

CITY OF LITCHFIELD
LITCHFIELD, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED APRIL 30, 2022

CITY OF LITCHFIELD, ILLINOIS
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INDEPENDENT AUDITOR’S REPORT

City Council
 City of Litchfield
 Litchfield, Illinois 62056

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Illinois (the City), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Statement of Net Position	Qualified
Statement of Activities	Qualified
Governmental Fund Financial Statements	Unmodified
Proprietary Fund Financial Statements	Qualified
Fiduciary Fund Financial Statements	Unmodified

Qualified Opinion on the Government-Wide Financial Statements and Proprietary Fund Financial Statements

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the 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, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Fund and Fiduciary Fund Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position Governmental Funds, Fiduciary Funds, and the aggregate remaining fund information of the City, as of April 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Government-Wide Financial Statements and Proprietary Fund Financial Statements

Management has elected not to implement GASB Statement 68, *Accounting and Financial Reporting for Pensions*, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The financial statement effects of not implementing these standards are not reasonably determinable, but are presumed to be material.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters we identified during the audit.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 15, 2023

**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***

City Council
City of Litchfield
Litchfield, Illinois 62056

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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Litchfield, Illinois (the City), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 15, 2023. We expressed a qualified opinion on the government-wide financial statements and the proprietary fund financial statements because the City elected not to implement GASB Statement 68, *Accounting and Financial Reporting for Pensions*, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 *Governmental Auditing Standards*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 15, 2023

CITY OF LITCHFIELD, ILLINOIS
Statement of Net Position
April 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 12,424,792	\$ 3,464,222	\$ 15,889,014
Receivables, net of allowance for uncollectibles	83,907	364,032	447,939
Property taxes receivable	3,454,731	-	3,454,731
Intergovernmental receivable	1,193,204	-	1,193,204
Notes receivable	79,282	-	79,282
Prepaid items	297,258	75,217	372,475
Total current assets	<u>17,533,174</u>	<u>3,903,471</u>	<u>21,436,645</u>
Noncurrent assets			
Notes receivable	367,794	-	367,794
Capital assets not being depreciated			
Land	3,811,496	598,744	4,410,240
Construction in progress	2,425,521	1,441,599	3,867,120
Capital assets net of accumulated depreciation			
Buildings	2,393,611	-	2,393,611
Plant and equipment	1,937,524	16,996,234	18,933,758
Infrastructure	12,851,762	-	12,851,762
Total noncurrent assets	<u>23,787,708</u>	<u>19,036,577</u>	<u>42,824,285</u>
Total assets	<u>41,320,882</u>	<u>22,940,048</u>	<u>64,260,930</u>
LIABILITIES			
Current liabilities			
Accounts payable	300,717	192,431	493,148
Accrued liabilities	124,362	26,858	151,220
Customer deposits	20,000	209,246	229,246
Accrued interest payable	42,131	61,770	103,901
Current maturities			
Notes payable	251,810	94,664	346,474
Bonds payable	374,002	-	374,002
Illinois EPA Revolving Fund	-	742,611	742,611
Total current liabilities	<u>1,113,022</u>	<u>1,327,580</u>	<u>2,440,602</u>
Noncurrent liabilities			
Compensated absences	150,567	20,342	170,909
Notes payable, less current maturities	1,622,132	155,620	1,777,752
Bonds payable, less current maturities	5,173,323	-	5,173,323
Illinois EPA Revolving Fund, less current maturities	-	5,825,720	5,825,720
Total noncurrent liabilities	<u>6,946,022</u>	<u>6,001,682</u>	<u>12,947,704</u>
Total liabilities	<u>8,059,044</u>	<u>7,329,262</u>	<u>15,388,306</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	3,454,731	-	3,454,731
Total deferred inflows of resources	<u>3,454,731</u>	<u>-</u>	<u>3,454,731</u>
NET POSITION			
Net investment in capital assets	15,998,647	12,217,962	28,216,609
Restricted for			
Public safety	19,079	-	19,079
Highways and streets	652,551	-	652,551
Economic development	7,076,235	-	7,076,235
Debt service	146,940	-	146,940
Unrestricted	5,913,655	3,392,824	9,306,479
Total net position	<u>\$ 29,807,107</u>	<u>\$ 15,610,786</u>	<u>\$ 45,417,893</u>

CITY OF LITCHFIELD, ILLINOIS
Statement of Activities
Year Ended April 30, 2022

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 1,838,126	\$ 1,582,788	\$ 994,911	\$ -	\$ 739,573	\$ -	\$ 739,573
Public safety	4,275,402	533,317	-	-	(3,742,085)	-	(3,742,085)
Highways and streets	1,340,941	-	-	-	(1,340,941)	-	(1,340,941)
Economic development	418,425	-	-	-	(418,425)	-	(418,425)
Culture and recreation	844,558	-	-	-	(844,558)	-	(844,558)
Interest	227,716	-	-	-	(227,716)	-	(227,716)
Total governmental activities	<u>8,945,168</u>	<u>2,116,105</u>	<u>994,911</u>	<u>-</u>	<u>(5,834,152)</u>	<u>-</u>	<u>(5,834,152)</u>
Business-type activities							
Waterworks	2,166,634	2,148,537	-	-	-	(18,097)	(18,097)
Sewerage	2,065,236	2,054,206	-	-	-	(11,030)	(11,030)
Total business-type activities	<u>4,231,870</u>	<u>4,202,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,127)</u>	<u>(29,127)</u>
Total primary government	<u>\$ 13,177,038</u>	<u>\$ 6,318,848</u>	<u>\$ 994,911</u>	<u>\$ -</u>	<u>(5,834,152)</u>	<u>(29,127)</u>	<u>(5,863,279)</u>
		General revenues					
		Property taxes			2,928,060	-	2,928,060
		Sales taxes			5,103,527	-	5,103,527
		State income taxes			1,030,369	-	1,030,369
		Other taxes			969,828	-	969,828
		Miscellaneous revenues			122,731	14,524	137,255
		Unrestricted investment earnings			87,527	78,757	166,284
		Transfers			(810,000)	810,000	-
		Total general revenues and transfers			<u>9,432,042</u>	<u>903,281</u>	<u>10,335,323</u>
		CHANGE IN NET POSITION			3,597,890	874,154	4,472,044
		Net position at May 1, 2021, as previously stated			<u>20,464,836</u>	<u>14,736,632</u>	<u>35,201,468</u>
		Prior Period Adjustment			5,744,381	-	5,744,381
		Net position at May 1, 2021, as restated			<u>26,209,217</u>	<u>14,736,632</u>	<u>40,945,849</u>
		Net position at April 30, 2022			<u>\$ 29,807,107</u>	<u>\$ 15,610,786</u>	<u>\$ 45,417,893</u>

CITY OF LITCHFIELD, ILLINOIS
Balance Sheet
Governmental Funds
April 30, 2022

	General Fund	Tax Increment Financing Fund #1	Long-Term Economic Development Fund	West Side Expansion Project Debt Service	Other Governmental Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and investments	\$ 4,545,447	\$ 2,058,323	\$ 4,147,982	\$ 146,940	\$ 1,526,100	-	\$ 12,424,792
Receivables for ambulance services, net	-	-	-	-	61,383	-	61,383
Property taxes receivable	1,582,292	1,152,113	-	-	720,326	-	3,454,731
Due from other funds	282,395	-	-	-	47,290	(329,685)	-
Intergovernmental receivable	1,169,933	-	-	-	23,271	-	1,193,204
Notes receivable	-	-	356,896	-	90,180	-	447,076
Other receivables	22,524	-	-	-	-	-	22,524
Prepaid items	251,396	-	-	-	45,862	-	297,258
Total assets	<u>\$ 7,853,987</u>	<u>\$ 3,210,436</u>	<u>\$ 4,504,878</u>	<u>\$ 146,940</u>	<u>\$ 2,514,412</u>	<u>\$ (329,685)</u>	<u>\$ 17,900,968</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 155,803	\$ -	\$ -	\$ -	\$ 144,914	\$ -	\$ 300,717
Accrued liabilities	100,740	-	-	-	23,622	-	124,362
Customer deposits	20,000	-	-	-	-	-	20,000
Due to other funds	-	-	47,290	-	282,395	(329,685)	-
Total liabilities	<u>276,543</u>	<u>-</u>	<u>47,290</u>	<u>-</u>	<u>450,931</u>	<u>(329,685)</u>	<u>445,079</u>
Deferred inflows of resources							
Property taxes	<u>1,582,292</u>	<u>1,152,113</u>	<u>-</u>	<u>-</u>	<u>720,326</u>	<u>-</u>	<u>3,454,731</u>
Fund balances							
Nonspendable	251,396	-	-	-	45,862	-	297,258
Restricted							
Public safety	-	-	-	-	19,079	-	19,079
Highways and streets	-	-	-	-	652,551	-	652,551
Economic development	-	2,058,323	4,457,588	-	560,324	-	7,076,235
Debt service	-	-	-	146,940	-	-	146,940
Unassigned	5,743,756	-	-	-	65,339	-	5,809,095
Total fund balances	<u>5,995,152</u>	<u>2,058,323</u>	<u>4,457,588</u>	<u>146,940</u>	<u>1,343,155</u>	<u>-</u>	<u>14,001,158</u>
Total liabilities and fund balance	<u>\$ 7,853,987</u>	<u>\$ 3,210,436</u>	<u>\$ 4,504,878</u>	<u>\$ 146,940</u>	<u>\$ 2,514,412</u>	<u>\$ (329,685)</u>	<u>\$ 17,900,968</u>

CITY OF LITCHFIELD, ILLINOIS
Reconciliation of the Balance Sheet to the Statement of
Net Position - Governmental Funds
April 30, 2022

Fund balances for governmental funds		\$ 14,001,158
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	3,811,496	
Construction in progress	2,425,521	
Infrastructure, net	12,851,762	
Buildings, plant, and equipment, net	4,331,135	23,419,914

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Interest payable	(42,131)	
Notes payable	(1,873,942)	
Bonds payable	(5,547,325)	
Compensated absences	(150,567)	(7,613,965)

Net position of governmental activities		\$ 29,807,107
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CITY OF LITCHFIELD, ILLINOIS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2022

	General Fund	Tax Increment Financing Fund #1	Long-Term Economic Development Fund	West Side Expansion Project Debt Service	Other Governmental Funds	Eliminations	Total Governmental Funds
REVENUES							
Property taxes	\$ 1,576,641	\$ 1,106,114	\$ -	\$ -	\$ 245,305	\$ -	\$ 2,928,060
Charges for services	1,023,602	-	-	-	535,111	-	1,558,713
Fines and costs	71,202	-	-	-	-	-	71,202
Other taxes	6,519,558	-	-	-	584,166	-	7,103,724
Licenses and permits	486,190	-	-	-	-	-	486,190
Grants and donations	456,944	-	173,162	-	364,805	-	994,911
Investment earnings	25,359	13,854	38,376	454	9,484	-	87,527
Miscellaneous	57,598	-	13,962	-	31,574	-	103,134
Total revenues	<u>10,217,094</u>	<u>1,119,968</u>	<u>225,500</u>	<u>454</u>	<u>1,770,445</u>	<u>-</u>	<u>13,333,461</u>
EXPENDITURES							
Current							
General government	1,118,045	-	-	-	79,181	-	1,197,226
Public safety	2,982,410	-	-	-	1,082,146	-	4,064,556
Highways and streets	981,512	-	-	-	246,383	-	1,227,895
Economic development	183,696	216,629	11,996	-	6,066	-	418,387
Culture and recreation	608,943	-	-	-	119,236	-	728,179
Debt service							
Principal	254,433	-	-	362,988	-	-	617,421
Interest	168,736	-	-	58,980	-	-	227,716
Capital outlay	124,724	427,095	-	-	343,474	-	895,293
Total expenditures	<u>6,422,499</u>	<u>643,724</u>	<u>11,996</u>	<u>421,968</u>	<u>1,876,486</u>	<u>-</u>	<u>9,376,673</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	3,794,595	476,244	213,504	(421,514)	(106,041)	-	3,956,788
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	22,775	-	-	-	-	-	22,775
Proceeds from borrowings	1,725	-	-	-	-	-	1,725
Transfers in	3,019,810	-	750,000	421,968	265,000	(4,456,778)	-
Transfers out	(4,695,500)	-	(536,278)	-	(35,000)	4,456,778	(810,000)
Total other financing sources (uses)	<u>(1,651,190)</u>	<u>-</u>	<u>213,722</u>	<u>421,968</u>	<u>230,000</u>	<u>-</u>	<u>(785,500)</u>
NET CHANGE IN FUND BALANCES	2,143,405	476,244	427,226	454	123,959	-	3,171,288
Fund balances at May 1, 2021	<u>3,851,747</u>	<u>1,582,079</u>	<u>4,030,362</u>	<u>146,486</u>	<u>1,219,196</u>	<u>-</u>	<u>10,829,870</u>
Fund balances at April 30, 2022	<u>\$ 5,995,152</u>	<u>\$ 2,058,323</u>	<u>\$ 4,457,588</u>	<u>\$ 146,940</u>	<u>\$ 1,343,155</u>	<u>\$ -</u>	<u>\$ 14,001,158</u>

CITY OF LITCHFIELD, ILLINOIS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2022

Net change in fund balances for total governmental funds \$ 3,171,288

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	895,293	
Depreciation expense	<u>(1,106,536)</u>	(211,243)

Governmental funds report property tax revenues when measurable and available. However, in the Statement of Activities, the property tax revenues are recognized in the year in which they are levied for.

Principal payments of loans and notes payable 614,244

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	25,326	
Bond proceeds	<u>(1,725)</u>	<u>23,601</u>

Change in net position of governmental activities \$ 3,597,890

CITY OF LITCHFIELD, ILLINOIS

Statement of Net Position

Proprietary Funds

April 30, 2022

	Enterprise Funds		
	Waterworks Fund	Sewerage Fund	
ASSETS			
Current assets			
Cash and cash equivalents	2,786,522	677,700	\$ 3,464,222
Receivables (net of allowance for uncollectibles)	185,625	178,407	364,032
Prepaid items	42,296	32,921	75,217
Total current assets	<u>3,014,443</u>	<u>889,028</u>	<u>3,903,471</u>
Noncurrent assets			
Capital assets			
Land	576,244	22,500	598,744
Construction in progress	-	1,441,599	1,441,599
Plant and equipment	23,113,642	21,303,679	44,417,321
Less accumulated depreciation	(11,277,539)	(16,143,548)	(27,421,087)
Total capital assets (net of accumulated depreciation)	<u>12,412,347</u>	<u>6,624,230</u>	<u>19,036,577</u>
Total noncurrent assets	<u>12,412,347</u>	<u>6,624,230</u>	<u>19,036,577</u>
Total assets	<u>15,426,790</u>	<u>7,513,258</u>	<u>22,940,048</u>
LIABILITIES			
Current liabilities			
Accounts payable	37,683	154,748	192,431
Accrued liabilities	17,471	9,387	26,858
Compensated absences	20,342	-	20,342
Customer deposits payable	209,246	-	209,246
Accrued interest	53,740	8,030	61,770
Note payable for pension withdrawal	25,586	13,777	39,363
Illinois EPA Water Revolving Fund	742,611	-	742,611
Note payable for sewer flusher	-	55,301	55,301
Total current liabilities	<u>1,106,679</u>	<u>241,243</u>	<u>1,347,922</u>
Noncurrent liabilities			
Note payable for pension withdrawal	26,098	14,053	40,151
Note payable for sewer flusher	-	115,469	115,469
Illinois EPA Water Revolving Fund	5,825,720	-	5,825,720
Total noncurrent liabilities	<u>5,851,818</u>	<u>129,522</u>	<u>5,981,340</u>
Total liabilities	<u>6,958,497</u>	<u>370,765</u>	<u>7,329,262</u>
NET POSITION			
Net investment in capital assets	6,586,627	6,453,460	13,040,087
Unrestricted	1,881,666	689,033	2,570,699
Total net position	<u>\$ 8,468,293</u>	<u>\$ 7,142,493</u>	<u>\$ 15,610,786</u>

CITY OF LITCHFIELD, ILLINOIS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended April 30, 2022

	Enterprise Funds		
	Waterworks Fund	Sewerage	Total
OPERATING REVENUES			
Charges for service	2,148,537	2,054,206	\$ 4,202,743
Miscellaneous	11,150	3,374	14,524
Total operating revenue	<u>2,159,687</u>	<u>2,057,580</u>	<u>4,217,267</u>
OPERATING EXPENSES			
Salaries, wages and benefits	567,022	296,567	863,589
Contracted services	29,374	642,422	671,796
Utilities	152,550	108,195	260,745
Repairs and maintenance	120,133	342,607	462,740
Materials and supplies	286,206	11,234	297,440
Insurance	76,426	56,361	132,787
Depreciation	761,736	589,091	1,350,827
Miscellaneous operating expenses	2,869	3,749	6,618
Total operating expenses	<u>1,996,316</u>	<u>2,050,226</u>	<u>4,046,542</u>
Operating income	<u>163,371</u>	<u>7,354</u>	<u>170,725</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	42,613	36,144	78,757
Interest expense	(170,318)	(15,010)	(185,328)
Total non-operating expenses	<u>(127,705)</u>	<u>21,134</u>	<u>(106,571)</u>
Net income before transfers	<u>35,666</u>	<u>28,488</u>	<u>64,154</u>
Transfers in	2,626,752	851,000	3,477,752
Transfers out	(2,126,752)	(541,000)	(2,667,752)
Total transfers	<u>500,000</u>	<u>310,000</u>	<u>810,000</u>
CHANGE IN NET POSITION	535,666	338,488	874,154
Net position at May 1, 2021	<u>7,932,627</u>	<u>6,804,005</u>	<u>14,736,632</u>
Net position at April 30, 2022	<u>\$ 8,468,293</u>	<u>\$ 7,142,493</u>	<u>\$ 15,610,786</u>

CITY OF LITCHFIELD, ILLINOIS
Statement of Cash Flows
Proprietary Funds

	Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,268,227	\$ 2,108,817	\$ 4,377,044
Payment to suppliers	(665,300)	(1,038,224)	(1,703,524)
Payment to employees	(566,886)	(296,314)	(863,200)
Net cash provided by operating activities	<u>1,036,041</u>	<u>774,279</u>	<u>1,810,320</u>
Cash Flows From Noncapital Financing Activities			
Net transfers in - other funds	<u>500,000</u>	<u>310,000</u>	<u>810,000</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(11,100)	(1,918,777)	(1,929,877)
Principal paid on notes and capital debt	(854,079)	(469,113)	(1,323,192)
Interest paid on notes and capital debt	(170,318)	(15,010)	(185,328)
Net cash used in capital and related financial activities	<u>(1,035,497)</u>	<u>(2,402,900)</u>	<u>(3,438,397)</u>
Cash Flows From Investing Activities			
Interest received	<u>42,613</u>	<u>36,144</u>	<u>78,757</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>543,157</u>	<u>(1,282,477)</u>	<u>(739,320)</u>
Cash and cash equivalents at May 1, 2021	<u>2,243,365</u>	<u>1,960,177</u>	<u>4,203,542</u>
Cash and cash equivalents at April 30, 2022	<u>\$ 2,786,522</u>	<u>\$ 677,700</u>	<u>\$ 3,464,222</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 163,371	\$ 7,354	\$ 170,725
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	761,736	589,091	1,350,827
Change in assets and liabilities			
Accounts receivables	97,717	51,237	148,954
Prepaid expenses	3,144	(983)	2,161
Customer deposits	10,823	-	10,823
Accounts payable	(886)	127,327	126,441
Accrued liabilities	(584)	253	(331)
Compensated absences	720	-	720
Net cash provided by operating activities	<u>\$ 1,036,041</u>	<u>\$ 774,279</u>	<u>\$ 1,810,320</u>

CITY OF LITCHFIELD, ILLINOIS
Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2022

	Pension Trust Funds
ASSETS	
Cash and equivalents	\$ 799,487
Interest receivable	56,007
Investments	
Certificates of deposit	210,444
U.S. government obligations	3,784,280
Equity mutual funds	5,724,810
Foreign bonds and debentures	122,703
Corporate bonds	2,511,536
Total investments	12,353,773
Total assets	13,209,267
NET POSITION	
Restricted for pension benefits	\$ 13,209,267

CITY OF LITCHFIELD, ILLINOIS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended April 30, 2022

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 166,052
Plan members	919,740
	1,085,792
Investment income	
Interest and dividends	379,142
Net appreciation (depreciation) in fair value of investments	(1,288,781)
Investment expense	(29,417)
	(939,056)
Net investment income	(939,056)
Total additions	146,736
DEDUCTIONS	
Benefits	1,282,012
Administration expenses	52,408
	1,334,420
Total deductions	1,334,420
Change in Position	(1,187,684)
Beginning of year	14,396,951
End of year	\$ 13,209,267

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Litchfield, Illinois (the, “City”) was incorporated as a city on April 4, 1856. The City operates on a Council-City Administrator form of government and provides all municipal services to its residents.

The accounting policies and presentation of the basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (“GAAP”)). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Management has elected not to implement GASB Statement 68, *Accounting and Financial Reporting for Pensions*, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Pursuant to these criteria, no component units were identified for inclusion in the accompanying financial statements.

B. Basis of Presentation

The City’s basic financial statements consist of city-wide statements including the statement of net position and statement of activities and fund financial statements, which provide a more detailed level of financial information.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

City-wide Financial Statements

The city-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the City as a whole. These statements include financial activities of the primary government; fiduciary activities have been excluded. The effect of interfund activity has been removed from these statements. The city-wide statement of activities reflects both expenses and net cost of each function of the City's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues, which are not classified as program revenues, such as property taxes, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each city function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore, each is displayed in a separate column. All remaining governmental and proprietary funds are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of a City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. As such, fiduciary funds are not reported in the City-wide statements. The City's fiduciary funds include the Police and Fire Pension Trust Funds.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

C. Measurement Focus and Basis of Accounting

Governmental Funds

Measurement focus is a term used to describe *how* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

In the city-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. On this basis, revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which the taxes are levied. Grants are recognized as revenue when eligibility requirements are met, such as allowable costs having been incurred.

The governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Generally, only current financial assets and liabilities are included on the governmental funds' balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. Revenues are recognized when they become measurable and available. *Available* is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds

The proprietary funds' financial statements use the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Proprietary fund equity is classified as net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which the liability is incurred.

Proprietary fund operating revenues consist of charges for services and miscellaneous revenue resulting from the provision of services to users. Operating expenses are expenses incurred in providing the services, such as personal services, materials and supplies, and contractual services.

Fiduciary Funds

The measurement focus for fiduciary funds is the flow of economic resources. All fiduciary funds are accounted for using the accrual basis of accounting. On this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Fiduciary fund additions consist of employer and employee contributions and earnings on investments. Deductions include employee benefit payments and administrative costs.

Fund Types and Major Funds

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 Tax Increment Financing Fund #1, a special revenue fund, accounts for the City's redevelopment and community projects. Its primary source of funding is real property taxes.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Concluded)

Fund Types and Major Funds (Concluded)

The Long-Term Economic Development Fund, a special revenue fund, accounts for the City's major economic development projects. Its primary sources of funding are grants and debt proceeds.

The West Side Expansion Debt Service Fund is used to account for bonded debt associated with the City's commercial expansion to the west side of Interstate 55.

The City reports the following major enterprise funds:

The Waterworks Fund provides retail and wholesale service to the City and surrounding areas. Operation of the Waterworks Fund is designated to be self-supporting through user charges.

The Sewerage Fund provides wastewater service to the City and surrounding areas. Operation of the Sewerage Fund is designed to be self-supporting through user charges.

The City reports the following fiduciary funds:

The Firefighters' Pension Fund and the Police Pension Fund are pension trust funds, which account for activities as prescribed by the Illinois State Statutes.

D. Cash and Investments

The City's investments include broker-held money market accounts, certificates of deposit, U.S. government-secured bonds, corporate and foreign bonds, and mutual funds. These investments are held by the City's Police Pension Trust and Fire Pension Trust Funds and are recorded at fair value. The gains or losses on the sale of these investments are recognized upon realization. Market adjustments for these investments are recorded in the investment earnings in the current period of the pension trust funds. The fair value adjustments are based on quoted market prices at April 30, 2022 in actively traded markets.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Due To and Due From Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. Inter-fund receivables and payables are eliminated on the city-wide statements, when related to the Primary Government. Certain instances may arise where an inter-fund receivable or payable exists between the Primary Government and a Proprietary or Fiduciary Fund. These amounts are not eliminated on the city-wide statements.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities columns in the city-wide financial statements. The City is including infrastructure assets prospectively starting May 1, 2004. Capital assets are defined by the City as individual assets with an initial, individual cost of more than \$5,000 (\$10,000 land and land improvements, \$25,000 for building improvements, and \$50,000 for buildings and infrastructure assets) and an estimated useful life of 1 year or more. Such assets are recorded at historical cost if purchased or constructed, except for property, plant, and equipment acquired for which historical cost was not available and are valued based on estimated historical cost at that date.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3 – 20
Infrastructure	20 – 50
Buildings	40 – 50
Water & Sewer Equipment	5 – 10
Water & Sewer Systems	10 – 40

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

City employees are granted vacation, compensatory, sick, and personal time in various amounts. Vacation, compensatory, and personal time may be accumulated, and upon separation from service, employees are eligible to receive payment for their accumulated time. These amounts are accrued when incurred in the city-wide and proprietary fund financial statements. Sick time is granted to employees with no payout provision. Governmental funds record as an expenditure the amounts paid during the year that are liquidated with expendable resources. Governmental and business-type activities have recorded \$150,567 and \$20,342, respectively, as compensated absences. Compensated absences are classified as noncurrent on the city-wide financial statements.

H. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the city-wide and proprietary fund Statement of Net Position.

I. Concentration of Credit Risk

All users of the City's water and sewer systems are located within the same geographic area within Montgomery County, Illinois.

J. Fund Equity

City-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Concluded)

Fund Financial Statements

Fund balance is the difference between assets and liabilities in a governmental fund. The City reports a governmental fund's fund balance into the following classifications:

Non-spendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

Restricted includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or donors.

Committed includes amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned includes all spendable amounts not included in other classifications.

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. When an expenditure for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary fund equity is classified in the same categories and manner as the city-wide statements.

K. Property Taxes

The City's property tax is levied each calendar year on all taxable real property located in the City. The local taxing authority for the City of Litchfield, Illinois is Montgomery County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in December and are payable in two installments between the months of July and September of the subsequent year.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes (Concluded)

Property taxes are billed and collected by the County, which in turn, remits them to the City. Payments are typically made during the period July through November. The 2020 tax year levy, received during fiscal year 2022, was adopted by the City Council on December 3, 2020.

L. Prepaid Items

In governmental and business-type funds, prepaid expenditures/expenses are deferred and expensed over the term when the services are received.

M. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the City. Program specific grants and contributions (operations and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for program operations.

N. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until then. The City did not have any deferred outflows of resources as of April 30, 2022.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources reported in the governmental fund financial statements as unavailable revenue represent the amount of assets that have been recognized for which the related revenue has not been recognized since it was not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental funds consist of property tax receivables not collected within 60 days after year end.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

O. Interfund Transactions/Transfers

There are various types of interfund transactions and transfers that are reported as interfund items between the funds. Interfund services provided and used are recorded as revenue, expenditures, or expenses as if the transactions occurred outside the government. Interfund transactions, which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as a reduction of expenditures in the fund that is reimbursed. Interfund transfers are reported as other financing sources/uses in the fund financial statements. Transfers between governmental funds are eliminated in the government-wide Statement Activities.

P. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Related Party Transactions

There were no material related party transactions with the City officials or employees during the year ended April 30, 2022.

R. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all checking, savings, and money market accounts, which are highly liquid investments to be cash. Cash in excess of current requirements is invested in interest-bearing certificates of deposit and is considered to be a cash equivalent.

S. Date of Management's Review

Management has evaluated subsequent events through March 15, 2023, the date which the financial statements were available to be issued.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

The City's cash deposits consist of checking, savings accounts, money market accounts, and certificates of deposit. These deposits are stated at cost. The City is authorized by state statute to invest in obligations of the United States of America.

At April 30, 2022, the carrying amount and the bank balance of the City's cash deposits were \$16,688,501 and \$16,564,293 respectively. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of April 30, 2022, \$15,188,288 of the City's bank balance of \$16,564,293 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department in the City's name	<u>\$ 14,207,171</u>
Uninsured and collateralized	<u>\$ 181,630</u>
Uninsured and uncollateralized	<u>\$ 799,487</u>

Investments

The City invest excess cash into brokered certificates of deposits, U.S. government-secured bonds, corporate and foreign bonds, and mutual funds.

Custodial credit risk is the risk that in the event of a financial institution failure, the City's investment securities may not be returned to it. The City does not have an investment policy for custodial credit risk. As of April 30, 2022, the City's investments were exposed to custodial credit risk as follows:

Investment securities held by counterparty	<u>\$ 12,353,773</u>
--------------------------------------------	----------------------

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments 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 City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. The City utilizes third-party investment advisors to manage its exposure to fair value losses.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments as of April 30, 2022 are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Certificates of deposit	\$ 210,444	0.62
U.S. government obligations	3,784,280	8.31
Equity mutual funds	5,724,810	N/A
Foreign bonds and debentures	122,703	5.05
Corporate bonds	2,511,536	10.82
	<u>\$ 12,353,773</u>	

Credit Risk of Debt Securities

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligations to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. State law limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Other investments are invested as permitted by the Illinois Pension Code of the Illinois Compiled Statutes. Foreign currency risk, the risk that changes in exchange rates will adversely affect the fair value of an investment, is expected to be minor based on investment allocations.

NOTE 3: COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all of the City's funds. Certain funds maintain a portion of their cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally, certain funds participating in the common bank account may incur an overdraft (deficit) in the account. The overdraft results from expenditures which have been approved by the City. If this occurs, the overdraft constitutes an unauthorized inter-fund loan since the Council did not authorize it by a resolution.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 4: CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities

	Balance May 01, 2021	Additions	Deletions	Balance April 30, 2022
General Government				
Assets not depreciated:				
Land	\$ 3,811,496	\$ -	\$ -	\$ 3,811,496
Construction in Progress	2,227,845	299,269	(101,593)	2,425,521
Assets depreciated:				
Infrastructure	18,231,262	259,156	-	18,490,418
Buildings & Improvements	4,002,809	232,347	-	4,235,156
Equipment	6,750,212	206,114	-	6,956,326
Total Fixed Assets	35,023,624	996,886	(101,593)	35,918,917
Less: Accumulated Depreciation	(11,392,467)	(1,106,536)	-	(12,499,003)
Fixed Assets, net	<u>\$ 23,631,157</u>	<u>\$ (109,650)</u>	<u>\$ (101,593)</u>	<u>\$ 23,419,914</u>

Business-Type Activities

	Balance May 01, 2021	Additions	Deletions	Balance April 30, 2022
Waterworks Fund				
Assets not depreciated:				
Land	\$ 576,244	\$ -	\$ -	\$ 576,244
Assets depreciated:				
Plant & Equipment	23,102,542	11,100	-	23,113,642
Total Fixed Assets	23,678,786	11,100	-	23,689,886
Less: Accumulated Depreciation	(10,515,803)	(761,736)	-	(11,277,539)
Fixed Assets, net	<u>\$ 13,162,983</u>	<u>\$ (750,636)</u>	<u>\$ -</u>	<u>\$ 12,412,347</u>

	Balance May 01, 2021	Additions	Deletions	Balance April 30, 2022
Sewerage Fund				
Assets not depreciated:				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Construction in Progress	-	1,441,599	-	1,441,599
Assets depreciated:				
Plant & Equipment	20,826,501	477,178	-	21,303,679
Total Fixed Assets	20,849,001	1,918,777	-	22,767,778
Less: Accumulated Depreciation	(15,554,457)	(589,091)	-	(16,143,548)
Fixed Assets, net	<u>\$ 5,294,544</u>	<u>\$ 1,329,686</u>	<u>\$ -</u>	<u>\$ 6,624,230</u>

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 4: CHANGES IN CAPITAL ASSETS (CONCLUDED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 646,247
Public Safety	231,154
Highways and Streets	115,590
Culture and recreation	<u>113,545</u>
Total	<u>\$1,106,536</u>
Business-type activities:	
Water	\$ 761,736
Sewer	<u>589,091</u>
Total	<u>\$1,350,827</u>

NOTE 5: POST-EMPLOYMENT HEALTH CARE BENEFITS

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium and, if applicable, a 2% administration fee, is paid in full by the insured each month. This program is offered for a duration of 18 months after termination date and is subject to extension. There is no associated cost to the City under this program.

In addition to COBRA Benefits, in accordance with rules established through participation in the Illinois Municipal Retirement Fund, the City offers health insurance coverage to retirees. The cost for retirees to purchase coverage is the same as the amount active employees pay.

NOTE 6: FUND EQUITY

During the fiscal year ended April 30, 2022, the City had the following Non-spendable, Restricted, Committed, and Assigned fund balances:

Governmental Activities

a. Non-spendable

Fund	Amount
General Fund	\$ 251,396
Non-major Governmental Funds	<u>45,862</u>
Total	<u>\$ 297,258</u>

CITY OF LITCHFIELD
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2022

NOTE 6: FUND EQUITY (CONCLUDED)

Governmental Activities (Concluded)

b. Restricted

Fund	Amount
Non-major Governmental Funds - Public Safety	\$ 19,079
Non-major Governmental Funds - Highways and Streets	652,551
TIF #1 - Economic Development	2,058,323
Long-Term Economic Development Fund	4,457,588
Non-major Governmental Funds - Economic Development	560,324
Non-major Governmental Funds - Debt Service	146,940
Total	\$ 7,894,805

c. Committed

None

d. Assigned

None

NOTE 7: PENSION PLANS

Illinois Municipal Retirement Fund

Regular Employee Plan

A. 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 affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained on-line at www.imrf.org.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

Regular Employee Plan (Continued)

B. Funding Policies

As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate was 11.22 percent and 11.21 percent for the calendar years 2022 and 2021, 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.

For the fiscal year ending April 30, 2022, the City's actual contributions for pension cost for the Regular plan were \$194,556. The covered payroll for fiscal year ending April 30, 2022 (annual payroll of active employees covered by the plan) was \$3,847,717.

Police & Fire Pension Plans

A. Plan Descriptions

Police Pension Plan

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 plan, the defined benefits and employee and employer contributions levels are governed by Illinois State Statutes (Chapter 40 1/2 Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. For fiscal year ending April 30, 2022, the employer and employee contributions made were \$502,902 and \$85,521, respectively. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2022 was \$950,855.

CITY OF LITCHFIELD
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Police & Fire Pension Plans (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

At April 30, 2021, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	16	
Inactive plan members entitled to but not yet receiving benefits	2	
Active plan members	13	
Total	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">31</td> </tr> </table>	31
31		

The Police Pension Plan provides 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 an annual retirement benefit of one-half 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. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly pension of a police officer who retires after January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, by 1/12 of 3% of the originally granted pension for each full month that has elapsed since the pension began, and by an additional 3% of the originally granted pension in January of each year thereafter.

Covered employees are required to contribute 9.910% 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.

CITY OF LITCHFIELD
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Police & Fire Pension Plans (Continued)

A. Plan Descriptions (Continued)

Fire Pension Plan

Fire sworn personnel are covered by the Fire Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois State Statutes (Chapter 40 1/2 - Pensions - Article 4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. For the fiscal year ending April 30, 2022, the employer and employee contributions made were \$445,684 and \$80,531, respectively. The City's payroll for employees covered by the Fire Pension Plan for the year ended April 30, 2022 was \$807,318.

At April 30, 2022, the Fire Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	17
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>13</u>
Total	<u><u>30</u></u>

The Fire Pension Plan provides 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 a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 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 who retires after January 1, 1986, shall, upon either the first of the month following the first anniversary of the date of retirement if 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, be increased by 1/12 of 3% of the originally granted monthly pension for each full month that has elapsed since the pension began, and by an additional 3% in each January.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 7: PENSION PLANS (CONCLUDED)

Police & Fire Pension Plans (Concluded)

A. Plan Descriptions (Concluded)

Fire Pension Plan (Concluded)

Covered employees are required to contribute 9.455% of their salary to the Fire Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest.

NOTE 8: COMMITMENTS AND CONTINGENCIES

- A. Grant Audit – The City receives grant funds from various Federal and State agencies during the normal course of operations. These grants are subject to review and audit by agents of the appropriate federal or state agency, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.
- B. Litigation – The City is party to various legal proceedings which normally occur in governmental operations. Most claims, if any, are turned over to the City's insurance company. The City's does not believe that claims in excess of insurance coverage (if any) will have a material effect on the City's financial statements.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year. Claims have not exceeded coverage in the current year or either of the two previous years.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 10: LONG-TERM DEBT

Governmental Funds

Notes Payable

On February 25, 2016, the City borrowed \$700,000 at 2.00% interest for the withdrawal from the Central Laborer's Pension Fund. The note has a repayment period of 8 years with payments of \$95,557 due each February 25th with the final payment due February 25, 2024. Of the \$700,000 borrowed, \$195,000 was allocated to the water fund and \$105,000 was allocated to the sewer fund. The total outstanding balance of note to be paid from the general fund as of April 30, 2022 was \$106,017.

The City drew \$3,950,000 on a \$6,000,000 bond issue for the West Side expansion project during the year ended April 30, 2021, which increased the total indebtedness on this project to \$6,000,000. As of April 30, 2022, the City does not intend to levy property taxes to service this debt. If the City would levy taxes to service this debt, then the debt would count against the legal debt limitation and the levied taxes would also be pledged to service the debt. Quarterly payments of principal and interest of \$134,070 are payable beginning September 27, 2020. The interest rate is 3.00% with a maturity date of June 27, 2035.

The City also drew \$1,466,000 on a note payable to Lichfield National Bank for a lake subdivision project during the year ended April 30, 2021. The maximum amount available on the note is \$1,966,000. Interest on the note is 3.00% with annual payments of \$252,501 due beginning December 1, 2021. The note matures on December 1, 2029.

Business-Type Activities

Notes Payable

The City has entered into three separate loan agreements with the Illinois Environmental Protection Agency:

Waterworks Fund: \$2,612,173 from the State of Illinois Environmental Protection Agency Water Revolving Fund; repayment period of 20 years; final payment due May 11, 2034; interest at 1.25%; payments of \$61,124 payable each November 11th and May 11th; to be paid from Waterworks Fund revenues. The outstanding balance at April 30, 2022 was \$1,358,323.

Waterworks Fund: \$12,750,000 from the State of Illinois Environmental Protection Agency Water Revolving Fund; repayment period of 20 years; final payment due January 10, 2029; interest at 2.50%; payments of \$407,970 payable each January 10th and July 10th; to be paid from Waterworks Fund revenues. The outstanding balance at April 30, 2022 was \$5,210,008.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 10: LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Concluded)

Notes Payable (Concluded)

Sewerage Fund: \$6,245,596 from the State of Illinois Environmental Protection Agency Water Revolving Fund; repayment period of 20 years; final payment due December 12, 2021; interest at 2.535%; payments of \$204,768 payable each June 6th and December 12th; to be paid from Sewerage Fund revenues. The outstanding balance at April 30, 2022 was \$0.

The City has entered into the following note agreements with local financial institutions:

Waterworks Fund: \$195,000; repayment period of 8 years; final payment due February 25, 2024; interest at 2.00%; payments of \$26,619 payable each February 25th; to be paid from Waterworks Fund revenues. The balance at April 30, 2022 was \$51,684.

Sewerage Fund: \$105,000; repayment period of 8 years; final payment due February 25, 2024; interest at 2.00%; payments of \$14,334 payable each February 25th; to be paid from Sewerage Fund revenues. The balance at April 30, 2022 was \$27,829.

Sewerage Fund: \$276,705 for the purchase of a new sewer flusher vehicle with Litchfield National bank; repayment period of 5 years; final payment due September 18, 2024; interest at 2.90%; payments of \$60,253 payable each September 18th to be paid from Sewerage Fund revenues. The balance at April 30, 2022 was \$170,772.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 10: LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2022:

	Balance May 1, 2021	Additions	Reductions	Balance April 30, 2022
Governmental Activities				
Note payable for pension withdrawal	\$ 157,471	\$ -	\$ (51,454)	\$ 106,017
General Obligation Bonds	5,910,314	-	(362,989)	5,547,325
Note payable for subdivision project	1,966,000	-	(198,075)	1,767,925
Total governmental activities	\$ 8,033,785	\$ -	\$ (612,518)	\$ 7,421,267
Business-Type Activities				
Waterworks Fund				
IL EPA Revolving Loan funds	\$ 7,397,326	\$ -	\$ (828,995)	\$ 6,568,331
Note payable for pension withdrawal	76,767	-	(25,084)	51,683
	7,474,093	-	(854,079)	6,620,014
Sewerage Fund				
IL EPA Revolving Loan funds	401,879	-	(401,879)	-
Note payable for sewer flusher	224,499	-	(53,727)	170,772
Note payable for pension withdrawal	41,336	-	(13,507)	27,829
	667,714	-	(469,113)	198,601
Total business-type activities	\$ 8,141,807	\$ -	\$ (1,323,192)	\$ 6,818,615

Annual debt service requirements to maturity for notes payable for governmental and business-type activities are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2023	\$ 625,812	\$ 217,571
2024	643,798	199,598
2025	608,495	180,286
2026	575,394	217,345
2027	580,520	213,544
Thereafter	4,387,248	923,475
	\$ 7,421,267	\$ 1,951,819

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 10: LONG-TERM DEBT (CONCLUDED)

Fiscal Year	Business Type Activities			
	Waterworks Fund		Sewerage Fund	
	Principal	Interest	Principal	Interest
2023	\$ 768,197	\$ 135,489	\$ 69,078	\$ 5,509
2024	839,688	125,120	70,957	3,629
2025	832,719	105,471	58,566	1,703
2026	852,308	85,881	-	-
2027	872,375	65,795	-	-
Thereafter	2,454,727	94,015	-	-
	<u>\$ 6,620,014</u>	<u>\$ 611,771</u>	<u>\$ 198,601</u>	<u>\$ 10,841</u>

Interest Expense

Interest expense on long-term debt of \$185,328 was reported in the business-type activities.

NOTE 11: INTERFUND TRANSFERS

Interfund transfers which occurred during the year ended April 30, 2022 are as follows:

Fund	Transfers In	Transfers Out
General	\$ 3,019,810	\$ -
Long-Term Economic Development	750,000	-
West Side Expansion Project	421,968	-
Ambulance	262,000	-
Water	2,626,752	-
Sewer	851,000	-
Civil Defense	3,000	-
General	-	4,695,500
Long-Term Economic Development	-	536,278
Tourism	-	35,000
Water	-	2,126,752
Sewer	-	541,000
	<u>\$ 7,934,530</u>	<u>\$ 7,934,530</u>

The interfund transfers are primarily to allocate property taxes to the funds which have incurred the expenditures, allocate funds to cover operating or capital expenses, or allocate funds to cover debt service payments.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 12: GOVERNMENT-WIDE PRIOR PERIOD ADJUSTMENTS

The City has elected that its April 30, 2022 financial statements not conform to the presentation and disclosure requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The financial statement impact of not conforming to these standards is not reasonably determinable, but is presumed to be material.

As a result of this election, May 1, 2021 net position on the government-wide Statement of Activities was adjusted by \$8,661,218. In addition, a prior period adjustment of \$2,916,837 was made to correct May 1, 2021 beginning net position for deferred inflows with respect to unavailable property tax revenues which were not recorded as of April 30, 2021. A summary of period adjustments made is as follows:

Remove April 30, 2021 Net Pension Liability	\$ 11,775,375
Remove April 30, 2021 Deferred Inflow Related to Pensions	1,095,138
Remove April 30, 2021 Deferred Outflow Related to Pensions	(4,209,295)
To record April 30, 2021 Deferred Inflow Related to Property Taxes	<u>(2,916,837)</u>
Total Government-Wide May 1, 2021 Net Position Restatement	<u>\$ 5,744,381</u>

CITY OF LITCHFIELD, ILLINOIS
General Fund
Budgetary Comparison Schedule - General Fund
Budget and Actual
April 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 1,575,762	\$ 1,575,762	\$ 1,576,641	\$ 879
Charges for services	970,087	970,087	1,023,602	53,515
Fines and costs	47,925	47,925	71,202	23,277
Other taxes	5,378,075	5,378,075	6,519,558	1,141,483
Licenses and permits	319,075	319,075	486,190	167,115
Grants and donations	92,000	92,000	456,944	364,944
Investment earnings	33,810	33,810	25,359	(8,451)
Miscellaneous	56,625	56,625	57,598	973
Total revenues	<u>8,473,359</u>	<u>8,473,359</u>	<u>10,217,094</u>	<u>1,743,735</u>
EXPENDITURES				
General government	2,970,840	2,970,840	1,118,045	(1,852,795)
Public safety	3,366,380	3,366,380	2,982,410	(383,970)
Highways and streets	1,002,131	1,002,131	981,512	(20,619)
Economic development	1,243,143	1,243,143	183,696	(1,059,447)
Culture and recreation	880,865	880,865	608,943	(271,922)
Capital outlay	564,421	564,421	124,724	(439,697)
Debt service				
Principal	1,062,501	1,062,501	254,433	(808,068)
Interest	-	-	168,736	168,736
Total expenditures	<u>11,090,281</u>	<u>11,090,281</u>	<u>6,422,499</u>	<u>(4,667,782)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,000	25,000	22,775	(2,225)
Proceeds from borrowings	150,000	150,000	1,725	(148,275)
Transfers in	2,905,500	2,905,500	3,019,810	114,310
Transfers out	(750,000)	(750,000)	(4,695,500)	(3,945,500)
Total other financing sources (uses)	<u>2,330,500</u>	<u>2,330,500</u>	<u>(1,651,190)</u>	<u>(3,981,690)</u>
Net change in fund balances	(286,422)	(286,422)	2,143,405	
Fund balance at May 1, 2021	<u>2,402,042</u>	<u>2,402,042</u>	<u>2,402,042</u>	
Fund balance at April 30, 2022	<u>\$ 2,115,620</u>	<u>\$ 2,115,620</u>	4,545,447	
Adjustments to reconcile GAAP and budgetary basis statement:				
Intergovernmental receivables			1,169,933	
Other receivables			304,919	
Prepaid items			251,396	
Accounts payable and customer deposits			(175,803)	
Accrued liabilities			<u>(100,740)</u>	
GAAP basis fund balance			<u>\$ 5,995,152</u>	

CITY OF LITCHFIELD, ILLINOIS
Long-Term Economic Development Fund
Budgetary Comparison Schedule - Long-Term Economic Development Fund
Budget and Actual
April 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Grants and donations	\$ 239,594	\$ 239,594	\$ 173,162	\$ (66,432)
Investment earnings	1,500	1,500	38,376	36,876
Miscellaneous	13,500	13,500	13,962	462
Total revenues	<u>254,594</u>	<u>254,594</u>	<u>225,500</u>	<u>(29,094)</u>
EXPENDITURES				
Economic development	43,300	43,300	11,996	(31,304)
Capital outlays	3,400,000	3,400,000	-	(3,400,000)
Total expenditures	<u>3,443,300</u>	<u>3,443,300</u>	<u>11,996</u>	<u>(3,431,304)</u>
Excess (Deficiency) of Revenues over expenditures	(3,188,706)	(3,188,706)	213,504	(3,460,398)
Other financing sources (uses)				
Sale of capital assets	150,000	150,000	-	(150,000)
Transfers in	840,807	840,807	750,000	(90,807)
Transfers out	(536,278)	(536,278)	(536,278)	-
Total other financing sources (uses)	<u>454,529</u>	<u>454,529</u>	<u>213,722</u>	<u>(240,807)</u>
NET CHANGE IN FUND BALANCE	(2,734,177)	(2,734,177)	427,226	
Fund balances at May 1, 2021	<u>3,720,756</u>	<u>3,720,756</u>	<u>3,720,756</u>	
Fund balances at April 30, 2022	<u>\$ 986,579</u>	<u>\$ 986,579</u>	4,147,982	
Adjustments to reconcile GAAP and budgetary basis statement:				
Receivables			356,896	
Accounts payable and accrued liabilities			<u>(47,290)</u>	
GAAP basis fund balance			<u>\$ 4,457,588</u>	

CITY OF LITCHFIELD, ILLINOIS
Tax Increment Financing Fund #1
Budgetary Comparison Schedule - TIFF #1
Budget and Actual
April 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Property taxes	\$ 1,184,910	\$ 1,184,910	\$ 1,106,114	\$ (78,796)
Investment earnings	10,000	10,000	13,854	3,854
Total revenues	<u>1,194,910</u>	<u>1,194,910</u>	<u>1,119,968</u>	<u>(74,942)</u>
EXPENDITURES				
Current				
Economic development	50,000	50,000	216,629	166,629
Debt service				
Principal	500,000	500,000	-	(500,000)
Capital outlay	<u>1,479,000</u>	<u>1,479,000</u>	<u>427,095</u>	<u>(1,051,905)</u>
Total expenditures	<u>1,529,000</u>	<u>1,529,000</u>	<u>643,724</u>	<u>(885,276)</u>
Excess (deficiency) of revenues over expenditures	(334,090)	(334,090)	476,244	
Fund balance at May 1, 2021	<u>1,582,079</u>	<u>1,582,079</u>	<u>1,582,079</u>	
Fund balance at April 30, 2022	<u>\$ 1,247,989</u>	<u>\$ 1,247,989</u>	2,058,323	
Adjustments to reconcile GAAP and budgetary basis statement:				
Accounts payable			<u>-</u>	
GAAP basis fund balance			<u>\$ 2,058,323</u>	

CITY OF LITCHFIELD, ILLINOIS
West Side Expansion Project Debt Service Fund
Budgetary Comparison Schedule - West Side Expansion Project Debt Service Fund
Budget and Actual
April 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 454	\$ 454
Total revenues	-	-	454	454
EXPENDITURES				
Debt service				
Principal	536,278	536,278	362,988	(173,290)
Capital outlay	-	-	58,980	58,980
Total expenditures	<u>536,278</u>	<u>536,278</u>	<u>421,968</u>	<u>(114,310)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	536,278	536,278	421,968	(114,310)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>536,278</u>	<u>536,278</u>	<u>421,968</u>	<u>(114,310)</u>
Net change in fund balances	-	-	454	454
Fund balance at May 1, 2021	<u>146,486</u>	<u>146,486</u>	<u>146,486</u>	
Fund balance at April 30, 2022	<u>\$ 146,486</u>	<u>\$ 146,486</u>	146,940	
Adjustments to reconcile GAAP and budgetary basis statement:				
Accounts payable			<u>-</u>	
GAAP basis fund balance			<u>\$ 146,940</u>	

CITY OF LITCHFIELD, ILLINOIS
NOTES TO BUDGETARY COMPARISON SCHEDULES
APRIL 30, 2022

BUDGET LAW

The City council prepares its annual operating budget under the provisions of the Illinois Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to the end of the first quarter of each fiscal year, a designated person or persons submit to the council a proposed operating budget for the year commencing on May 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
- c. Subsequent to the public hearings the budget is adopted by the council.

The legal level of control at which expenditures may not legally exceed appropriations is at the fund level.

BASIS OF ACCOUNTING

The budget is prepared on the modified cash basis of accounting.

CITY OF LITCHFIELD
ILLINOIS MUNICIPAL RETIREMENT FUND
THREE YEAR SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2022

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2021	\$ 1,036,257	\$ 2,442,361	\$ 1,406,104	42.43%	\$ 1,669,913	84.20%
12/31/2020	751,430	2,149,783	1,398,353	34.95%	1,772,940	78.87%
12/31/2019	525,686	1,683,151	1,157,465	31.23%	1,712,180	67.60%

On a market value basis, the actuarial value of assets as of December 31, 2021 is \$1,036,257. On a market basis, the funded ratio would be 49.82%.

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

CITY OF LITCHFIELD
POLICE PENSION FUND AND FIRE PENSION FUND
THREE YEAR SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2022

Fiscal Year April 30	Net Assets Available For Benefits (Lower of Cost or Market)	Actuarial Accrued Liability	Percentage Funded (1) / (2)	Unfunded Actuarial Liability (2) - (1)	Annual Covered Payroll	As a Percentage of Covered Payroll (4) / (5)
Police Pension						
2021	\$ 6,924,612	\$ 11,525,967	60.08%	\$ 4,601,355	\$ 853,058	539.40%
2020	6,191,062	12,360,270	50.09%	6,169,208	819,687	752.63%
2019	5,984,156	11,733,255	51.00%	5,749,099	829,516	693.07%
Fire Pension						
2021	6,983,884	9,452,149	73.89%	2,468,265	809,878	304.77%
2020	5,887,119	10,216,909	57.62%	4,329,790	806,356	536.96%
2019	5,769,475	9,413,437	61.29%	3,643,962	796,341	457.59%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees Retirement System (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulation of sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

CITY OF LITCHFIELD, ILLINOIS
Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2022

	<u>Ambulance Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing Fund #2</u>	<u>Tax Increment Financing Fund #3</u>	<u>Tourism Fund</u>
ASSETS					
Cash and investments	\$ 32,519	\$ 645,281	\$ 254,533	\$ 191,257	\$ 156,248
Receivables for services	61,383	-	-	-	-
Receivables for property taxes	648,007	-	40,345	31,974	-
Notes receivable	-	-	-	-	-
Intergovernmental receivable	-	23,271	-	-	-
Prepaid items	43,479	-	-	-	2,383
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 785,388</u>	<u>\$ 668,552</u>	<u>\$ 294,878</u>	<u>\$ 223,231</u>	<u>\$ 158,631</u>
LIABILITIES					
Accounts payable	\$ 128,913	\$ 16,001	\$ -	\$ -	\$ -
Accrued liabilities	23,093	-	-	-	529
Due to other funds	-	-	-	-	-
Total liabilities	<u>152,006</u>	<u>16,001</u>	<u>-</u>	<u>-</u>	<u>529</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	<u>648,007</u>	<u>-</u>	<u>40,345</u>	<u>31,974</u>	<u>-</u>
FUND BALANCES					
Nonspendable	43,479	-	-	-	2,383
Restricted					
Public safety	-	-	-	-	-
Highways and streets	-	652,551	-	-	-
Economic development	-	-	254,533	191,257	-
Unassigned:	(58,104)	-	-	-	155,719
Total fund balances (deficits)	<u>(14,625)</u>	<u>652,551</u>	<u>254,533</u>	<u>191,257</u>	<u>158,102</u>
Total liabilities and fund balance (deficit)	<u>\$ 785,388</u>	<u>\$ 668,552</u>	<u>\$ 294,878</u>	<u>\$ 223,231</u>	<u>\$ 158,631</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2022

	City Loan Fund	Civil Defense Fund	Grant Fund	Foreign Fire Tax Insurance Fund	Total
ASSETS					
Cash and cash equivalents	\$ 113,180	\$ (531)	\$ 114,534	\$ 19,079	\$ 1,526,100
Receivables for services	-	-	-	-	61,383
Receivables for property taxes	-	-	-	-	720,326
Notes receivable	90,180	-	-	-	90,180
Intergovernmental receivable	-	-	-	-	23,271
Prepaid items	-	-	-	-	45,862
Due from other funds	47,290	-	-	-	47,290
Total assets	<u>\$ 250,650</u>	<u>\$ (531)</u>	<u>\$ 114,534</u>	<u>\$ 19,079</u>	<u>\$ 2,514,412</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 144,914
Accrued liabilities	-	-	-	-	23,622
Due to other funds	282,395	-	-	-	282,395
Total liabilities	<u>282,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,931</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	-	-	-	-	720,326
FUND BALANCES					
Nonspendable	-	-	-	-	45,862
Restricted					
Public safety	-	-	-	19,079	19,079
Highways and streets	-	-	-	-	652,551
Economic development	-	-	114,534	-	560,324
Unassigned:	(31,745)	(531)	-	-	65,339
Total fund balance (deficit)	<u>(31,745)</u>	<u>(531)</u>	<u>114,534</u>	<u>19,079</u>	<u>1,343,155</u>
Total liabilities and fund balance (deficit)	<u>\$ 250,650</u>	<u>\$ (531)</u>	<u>\$ 114,534</u>	<u>\$ 19,079</u>	<u>\$ 2,514,412</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended April 30, 2022

REVENUES	Ambulance Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund #2	Tax Increment Financing Fund #3	Tourism Fund
Taxes					
Property taxes	\$ 184,969	\$ -	\$ 33,111	\$ 25,670	\$ -
Hotel/motel taxes	-	-	-	-	273,739
Motor fuel taxes	-	276,608	-	-	-
Other	-	-	-	-	-
Charges for services	533,317	-	-	-	-
Grants	-	76,218	-	-	5,120
Investment earnings	151	1,974	1,600	1,178	660
Miscellaneous	1,128	-	-	-	30,446
Total revenues	<u>719,565</u>	<u>354,800</u>	<u>34,711</u>	<u>26,848</u>	<u>309,965</u>
EXPENDITURES					
Current					
General government	(34,201)	-	-	-	-
Public safety	1,025,302	-	-	-	-
Highways and streets	-	246,383	-	-	-
Economic development	-	-	3,033	3,033	-
Culture	-	-	-	-	115,059
Capital outlay	163,857	86,026	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>1,154,958</u>	<u>332,409</u>	<u>3,033</u>	<u>3,033</u>	<u>115,059</u>
Excess (deficiency) of revenues over expenditures	(435,393)	22,391	31,678	23,815	194,906
OTHER FINANCING SOURCES (USES)					
Transfers in	262,000	-	-	-	-
Transfers out	-	-	-	-	(35,000)
Total other financing sources (uses)	<u>262,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
Net change in fund balance (deficit)	(173,393)	22,391	31,678	23,815	159,906
Fund balance (deficit) at May 1, 2021	<u>158,768</u>	<u>630,160</u>	<u>222,855</u>	<u>167,442</u>	<u>(1,804)</u>
Fund balance (deficit) at April 30, 2022	<u>\$ (14,625)</u>	<u>\$ 652,551</u>	<u>\$ 254,533</u>	<u>\$ 191,257</u>	<u>\$ 158,102</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended April 30, 2022

REVENUES	City Loan Fund	Civil Defense Fund	Grant Fund	Foreign Fire Tax Insurance Fund	Total
Taxes					
Property taxes	\$ -	1,555	\$ -	\$ -	\$ 245,305
Hotel/motel taxes	-	-	-	-	273,739
Motor fuel taxes	-	-	-	-	276,608
Other	-	-	-	33,819	33,819
Charges for services	-	-	1,794	-	535,111
Grants	-	-	283,467	-	364,805
Investment earnings	3,900	21	-	-	9,484
Miscellaneous	-	-	-	-	31,574
Total revenues	<u>3,900</u>	<u>1,576</u>	<u>285,261</u>	<u>33,819</u>	<u>1,770,445</u>
EXPENDITURES					
Current					
General government	-	-	93,544	19,838	79,181
Public safety	-	6,858	49,783	203	1,082,146
Highways and streets	-	-	-	-	246,383
Economic development	-	-	-	-	6,066
Culture	-	-	4,177	-	119,236
Capital outlay	-	-	93,591	-	343,474
Total expenditures	<u>-</u>	<u>6,858</u>	<u>241,095</u>	<u>20,041</u>	<u>1,876,486</u>
Excess (deficiency) of revenues over expenditures	<u>3,900</u>	<u>(5,282)</u>	<u>44,166</u>	<u>13,778</u>	<u>(106,041)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	3,000	-	-	265,000
Transfers out	-	-	-	-	(35,000)
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Net change in fund balance (deficit)	<u>3,900</u>	<u>(2,282)</u>	<u>44,166</u>	<u>13,778</u>	<u>123,959</u>
Fund balance (deficit) at May 1, 2021	<u>(35,645)</u>	<u>1,751</u>	<u>70,368</u>	<u>5,301</u>	<u>1,219,196</u>
Fund balance (deficit) at April 30, 2022	<u>\$ (31,745)</u>	<u>\$ (531)</u>	<u>\$ 114,534</u>	<u>\$ 19,079</u>	<u>\$ 1,343,155</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2022

	Police Pension Trust Fund	Firefighters Pension Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 396,164	\$ 403,323	\$ 799,487
Interest receivable	29,049	26,958	56,007
Investments, at fair value			
Certificates of deposit	20,147	190,297	210,444
U.S. government obligations	1,790,568	1,993,712	3,784,280
Equity mutual funds	2,934,468	2,790,342	5,724,810
Foreign bonds and debentures	77,828	44,875	122,703
Corporate bonds	1,488,265	1,023,271	2,511,536
Total investments at fair value	<u>6,311,276</u>	<u>6,042,497</u>	<u>12,353,773</u>
 Total assets	 <u>6,736,489</u>	 <u>6,472,778</u>	 <u>13,209,267</u>
 NET POSITION			
Restrictured for pension benefits	<u>\$ 6,736,489</u>	<u>\$ 6,472,778</u>	<u>\$ 13,209,267</u>

CITY OF LITCHFIELD, ILLINOIS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended April 30, 2022

	Police Pension Trust Funds	Firefighters Pension Trust Funds	Total
ADDITIONS			
Contributions			
Employee	\$ 85,521	\$ 80,531	\$ 166,052
Employer	471,377	448,363	919,740
Total contributions	<u>556,898</u>	<u>528,894</u>	<u>1,085,792</u>
Investment income			
Interest and dividends	187,962	191,180	379,142
Net appreciation in fair value of investments	(672,192)	(616,589)	(1,288,781)
Investment expense	(15,071)	(14,346)	(29,417)
Net investment income	<u>(499,301)</u>	<u>(439,755)</u>	<u>(939,056)</u>
Total additions	57,597	89,139	146,736
DEDUCTIONS			
Benefits	716,577	565,435	1,282,012
Administration expenses	17,598	34,810	52,408
Total deductions	<u>734,175</u>	<u>600,245</u>	<u>1,334,420</u>
Change in position	(676,578)	(511,106)	(1,187,684)
Net Position - beginning	<u>7,413,067</u>	<u>6,983,884</u>	<u>14,396,951</u>
Net Position - end of year	<u><u>\$ 6,736,489</u></u>	<u><u>\$ 6,472,778</u></u>	<u><u>\$ 13,209,267</u></u>

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements in accordance with Generally Accepted Accounting Principles

Type of auditors’ report issued:

Government-wide Financial Statements	Qualified
Governmental Fund Financial Statements	Unmodified
Proprietary Fund Financial Statements	Qualified
Fiduciary Fund Financial Statements	Unmodified

Internal control over financial reporting:

Material weakness identified? Yes

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2022-001 – Oversight for Drafting Financial Statements and Footnote Disclosures

Criteria/Specific Requirement:

The City is required to maintain a system of controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

While the City maintains good controls over the processing of cash basis transactions, the City currently does not have personnel with the necessary knowledge or training to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect:

The City cannot prepare its own financial statements and footnotes in accordance with GAAP.

Cause:

City personnel have not received technical training in preparing financial statements and footnote disclosures in accordance with GAAP.

Recommendation:

As part of internal control over the preparation of financial statements, the City should provide the necessary training to its personnel or contract with an independent contractor with the knowledge to properly prepare the financial statements and footnote disclosures in accordance with GAAP.

Management's Response:

The City understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The City will continue to seek qualified accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2022-002 – Lack of Segregation of Duties

Criteria/Specific Requirement:

The City is responsible for establishing and maintaining a system of internal controls that includes adequate segregation of duties.

Condition:

During review of the City’s internal control processes, the following were noted:

- There is no documented review of bank statements or bank reconciliations.
- Checks print with automatic signatures, and not all checks are consistently provided to the Council for approval at the time the checks are written.
- There is no documented review of payroll registers.
- With respect to utility billings, primarily one individual processes and mails the bills, and is also involved in collecting payments and posting payments to the general ledger.

Effect:

The City’s management or its employees, in the normal course of performing their assigned functions, may not prevent or detect misstatements in a timely manner.

Cause:

Due to limited staffing, City employees often fill multiple roles and perform multiple duties which could be better segregated.

Recommendation:

An individual independent of the general ledger process should receive the bank statement unopened and review the statement and canceled checks prior to forwarding it for reconciliation to the general ledger. The completed reconciliation should also be reviewed by an individual independent of the general ledger process to insure it is completed timely, outstanding items are current and appear appropriate and the reconciled balance agrees to the general ledger. This review should be documented on the reconciliation.

Additionally, an individual independent of the payroll process should review the payroll register to ensure it’s completeness and accuracy. The complete list of checks to be processed should be provided to the City Council for approval, even if a specific project was already approved in a prior reporting period.

Management’s Response:

The Mayor will review the banks statements and cancelled checks prior to forwarding the statements to the Clerk’s office for reconciliation. At this time the City Clerk will review the completed reconciliation and sign off on the reconciliation report until which time another individual is added to the staff.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2022-002 – Lack of Segregation of Duties (Concluded)

Management’s Response (Concluded):

The Finance Department Council Liaison will review and sign a detailed payroll register at the first Council meeting each month.

The payment approval report provided to the Council prior to the first meeting of the month will now contain a listing of all paid and unpaid invoices. Invoices paid in advance of this monthly meeting are expenditures that are repetitive (utilities, lease agreements, etc.) or have received prior from the Council.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2022-003 – Recording and Reconciling Cash Transactions

Criteria/Specific Requirement:

The accurate recording and reconciliation of cash transactions is an important part of the financial reporting process.

Condition:

Certain cash accounts in the general ledger were not correctly posted and reconciled. Examples include the following:

- The police & fire memorial cash account was not recorded in the general ledger.
- Bank reconciliations had voided checks included that should have been removed.
- The reconciled book balance for the pooled cash account did not agree to the general ledger with a difference of approximately \$16,000.

Effect:

The City is at risk of intentional or unintentional misstatements occurring that are not prevented or detected and corrected in a timely manner.

Cause:

Internal controls over the recording and reconciling of cash transaction were not sufficient to prevent these errors from occurring.

Recommendation:

We recommend that the City review internal controls in place and evaluate what changes may be warranted in order to ensure that all bank accounts are recorded properly in the general ledger and that bank reconciliations are completed accurately.

Management's Response:

The Police and Fire Memorial account contains funds that were raised through donations and fund raising efforts. While the City can view the account, the City has no control over the funds.

Bank reconciliations have been a challenge due to a change in personnel and the many errors made by the former Accounts Payable clerk. The software support team has helped the City address the voided checks that should have been removed, as well as other outstanding items that needed to be cleared.

Additional training will be provided to staff with an update of the accounting software and attendance at a training conference.

City of Litchfield, Illinois

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City Clerk
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Corrective Action Plan

Finding No. 2022-001 – Oversight for Drafting Financial Statements and Footnotes

Condition:

The City currently does not have any personnel with the necessary knowledge or training to properly prepare the financial statements and footnotes in accordance with generally accepted accounting principles.

Plan:

The City understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The City will continue to seek qualified accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation.

Anticipated Date of Completion:

Ongoing

Contact Person Responsible for Corrective Action:

Carol Burke, City Clerk

City of Litchfield, Illinois

120 East Ryder

www.cityoflitchfieldil.com

Steven Dougherty
Mayor
Phone (217) 324-5253
Fax (217) 324-5619

Carol Burke
City Clerk
Phone (217) 324-8145
Fax (217) 324-0402

Corrective Action Plan (Continued)

Finding No. 2022-002 – Lack of Segregation of Duties

Condition:

During review of the City's internal control processes, the following were noted:

- There is no documented review of bank statements or bank reconciliations.
- Checks print with automatic signatures, and not all checks are consistently provided to the Council for approval at the time the checks are written.
- There is no documented review of payroll registers.

Plan:

The City Clerk will review the completed bank reconciliations and sign off on the reconciliation reports until which time another individual is added to the staff.

Automatic signatures will continue to be used, but the Mayor will review a monthly check register to verify which checks were processed.

The payment approval report provided to the Council prior to the first meeting of the month will now contain a listing of all paid and unpaid invoices. Invoices paid in advance of this monthly meeting are expenditures that are repetitive (utilities, lease agreements, etc.) or have received prior from the Council.

The Finance Department Council Liaison will review and sign a detailed payroll register at the first Council meeting each month.

Anticipated Date of Completion:

Ongoing

Contact Person Responsible for Corrective Action:

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Corrective Action Plan (Concluded)

Finding No. 2022-003 – Recording and Reconciling Cash Transactions

Condition:

Certain cash accounts in the general ledger were not correctly posted and reconciled. Examples include the following:

- The police & fire memorial cash account was not recorded in the general ledger.
- Bank reconciliations had voided checks included that should have been removed
- The reconciled book balance for the pooled cash account did not agree to the general ledger with a difference of approximately \$16,000

Plan:

The Police and Fire Memorial account contains funds that were raised through donations and fund-raising efforts. While the City can view the account, the City has no control over the funds. If this needs to change, the City is agreeable to do so.

The software support team will continue to provide guidance to the City on how to address the various items in the bank reconciliation process that need to be corrected.

Additional training will be provided to staff with an update of the accounting software and attendance at a training conference.

Anticipated Date of Completion:

Ongoing

Contact Person Responsible for Corrective Action:

Carol Burke, City Clerk

**CITY OF LITCHFIELD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
APRIL 30, 2022**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2021-001	Internal Controls over Financial Reporting	Repeated
2021-002	Lack of Segregation of Duties	Repeated
2021-003	Cash Administration	Repeated