,466	6,466
Total Disbursements	6,206,955	6,320,955	6,310,753	(10,202)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	133,480	19,480	63,274	43,794
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	119,801	119,801	102,802	(16,999)
Transfers Out	(775,549)	(775,549)	(608,137)	167,412
Total Other Financing Sources (Uses)	(655,748)	(655,748)	(505,335)	150,413
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ (522,268)</u>	<u>\$ (636,268)</u>	(442,061)	<u>\$ 194,207</u>
Balances - April 30, 2016			5,237,988	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 4,795,927</u>	

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**ACQUISITION FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Total Receipts	\$ -	\$ -	\$ -	\$ -
<b>DISBURSEMENTS</b>				
Public Works and Transportation	308,500	308,500	120,888	(187,612)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(308,500)	(308,500)	(120,888)	187,612
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	312,750	312,750	312,750	-
Transfers Out	(53,321)	(53,321)	(53,321)	-
Total Other Financing Sources (Uses)	259,429	259,429	259,429	-
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ (49,071)</u>	<u>\$ (49,071)</u>	138,541	<u>\$ 187,612</u>
Balances - April 30, 2016			3,995,835	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 4,134,376</u>	



**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**NHR SALES TAX INFRASTRUCTURE IMPROVEMENT FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Intergovernmental Receipts	\$ 625,000	\$ 625,000	\$ 615,115	\$ (9,885)
Interest Income	1,500	1,500	2,677	1,177
Other Receipts	-	-	2,224	2,224
Total Receipts	626,500	626,500	620,016	(6,484)
<b>DISBURSEMENTS</b>				
Public Works and Transportation	749,349	749,349	259,668	(489,681)
Debt Service:				
Principal Retirement	235,000	235,000	235,000	-
Interest and Fiscal Charges	110,915	110,915	110,915	-
Total Disbursements	1,095,264	1,095,264	605,583	(489,681)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(468,764)	(468,764)	14,433	483,197
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	28,627	28,627
Transfers Out	(57,199)	(57,199)	(57,199)	-
Total Other Financing Sources (Uses)	(57,199)	(57,199)	(28,572)	28,627
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ (525,963)</u>	<u>\$ (525,963)</u>	(14,139)	<u>\$ 511,824</u>
Balances - April 30, 2016			497,590	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 483,451</u>	

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**SANITATION FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Charges for Services	\$ 968,000	\$ 968,000	\$ 1,016,867	\$ 48,867
Interest Income	10	10	-	(10)
Fines and Forfeits	28,000	28,000	26,331	(1,669)
Other Receipts	-	-	508	508
Total Receipts	996,010	996,010	1,043,706	47,696
<b>DISBURSEMENTS</b>				
Personnel	411,793	411,793	408,372	(3,421)
Contractual	557,425	557,425	580,667	23,242
Commodities	32,350	32,350	19,458	(12,892)
Capital Expenditures	7,000	7,000	15,775	8,775
Other	-	-	20	20
Total Disbursements	1,008,568	1,008,568	1,024,292	15,724
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(12,558)	(12,558)	19,414	31,972
<b>OTHER FINANCING USES</b>				
Transfers Out	(115,539)	(115,539)	(92,250)	23,289
<b>CHANGE IN CASH NET POSITION</b>	<u>\$ (128,097)</u>	<u>\$ (128,097)</u>	(72,836)	<u>\$ 55,261</u>
Balances - April 30, 2016			314,710	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 241,874</u>	

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**WATER FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget			Over (Under)
	Original	Final	Actual	Budget
<b>RECEIPTS</b>				
Licenses and Permits	\$ 1,200	\$ 1,200	\$ 1,311	\$ 111
Charges for Services	2,238,444	2,238,444	2,172,194	(66,250)
Interest Income	1,250	1,250	12,914	11,664
Fines and Forfeits	66,500	66,500	62,411	(4,089)
Other Receipts	-	-	303	303
Total Receipts	2,307,394	2,307,394	2,249,133	(58,261)
<b>DISBURSEMENTS</b>				
Personnel	640,126	640,126	613,787	(26,339)
Contractual	724,119	724,119	455,864	(268,255)
Commodities	417,778	417,778	261,289	(156,489)
Capital Expenditures	1,896,000	1,896,000	56,491	(1,839,509)
Other	1,800	1,800	1,010	(790)
Total Disbursements	3,679,823	3,679,823	1,388,441	(2,291,382)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,372,429)	(1,372,429)	860,692	2,233,121
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	152,606	152,606
Transfers Out	(648,659)	(648,659)	(1,031,500)	(382,841)
Total Other Financing Sources (Uses)	(648,659)	(648,659)	(878,894)	(230,235)
<b>CHANGE IN CASH NET POSITION</b>	<u>\$ (2,021,088)</u>	<u>\$ (2,021,088)</u>	(18,202)	<u>\$ 2,002,886</u>
Balances - April 30, 2016			2,657,411	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 2,639,209</u>	

**CITY OF KEWANEE, ILLINOIS**  
**SCHEDULE OF CASH TRANSACTIONS – BUDGET TO ACTUAL**  
**SEWER FUND**  
**YEAR ENDED APRIL 30, 2017**

	Budget		Actual	Over (Under) Budget
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 1,610,093	\$ 1,610,093	\$ 1,586,198	\$ (23,895)
Interest Income	1,500	1,500	3,318	1,818
Fines and Forfeits	32,180	32,180	29,301	(2,879)
Other Receipts	25,000	25,000	71,349	46,349
Total Receipts	1,668,773	1,668,773	1,690,166	21,393
<b>DISBURSEMENTS</b>				
Personnel	169,359	169,359	161,166	(8,193)
Contractual	950,795	950,795	936,973	(13,822)
Commodities	112,703	112,703	176,795	64,092
Capital Expenditures	1,277,000	1,277,000	1,285,299	8,299
Other	1,000	1,000	1,980	980
Total Disbursements	2,510,857	2,510,857	2,562,213	51,356
<b>DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS</b>	(842,084)	(842,084)	(872,047)	(29,963)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	400,000	400,000
Transfers Out	(73,792)	(73,792)	(73,792)	-
Total Other Financing Sources (Uses)	(73,792)	(73,792)	326,208	400,000
<b>CHANGE IN CASH NET POSITION</b>	<u>\$ (915,876)</u>	<u>\$ (915,876)</u>	(545,839)	<u>\$ 370,037</u>
Balances - April 30, 2016			1,811,437	
<b>BALANCES - APRIL 30, 2017</b>			<u>\$ 1,265,598</u>	