

CITY OF LITCHFIELD, ILLINOIS
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2023

CITY OF LITCHFIELD, ILLINOIS
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INDEPENDENT AUDITOR’S REPORT

City Council
 City of Litchfield
 Litchfield, Illinois 62056

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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 of the Governmental Funds, Fiduciary Funds, and the aggregate remaining fund information of the City, as of April 30, 2023, 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*, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement 87, *Leases*. 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 schedules, as presented on pages 46-51, 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 and Consolidated Year-End Financial Report, as presented on pages 52-60, 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 and Consolidated Year-End Financial Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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
December 21, 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 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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 21, 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*, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement 87, *Leases*.

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 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006 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
December 21, 2023

CITY OF LITCHFIELD, ILLINOIS

Statement of Net Position

April 30, 2023

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 16,788,731	\$ 4,042,117	\$ 20,830,848
Receivables, net of allowance for uncollectibles	62,099	437,008	499,107
Property taxes receivable	3,598,899	-	3,598,899
Investments, at fair value	122,226	-	122,226
Intergovernmental receivable	1,217,775	-	1,217,775
Notes receivable	58,222	-	58,222
Prepaid items	326,088	86,213	412,301
Total current assets	<u>22,174,040</u>	<u>4,565,338</u>	<u>26,739,378</u>
Noncurrent assets			
Notes receivable	264,604	-	264,604
Capital assets not being depreciated			
Land	3,811,496	598,744	4,410,240
Construction in progress	2,662,359	-	2,662,359
Capital assets net of accumulated depreciation			
Buildings and improvements	2,307,411	-	2,307,411
Plant and equipment	1,749,984	17,641,009	19,390,993
Infrastructure	13,036,738	-	13,036,738
Total noncurrent assets	<u>23,832,592</u>	<u>18,239,753</u>	<u>42,072,345</u>
Total assets	<u>46,006,632</u>	<u>22,805,091</u>	<u>68,811,723</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Net Position (Continued)
April 30, 2023

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 285,977	\$ 78,274	\$ 364,251
Accrued liabilities	118,402	24,248	142,650
Customer deposits	20,000	207,260	227,260
Accrued interest payable	35,254	46,088	81,342
Current maturities			
Notes payable	309,384	70,957	380,341
Bonds payable	384,948	-	384,948
Illinois EPA Revolving Fund	-	839,689	839,689
Total current liabilities	<u>1,153,965</u>	<u>1,266,516</u>	<u>2,420,481</u>
Noncurrent liabilities			
Compensated absences	95,745	32,106	127,851
Notes payable, less current maturities	1,590,987	58,567	1,649,554
Bonds payable, less current maturities	4,788,375	-	4,788,375
Illinois EPA Revolving Fund, less current maturities	-	5,012,129	5,012,129
Total noncurrent liabilities	<u>6,475,107</u>	<u>5,102,802</u>	<u>11,577,909</u>
Total liabilities	<u>7,629,072</u>	<u>6,369,318</u>	<u>13,998,390</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>3,778,158</u>	-	<u>3,778,158</u>
Total deferred inflows of resources	<u>3,778,158</u>	-	<u>3,778,158</u>
NET POSITION			
Net investment in capital assets	16,494,294	12,258,411	28,752,705
Restricted for			
Public safety	64,870	-	64,870
Highways and streets	433,971	-	433,971
Economic development	8,234,704	-	8,234,704
Debt service	386,348	-	386,348
Unrestricted	<u>8,985,215</u>	<u>4,177,362</u>	<u>13,162,577</u>
Total net position	<u>\$ 34,599,402</u>	<u>\$ 16,435,773</u>	<u>\$ 51,035,175</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Activities
For the year ended April 30, 2023

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,686,155	\$ 1,792,987	\$ 1,058,367	\$ -	\$ 165,199	\$ -	\$ 165,199
Public safety	4,520,811	810,228	-	-	(3,710,583)	-	(3,710,583)
Highways and streets	1,144,552	-	-	-	(1,144,552)	-	(1,144,552)
Economic development	540,794	-	-	-	(540,794)	-	(540,794)
Culture and recreation	939,292	-	-	-	(939,292)	-	(939,292)
Interest	217,069	-	-	-	(217,069)	-	(217,069)
Total governmental activities	<u>10,048,673</u>	<u>2,603,215</u>	<u>1,058,367</u>	<u>-</u>	<u>(6,387,091)</u>	<u>-</u>	<u>(6,387,091)</u>
Business-type activities							
Waterworks	2,492,231	2,298,606	-	-	-	(193,625)	(193,625)
Sewerage	2,028,254	2,439,156	-	-	-	410,902	410,902
Total business-type activities	<u>4,520,485</u>	<u>4,737,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,277</u>	<u>217,277</u>
Total primary government	<u>\$ 14,569,158</u>	<u>\$ 7,340,977</u>	<u>\$ 1,058,367</u>	<u>\$ -</u>	<u>(6,387,091)</u>	<u>217,277</u>	<u>(6,169,814)</u>
		General revenues					
		Property taxes			3,490,783	-	3,490,783
		Sales taxes			5,371,383	-	5,371,383
		State income taxes			1,029,368	-	1,029,368
		Other taxes			1,147,555	-	1,147,555
		Miscellaneous revenues			234,793	19,622	254,415
		Unrestricted investment earnings			335,549	88,088	423,637
		Gain on disposition of fixed assets			69,955	-	69,955
		Transfers			(500,000)	500,000	-
		Total general revenues and transfers			<u>11,179,386</u>	<u>607,710</u>	<u>11,787,096</u>
		CHANGE IN NET POSITION			4,792,295	824,987	5,617,282
		Net position at May 1, 2022			<u>29,807,107</u>	<u>15,610,786</u>	<u>45,417,893</u>
		Net position at April 30, 2023			<u>\$ 34,599,402</u>	<u>\$ 16,435,773</u>	<u>\$ 51,035,175</u>

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

CITY OF LITCHFIELD, ILLINOIS

Balance Sheet

Governmental Funds

April 30, 2023

	General Fund	Tax Increment Financing Fund #1	Ambulance Fund	Long-Term Economic Development Fund
ASSETS				
Cash and cash equivalents	\$ 6,841,642	\$ 2,901,747	\$ 424,196	\$ 4,417,434
Receivables for ambulance services, net	-	-	62,099	-
Property taxes receivable	1,621,833	1,213,407	680,408	-
Investments, at fair value	122,226	-	-	-
Due from other funds	282,395	-	-	-
Intergovernmental receivable	1,162,456	-	-	32,048
Notes receivable	-	-	-	253,556
Prepaid items	284,519	-	39,097	-
Total assets	<u>\$ 10,315,071</u>	<u>\$ 4,115,154</u>	<u>\$ 1,205,800</u>	<u>\$ 4,703,038</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 181,896	\$ 32,610	\$ 13,086	\$ 50,000
Accrued liabilities	83,673	-	33,075	-
Customer deposits	20,000	-	-	-
Due to other funds	-	-	-	47,290
Total liabilities	<u>285,569</u>	<u>32,610</u>	<u>46,161</u>	<u>97,290</u>
Deferred inflows of resources				
Grants	-	-	-	32,048
Property taxes	1,621,833	1,213,407	680,408	-
Total deferred inflows of resources	<u>1,621,833</u>	<u>1,213,407</u>	<u>680,408</u>	<u>32,048</u>
Fund balances				
Nonspendable	284,519	-	39,097	-
Restricted				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Economic development	-	2,869,137	-	4,573,700
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Unassigned	8,123,150	-	440,134	-
Total fund balances	<u>8,407,669</u>	<u>2,869,137</u>	<u>479,231</u>	<u>4,573,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,315,071</u>	<u>\$ 4,115,154</u>	<u>\$ 1,205,800</u>	<u>\$ 4,703,038</u>

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

CITY OF LITCHFIELD, ILLINOIS
Balance Sheet (Continued)
Governmental Funds
April 30, 2023

	West Side Expansion Project Debt Service	Other Governmental Funds	Eliminations	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 386,348	\$ 1,817,364	\$ -	\$ 16,788,731
Receivables for ambulance services, net	-	-	-	62,099
Property taxes receivable	-	83,251	-	3,598,899
Investments, at fair value	-	-	-	122,226
Due from other funds	-	47,290	(329,685)	-
Intergovernmental receivable	-	23,271	-	1,217,775
Notes receivable	-	69,270	-	322,826
Prepaid items	-	2,472	-	326,088
Total assets	<u>\$ 386,348</u>	<u>\$ 2,042,918</u>	<u>\$ (329,685)</u>	<u>\$ 22,438,644</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 8,385	\$ -	\$ 285,977
Accrued liabilities	-	1,654	-	118,402
Customer deposits	-	-	-	20,000
Due to other funds	-	282,395	(329,685)	-
Total liabilities	<u>-</u>	<u>292,434</u>	<u>(329,685)</u>	<u>424,379</u>
Deferred inflows of resources				
Grants	-	179,259	-	211,307
Property taxes	-	83,251	-	3,598,899
Total deferred inflows of resources	<u>-</u>	<u>262,510</u>	<u>-</u>	<u>3,810,206</u>
Fund balances				
Nonspendable	-	2,472	-	326,088
Restricted				
Public safety	-	64,870	-	64,870
Highways and streets	-	433,971	-	433,971
Economic development	-	791,867	-	8,234,704
Culture and recreation	-	242,282	-	242,282
Debt service	386,348	-	-	386,348
Unassigned	-	(47,488)	-	8,515,796
Total fund balances	<u>386,348</u>	<u>1,487,974</u>	<u>-</u>	<u>18,204,059</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 386,348</u>	<u>\$ 2,042,918</u>	<u>\$ (329,685)</u>	<u>\$ 22,438,644</u>

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

CITY OF LITCHFIELD, ILLINOIS
Reconciliation of the Balance Sheet to the Statement of
Net Position - Governmental Funds
April 30, 2023

Fund balances for governmental funds		\$ 18,204,059
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land	\$ 3,811,496	
Construction in progress	2,662,359	
Infrastructure, net	13,036,738	
Buildings, plant, and equipment, net	4,057,395	23,567,988
<p>Certain revenues are not considered available to pay for current-year expenditures and, therefore, are deferred in the funds.</p>		
		32,048
<p>Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Interest payable	\$ (35,254)	
Notes payable	(1,900,371)	
Bonds payable	(5,173,323)	
Compensated absences	(95,745)	(7,204,693)
Net position of governmental activities		\$ 34,599,402

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended April 30, 2023

	General Fund	Tax Increment Financing Fund #1	Ambulance Fund	Long-Term Economic Development Fund
REVENUES				
Property taxes	\$ 1,620,250	\$ 1,150,949	\$ 646,257	\$ -
Charges for services	1,318,485	-	810,228	-
Fines and costs	67,057	-	-	-
Other taxes	6,970,043	-	-	-
Licenses and permits	397,445	-	-	-
Grants and donations	465,116	-	-	-
Investment earnings	122,827	56,377	7,248	126,049
Miscellaneous	127,397	-	-	80,000
Total revenues	<u>11,088,620</u>	<u>1,207,326</u>	<u>1,463,733</u>	<u>206,049</u>
EXPENDITURES				
Current				
General government	1,626,054	50,142	27,778	-
Public safety	2,961,027	-	1,333,223	-
Highways and streets	1,054,179	-	-	-
Economic development	153,567	312,829	-	65,520
Culture and recreation	625,139	-	-	-
Debt service				
Principal	248,314	-	-	-
Interest	61,670	-	-	-
Capital outlay	351,359	91,451	396,723	-
Total expenditures	<u>7,081,309</u>	<u>454,422</u>	<u>1,757,724</u>	<u>65,520</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	4,007,311	752,904	(293,991)	140,529
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	40,356	-	163,104	-
Proceeds from borrowings	2,850	-	274,743	-
Transfers in	3,762,826	57,910	350,000	750,000
Transfers out	(5,400,826)	-	-	(774,417)
Total other financing sources (uses)	<u>(1,594,794)</u>	<u>57,910</u>	<u>787,847</u>	<u>(24,417)</u>
NET CHANGE IN FUND BALANCES	2,412,517	810,814	493,856	116,112
Fund balances at May 1, 2022	<u>5,995,152</u>	<u>2,058,323</u>	<u>(14,625)</u>	<u>4,457,588</u>
Fund balances at April 30, 2023	<u>\$ 8,407,669</u>	<u>\$ 2,869,137</u>	<u>\$ 479,231</u>	<u>\$ 4,573,700</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the year ended April 30, 2023

	West Side Expansion Project Debt Service	Other Governmental Funds	Eliminations	Total Governmental Funds
REVENUES				
Property taxes	\$ -	\$ 73,327	\$ -	\$ 3,490,783
Charges for services	-	10,000	-	2,138,713
Fines and costs	-	-	-	67,057
Other taxes	-	578,263	-	7,548,306
Licenses and permits	-	-	-	397,445
Grants and donations	-	561,203	-	1,026,319
Investment earnings	1,269	21,779	-	335,549
Miscellaneous	-	24,546	-	231,943
Total revenues	<u>1,269</u>	<u>1,269,118</u>	<u>-</u>	<u>15,236,115</u>
EXPENDITURES				
Current				
General government	-	289,647	-	1,993,621
Public safety	-	3,249	-	4,297,499
Highways and streets	-	32,433	-	1,086,612
Economic development	-	9,439	-	541,355
Culture and recreation	-	199,805	-	824,944
Debt service				
Principal	374,002	-	-	622,316
Interest	162,276	-	-	223,946
Capital outlay	-	584,441	-	1,423,974
Total expenditures	<u>536,278</u>	<u>1,119,014</u>	<u>-</u>	<u>11,014,267</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(535,009)	150,104	-	4,221,848
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	203,460
Proceeds from borrowings	-	-	-	277,593
Transfers in	774,417	26,000	(5,721,153)	5,721,153
Transfers out	-	(45,910)	5,721,153	(6,221,153)
Total other financing sources (uses)	<u>774,417</u>	<u>(19,910)</u>	<u>-</u>	<u>(18,947)</u>
NET CHANGE IN FUND BALANCES	239,408	130,194	-	4,202,901
Fund balances at May 1, 2022	<u>146,940</u>	<u>1,357,780</u>	<u>-</u>	<u>14,001,158</u>
Fund balances at April 30, 2023	<u>\$ 386,348</u>	<u>\$ 1,487,974</u>	<u>\$ -</u>	<u>\$ 18,204,059</u>

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

CITY OF LITCHFIELD, ILLINOIS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the year ended April 30, 2023

Net change in fund balances for total governmental funds \$ 4,202,901

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	\$ 1,423,974	
Disposal	(133,505)	
CIP adjustment	(45,304)	
Depreciation expense	(1,097,091)	148,074

Governmental funds report revenues when measurable and available. However, in the Statement of Activities, the revenues are recognized in the year in which they earned. 32,048

Principal payments of loans and notes payable 622,316

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 accrued interest	\$ 6,877	
Change in compensated absences	54,822	
Bond proceeds	(274,743)	(213,044)

Change in net position of governmental activities \$ 4,792,295

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Net Position
Proprietary Funds
April 30, 2023

	Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,128,872	\$ 913,245	\$ 4,042,117
Receivables (net of allowance for uncollectibles)	210,983	226,025	437,008
Prepaid items	46,530	39,683	86,213
Total current assets	<u>3,386,385</u>	<u>1,178,953</u>	<u>4,565,338</u>
Noncurrent assets			
Capital assets			
Land	576,244	22,500	598,744
Plant and equipment	23,128,633	23,354,991	46,483,624
Less accumulated depreciation	<u>(12,028,354)</u>	<u>(16,814,261)</u>	<u>(28,842,615)</u>
Total capital assets, net	<u>11,676,523</u>	<u>6,563,230</u>	<u>18,239,753</u>
Total noncurrent assets	<u>11,676,523</u>	<u>6,563,230</u>	<u>18,239,753</u>
Total assets	<u>15,062,908</u>	<u>7,742,183</u>	<u>22,805,091</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Net Position (Continued)
Proprietary Funds
April 30, 2023

	Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 55,247	\$ 23,027	\$ 78,274
Accrued liabilities	16,441	7,807	24,248
Compensated absences	32,106	-	32,106
Customer deposits payable	207,260	-	207,260
Accrued interest	43,984	2,104	46,088
Note payable for pension withdrawal	26,098	14,052	40,150
Illinois EPA Water Revolving Fund	813,591	-	813,591
Note payable for sewer flusher	-	56,905	56,905
Total current liabilities	1,194,727	103,895	1,298,622
Noncurrent liabilities			
Note payable for sewer flusher	-	58,567	58,567
Illinois EPA Water Revolving Fund	5,012,129	-	5,012,129
Total noncurrent liabilities	5,012,129	58,567	5,070,696
Total liabilities	6,206,856	162,462	6,369,318
NET POSITION			
Net investment in capital assets	6,664,394	6,447,758	13,112,152
Unrestricted	2,191,658	1,131,963	3,323,621
Total net position	\$ 8,856,052	\$ 7,579,721	\$ 16,435,773

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended April 30, 2023

	Enterprise Funds		
	Waterworks Fund	Sewerage	Total
OPERATING REVENUES			
Charges for service	\$ 2,298,606	\$ 2,439,156	\$ 4,737,762
Miscellaneous	12,216	7,406	19,622
Total operating revenue	<u>2,310,822</u>	<u>2,446,562</u>	<u>4,757,384</u>
OPERATING EXPENSES			
Salaries, wages and benefits	605,022	300,903	905,925
Contracted services	32,196	652,667	684,863
Utilities	177,966	115,897	293,863
Repairs and maintenance	230,625	172,412	403,037
Materials and supplies	446,815	16,375	463,190
Insurance	70,405	58,652	129,057
Depreciation	750,815	670,713	1,421,528
Miscellaneous operating expenses	<u>52,655</u>	<u>41,050</u>	<u>93,705</u>
Total operating expenses	<u>2,366,499</u>	<u>2,028,669</u>	<u>4,395,168</u>
Operating income	<u>(55,677)</u>	<u>417,893</u>	<u>362,216</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	69,168	18,920	88,088
Interest expense	<u>(125,732)</u>	<u>415</u>	<u>(125,317)</u>
Total non-operating expenses	<u>(56,564)</u>	<u>19,335</u>	<u>(37,229)</u>
Net income before transfers	<u>(112,241)</u>	<u>437,228</u>	<u>324,987</u>
Transfers in	2,686,377	1,587,000	4,273,377
Transfers out	<u>(2,186,377)</u>	<u>(1,587,000)</u>	<u>(3,773,377)</u>
Total transfers	<u>500,000</u>	<u>-</u>	<u>500,000</u>
CHANGE IN NET POSITION	387,759	437,228	824,987
Net position at May 1, 2022	<u>8,468,293</u>	<u>7,142,493</u>	<u>15,610,786</u>
Net position at April 30, 2023	<u>\$ 8,856,052</u>	<u>\$ 7,579,721</u>	<u>\$ 16,435,773</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Cash Flows
Proprietary Funds
For the year ended April 30, 2023

	Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,283,478	\$ 2,398,944	\$ 4,682,422
Payment to suppliers	(997,332)	(1,195,536)	(2,192,868)
Payment to employees	(594,288)	(302,483)	(896,771)
Net cash provided by operating activities	<u>691,858</u>	<u>900,925</u>	<u>1,592,783</u>
Cash Flows From Noncapital Financing Activities			
Net transfers in - other funds	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(14,991)	(609,712)	(624,703)
Principal paid on notes and capital debt	(768,197)	(69,077)	(837,274)
Interest paid on notes and capital debt	(135,488)	(5,511)	(140,999)
Net cash used in capital and related financial activities	<u>(918,676)</u>	<u>(684,300)</u>	<u>(1,602,976)</u>
Cash Flows From Investing Activities			
Interest received	<u>69,168</u>	<u>18,920</u>	<u>88,088</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	342,350	235,545	577,895
Cash and cash equivalents at May 1, 2022	<u>2,786,522</u>	<u>677,700</u>	<u>3,464,222</u>
Cash and cash equivalents at April 30, 2023	<u>\$ 3,128,872</u>	<u>\$ 913,245</u>	<u>\$ 4,042,117</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ (55,677)	\$ 417,893	\$ 362,216
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	750,815	670,713	1,421,528
Change in assets and liabilities			
Accounts receivable	(25,358)	(47,618)	(72,976)
Prepaid expenses	(4,234)	(6,762)	(10,996)
Customer deposits	(1,986)	-	(1,986)
Accounts payable	17,564	(131,721)	(114,157)
Accrued liabilities	(1,030)	(1,580)	(2,610)
Compensated absences	11,764	-	11,764
Net cash provided by operating activities	<u>\$ 691,858</u>	<u>\$ 900,925</u>	<u>\$ 1,592,783</u>

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2023

	Pension Trust Funds
ASSETS	
Cash and equivalents	\$ 228,533
Investments, at fair value	12,911,534
Prepays	1,730
Total assets	13,141,797
LIABILITIES	
Accounts payable	1,782
Total liabilities	1,782
NET POSITION	
Restricted for pension benefits	\$ 13,140,015

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

CITY OF LITCHFIELD, ILLINOIS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended April 30, 2023

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 934,817
Plan members	168,624
	1,103,441
Total contributions	
Investment income	
Interest and dividends	126,668
Net appreciation (depreciation) in fair value of investments	(32,685)
Investment expense	(21,941)
	72,042
Net investment income	
Total additions	1,175,483
DEDUCTIONS	
Benefits	1,187,740
Administration expenses	56,995
	1,244,735
Total deductions	
CHANGE IN NET POSITION	(69,252)
Net position at May 1, 2022	13,209,267
Net position at April 30, 2023	\$ 13,140,015

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

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

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*, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement 87, *Leases*.

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, 2023

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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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, 2023

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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Fund Types and Major Funds (Continued)

The Ambulance Fund, a special revenue fund, accounts for the City's ambulance service. Its primary sources of revenue are property taxes and ambulance charges for service.

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. Deposits and Investments

The City considers cash on hand, checking accounts, savings accounts, other money market funds, and investments held with an original maturity date of less than three months to be cash and cash equivalents. Investments for the City are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

E. Prepaid Items

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

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 \$95,745 and \$32,106, respectively, as compensated absences. Compensated absences are classified as noncurrent on the city-wide financial statements.

I. 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.

J. 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.

K. 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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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.

L. 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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes (Continued)

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 2021 tax year levy, received during fiscal year 2023, was adopted by the City Council in December, 2021.

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, 2023.

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.

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

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Transactions/Transfers (Continued)

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

The City has contracted with Precision Lawn Mowing, Inc., (Precision), to perform lawn maintenance services during the year ended April 30, 2023. The owner of Precision is related to a member of management of the City. During the year ended April 30, 2023, the City paid \$134,450 to Precision for lawn maintenance services.

S. Date of Management's Review

Management has evaluated subsequent events through December 21, 2023, the date which the financial statements were available to be issued.

T. New Accounting Pronouncements

For the fiscal year ended April 30, 2023, the City elected not to implement Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See note 12 for additional information regarding the City's lease arrangements.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 2: DEPOSITS 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, 2023, the carrying amount and the bank balance of the City's cash deposits were \$20,830,848 and \$20,799,620, 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, 2023, the City's bank balance of \$20,799,620 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department in the City's name	<u>\$ 12,421,590</u>
Uninsured and collateralized	<u>\$ 7,694,532</u>
Insured by Federal Deposit Insurance Corporation	<u>\$ 683,498</u>

Investments

The City invests 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, 2023, the City's investments were exposed to custodial credit risk as follows:

Investment securities held by counterparty	<u>\$ 13,033,760</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, 2023

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments as of April 30, 2023 are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Mutual funds	\$ 122,226	N/A
Illinois police officer pension investment fund	6,689,224	N/A
Illinois firefighters pension investment fund	<u>6,222,310</u>	N/A
Total	<u>\$ 13,033,760</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, 2023

NOTE 4: CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities

	Balance May 01, 2022	Additions	Deletions	Balance April 30, 2023
General Government				
Assets not depreciated:				
Land	\$ 3,811,496	\$ -	\$ -	\$ 3,811,496
Construction in Progress	2,425,521	1,031,247	(794,409)	2,662,359
Assets depreciated:				
Infrastructure	18,490,418	749,105	-	19,239,523
Buildings & Improvements	4,235,157	45,624	-	4,280,781
Equipment	6,956,325	347,103	(187,376)	7,116,052
Total Fixed Assets	35,918,917	2,173,079	(981,785)	37,110,211
Less: Accumulated Depreciation	(12,499,003)	(1,097,091)	53,871	(13,542,223)
Fixed Assets, net	<u>\$ 23,419,914</u>	<u>\$ 1,075,988</u>	<u>\$ (927,914)</u>	<u>\$ 23,567,988</u>

Business-Type Activities

	Balance May 01, 2022	Additions	Deletions	Balance April 30, 2023
Waterworks Fund				
Assets not depreciated:				
Land	\$ 576,244	\$ -	\$ -	\$ 576,244
Assets depreciated:				
Plant & Equipment	23,113,642	14,991	-	23,128,633
Total Fixed Assets	23,689,886	14,991	-	23,704,877
Less: Accumulated Depreciation	(11,277,539)	(750,815)	-	(12,028,354)
Fixed Assets, net	<u>\$ 12,412,347</u>	<u>\$ (735,824)</u>	<u>\$ -</u>	<u>\$ 11,676,523</u>

	Balance May 01, 2022	Additions	Deletions	Balance April 30, 2023
Sewerage Fund				
Assets not depreciated:				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Construction in Progress	1,441,599	319,616	(1,761,215)	-
Assets depreciated:				
Plant & Equipment	21,303,679	2,051,312	-	23,354,991
Total Fixed Assets	22,767,778	2,370,928	(1,761,215)	23,377,491
Less: Accumulated Depreciation	(16,143,548)	(670,713)	-	(16,814,261)
Fixed Assets, net	<u>\$ 6,624,230</u>	<u>\$ 1,700,215</u>	<u>\$ (1,761,215)</u>	<u>\$ 6,563,230</u>

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 4: CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General Government	\$ 658,484
Public Safety	221,760
Highways and Streets	97,387
Culture and recreation	119,460
Total	\$1,097,091
Business-type activities:	
Water	\$ 750,815
Sewer	670,713
Total	\$1,421,528

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, 2023, the City had the following Non-spendable, Restricted, Committed, and Assigned fund balances:

Governmental Activities

a. Non-spendable

Fund	Amount
General Fund	\$ 284,519
Ambulance Fund	39,097
Non-major Governmental Funds	2,472
Total	\$ 326,088

CITY OF LITCHFIELD
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2023

NOTE 6: FUND EQUITY (CONTINUED)

Governmental Activities (Continued)

b. Restricted

Fund	Amount
Non-major Governmental Funds - Public Safety	\$ 64,870
Non-major Governmental Funds - Highways and Streets	433,971
TIF #1 - Economic Development	2,869,137
Long-Term Economic Development Fund	4,573,700
Non-major Governmental Funds - Economic Development	791,867
Non-major Governmental Funds - Culture and Recreation	242,282
West Side Expansion Project Debt Service Fund - Debt Service	386,348
Total	\$ 9,362,175

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, 2023

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 11.99 percent and 11.22 percent for the calendar years 2023 and 2022, 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, 2023, the City's actual contributions for pension cost for the Regular plan were \$186,534. The covered payroll for fiscal year ending April 30, 2023 (annual payroll of active employees covered by the plan) was \$1,750,506.

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 contribution 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, 2023, the employer and employee contributions made were \$510,434 and \$94,787, respectively. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2023 was \$956,478.

CITY OF LITCHFIELD
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

Police & Fire Pension Plans (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

At April 30, 2023, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	18
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	15
Total	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 34

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, 2023

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, 2023, the employer and employee contributions made were \$424,383 and \$73,837, respectively. The City's payroll for employees covered by the Fire Pension Plan for the year ended April 30, 2023 was \$780,931.

At April 30, 2023, 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, 2023

NOTE 7: PENSION PLANS (CONTINUED)

Police & Fire Pension Plans (Continued)

A. Plan Descriptions (Continued)

Fire Pension Plan (Continued)

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, 2023

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 City drew \$6,000,000 on a bond issue for the West Side expansion project during the year ended April 30, 2022. As of April 30, 2023, 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 \$1,966,000 on a note payable to Lichfield National Bank for a lake subdivision project during the year ended April 30, 2021. 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.

The City borrowed \$274,743 on March 23, 2023 for the purchase of an ambulance. Interest on the note is 4.29% with annual payments of \$62,330 due beginning March 23, 2024. The note matures on March 23, 2028.

Business-Type Activities

Notes Payable

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.

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.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 10: LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Notes Payable (Continued)

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 City has entered into two 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, 2023 was \$1,305,690.

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, 2023 was \$4,520,030.

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

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, 2023:

	Balance May 1, 2022	Additions	Reductions	Balance April 30, 2023
Governmental Activities				
Note payable for pension withdrawal	\$ 106,017	\$ -	\$ (52,483)	\$ 53,534
General Obligation Bonds	5,547,325	-	(374,002)	5,173,323
Note payable for subdivision project	1,767,925	-	(195,831)	1,572,094
Note payable for ambulance	-	274,743	-	274,743
Total governmental activities	\$ 7,421,267	\$ 274,743	\$ (622,316)	\$ 7,073,694
Business-Type Activities				
Waterworks Fund				
IL EPA Revolving Loan funds	\$ 6,568,331	\$ -	\$ (742,611)	\$ 5,825,720
Note payable for pension withdrawal	51,683	-	(25,585)	26,098
	6,620,014	-	(768,196)	5,851,818
Sewerage Fund				
Note payable for sewer flusher	170,772	-	(55,300)	115,472
Note payable for pension withdrawal	27,829	-	(13,777)	14,052
	198,601	-	(69,077)	129,524
Total business-type activities	\$ 6,818,615	\$ -	\$ (837,273)	\$ 5,981,342

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

Fiscal Year	Governmental Activities	
	Principal	Interest
2024	\$ 694,332	\$ 211,384
2025	661,207	189,904
2026	630,368	224,702
2027	637,852	218,542
2028	663,210	192,570
Thereafter	3,786,725	763,444
	\$ 7,073,694	\$ 1,800,546

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 10: LONG-TERM DEBT (CONTINUED)

Fiscal Year	Business Type Activities			
	Waterworks Fund		Sewerage Fund	
	Principal	Interest	Principal	Interest
2024	\$ 839,689	\$ 125,120	\$ 70,957	\$ 3,629
2025	832,718	105,471	58,567	1,703
2026	852,308	85,881	-	-
2027	872,375	65,795	-	-
2028	892,928	45,261	-	-
Thereafter	1,561,800	48,754	-	-
	<u>\$ 5,851,818</u>	<u>\$ 476,282</u>	<u>\$ 129,524</u>	<u>\$ 5,332</u>

Interest Expense

Interest expense on long-term debt of \$125,317 was reported in the business-type activities.

NOTE 11: INTERFUND TRANSFERS

Interfund transfers which occurred during the year ended April 30, 2023 are as follows:

Fund	Transfers In	Transfers Out
General	\$ 3,762,826	\$ -
Long-Term Economic Development	750,000	-
West Side Expansion Project	774,417	-
Ambulance	350,000	-
Water	2,686,377	-
Sewer	1,587,000	-
Civil Defense	26,000	-
TIF #1	57,910	-
General	-	5,400,826
Long-Term Economic Development	-	774,417
Tourism	-	25,000
City Loan	-	20,910
Water	-	2,186,377
Sewer	-	1,587,000
	<u>\$ 9,994,530</u>	<u>\$ 9,994,530</u>

CITY OF LITCHFIELD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

NOTE 11: INTERFUND TRANSFERS (CONTINUED)

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.

NOTE 12: LEASES

The City leases land lots surrounding Lake Lou Yaeger and Eagle Creek to various individuals and other entities with lease agreements that span 60 years. The City's revenue related to these leases for the year ended April 30, 2023 is \$572,000. The annual lease service on a year by year basis ranges from \$50 to \$150 and is considered trivial to the financial statements on an annual basis.

CITY OF LITCHFIELD, ILLINOIS
Budgetary Comparison Schedule - General Fund
Budget and Actual
For the year ended April 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Property taxes	\$ 1,626,185	\$ 1,626,185	\$ 1,620,250	\$ (5,935)
Charges for services	966,170	966,170	1,318,485	352,315
Fines and costs	54,025	54,025	67,057	13,032
Other taxes	6,125,869	6,125,869	6,970,043	844,174
Licenses and permits	383,225	383,225	397,445	14,220
Grants and donations	458,000	458,000	465,116	7,116
Investment earnings	43,770	43,770	122,827	79,057
Miscellaneous	151,801	151,801	127,397	(24,404)
Total revenues	<u>9,809,045</u>	<u>9,809,045</u>	<u>11,088,620</u>	<u>1,279,575</u>
EXPENDITURES				
Current				
General government	1,901,934	1,901,934	1,626,054	(275,880)
Public safety	3,107,603	3,107,603	2,961,027	(146,576)
Highways and streets	1,390,650	1,390,650	1,054,179	(336,471)
Economic development	219,968	219,968	153,567	(66,401)
Culture and recreation	832,452	832,452	625,139	(207,313)
Debt service				
Principal	307,103	307,103	248,314	(58,789)
Interest	-	-	61,670	61,670
Capital outlay	-	-	351,359	351,359
Total expenditures	<u>7,759,710</u>	<u>7,759,710</u>	<u>7,081,309</u>	<u>(678,401)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	2,049,335	2,049,335	4,007,311	1,957,976
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	40,356	35,356
Proceeds from borrowings	-	-	2,850	2,850
Transfers in	3,717,410	3,717,410	3,762,826	45,416
Transfers out	(5,337,500)	(5,337,500)	(5,400,826)	(63,326)
Total other financing sources (uses)	<u>(1,615,090)</u>	<u>(1,615,090)</u>	<u>(1,594,794)</u>	<u>20,296</u>
NET CHANGE IN FUND BALANCE	<u>\$ 434,245</u>	<u>\$ 434,245</u>	2,412,517	<u>\$ 1,978,272</u>
Fund balances at May 1, 2022			<u>5,995,152</u>	
Fund balances at April 30, 2023			<u>\$ 8,407,669</u>	

CITY OF LITCHFIELD, ILLINOIS
Budgetary Comparison Schedule - TIFF #1
Budget and Actual
For the year ended April 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Property taxes	\$ 743,251	\$ 743,251	\$ 1,150,949	\$ 407,698
Investment earnings	10,000	10,000	56,377	46,377
Total revenues	<u>753,251</u>	<u>753,251</u>	<u>1,207,326</u>	<u>454,075</u>
EXPENDITURES				
Current				
General government	100,000	100,000	50,142	(49,858)
Economic development	1,399,000	1,399,000	312,829	(1,086,171)
Capital outlay	-	-	91,451	91,451
Total expenditures	<u>1,499,000</u>	<u>1,499,000</u>	<u>454,422</u>	<u>(1,044,578)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(745,749)	(745,749)	752,904	1,498,653
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>57,910</u>	<u>57,910</u>
NET CHANGE IN FUND BALANCE	<u>\$ (745,749)</u>	<u>\$ (745,749)</u>	810,814	<u>\$ 1,556,563</u>
Fund balances at May 1, 2022			<u>2,058,323</u>	
Fund balances at April 30, 2023			<u>\$ 2,869,137</u>	

CITY OF LITCHFIELD, ILLINOIS
Budgetary Comparison Schedule - Ambulance Fund
Budget and Actual
For the year ended April 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Property taxes	\$ 648,000	\$ 648,000	\$ 646,257	\$ (1,743)
Charges for services	520,000	520,000	810,228	290,228
Investment earnings	400	400	7,248	6,848
Miscellaneous	100	100	-	(100)
Total revenues	<u>1,168,500</u>	<u>1,168,500</u>	<u>1,463,733</u>	<u>295,233</u>
EXPENDITURES				
Current				
General government	31,000	31,000	27,778	(3,222)
Public safety	1,430,924	1,430,924	1,333,223	(97,701)
Capital outlay	413,951	413,951	396,723	(17,228)
Total expenditures	<u>1,875,875</u>	<u>1,875,875</u>	<u>1,757,724</u>	<u>(118,151)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(707,375)	(707,375)	(293,991)	413,384
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	163,104	163,104
Proceeds from borrowings	-	-	274,743	274,743
Transfers in	350,000	350,000	350,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>787,847</u>	<u>437,847</u>
NET CHANGE IN FUND BALANCE	<u>\$ (357,375)</u>	<u>\$ (357,375)</u>	493,856	<u>\$ 851,231</u>
Fund balances at May 1, 2022			<u>(14,625)</u>	
Fund balances at April 30, 2023			<u>\$ 479,231</u>	

CITY OF LITCHFIELD, ILLINOIS
Budgetary Comparison Schedule - Long-Term Economic Development Fund
Budget and Actual
For the year ended April 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Investment earnings	\$ 1,500	\$ 1,500	\$ 126,049	\$ 124,549
Miscellaneous	93,750	93,750	80,000	(13,750)
Total revenues	<u>95,250</u>	<u>95,250</u>	<u>206,049</u>	<u>110,799</u>
EXPENDITURES				
Current				
Economic development	93,300	93,300	65,520	(27,780)
Capital outlays	4,600,000	4,600,000	-	(4,600,000)
Total expenditures	<u>4,693,300</u>	<u>4,693,300</u>	<u>65,520</u>	<u>(4,627,780)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(4,598,050)	(4,598,050)	140,529	(4,516,981)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	210,000	210,000	-	(210,000)
Transfers in	33,457	33,457	750,000	716,543
Transfers out	(536,278)	(536,278)	(774,417)	(238,139)
Total other financing sources (uses)	<u>(292,821)</u>	<u>(292,821)</u>	<u>(24,417)</u>	<u>268,404</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,890,871)</u>	<u>\$ (4,890,871)</u>	116,112	<u>\$ (4,248,577)</u>
Fund balances at May 1, 2022			<u>4,457,588</u>	
Fund balances at April 30, 2023			<u>\$ 4,573,700</u>	

CITY OF LITCHFIELD, ILLINOIS
Budgetary Comparison Schedule - West Side Expansion Project Debt Service Fund
Budget and Actual
For the year ended April 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 1,269	\$ 1,269
Total revenues	-	-	1,269	1,269
EXPENDITURES				
Debt service				
Principal	536,278	536,278	374,002	(162,276)
Interest	-	-	162,276	162,276
Total expenditures	536,278	536,278	536,278	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(536,278)	(536,278)	(535,009)	1,269
OTHER FINANCING SOURCES (USES)				
Transfers in	536,278	536,278	774,417	238,139
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	239,408	<u>\$ 239,408</u>
Fund balances at May 1, 2022			<u>146,940</u>	
Fund balances at April 30, 2023			<u>\$ 386,348</u>	

CITY OF LITCHFIELD, ILLINOIS
NOTES TO BUDGETARY COMPARISON SCHEDULES
APRIL 30, 2023

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 accrual basis of accounting.

**CITY OF LITCHFIELD
ILLINOIS MUNICIPAL RETIREMENT FUND
THREE YEAR SCHEDULE OF FUNDING PROGRESS
For the year ended April 30, 2023**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2022	\$ 1,365,703	\$ 2,903,796	\$ 1,538,093	47.03%	\$ 1,723,316	89.25%
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%

On a market value basis, the actuarial value of assets as of December 31, 2022 is \$1,237,361. On a market basis, the funded ratio would be 42.61%.

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
For the year ended April 30, 2023

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						
2023	\$ 6,757,917	\$ 13,105,767	51.56%	\$ 6,347,850	\$ 956,478	663.67%
2022	6,924,612	11,525,967	60.08%	4,601,355	853,058	539.40%
2021	6,191,062	12,360,270	50.09%	6,169,208	819,687	752.63%
Fire Pension						
2023	6,382,100	11,834,188	53.93%	5,452,088	780,931	698.15%
2022	6,983,884	9,452,149	73.89%	2,468,265	809,878	304.77%
2021	5,887,119	10,216,909	57.62%	4,329,790	806,356	536.96%

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, 2023

	Motor Fuel Tax Fund	Tax Increment Financing Fund #2	Tax Increment Financing Fund #3	Tourism Fund
ASSETS				
Cash and cash equivalents	\$ 410,700	\$ 291,697	\$ 226,573	\$ 251,693
Receivables for property taxes	-	46,477	36,774	-
Notes receivable	-	-	-	-
Intergovernmental receivable	23,271	-	-	-
Prepaid items	-	-	-	2,472
Due from other funds	-	-	-	-
Total assets	<u>\$ 433,971</u>	<u>\$ 338,174</u>	<u>\$ 263,347</u>	<u>\$ 254,165</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 7,757
Accrued liabilities	-	-	-	1,654
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,411</u>
DEFERRED INFLOWS OF RESOURCES				
Grants	-	-	-	-
Property taxes	-	46,477	36,774	-
Total deferred inflows of resources	<u>-</u>	<u>46,477</u>	<u>36,774</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	2,472
Restricted				
Public safety	-	-	-	-
Highways and streets	433,971	-	-	-
Economic development	-	291,697	226,573	-
Culture and recreation	-	-	-	242,282
Unassigned:	-	-	-	-
Total fund balances (deficits)	<u>433,971</u>	<u>291,697</u>	<u>226,573</u>	<u>244,754</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 433,971</u>	<u>\$ 338,174</u>	<u>\$ 263,347</u>	<u>\$ 254,165</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
April 30, 2023

	City Loan Fund	Civil Defense Fund	Grant Fund	Foreign Fire Tax Insurance Fund	Total
ASSETS					
Cash and cash equivalents	\$ 118,347	\$ 24,120	\$ 453,481	\$ 40,753	\$ 1,817,364
Receivables for property taxes	-	-	-	-	83,251
Notes receivable	69,270	-	-	-	69,270
Intergovernmental receivable	-	-	-	-	23,271
Prepaid items	-	-	-	-	2,472
Due from other funds	47,290	-	-	-	47,290
Total assets	<u>\$ 234,907</u>	<u>\$ 24,120</u>	<u>\$ 453,481</u>	<u>\$ 40,753</u>	<u>\$ 2,042,918</u>
LIABILITIES					
Accounts payable	\$ -	\$ 3	\$ 625	\$ -	\$ 8,385
Accrued liabilities	-	-	-	-	1,654
Due to other funds	282,395	-	-	-	282,395
Total liabilities	<u>282,395</u>	<u>3</u>	<u>625</u>	<u>-</u>	<u>292,434</u>
DEFERRED INFLOWS OF RESOURCES					
Grants	-	-	179,259	-	179,259
Property taxes	-	-	-	-	83,251
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>179,259</u>	<u>-</u>	<u>262,510</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	2,472
Restricted					
Public safety	-	24,117	-	40,753	64,870
Highways and streets	-	-	-	-	433,971
Economic development	-	-	273,597	-	791,867
Culture and recreation	-	-	-	-	242,282
Unassigned:	(47,488)	-	-	-	(47,488)
Total fund balances (deficits)	<u>(47,488)</u>	<u>24,117</u>	<u>273,597</u>	<u>40,753</u>	<u>1,487,974</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 234,907</u>	<u>\$ 24,120</u>	<u>\$ 453,481</u>	<u>\$ 40,753</u>	<u>\$ 2,042,918</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended April 30, 2023

REVENUES	Motor Fuel Tax Fund	Tax Increment Financing Fund #2	Tax Increment Financing Fund #3	Tourism Fund
Taxes				
Property taxes	\$ -	\$ 39,797	\$ 31,974	\$ -
Hotel/motel taxes	-	-	-	282,641
Motor fuel taxes	273,948	-	-	-
Other	-	-	-	-
Charges for services	-	-	-	-
Grants	76,218	-	-	-
Investment earnings	1,853	5,786	4,362	4,270
Miscellaneous	-	-	-	24,546
Total revenues	<u>352,019</u>	<u>45,583</u>	<u>36,336</u>	<u>311,457</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	32,433	-	-	-
Economic development	-	8,419	1,020	-
Culture	-	-	-	199,805
Capital outlay	538,166	-	-	-
Total expenditures	<u>570,599</u>	<u>8,419</u>	<u>1,020</u>	<u>199,805</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(218,580)	37,164	35,316	111,652
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(25,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	(218,580)	37,164	35,316	86,652
Fund balances at May 1, 2022	<u>652,551</u>	<u>254,533</u>	<u>191,257</u>	<u>158,102</u>
Fund balances at April 30, 2023	<u>\$ 433,971</u>	<u>\$ 291,697</u>	<u>\$ 226,573</u>	<u>\$ 244,754</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the year ended April 30, 2023

REVENUES	City Loan Fund	Civil Defense Fund	Grant Fund	Foreign Fire Tax Insurance Fund	Total
Taxes					
Property taxes	\$ -	\$ 1,556	\$ -	\$ -	\$ 73,327
Hotel/motel taxes	-	-	-	-	282,641
Motor fuel taxes	-	-	-	-	273,948
Other	-	-	-	21,674	21,674
Charges for services	-	-	10,000	-	10,000
Grants	-	-	484,985	-	561,203
Investment earnings	5,167	341	-	-	21,779
Miscellaneous	-	-	-	-	24,546
Total revenues	<u>5,167</u>	<u>1,897</u>	<u>494,985</u>	<u>21,674</u>	<u>1,269,118</u>
EXPENDITURES					
Current					
General government	-	-	289,647	-	289,647
Public safety	-	3,249	-	-	3,249
Highways and streets	-	-	-	-	32,433
Economic development	-	-	-	-	9,439
Culture	-	-	-	-	199,805
Capital outlay	-	-	46,275	-	584,441
Total expenditures	<u>-</u>	<u>3,249</u>	<u>335,922</u>	<u>-</u>	<u>1,119,014</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>5,167</u>	<u>(1,352)</u>	<u>159,063</u>	<u>21,674</u>	<u>150,104</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	26,000	-	-	26,000
Transfers out	(20,910)	-	-	-	(45,910)
Total other financing sources (uses)	<u>(20,910)</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>(19,910)</u>
NET CHANGE IN FUND BALANCE	(15,743)	24,648	159,063	21,674	130,194
Fund balances at May 1, 2022	<u>(31,745)</u>	<u>(531)</u>	<u>114,534</u>	<u>19,079</u>	<u>1,357,780</u>
Fund balances at April 30, 2023	<u>\$ (47,488)</u>	<u>\$ 24,117</u>	<u>\$ 273,597</u>	<u>\$ 40,753</u>	<u>\$ 1,487,974</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2023

	Police Pension Trust Fund	Firefighters Pension Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 68,612	\$ 159,921	\$ 228,533
Investments, at fair value	6,689,224	6,222,310	12,911,534
Prepays	530	1,200	1,730
	<u>6,758,366</u>	<u>6,383,431</u>	<u>13,141,797</u>
LIABILITIES			
Accounts payable	<u>450</u>	<u>1,332</u>	<u>1,782</u>
	<u>450</u>	<u>1,332</u>	<u>1,782</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 6,757,916</u>	<u>\$ 6,382,099</u>	<u>\$ 13,140,015</u>

CITY OF LITCHFIELD, ILLINOIS
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended April 30, 2023

	Police Pension Trust Funds	Firefighters Pension Trust Funds	Total
ADDITIONS			
Contributions			
Employee	\$ 510,434	\$ 424,383	\$ 934,817
Employer	94,787	73,837	168,624
Total contributions	<u>605,221</u>	<u>498,220</u>	<u>1,103,441</u>
Investment income			
Interest and dividends	63,624	63,044	126,668
Net appreciation in fair value of investments	31,580	(64,265)	(32,685)
Investment expense	(13,391)	(8,550)	(21,941)
Net investment income	<u>81,813</u>	<u>(9,771)</u>	<u>72,042</u>
Total additions	687,034	488,449	1,175,483
DEDUCTIONS			
Benefits	645,026	542,714	1,187,740
Administration expenses	20,581	36,414	56,995
Total deductions	<u>665,607</u>	<u>579,128</u>	<u>1,244,735</u>
NET CHANGE IN FUND BALANCE	21,427	(90,679)	(69,252)
Fund balances at May 1, 2022	<u>6,736,489</u>	<u>6,472,778</u>	<u>13,209,267</u>
Fund balances at April 30, 2023	<u><u>\$ 6,757,916</u></u>	<u><u>\$ 6,382,099</u></u>	<u><u>\$ 13,140,015</u></u>

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Grantee Name	City of Litchfield
ID Numbers	AUDIT:37586 Grantee:685780 UEI:WC3NLT8ELSL3 FEIN:376001672
Audit Period	5/1/2022 - 4/30/2023
Submitted	12/21/2023; Breann Vazquez; City Administrator; cityadmin@cityoflitchfieldil.com; 217 324 8151
Accepted	
Program Count	5

All Programs Total				
Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	0.00	4,133,504.00	4,133,504.00
Fringe Benefits	0.00	0.00	1,870,764.00	1,870,764.00
Travel	0.00	0.00	194,011.00	194,011.00
Equipment	0.00	0.00	1,423,974.00	1,423,974.00
Supplies	0.00	0.00	2,100,736.00	2,100,736.00
Contractual Services	0.00	0.00	684,863.00	684,863.00
Consultant (Professional Services)	0.00	0.00	837,600.00	837,600.00
Construction	54,296.00	150,635.00	119,911.00	324,842.00
Occupancy - Rent and Utilities	0.00	0.00	494,609.00	494,609.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	582,960.00	582,960.00
Miscellaneous Costs	0.00	18,785.00	2,411,200.00	2,429,985.00
ALN 21.027 CSLFRF	0.00	456,904.00	0.00	456,904.00
All Grant Specific Categories	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	54,296.00	626,324.00	14,854,132.00	15,534,752.00
Indirect Costs	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	54,296.00	626,324.00	14,854,132.00	15,534,752.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Commerce And Economic Opportunity (420)
Program Name	Community Development Block Grant Housing Rehabilitation Program (420-75-1633)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Construction	0.00	150,635.00	0.00	150,635.00
TOTAL DIRECT EXPENDITURES	0.00	150,635.00	0.00	150,635.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Commerce And Economic Opportunity (420)
Program Name	Community Development Block Grant Revolving Loan Fund Closeout Program (420-75-1638)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	0.00	0.00	0.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Transportation (494)
Program Name	Local REBUILD ILLNOIS Bond Program (494-00-2356)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	0.00	0.00	0.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Transportation (494)
Program Name	Truck Access Route Program (494-00-0958)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	0.00	0.00	0.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Illinois Environmental Protection Agency (532)
Program Name	Section 319(h) – Nonpoint Source Pollution Control Financial Assistance Program (532-60-0378)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Construction	54,296.00	0.00	0.00	54,296.00
TOTAL DIRECT EXPENDITURES	54,296.00	0.00	0.00	54,296.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Program Name	Other grant programs and activities
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Category	State	Federal	Other	Total
Equipment	0.00	0.00	140,448.00	140,448.00
Construction	0.00	0.00	119,911.00	119,911.00
Miscellaneous Costs	0.00	18,785.00	0.00	18,785.00
ALN 21.027 CSLFRF	0.00	456,904.00	0.00	456,904.00
TOTAL DIRECT EXPENDITURES	0.00	475,689.00	260,359.00	736,048.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Program Name	All other costs not allocated
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Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	0.00	4,133,504.00	4,133,504.00
Fringe Benefits	0.00	0.00	1,870,764.00	1,870,764.00
Travel	0.00	0.00	194,011.00	194,011.00
Equipment	0.00	0.00	1,283,526.00	1,283,526.00
Supplies	0.00	0.00	2,100,736.00	2,100,736.00
Contractual Services	0.00	0.00	684,863.00	684,863.00
Consultant (Professional Services)	0.00	0.00	837,600.00	837,600.00
Occupancy - Rent and Utilities	0.00	0.00	494,609.00	494,609.00
Direct Administrative Costs	0.00	0.00	582,960.00	582,960.00
Miscellaneous Costs	0.00	0.00	2,411,200.00	2,411,200.00
TOTAL DIRECT EXPENDITURES	0.00	0.00	14,593,773.00	14,593,773.00

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2023**

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, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2023-001 – 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:

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, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-002 – 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 bank 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, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-002 – Lack of Segregation of Duties (Continued)

Management’s Response (Continued):

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 approval from the Council.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-003 – 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.

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
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-004 – Internal Controls over Capital Assets

Criteria/Specific Requirement:

The City is required to establish internal control procedures to ensure the proper classification of capital outlay in accordance with the City’s capitalization policy.

Condition:

In the course of performing our audit procedures over capital assets, we noted the following issues:

- The City is not tracking capital outlay and does not have a process in place to identify current year capital expenditures.
- The City was unable to provide documentation for all potential capital asset expenditures during our testing procedures.

Effect:

The City is at risk of unintentional misstatements occurring related to the existence and completeness of capital assets.

Cause:

Internal controls over the recording of capital outlay 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 potential capital outlay transactions are evaluated against the City’s capitalization policy and recorded in the appropriate general ledger accounts as well as retain the necessary documentation to support the general ledger transactions.

Management’s Response:

Management agrees with the recommendation and is implementing the appropriate changes.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-005 – Internal Controls over Fund Balance

Criteria/Specific Requirement:

The City is required to establish internal control procedures to ensure that the financial records of the City are adjusted for any audit entries to ensure opening balances agree to the prior audit.

Condition:

In the course of performing our audit procedures over opening fund balances, we noted that the General Fund and Ambulance Fund did not agree to the prior audit balance. Material adjustments to opening asset and liability balances were required to correct opening fund balances.

Effect:

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

Cause:

Internal controls over the recording of prior year audit entries 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 audit entries are recorded to the City's books and final balances reconciled from the City's books to the audited financial statements.

Management's Response:

Management agrees with the recommendation and is implementing the appropriate changes.

**CITY OF LITCHFIELD
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2023-006 – Internal Controls over Grant Activity

Criteria/Specific Requirement:

The City is required to establish internal control procedures to ensure that grant revenues and grant expenditures are recorded to the City’s general ledger in accordance with U.S. GAAP.

Condition:

In the course of performing our audit procedures over grant revenues and expenses, we noted that the City is receiving and subsequently transferring grant monies to a cash account and accounting for the grant manually with the cash account’s check register outside of the City’s accounting software. The activity going through the general ledger is offsetting, causing receipts and disbursements to be understated in addition to the understated off balance sheet cash balance.

Effect:

The City is at risk of 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 transactions related to grant activity were not sufficient to prevent these errors from occurring.

Recommendation:

We recommend that the City record all of the City’s financial activity in their accounting software so the City has a complete financial record of all receipts and disbursements. In addition, grant receipts and expenditures should be reported at gross amounts and not netted in the accounting system.

Management’s Response:

Management agrees with the recommendation and is implementing the appropriate changes.

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

Finding No. 2023-001 – 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:

Breann Vazquez, City Administrator

City of Litchfield, Illinois

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www.cityoflitchfieldil.com

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

Carol Burke
City Clerk
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Corrective Action Plan (Continued)

Finding No. 2023-002 – 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.
- 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.

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:

Breann Vazquez, City Administrator

City of Litchfield, Illinois

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Mayor
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City Clerk
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Corrective Action Plan (Continued)

Finding No. 2023-003 – 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.

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:

Breann Vazquez, City Administrator

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Fax (217) 324-0402

Corrective Action Plan (Continued)

Finding No. 2023-004 – Internal Controls over Capital Assets

Condition:

In the course of performing our audit procedures over capital assets, we noted the following issues:

- The City is not tracking capital outlay and does not have a process in place to identify current year capital expenditures.
- The City was unable to provide documentation for all potential capital asset expenditures during our testing procedures.

Plan:

The City will implement additional controls to ensure all asset additions and dispositions are identified and accounted for in accordance with their capitalization policy as well as retain the necessary documentation to support the general ledger transactions.

Anticipated Date of Completion:

As soon as possible

Contact Person Responsible for Corrective Action:

Breann Vazquez, City Administrator

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City Clerk
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Fax (217) 324-0402

Corrective Action Plan (Continued)

Finding No. 2023-005 – Internal Controls over Fund Balance

Condition:

In the course of performing our audit procedures over opening fund balances, we noted that the General Fund and Ambulance Fund did not agree to the prior audit balance. Material adjustments to opening asset and liability balances were required to correct opening fund balances.

Plan:

The City will implement additional controls to ensure all audit entries are recorded to the City's books and final balances are reconciled from the City's books to the audited financial statements.

Anticipated Date of Completion:

As soon as possible

Contact Person Responsible for Corrective Action:

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Corrective Action Plan (Continued)

Finding No. 2023-006 – Internal Controls over Grant Activity

Condition:

In the course of performing our audit procedures over grant revenues and expenses, we noted that the City is receiving and subsequently transferring grant monies to a cash account and accounting for the grant manually with the cash account's check register outside of the City's accounting software. The activity going through the general ledger is offsetting, causing receipts and disbursements to be understated in addition to the understated off balance sheet cash balance.

Plan:

The City will implement additional controls to ensure that the City records all of the City's financial activity in their accounting software so the City has a complete financial record of all receipts and disbursements. The City will also implement additional controls to ensure that grant receipts and expenditures are reported at gross amounts and not netted in the accounting system.

Anticipated Date of Completion:

As soon as possible

Contact Person Responsible for Corrective Action:

Breann Vazquez, City Administrator

**CITY OF LITCHFIELD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
APRIL 30, 2023**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2022-001	Internal Controls over Financial Reporting	Repeated
2022-002	Lack of Segregation of Duties	Repeated
2022-003	Cash Administration	Repeated