

CITY OF CHARLESTON, ILLINOIS

FINANCIAL STATEMENTS  
For the Year Ended April 30, 2016

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Cleve Karch, CPA, Principal

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners  
City of Charleston  
Charleston, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Charleston, Illinois' basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note A to the financial statements, in 2016 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, which improves accounting and financial reporting for pensions. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19 and other required supplementary information on pages 83 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charleston, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements and additional information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the City of Charleston, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Charleston, Illinois' internal control over financial reporting and compliance.

*Gilbert, Metzger & Madigan, LLP*

December 22, 2016

**GILBERT, METZGER & MADIGAN, LLP**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Commissioners  
City of Charleston  
Charleston, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Charleston, Illinois' basic financial statements and have issued our report thereon dated December 22, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described below, that we consider to be significant deficiencies.

2016-1 Expenses should be recorded in the period in which the goods are received or the services rendered. We noted multiple invoices, some material, which were recorded in the wrong fiscal year. We recommend the City review invoices more closely to reflect proper cutoff of accounts payable at year-end and ensure expenses are reported in the proper period.

Management's Response: Management agrees with the finding and corrective action will be implemented.

2016-2 Revenue should be recorded in the period in which they are earned, measurable, and available. We noted multiple billings which were recorded in the wrong fiscal year. We recommend the City review accounts receivable more closely to reflect proper cutoff of accounts receivable at year-end and ensure revenues are reported in the proper period.

Management's Response: Management agrees with the finding and corrective action will be implemented.

### **Compliance and Other Matters**

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

### **City of Charleston, Illinois' Responses to Finding**

City of Charleston, Illinois' responses to the findings identified in our audit is described above. City of Charleston, Illinois' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Gilbert, Metzger & Madigan, LLP*

December 22, 2016

**City of Charleston, Illinois**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended April 30, 2016**

As the management of the City of Charleston, we offer the readers of the City's financial statements this narrative analysis and overview of the financial activities of the City for the fiscal year ended April 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements which begin on page 20.

**Financial Highlights**

- The City of Charleston adopted Government Accounting Standards Board (GASB), Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for defined benefit pension plans. To record the liabilities for the City's police, fire and IMRF pensions required change in accounting principle adjustments. Governmental activities recognized a decrease in beginning net position of \$32 million. The Business-type activities recognized a decrease of \$729,775 in beginning net position. These changes were reported as a restatement of the City's May 1, 2015 net position.
- At April 30, 2016, the City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$12 million. In accordance with governmental accounting standards, this includes all of the City's infrastructure assets (net of depreciation).
- Most of the City's net position consists of \$40 million in capital assets, net of related debt. Restricted net position of \$1.3 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining amount of (\$29.5) million in unrestricted net position includes funds that may be used to meet the City's ongoing obligations to citizens and creditors along with the net pension liabilities of the City's pension plans.
- Expenses of \$20.6 million during the year exceeded revenues of \$20.4 million, decreasing the City's total net position by \$239,747. The decrease in net position consists of a \$382,018 decrease in net position of the City's governmental activities and a \$142,271 increase in net position related to the City's business-type activities.
- At the end of the fiscal year, the City's total fund balances in its governmental funds were \$5.89 million, a \$77,783 decrease from the prior year balances of \$5.97 million.
- At April 30, 2016, approximately \$4.3 million (or 73%) of the total fund balance in governmental funds is available for spending at the government's discretion (unassigned). Unassigned fund balance decreased \$103,419 from prior year. Of the restricted fund balances, 58% (\$739,255) is restricted for urban development and housing, 30% (\$379,730) is restricted for highways and streets, and 8% (\$103,654) is restricted for culture and recreation. Governmental funds have a committed or assigned fund balance of \$225,065 and nonspendable fund balance of \$97,107.

- The City had \$65.6 million in long-term debt at the end of the year, including bonded general obligation debt of \$5.2 million and bonded alternative revenue debt of \$4.1 million. Outstanding debt increased by \$44.2 million, due to the addition of \$46.3 million increase in net pension liabilities added in accordance with GASB 68 accounting principle adjustments.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Charleston's basic financial statements. The City of Charleston's basic financial statements are comprised of three primary components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

This report also contains supplementary information in addition to the basic financial statements.

This financial report includes not only the City of Charleston itself (known as the "primary government"), but also one additional entity, the Library Fund which operates the Carnegie Public Library. Although legally separate, the City of Charleston includes this component unit in its financial report in accordance with governmental accounting standards. The Library Fund's governing board is appointed by the City's governing body (City Council). Separately issued financial statements of the Library may be obtained by writing to Carnegie Public Library, 712 6<sup>th</sup> Street, Charleston, IL 61920.

## **Government-Wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Charleston's finances, in a manner similar to a private-sector business and are presented on the full accrual basis of accounting.

Government-wide financial statements distinguish functions of the City of Charleston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City of Charleston include activities such as general government, public safety, highways and streets, health and welfare, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City include water and sewer utility services.

The following two statements make up the government-wide financials:

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Charleston is improving or deteriorating.

The *Statement of Activities* presents information to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event which gives rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, earned but unused vacation leave).

The government-wide financial statements may be found on pages 20-22 of this report.

### **Fund Financial Statements:**

The fund financial statements provide supplementary detailed information about the City's most significant funds, but not the City as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Charleston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three types of funds: Governmental, Proprietary, and Fiduciary.

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

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance present a reconciliation to facilitate comparison between the governmental funds and governmental activities.

The City of Charleston has presented nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund and pensions tax levy fund which are considered major funds. The remaining governmental funds are combined into a single, aggregated presentation termed non-major governmental funds. Individual fund data for each non-major governmental fund is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its governmental funds. This report includes a budgetary comparison statement for the major funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 23-36 of this report.

**Proprietary funds** – The City of Charleston maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type funds to account for its water and sewer utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Charleston’s various functions.

The City of Charleston uses internal service funds to account for employee and retiree group healthcare. Because these services benefit the governmental and business-type functions, these services have been allocated between governmental and business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The City adopts an annual budget for its proprietary fund.

The basic proprietary fund financial statements can be found on pages 37-43 of this report.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City of Charleston’s own programs. The accounting used for fiduciary funds is similar to the procedures used by proprietary funds. The City has numerous fiduciary funds including the police pension and firefighter’s pension funds and several agency funds affiliated with the Playground and Recreation Fund. The City is the trustee for these two pension funds and it is responsible to ensure the assets reported in these funds are used only for the purpose intended. The affiliate agency funds are purely custodial in nature.

The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

**Notes to the Financial Statements:**

The notes provide additional information essential for the user to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 46-82 of this report.

## Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information in regards to the City of Charleston's progress in funding obligation to provide benefits to its employees.

Required supplemental information can be found on pages 83-93 of this report.

## Other Information:

The combining statements referred to earlier in connection with the non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 94-104 of this report.

## Government-Wide Financial Analysis

**Net Position-** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred inflows of resources exceed liabilities and deferred inflows of resources \$12.1 million at year ended April 30, 2016. The following table reflects the condensed Statement of Net Position of the current year as compared to the previous year.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current assets and other	\$ 10,987,247	\$ 11,042,617	\$ 3,501,864	\$ 3,271,115	\$ 14,489,111	\$ 14,313,732
Capital assets	22,046,258	22,029,293	34,563,939	35,748,481	56,610,197	57,777,774
Total assets	33,033,505	33,071,910	38,065,803	39,019,596	71,099,308	72,091,506
Deferred Inflows of Resources	11,269,625	-	978,862	-	12,248,487	-
<b>Liabilities:</b>						
Current liabilities	794,696	839,554	224,023	213,138	1,018,719	1,052,692
Noncurrent liabilities	52,838,500	9,238,185	12,807,595	12,205,907	65,646,095	21,444,092
Total liabilities	53,633,196	10,077,739	13,031,618	12,419,045	66,664,814	22,496,784
Deferred Inflows of Resources	4,546,614	4,205,728	-	-	4,546,614	4,205,728
<b>Net position:</b>						
Net investment in capital assets, net of related debt	16,507,276	15,476,650	23,847,715	23,917,303	40,354,991	39,393,953
Restricted	1,263,060	1,294,201	-	-	1,263,060	1,294,201
Unrestricted	(31,647,016)	2,017,592	2,165,332	2,683,248	(29,481,684)	4,700,840
Total net position	\$ (13,876,680)	\$ 18,788,443	\$ 26,013,047	\$ 26,600,551	\$ 12,136,367	\$ 45,388,994

The City's governmental total net position decreased from \$18.8 million in 2015 to \$(13.9) million in 2016 which is a decrease in net position of \$32.7 million.

The change in Total Net Position was significantly impacted by the City's implementation of Government Accounting Standards Board (GASB), Statement No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of the new financial reporting standard required restatement of beginning of the year net position in the amount of \$33 million. These liabilities pertain to the City's Police and Fire Pension Funds and Illinois Municipal Retirement Fund. Under previous financial reporting standards, the City was only required to report its pension fund obligations in the footnotes and required supplementary information sections of the annual financial report. Detailed information regarding these accounts can be found in the full Statement of Net Position.

City of Charleston's net position includes \$40.4 million as investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related debt still outstanding that was used to acquire those assets. The City of Charleston uses these capital resources to provide services to citizens. Thus, these resources are not available for future spending. Although the City's investment in capital assets is reported net of related debt in the net position section, the reader must bear in mind the resources to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$1.3 million of the City's net position represents resources that are subject to external restrictions on their use. The City's unrestricted net position includes \$5.8 million which can be used to finance day-to-day operations. The remaining negative balance primarily reflects the net pension liability of the City's pension plans.

Deferred Outflows primarily reflect the difference between pension plans: 1) expected and actual participant experience, 2) changes in plan assumptions, and 3) projected and actual earnings on investments. Deferred Inflows primarily reflect property tax revenues which are deferred as revenue until the beginning of the subsequent fiscal year to ensure proper revenue recognition with the receipt of the property tax installments.

**Changes in Net Position** - The following table compares government-wide revenues and expenditures for the current and previous fiscal year.

Table 2- Changes in Net Position For Fiscal Year Ended April 30, 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,326,459	\$ 2,190,841	\$ 5,420,734	\$ 5,326,388	\$ 7,747,193	\$ 7,517,229
Operating grants	773,641	858,974	-	50,000	773,641	908,974
Capital grants	482,763	293,357	-	-	482,763	293,357
General revenues:						
Property taxes	4,171,465	4,086,843	-	-	4,171,465	4,086,843
Income taxes	2,233,739	2,200,086	-	-	2,233,739	2,200,086
Sales taxes	3,155,228	3,122,302	-	-	3,155,228	3,122,302
Other general revenues	1,776,415	1,862,826	29,877	120,046	1,806,292	1,982,872
<b>Total Revenues</b>	<b>14,919,710</b>	<b>14,615,229</b>	<b>5,450,611</b>	<b>5,496,434</b>	<b>20,370,321</b>	<b>20,111,663</b>
<b>Expenses:</b>						
General government	3,262,540	5,140,071	-	-	3,262,540	5,140,071
Public safety	8,896,622	6,187,519	-	-	8,896,622	6,187,519
Highways and streets	1,800,466	2,176,736	-	-	1,800,466	2,176,736
Health and welfare	74,704	87,700	-	-	74,704	87,700
Culture and recreation	757,713	815,767	-	-	757,713	815,767
Urban redevelopment and housing	534,259	468,907	-	-	534,259	468,907
Economic development and assist	123,425	87,535	-	-	123,425	87,535
Interest expense	119,921	232,410	-	-	119,921	232,410
Water and sewer	-	-	5,040,418	4,993,683	5,040,418	4,993,683
<b>Total expenses</b>	<b>15,569,650</b>	<b>15,196,645</b>	<b>5,040,418</b>	<b>4,993,683</b>	<b>20,610,068</b>	<b>20,190,328</b>
Increase (Decrease) in net position before transfers	(649,940)	(581,416)	410,193	502,751	(239,747)	(78,665)
Transfers	267,922	563,674	(267,922)	(563,674)	-	-
Increase (Decrease) in net position	(382,018)	(17,742)	142,271	(60,923)	(239,747)	(78,665)
Net position - beginning of year	18,788,443	18,806,185	26,600,551	26,661,474	45,388,994	45,467,659
Accounting change	(32,283,105)	-	(729,775)	-	(33,012,880)	-
Net position- beginning of year, restated	(13,494,662)	18,806,185	25,870,776	26,661,474	12,376,114	45,467,659
Net position- end of year	<b>\$(13,876,680)</b>	<b>\$ 18,788,443</b>	<b>\$ 26,013,047</b>	<b>\$ 26,600,551</b>	<b>\$ 12,136,367</b>	<b>\$ 45,388,994</b>

### Current Year Impacts - Overall Net Position

As noted in the previous chart, the City of Charleston's total net position decreased \$33.2 million. Net position of the City's governmental activities decreased \$382,018 (which includes \$3.18 million in pension expense) and net position of business-type activities increased \$142,271 (which includes \$247,112 in pension expense). The remaining \$33 million decrease in net position is due to beginning of year adjustments due to GASB Statement No. 68 accounting changes.

Net investment in capital assets increased by \$961,038 to \$40.4 million due to capital asset additions and debt retirement. Restricted net position decreased by \$31,141, while unrestricted net position decreased \$34.1 million.

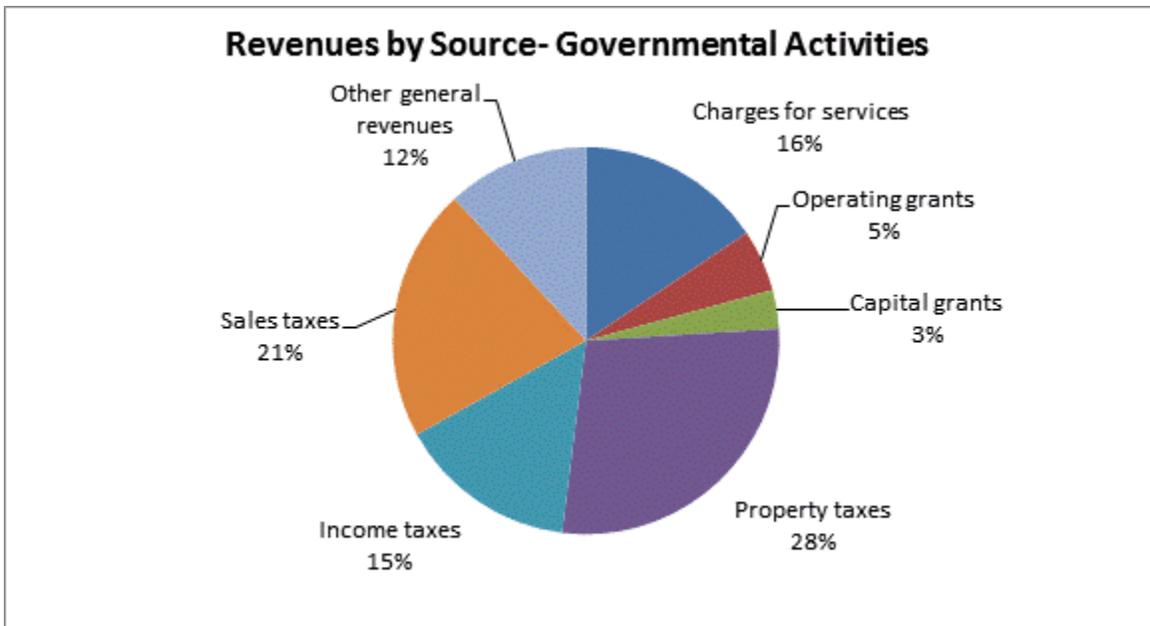
Total revenues increased \$258,658 (1%). Expenses increased \$419,740 (2%). Results for specific types of revenues and expenses are discussed below.

## Governmental Activities- Revenues and Expenses

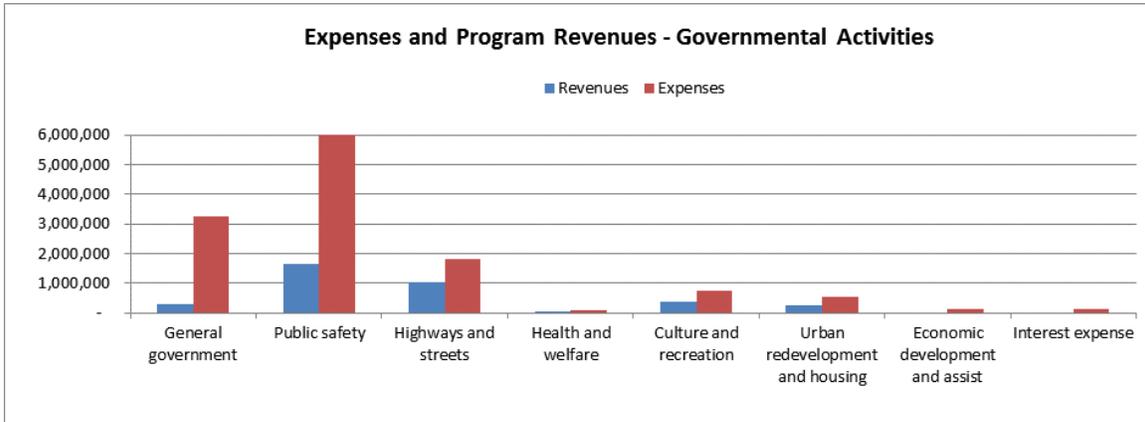
Revenues for governmental activities increased by \$304,481 (2%) to \$14.9 million. The largest increase from prior year was related to capital grants (\$189,406). Other revenue types seeing increases include charges for services (\$135,618), property taxes (\$84,622), income taxes (\$33,653), and sales taxes (\$32,926). The increases were offset by decreases in operating grants (\$85,333), and other general revenues (\$86,411).

Total expenses for governmental activities increased \$373,005 (2%) to \$15.6 million. Expenses in governmental activities are largely dependent on revenues. As revenues begin to recover from large declines, expenses are also being added back when necessary. Expenses increased within urban redevelopment and housing (\$65,352) and economic development (\$35,890). Decreases in expenses occurred within highways and streets (\$376,270), health and welfare (\$12,996), culture and recreation (\$58,054) and interest expense (\$112,489). Fire and Police pension expenses were reallocated from general government to public safety this year. If the reallocation had not occurred, public safety expenses would have shown an increase of \$1.1 million and general government would have shown a decrease of \$294,104.

The chart below depicts the City's major revenue sources for governmental activities. It clearly shows the diversity of the City's revenue sources. While property taxes and sales taxes together account for 49 percent of revenues, charges for services also continue to fund governmental activities. The City has placed additional reliance upon user fees to lower the impact upon property taxes where possible. Charges for services is made up of various licenses, housing permits, fines and parking system fees, franchise fees, rental income, intergovernmental service fees, and ambulance revenues.



The chart below compares program revenues with program expenses for governmental functions. A relatively small portion of expenditures for governmental functions are derived from program revenues.



### Business-Type Activities - Revenues and Expenses

Revenues for the City’s business-type activities decreased by \$45,823 or 1%. Charges for services increased \$94,346, operating grants decreased \$50,000 and other general revenues decreased \$90,169. In regards to charges for services, water and sewer gallons billed decreased by 1.4 percent and annual water and sewer rates increased 3.5 percent at the beginning of the year. Expenses for the City’s business-type activities increased \$46,735 or 1% from prior year.

Overall, the City’s net position from business-type activities increased by \$142,271. Program revenues exceeded expenses of such activities (\$410,193) which was sufficient to fund transfers to other activities (\$267,922). Thus the total increase in net position from such activities was \$142,271 after interest income, gain on sale of assets, and miscellaneous income of \$29,877 is added as well.

### Financial Analysis of the City’s Funds

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

### Governmental Funds

On April 30, 2016, the governmental funds reported combined total fund balance of \$5.9 million, a \$77,783 (1%) decrease from the prior year. Notable changes in fund balances from the prior year are as follows:

- The General Fund ended with a decrease in fund balance of \$72,045 or 1 percent which is discussed further in the section below.
- The fund balance of the Motor Fuel Tax Fund increased by \$8,983 or 5% because of decrease in expenses necessitated by a reduction in motor fuel tax allotment revenues from the Illinois Department of Transportation.
- The Tax Increment Financing Fund has increased \$34,635 or 20% this fiscal year. The amount expended on grants and public improvements has been decreased to help rebuild the fund balance.
- Playground and Recreation Fund revenues exceeded expenses by \$26,921 which lead to an increase in fund balance of nearly 58%.

Of the total fund balance for governmental funds, \$4.3 million is unassigned which indicates the funds are available to support the continued operations of the City. Unassigned fund balance decreased \$103,419 from prior year. An additional \$225,065 is committed or assigned meaning the City has limited the use of funds to specific functions. Restricted fund balance of \$1.3 million is limited by legal restrictions from outside parties on how the funds may be spent. Unspendable fund balance in the amount of \$97,107 is not available for current expenditures as the funds are not in a spendable form such as inventory.

Additional information may be found within the Governmental Funds Balance Sheet presented on pages 22 and 23.

### **Proprietary Funds**

The City of Charleston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City reports the Water and Sewer Fund as a major proprietary fund. This fund accounts for the operations of the water and sewer utility including water treatment, waste water treatment, utility lines, and billing and collection.

Net position in the water and sewer fund increased by \$145,937 from prior year. Operating income increased by \$71,339 from prior year and operating expenses increased by \$145,569. Non-operating expenses and other financing sources decreased \$236,243.

The proprietary fund financial statements can be found on pages 37-43.

## General Fund Budgetary Highlights

The Charleston City Council amended the General Fund budget during the fiscal year. During the development of the budget for the following year, the City determined an amendment was necessary to keep the budget somewhat closer to the current expectations at that point in time.

Below is a table which reflects the original and final budget plus the actual revenues and expenditures for the General Fund. This corresponds to pages 33-36 in the basic financial statements.

For the Fiscal Year Ended April 30, 2016			
General Fund	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
Taxes	\$ 8,102,982	\$ 8,102,982	\$ 8,134,048
Licenses and permits	322,840	322,840	403,399
Intergovernmental revenue	1,364,667	1,364,667	612,559
Charges for services	1,395,447	1,395,447	1,280,022
Other	834,100	834,100	170,075
Total	<u>\$ 12,020,036</u>	<u>\$ 12,020,036</u>	<u>\$ 10,600,103</u>
<b>Expenditures and transfers:</b>			
Expenditures	11,984,823	12,014,823	10,573,523
Transfers	31,400	1,400	98,625
Total	<u>\$ 12,016,223</u>	<u>\$ 12,016,223</u>	<u>\$ 10,672,148</u>
Change in fund balance	<u>\$ 3,813</u>	<u>\$ 3,813</u>	<u>\$ (72,045)</u>

The general fund actual revenues were \$1.4 million less than the final budgeted amount. The actual revenue collected in the categories of taxes and licenses and permits were higher than the final budget by \$31,066 and \$80,559 respectively. Intergovernmental revenue, charges for services and other revenues finished under the final budgeted revenue amount by \$752,108, \$115,425 and \$664,025 respectively.

The general fund actual expenditures were \$1.4 million less than the final budget amount. Most functional areas completed the year with actual expenditures being less than the final budget. The detail by function includes: general government (\$444,532), public safety (\$264,118), highways and streets (\$217,033), health and welfare (\$18,290), culture and recreation (\$5,327) and urban redevelopment and housing (\$787,082). The only functional area finishing with actual expenditures greater than final budget was debt service (\$295,082) which resulted from retiring notes payable earlier than required at the end of the year.

## Capital Assets

As shown on the following chart, the City of Charleston had a \$56.6 million investment in capital assets of its governmental and business-type activities, net of accumulated depreciation as of April 30, 2016. A large portion (56%) of this investment represents infrastructure including roads, sidewalks, bridges, and sewers. Overall, the City's investment in capital assets decreased by 2% (\$1.2 million).

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 901,732	\$ 869,855	\$ 1,040,839	\$ 1,040,839	\$ 1,942,571	\$ 1,910,694
Buildings and Improvements	9,966,751	10,254,765	9,697,565	10,481,719	19,664,316	20,736,484
Vehicles, machinery and equipment	1,855,241	2,026,541	1,095,776	1,265,964	2,951,017	3,292,505
Infrastructure	9,230,185	8,779,664	22,684,414	22,959,959	31,914,599	31,739,623
Construction in Progress	92,349	98,468	45,345	-	137,694	98,468
	\$ 22,046,258	\$ 22,029,293	\$ 34,563,939	\$ 35,748,481	\$ 56,610,197	\$ 57,777,774

Significant capital additions in the fiscal year ending April 30, 2016 included the following:

- Sidewalk improvements on 20<sup>th</sup> Street
- Street resurfacing on Harrison Street
- Street resurfacing on Division and 4<sup>th</sup> Street
- Aerohive Wi-Fi System
- 2016 Police squad cars (2)
- 2016 Ford F150 pickup truck
- Powerload system for ambulance

Additional funds were used for street resurfacing and water meter replacement which is considered capital maintenance therefore not reflected as capital assets.

These additions to capital assets were offset by depreciation of \$2.6 million. Readers desiring more detailed information on capital assets activity should refer to the discussion in Note C to these financial statements on pages 56-57.

## Debt Management

The City of Charleston's long term debt totaled \$52.8 million for governmental activities and \$12.8 million for business-type activities as of April 30, 2016.

Table 4- Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Unamortized bond premium	\$ 18,535	\$ 22,756	\$ 97,705	\$ 110,304	\$ 116,240	\$ 133,060
Compensated absences	1,498,009	1,454,069	253,810	310,097	1,751,819	1,764,166
Net pension obligation	-	920,489	-	-	-	920,489
Net pension liability	<b>45,472,030</b>	-	1,727,818	-	47,199,848	-
Net OPEB obligation	454,607	435,028	109,743	64,632	564,350	499,660
Bank notes payable	123,652	577,509	1,572,894	1,758,275	1,696,546	2,335,784
State of Illinois notes payable	66,667	83,334	4,935,625	5,322,599	5,002,292	5,405,933
General obligation bonds	5,205,000	5,745,000	-	-	5,205,000	5,745,000
Alternative revenue bonds	-	-	4,110,000	4,640,000	4,110,000	4,640,000
	<b>\$ 52,838,500</b>	<b>\$ 9,238,185</b>	<b>\$ 12,807,595</b>	<b>\$ 12,205,907</b>	<b>\$ 65,646,095</b>	<b>\$ 21,444,092</b>

Implementation of GASB 68 added \$45 million as net pension liability. Governmental long-term debt separate from net pension obligation and liability decreased \$951,226 from the prior year. Additional principal payments were made to retire several notes payable earlier than scheduled and decrease the overall debt of the City. These additional principal payments totaled \$332,123. No new debt was issued for governmental activities.

Business-type activities increased long-term debt by \$601,688 which includes the addition of \$1.7 million for net pension liabilities. Notwithstanding net pension liabilities, long-term debt decreased \$1.1 million. No new debt was issued for business-type activities.

Compensated absences represent the value of accumulated unpaid vacation of employees and an estimated value of the sick leave accumulated that may be payable upon retirement based on criteria in employment contracts and union agreements. The Other Post-Employment Benefits (OPEB) liability will continue to increase as the City's policy remains to address this liability on a pay as you go basis.

Illinois statute restricts municipality general obligation debt to less than 8.625 percent of equalized property value. The City of Charleston is well below the statutory limit. The City of Charleston's AA- rating was affirmed by Standard and Poor's in May 2014 with a stable outlook.

Additional information on long term debt may be found in Note F in the Notes to the Financial Statements on pages 75-78.

## **Economic Factors and Next Year's Budget**

The equalized assessed value (EAV) of taxable property in the City for the 2015 levy year grew 1.68% percent from prior year to \$190,900,674. The rate of development continues to be slower than in the past and the 2016 levy is expected to have a very minimal increase as well. Under tax law applicable to the City of Charleston, the EAV of taxable property should represent one-third market value, so the taxable value of property in the City as of January 1, 2016 was roughly \$573 million.

The presence of Eastern Illinois University has provided a great deal of stability to the area's economy in past years. However, recently EIU has experience large declines in enrollment which has impacted our local economy. Charleston's sales tax revenues were slightly higher than last year (1.05% increase) and are forecasted to remain at that level in fiscal year 2016/2017. As EIU focuses efforts to increase enrollment and control costs, the City is being cautious about expecting revenue increases.

The fiscal year 2016/2017 budget is a balanced budget. Due to the quick response to the declining revenues and tight control on spending over the past years, the budget appears to be scaled down as needed. Similar to other municipalities, the City of Charleston continues to face multiple challenges including but not limited to sluggish tax collections, significant pension costs and increasing operating costs all of which are accounted for in the budget.

As the economy continues to recover at a slow pace, the City has aggressively been seeking ways boost revenues, control spending, and closely monitor the budget. This process will continue into the fiscal year 2016/2017 as the City is committed to providing the same service levels and remaining fiscally responsible.

## **Requests for Information**

This financial report is designed to provide the City's citizens, customers, investors, and creditors an overview of the City's finances, and to demonstrate the City's accountability for the money it receives. Additional information regarding the City's finances can be found on the City's website at <http://www.charlestonillinois.org>. Questions concerning this report or requests for additional financial information should be directed to:

Heather Kuykendall  
City Comptroller  
520 Jackson Avenue  
Charleston, Illinois 61920  
Phone: (217)345-5650  
Email: [comptroller@co.coles.il.us](mailto:comptroller@co.coles.il.us)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
April 30, 2016

	Primary Government		Totals	Component Unit
	Governmental Activities	Business Type Activities		Library Fund
<b>ASSETS</b>				
Cash deposits	\$ 3,233,425	\$ 2,434,401	\$ 5,667,826	\$ 161,362
Investments	1,183,797	149,069	1,332,866	-
Receivables:				
Property taxes	4,098,826	-	4,098,826	379,950
Other taxes	67,282	-	67,282	-
Customers	162,180	559,347	721,527	-
Other	15,871	-	15,871	-
Interest	7,645	390	8,035	-
Due from other governmental agencies	1,520,467	-	1,520,467	19,928
Prepaid expenditures	318,412	9,384	327,796	10,079
Inventory	60,938	335,861	396,799	-
Due from component units	42,318	-	42,318	-
Internal balances	(13,412)	13,412	-	-
Restricted assets:				
Cash deposits	244,235	-	244,235	-
Grant loans receivable	18,400	-	18,400	-
Net pension asset	26,863	-	26,863	-
Capital assets, net of accumulated depreciation	<u>22,046,258</u>	<u>34,563,939</u>	<u>56,610,197</u>	<u>895,856</u>
Total assets	<u>33,033,505</u>	<u>38,065,803</u>	<u>71,099,308</u>	<u>1,467,175</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	<u>11,269,625</u>	<u>978,862</u>	<u>12,248,487</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	418,686	120,626	539,312	18,453
Claims payable	87,928	-	87,928	-
Accrued wages	245,509	61,812	307,321	8,911
Accrued interest	38,073	40,385	78,458	398
Deposits held for others	4,500	1,200	5,700	-
Due to primary government	-	-	-	42,318
Long-term liabilities:				
Unamortized bond premium	18,535	97,705	116,240	-
Accrued compensated absences	1,498,009	253,810	1,751,819	16,599
Net OPEB obligation	454,607	109,743	564,350	21,258
Net pension liability	45,472,030	1,727,818	47,199,848	-

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
April 30, 2016

	Primary Government		Totals	Component Unit
	Governmental Activities	Business Type Activities		Library Fund
Capital lease payable:				
Due within one year	-	-	-	4,019
Due in more than one year	-	-	-	3,546
Bonds payable:				
Due within one year	560,000	535,000	1,095,000	-
Due in more than one year	4,645,000	3,575,000	8,220,000	-
Notes payable:				
Due within one year	60,608	719,473	780,081	24,564
Due in more than one year	<u>129,711</u>	<u>5,789,046</u>	<u>5,918,757</u>	<u>233,650</u>
Total liabilities	<u>53,633,196</u>	<u>13,031,618</u>	<u>66,664,814</u>	<u>373,716</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable miscellaneous revenue	48,129	-	48,129	-
Unavailable property tax revenue	4,098,826	-	4,098,826	379,950
Deferred amount on refunding	102,807	-	102,807	-
Deferred pensions	<u>296,852</u>	<u>-</u>	<u>296,852</u>	<u>-</u>
Total deferred inflows of resources	<u>4,546,614</u>	<u>-</u>	<u>4,546,614</u>	<u>379,950</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,507,276	23,847,715	40,354,991	630,077
Restricted for:				
General government	2,486	-	2,486	-
Public safety	25,353	-	25,353	-
Highways and streets	379,730	-	379,730	-
Culture and recreation	103,654	-	103,654	1,450
Urban development and housing	739,255	-	739,255	-
Debt service	14,913	-	14,913	-
Unrestricted (deficit)	<u>(31,649,347)</u>	<u>2,165,332</u>	<u>(29,484,015)</u>	<u>81,982</u>
Total Net Position	<u>\$ (13,876,680)</u>	<u>\$ 26,013,047</u>	<u>\$ 12,136,367</u>	<u>\$ 713,509</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2016

Program Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 3,262,540	\$ 284,345	\$ -	\$ -	\$ (2,978,195)	\$ -	\$ (2,978,195)	
Public safety	8,896,622	1,614,875	45,358	2,786	(7,233,603)	-	(7,233,603)	
Highways and streets	1,800,466	-	558,592	479,977	(761,897)	-	(761,897)	
Health and welfare	74,704	-	1,000	-	(73,704)	-	(73,704)	
Culture and recreation	757,713	302,066	58,991	-	(396,656)	-	(396,656)	
Urban redevelopment and housing	534,259	125,173	109,700	-	(299,386)	-	(299,386)	
Economic development and assistance	123,425	-	-	-	(123,425)	-	(123,425)	
Interest expense	119,921	-	-	-	(119,921)	-	(119,921)	
Total governmental activities	<u>15,569,650</u>	<u>2,326,459</u>	<u>773,641</u>	<u>482,763</u>	<u>(11,986,787)</u>	<u>-</u>	<u>(11,986,787)</u>	
Business type activities:								
Water and sewer	<u>5,040,418</u>	<u>5,420,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,316</u>	<u>380,316</u>	
Total primary government	<u>\$ 20,610,068</u>	<u>\$ 7,747,193</u>	<u>\$ 773,641</u>	<u>\$ 482,763</u>	<u>(11,986,787)</u>	<u>380,316</u>	<u>(11,606,471)</u>	
Component Unit: Library	<u>\$ 476,971</u>	<u>\$ 32,860</u>	<u>\$ 39,229</u>	<u>\$ -</u>			<u>\$ (404,882)</u>	
General Revenues:								
Taxes:								
Property taxes					4,171,465	-	4,171,465	381,988
Illinois income tax					2,233,739	-	2,233,739	-
Municipal retailers' occupation tax					3,155,228	-	3,155,228	-
Utility tax					776,122	-	776,122	-
Use tax					504,108	-	504,108	-
Replacement tax					216,617	-	216,617	18,668
Other taxes					165,136	-	165,136	-
Interest income					30,536	3,074	33,610	21
Gain (loss) on sale or disposal of assets					15,378	48	15,426	-
Net increase (decrease) in fair value of investments					(6,838)	(119)	(6,957)	-
Miscellaneous					75,356	26,874	102,230	6,876
Transfers					<u>267,922</u>	<u>(267,922)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>11,604,769</u>	<u>(238,045)</u>	<u>11,366,724</u>	<u>407,553</u>
Change in net position					<u>(382,018)</u>	<u>142,271</u>	<u>(239,747)</u>	<u>2,671</u>
Net position, beginning of year					18,788,443	26,600,551	45,388,994	710,838
Accounting change					<u>(32,283,105)</u>	<u>(729,775)</u>	<u>(33,012,880)</u>	<u>-</u>
Net position, beginning of year, as restated					<u>(13,494,662)</u>	<u>25,870,776</u>	<u>12,376,114</u>	<u>710,838</u>
Net Position, End of Year					<u>\$ (13,876,680)</u>	<u>\$ 26,013,047</u>	<u>\$ 12,136,367</u>	<u>\$ 713,509</u>

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

## FUND FINANCIAL STATEMENTS

CITY OF CHARLESTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2016

	<u>General Fund</u>	<u>Pensions Tax Levy Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit Library Fund</u>
<b>ASSETS</b>					
Cash deposits	\$ 2,914,768	\$ -	\$ 318,657	\$ 3,233,425	\$ 161,362
Investments	1,169,616	-	14,181	1,183,797	-
Receivables:					
Property taxes	1,409,780	1,479,919	1,209,127	4,098,826	379,950
Other taxes	67,282	-	-	67,282	-
Customers	147,471	-	10,580	158,051	-
Other	13,430	-	2,441	15,871	-
Interest	7,645	-	-	7,645	-
Due from other governmental agencies	1,346,656	24,460	58,140	1,429,256	19,928
Prepaid expenditures	9,269	-	8,500	17,769	-
Due from other funds	350,863	-	-	350,863	-
Restricted assets:					
Cash deposits	244,000	-	235	244,235	-
Grant loans receivable	18,400	-	-	18,400	-
Inventory	-	-	60,938	60,938	-
Total Assets	<u>\$ 7,699,180</u>	<u>\$ 1,504,379</u>	<u>\$ 1,682,799</u>	<u>\$ 10,886,358</u>	<u>\$ 561,240</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 268,101	\$ 24,460	\$ 103,904	\$ 396,465	\$ 18,453
Accrued wages	233,921	-	11,588	245,509	8,911
Deposits held for others	-	-	4,500	4,500	-
Due to other funds	1,647	-	199,489	201,136	32,113
Total liabilities	<u>503,669</u>	<u>24,460</u>	<u>319,481</u>	<u>847,610</u>	<u>59,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable miscellaneous revenue	13,187	-	34,957	48,144	-
Unavailable property tax revenue	1,409,780	1,479,919	1,209,127	4,098,826	379,950
Total deferred inflows of resources	<u>1,422,967</u>	<u>1,479,919</u>	<u>1,244,084</u>	<u>4,146,970</u>	<u>379,950</u>

CITY OF CHARLESTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2016

	<u>General Fund</u>	<u>Pensions Tax Levy Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit Library Fund</u>
FUND BALANCE					
Nonspendable	27,669	-	69,438	97,107	-
Restricted for:					
General government	155	-	2,331	2,486	-
Public safety	13,731	-	11,622	25,353	-
Highways and streets	244,000	-	135,730	379,730	-
Culture and recreation	89,487	-	14,167	103,654	1,450
Urban development and housing	739,255	-	-	739,255	-
Debt service	-	-	14,913	14,913	-
Committed for:					
Culture and recreation	-	-	73,736	73,736	-
Assigned for:					
Highways and streets	151,329	-	-	151,329	-
Unassigned (deficit)	<u>4,506,918</u>	<u>-</u>	<u>(202,703)</u>	<u>4,304,215</u>	<u>120,363</u>
Total fund balance	<u>5,772,544</u>	<u>-</u>	<u>119,234</u>	<u>5,891,778</u>	<u>121,813</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 7,699,180</u>	 <u>\$ 1,504,379</u>	 <u>\$ 1,682,799</u>	 <u>\$ 10,886,358</u>	 <u>\$ 561,240</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
April 30, 2016

Total fund balance - total governmental funds		\$ 5,891,778
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current resources and, therefore, are not reported in the governmental funds balance sheet. This is the amount by which capital assets of \$38,821,778 exceeded accumulated depreciation of \$16,775,520.		22,046,258
Certain prepaid expenses reported in the statement of net position are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.		288,798
Certain receivables reported in the statement of net position are not available as current financial resources and, therefore, are not reported as receivables in the governmental funds.		(197,052)
Deferred inflows and outflows of resources related to certain changes in net pension liability are not yet recognized in pension expense, are not current financial resources and, therefore, are not reported in the funds.		
Deferred outflows of resources	\$ 11,269,625	
Deferred inflows of resources	<u>(296,852)</u>	10,972,773
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(38,073)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position:		
Current assets	\$ 84,740	
Current liabilities	<u>(11,458)</u>	73,282
The net pension asset (liability) is the difference between the total pension liability and fiduciary net position of the plan and is not due and payable in the current period and, therefore, is not reported in the funds.		
Net pension asset	\$ 26,863	
Net pension liability	<u>(45,472,030)</u>	(45,445,167)

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
April 30, 2016

Long term liabilities are not due and payable in the current period  
and, therefore, they are not reported in the governmental funds balance sheet.

Unamortized bond premium	\$ (18,535)	
Accrued compensated absences	(1,498,009)	
Net OPEB obligation	(454,607)	
Deferred amount on refunding	(102,807)	
Due within one year	(620,608)	
Due in more than one year	<u>(4,774,711)</u>	<u>(7,469,277)</u>

Net Position of Governmental Activities \$ (13,876,680)

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE COMPONENT UNIT BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
April 30, 2016

Total fund balance - component unit	\$	121,813
<p>Amounts reported for the component unit activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current resources and, therefore, are not reported in the governmental funds balance sheet. This is the amount by which capital assets of \$1,295,280 exceeded accumulated depreciation of \$399,424.</p>		895,856
<p>Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.</p>		
Accrued compensated absences	\$ (16,599)	
Net OPEB obligation	(21,258)	
Due within one year	(28,583)	
Due in more than one year	<u>(237,196)</u>	(303,636)
<p>Internal service funds are used by the primary government to charge the costs of various activities internally to individual funds. The Library's share of the assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.</p>		(10,205)
<p>Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.</p>		(398)
<p>Certain prepaid expenses reported in the statement of net position are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		<u>10,079</u>
Net Position of Component Unit	\$	<u>713,509</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended April 30, 2016

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Revenues:					
Property taxes	\$ 1,390,561	\$ 1,433,677	\$ 1,333,285	\$ 4,157,523	\$ 381,416
Mobile home privilege tax	1,883	2,151	1,769	5,803	572
Replacement income tax	18,114	147,599	50,904	216,617	18,668
Tourism tax	54,293	-	-	54,293	-
Utility tax	776,122	-	-	776,122	-
Fines, parking system fees, and charge for services	255,511	-	-	255,511	10,497
Municipal retailers' occupation tax	3,155,228	-	-	3,155,228	-
Illinois income tax	2,233,739	-	-	2,233,739	-
Use tax	504,108	-	-	504,108	-
Ambulance revenue	1,024,511	-	-	1,024,511	-
Other governmental agencies	612,559	-	558,592	1,171,151	19,074
Rental income	12,065	-	-	12,065	1,074
Licenses, permits and fees	403,399	-	302,066	705,465	7,321
Interest income	31,232	-	(695)	30,537	21
Private donations and contributions	52,440	-	27,258	79,698	20,155
Net increase (decrease) in fair value of investments	(6,952)	-	114	(6,838)	-
Miscellaneous income	<u>70,862</u>	<u>-</u>	<u>8,007</u>	<u>78,869</u>	<u>20,844</u>
Total revenues	<u>10,589,675</u>	<u>1,583,427</u>	<u>2,281,300</u>	<u>14,454,402</u>	<u>479,642</u>
Expenditures:					
General government	2,313,572	-	774,016	3,087,588	-
Public safety	5,931,427	1,583,427	1,010	7,515,864	-
Highways and streets	1,115,289	-	549,847	1,665,136	-
Health and welfare	74,725	-	-	74,725	-
Culture and recreation	128,663	-	515,404	644,067	431,287
Urban development and housing	527,507	-	-	527,507	-
Economic development and assistance	-	-	117,601	117,601	-
Debt service:					
Principal	470,524	-	540,000	1,010,524	27,241
Interest	<u>11,816</u>	<u>-</u>	<u>110,613</u>	<u>122,429</u>	<u>6,062</u>
Total expenditures	<u>10,573,523</u>	<u>1,583,427</u>	<u>2,608,491</u>	<u>14,765,441</u>	<u>464,590</u>
Excess of revenues over (under) expenditures	<u>16,152</u>	<u>-</u>	<u>(327,191)</u>	<u>(311,039)</u>	<u>15,052</u>

CITY OF CHARLESTON, ILLINOIS  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 For the Year Ended April 30, 2016

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	10,428	-	-	10,428	-
Transfers in	180,000	-	321,453	501,453	-
Transfers out	<u>(278,625)</u>	-	-	<u>(278,625)</u>	-
Total other financing sources (uses)	<u>(88,197)</u>	<u>-</u>	<u>321,453</u>	<u>233,256</u>	<u>-</u>
Net change in fund balance	(72,045)	-	(5,738)	(77,783)	15,052
Fund balance, beginning of year	<u>5,844,589</u>	<u>-</u>	<u>124,972</u>	<u>5,969,561</u>	<u>106,761</u>
Fund Balance, End of Year	<u>\$ 5,772,544</u>	<u>\$ -</u>	<u>\$ 119,234</u>	<u>\$ 5,891,778</u>	<u>\$ 121,813</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2016

Net change in governmental fund balance	\$	(77,783)
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		867,498
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(1,330,510)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net position. This is the amount of contributions of capital assets that increased net position.		479,977
The change in deferred inflows and outflows of resources does not require the use of current financial resources and, therefore, is not reported in governmental funds.		10,866,533
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(15,187)
Certain prepaid expenses reported 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.		17,863
Bond issuance costs and bond premium are reported as expenditures and income, respectively, in the governmental funds, but these are capitalized and amortized in the statement of activities.		25,458
Certain revenues reported in the statement of activities are not available as current financial resources and, therefore, are not reported as revenues in the governmental funds.		(30,047)

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2016

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.

Increase in accrued compensated absences expense	(43,940)
Increase in net OPEB obligation	(19,579)

The change in the net pension (asset) liability does not require the use of current financial resources and, therefore, is not reported as expenditures in the funds.

Net pension asset	\$ (6,160)	
Net pension liability	<u>(12,129,174)</u>	(12,135,334)

Principal paid on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of principal payments.

1,010,525

Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.

2,508

Change in Net Position of Governmental Activities

\$ (382,018)

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF THE COMPONENT UNIT  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2016

Net change in component unit fund balance	\$	15,052
Amounts reported for the component unit activities in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(15,760)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the repayment has no effect on change in net position on the statement of activities.		27,241
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.		
Increase in accrued compensated absences expense		(1,072)
Increase in net OPEB obligation		(21,086)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(37)
Internal service funds are used by the primary government to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with the discretely presented component unit.		(711)
Certain prepaid expenses reported 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.		<u>(956)</u>
Change in Net Position of Component Unit	\$	<u><u>2,671</u></u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
(Includes General, Judgment, and Tourism and Special Events Funds)  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
General Fund:				
Revenues:				
Property taxes	\$ 941,543	\$ 941,543	\$ 935,614	\$ (5,929)
Mobile home privilege tax	700	700	1,201	501
Replacement income tax	19,000	19,000	18,114	(886)
Tourism tax	62,000	62,000	54,293	(7,707)
Utility tax	865,030	865,030	776,122	(88,908)
Fines, parking system fees, and charges for services	276,050	276,050	255,511	(20,539)
Municipal retailers' occupation tax	3,170,750	3,170,750	3,155,228	(15,522)
Illinois income tax	2,161,962	2,161,962	2,233,739	71,777
Use tax	423,658	423,658	504,108	80,450
Ambulance revenue	1,119,397	1,119,397	1,024,511	(94,886)
Other governmental agencies	1,364,667	1,364,667	612,559	(752,108)
Rental income	10,516	10,516	12,065	1,549
Licenses, permits and fees	322,840	322,840	403,399	80,559
Interest income	30,000	30,000	31,193	1,193
Private donations and contributions	448,600	448,600	50,707	(397,893)
Net increase (decrease) in fair value of investments	-	-	(6,952)	(6,952)
Miscellaneous income	<u>21,529</u>	<u>21,529</u>	<u>52,740</u>	<u>31,211</u>
Total revenues	<u>11,238,242</u>	<u>11,238,242</u>	<u>10,114,152</u>	<u>(1,124,090)</u>
Expenditures:				
General Government:				
Administration, board of zoning appeals and planning, police and fire boards, and city manager	419,763	419,763	423,839	(4,076)
City clerk	105,925	105,925	102,611	3,314
Comptroller	144,187	144,187	140,378	3,809
City attorney's office	98,788	98,788	88,206	10,582
Information services	126,393	126,393	122,276	4,117
Engineering department	195,370	195,370	210,067	(14,697)
Contingencies	100,000	100,000	59,088	40,912
Parks and maintenance department	853,897	853,897	466,437	387,460
	<u>2,044,323</u>	<u>2,044,323</u>	<u>1,612,902</u>	<u>431,421</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
(Includes General, Judgment, and Tourism and Special Events Funds)  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) <u>Final Budget</u>
Public Safety:				
Police protection	2,874,933	2,874,933	2,933,958	(59,025)
Fire protection	<u>3,320,612</u>	<u>3,320,612</u>	<u>2,997,469</u>	<u>323,143</u>
	<u>6,195,545</u>	<u>6,195,545</u>	<u>5,931,427</u>	<u>264,118</u>
Highways and Streets:				
Street department	1,128,225	1,128,225	871,910	256,315
City garage	109,097	109,097	110,794	(1,697)
Street lighting	<u>95,000</u>	<u>95,000</u>	<u>132,585</u>	<u>(37,585)</u>
	<u>1,332,322</u>	<u>1,332,322</u>	<u>1,115,289</u>	<u>217,033</u>
Health and Welfare:				
Public service	<u>93,015</u>	<u>93,015</u>	<u>74,725</u>	<u>18,290</u>
Culture and Recreation:				
Tourism	<u>123,290</u>	<u>123,290</u>	<u>121,375</u>	<u>1,915</u>
Urban Redevelopment and Housing:				
Department of commerce and economic development	914,589	914,589	440,513	474,076
Rehabilitation and community development assistance program	<u>400,000</u>	<u>400,000</u>	<u>86,994</u>	<u>313,006</u>
	<u>1,314,589</u>	<u>1,314,589</u>	<u>527,507</u>	<u>787,082</u>
Debt Service:				
Principal	170,797	170,797	470,524	(299,727)
Interest	<u>16,461</u>	<u>16,461</u>	<u>11,816</u>	<u>4,645</u>
	<u>187,258</u>	<u>187,258</u>	<u>482,340</u>	<u>(295,082)</u>
Total expenditures	<u>11,290,342</u>	<u>11,290,342</u>	<u>9,865,565</u>	<u>1,424,777</u>
Excess of revenues over (under) expenditures	<u>(52,100)</u>	<u>(52,100)</u>	<u>248,587</u>	<u>300,687</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
(Includes General, Judgment, and Tourism and Special Events Funds)  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets	58,500	58,500	10,428	(48,072)
Loan proceeds	260,000	260,000	-	(260,000)
Transfers in	94,082	94,082	-	(94,082)
Transfers out	<u>(360,482)</u>	<u>(360,482)</u>	<u>(338,625)</u>	<u>21,857</u>
Total other financing sources (uses)	<u>52,100</u>	<u>52,100</u>	<u>(328,197)</u>	<u>(380,297)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>(79,610)</u>	<u>(79,610)</u>
<b>Judgment Fund:</b>				
<b>Revenues:</b>				
Property taxes	457,639	457,639	454,947	(2,692)
Mobile home privilege tax	700	700	682	(18)
Interest income	55	55	39	(16)
Miscellaneous income	<u>100</u>	<u>100</u>	<u>18,122</u>	<u>18,022</u>
Total revenues	<u>458,494</u>	<u>458,494</u>	<u>473,790</u>	<u>15,296</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Judgment	<u>683,781</u>	<u>713,781</u>	<u>700,670</u>	<u>13,111</u>
Excess of revenues over (under) expenditures	<u>(225,287)</u>	<u>(255,287)</u>	<u>(226,880)</u>	<u>28,407</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>235,000</u>	<u>265,000</u>	<u>240,000</u>	<u>(25,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>9,713</u>	<u>9,713</u>	<u>13,120</u>	<u>3,407</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
(Includes General, Judgment, and Tourism and Special Events Funds)  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Tourism and Special Events Fund:				
Revenues:				
Donations and contributions	4,300	4,300	1,733	(2,567)
Interest income	50	50	-	(50)
Miscellaneous income	<u>450</u>	<u>450</u>	<u>-</u>	<u>(450)</u>
Total revenues	<u>4,800</u>	<u>4,800</u>	<u>1,733</u>	<u>(3,067)</u>
Expenditures:				
Culture and Recreation:				
Commodities	9,700	9,700	6,623	3,077
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>665</u>	<u>335</u>
Total expenditures	<u>10,700</u>	<u>10,700</u>	<u>7,288</u>	<u>3,412</u>
Excess of revenues over (under) expenditures	<u>(5,900)</u>	<u>(5,900)</u>	<u>(5,555)</u>	<u>345</u>
Total excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 3,813</u>	<u>\$ 3,813</u>	(72,045)	<u>\$ (75,858)</u>
Fund balance, beginning of year			<u>5,844,589</u>	
Fund Balance, End of Year			<u>\$ 5,772,544</u>	

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
April 30, 2016

	Water and Sewer Fund	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash deposits	\$ 2,434,401	\$ -
Investments	149,069	-
Receivables:		
Customer	559,347	4,129
Interest receivable	390	-
Prepaid expenditures	9,384	11,845
Inventory	335,861	-
Due from other funds	<u>71,973</u>	<u>-</u>
Total current assets	<u>3,560,425</u>	<u>15,974</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>34,563,939</u>	<u>-</u>
 Total assets	 <u>3,560,425</u>	 <u>15,974</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pensions	<u>978,862</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	120,626	22,221
Claims payable	-	87,928
Accrued wages	61,812	-
Accrued interest	40,385	-
Deposits held for others	1,200	-
Due to other funds	-	189,587
Deferred revenue	-	8,574
Bonds payable	535,000	-
Notes payable	<u>719,473</u>	<u>-</u>
Total current liabilities	<u>1,478,496</u>	<u>308,310</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
April 30, 2016

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
Noncurrent liabilities:		
Unamortized bond premium	97,705	-
Accrued compensated absences	253,810	-
Net OPEB obligation	109,743	-
Net pension liability	1,727,818	-
Bonds payable	3,575,000	-
Notes payable	<u>5,789,046</u>	<u>-</u>
Total noncurrent liabilities	<u>11,553,122</u>	<u>-</u>
Total liabilities	<u>13,031,618</u>	<u>308,310</u>
NET POSITION		
Net investment in capital assets	23,847,715	-
Unrestricted (deficit)	<u>2,223,893</u>	<u>(292,336)</u>
Total Net Position (Deficit)	<u>\$ 26,071,608</u>	<u>\$ (292,336)</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF ENTERPRISE FUND NET  
POSITION TO THE STATEMENT OF NET POSITION  
April 30, 2016

Total enterprise fund net position	\$ 26,071,608
Amounts reported for enterprise activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. The enterprise fund's share of assets and liabilities of the internal service funds are included in business-type activities in the statement of net position.	<u>(58,561)</u>
Net Position of Business-Type Activities	<u>\$ 26,013,047</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended April 30, 2016

	Water and Sewer Fund	Internal Service Fund
Operating Revenues:		
Water and sewer utility	\$ 5,397,706	\$ -
Charges for services	-	1,328,096
Other	<u>49,902</u>	<u>-</u>
Total operating revenues	<u>5,447,608</u>	<u>1,328,096</u>
Operating Expenses:		
Personnel services	2,288,996	-
Commodities	416,882	-
Contractual services	603,556	304,490
Capital outlay	362,962	-
Depreciation	1,272,133	-
Claims expenses	<u>-</u>	<u>1,043,170</u>
Total operating expenses	<u>4,944,529</u>	<u>1,347,660</u>
Net operating income (loss)	<u>503,079</u>	<u>(19,564)</u>
Non-Operating Revenues (Expenses):		
Interest income	3,074	-
Gain on sale of assets	48	-
Net increase (decrease) in fair value of investments	(119)	-
Interest expense	(149,916)	-
Amortization	<u>12,599</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(134,314)</u>	<u>-</u>
Net income (loss) before other financing sources (uses)	<u>368,765</u>	<u>(19,564)</u>
Transfers:		
Transfers out	<u>(222,828)</u>	<u>-</u>
Change in net position	<u>145,937</u>	<u>(19,564)</u>
Net position (deficit), beginning of year	26,655,446	(272,772)
Accounting change	<u>(729,775)</u>	<u>-</u>
Net position (deficit), beginning of year, as restated	<u>25,925,671</u>	<u>(272,772)</u>
Net Position (Deficit), End of Year	<u>\$ 26,071,608</u>	<u>\$ (292,336)</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF ENTERPRISE FUND CHANGE IN NET  
POSITION TO THE STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2016

Net change in net position in enterprise fund	\$ 145,937
Amounts reported for enterprise activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.	<u>(3,666)</u>
Change in Net Position of Business-Type Activities	<u>\$ 142,271</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF CHANGES IN CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended April 30, 2016

	Water and Sewer Fund	Internal Service Fund
	<u>                    </u>	<u>                    </u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 5,443,261	\$ 401,094
Interfund services provided	-	928,160
Payments to suppliers	(1,547,715)	(305,312)
Payments to employees	(1,976,755)	-
Payments to claimants	<u>-</u>	<u>(1,129,389)</u>
Net cash provided (used) by operating activities	<u>1,918,791</u>	<u>(105,447)</u>
 Cash Flows from Noncapital Financing Activities:		
Transfers in (out)	(222,828)	-
Loans from (to) other funds	<u>(71,973)</u>	<u>15,587</u>
Net cash provided (used) by noncapital financing activities	<u>(294,801)</u>	<u>15,587</u>
 Cash Flows from Capital and Related Financing Activities:		
Proceeds from sale of capital assets	48	-
Purchases of capital assets	(87,591)	-
Principal paid on capital debt	(1,102,355)	-
Interest paid on capital debt	<u>(154,646)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(1,344,544)</u>	<u>-</u>
 Cash Flows from Investing Activities:		
Interest income	<u>2,704</u>	<u>-</u>
 Net increase (decrease) in cash and cash deposits	282,150	(89,860)
 Cash and cash deposits, beginning of year	<u>2,152,251</u>	<u>89,860</u>
 Cash and Cash Deposits, End of Year	<u>\$ 2,434,401</u>	<u>\$ -</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF CHANGES IN CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended April 30, 2016

	Water and Sewer Fund	Internal Service Fund
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 503,079	\$ (19,564)
Noncash items included in operating income:		
Depreciation	1,272,133	-
Net (increase) decrease in:		
Customer receivables	(5,547)	(2,389)
Prepaid expenses	859	(822)
Inventory	124,647	-
Deferred pensions	(909,866)	-
Net increase (decrease) in:		
Accounts payable	9,652	-
Claims payable	-	(83,830)
Accrued wages	4,763	-
Deposits held for others	1,200	-
Deferred revenue	-	1,158
Accrued compensated absences	(56,287)	-
Net OPEB obligation	45,111	-
Net pension liability	929,047	-
	\$ 1,918,791	\$ (105,447)
Net Cash Provided (Used) by Operating Activities	\$ 1,918,791	\$ (105,447)

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
April 30, 2016

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 320,180	\$ 163,995
Receivables:		
Interest	65,089	-
Due from other funds	<u>174,461</u>	<u>-</u>
Total receivables	<u>239,550</u>	<u>-</u>
Investments, at fair value:		
Federal government obligations	3,666,816	-
Mutual funds	4,026,476	7,188
Common stock	12,382,621	-
Corporate bonds	3,721,052	-
Certificates of deposit	<u>339,617</u>	<u>-</u>
Total investments	<u>24,136,582</u>	<u>7,188</u>
Total assets	<u>24,696,312</u>	<u>171,183</u>
<b>LIABILITIES</b>		
Accounts payable	35,094	-
Amount due to affiliate organizations	-	171,183
Due to other funds	<u>150,000</u>	<u>-</u>
Total liabilities	<u>185,094</u>	<u>171,183</u>
<b>NET POSITION</b>		
Held in Trust for Pension Benefits	<u>\$ 24,511,218</u>	<u>\$ -</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended April 30, 2016

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 1,583,428
Plan members	<u>409,763</u>
Total contributions	<u>1,993,191</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	(1,068,195)
Interest	237,180
Dividends and capital gain distributions	<u>366,983</u>
	(464,032)
Less investment expense	<u>(133,610)</u>
Net investment income	<u>(597,642)</u>
Other additions	<u>12,118</u>
Total additions	<u>1,407,667</u>
Deductions:	
Benefits	2,887,940
Refunds of contributions	56,709
Administration expenses	<u>53,463</u>
Total deductions	<u>2,998,112</u>
Change in net position	(1,590,445)
Net position, beginning of year	<u>26,101,663</u>
Net Position, End of Year	<u>\$ 24,511,218</u>

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

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Charleston, Illinois, conform to accounting principles generally accepted in the United States of America as applicable to governments.

The following is a summary of the more significant policies:

- a) Financial Reporting Entity - The City is governed by a mayor and four commissioners elected at large. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City, as distinct from legal relationships.

The following organization is a discretely presented component unit of the City:

Library Fund - The City Commissioners appoint the Carnegie Public Library Board and approve the tax levy for the Library Fund. In addition, the payroll of the Library is included with the City's payroll in reporting to various federal and state agencies. A report may be obtained by writing to Carnegie Public Library, 712 6<sup>th</sup> Street, Charleston, Illinois 61920.

- b) Basis of Presentation - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, capital projects and internal service funds are classified as governmental activities while the City's enterprise funds are classified as business type activities. The City's fiduciary funds are not incorporated into the government-wide statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government.

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. The following fund types are used by the City:

Governmental Funds:

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, use and balances of financial resources).

General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted or committed to expenditures for specified purposes. The purpose and substantial restricted resources for each major special revenue fund are listed below:

Pensions Tax Levy Fund is used to account for the annual property tax levy of the pension trust funds.

Debt Service Fund is used to account for the accumulation of resources and the payment of general long-term debt not financed by a specific source.

Proprietary Funds:

Proprietary Funds are those funds through which the accounting objectives are determinations of operating income, change in net position, financial position, and changes in cash flows. These funds are accounted for using the economic resources measurement focus which is similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises---where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has one major enterprise fund as follows:

Water and Sewer Fund is used to account for the operations of the City's utility garage, utility department, water treatment plant, and waste water treatment plant.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Internal Service Funds:

Internal service funds are used to finance and account for services and commodities provided by designated departments or agencies of the City. The following internal service fund is used by the City:

Self-Health Insurance Fund is used to account for the premiums and medical claims of all covered City employees and their dependents and Library employees.

Fiduciary Funds:

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include pension trust and agency funds.

Pension Trust Funds are used to account for the accumulation of resources needed to pay pension costs when due. Resources are member contributions at rates fixed by state statutes and City contributions in the form of an annual property tax levy. The City has two pension trust funds for the Police Pension Fund and the Firefighters' Pension Fund. The measurement focus and basis of accounting of the pension trust funds is similar to proprietary funds.

Agency Funds are used to account for the assets and liabilities of agencies affiliated with the Playground and Recreation Fund. Agency funds are purely custodial in nature and do not involve measurement of results of operations.

- c) Measurement Focus and Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus is used to describe which transactions are recorded within the various financial statements.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. All assets and liabilities, including capital assets and long-term liabilities, are included. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period to be used to pay current liabilities. The City uses the following collection periods for determining availability of revenues: within 60 days for property taxes, 365 days for ambulance revenue, and 120 days for all other revenue sources. Expenditures generally are recorded when a liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due and payable.

The proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used on the government-wide financial statements.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

- d) Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:
1. A proposed operating budget is submitted to the city council for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them. The City does not prepare a budget for the Pensions Tax Levy Fund.
  2. Public meetings are conducted to obtain taxpayer comments.
  3. The tax levy ordinance is adopted and filed with the county clerk on or before the last Tuesday in December.
  4. Formal budgetary integration is employed as a management control device during the year for all funds.
  5. The budgets for the governmental funds are adopted substantially on a modified accrual basis of accounting which is consistent with U.S. generally accepted accounting principles (GAAP). All budget comparisons presented in this report are on a GAAP budgetary basis and are compared with actual revenues and expenditures at April 30, 2016. The budget was amended April 19, 2016.
  6. Unused appropriations for all of the annually budgeted funds lapse at the end of each year.
- e) Cash and Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.
- f) Investments - Investments, including those reported in pension trust funds, are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note B.
- g) Inventory - Inventory held by the City's governmental and proprietary fund types is priced at cost (first-in, first-out) which approximates market.
- h) Capital Assets and Depreciation - Capital assets, which includes property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their fair market value on the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. The City had no capitalized interest for the year ended April 30, 2016. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City reports all major general infrastructure assets constructed or acquired in fiscal years ending after April 30, 1980, or that received major renovations, restorations, or improvements during that period. The City has defined the following initial individual cost thresholds for when an asset should be capitalized and depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

<u>Assets</u>	<u>Years</u>	<u>Cost</u>
Land	N/A	\$ 5,000
Buildings, bridges, storm sewers, and water mains	50	50,000
Traffic signals	25	50,000
Streets, curb, gutter and other infrastructure	20	50,000
Sidewalks, bike paths	15	50,000
Swimming pool	25	-
Machinery, equipment, computer equipment and hardware, vehicles	10	5,000
Computer software	3	10,000
Police vehicles	2	5,000

- i) Deferred Outflows and Inflows of Resources – The City reports a decrease in net position/fund balance that applies to a future period as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position and the governmental funds balance sheet. The City had deferred outflows of resources related to pensions in the current year.

The City reports an increase in net position/fund balance that applies to a future period as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position and the governmental funds balance sheet. The City will not recognize the related revenues until a future event occurs. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available. Accordingly, unavailable miscellaneous revenue, unavailable grant revenue, and unavailable property taxes are reported in the government-wide statement of net position and the governmental funds balance sheet. The City also had deferred inflows of resources related to pensions in the current year. The City had no deferred inflows of resources that affect the proprietary fund financial statement in the current year.

- j) Interfund Activity - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables, as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances.” Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Operating transfers between funds during the year ended April 30, 2016 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 180,000	\$ 278,625
Other governmental funds	<u>321,453</u>	<u>-</u>
Total Governmental Activities	<u>\$ 501,453</u>	<u>\$ 278,625</u>
Business-Type Activities:		
Water and Sewer Fund	<u>\$ -</u>	<u>\$ 222,828</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The purposes of interfund transfers are as follows:

The General Fund transferred \$36,000 to the Playground and Recreation Fund to supplement their tax levy, \$112,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy and \$130,625 to the Debt Service Fund for principal and interest payments on the Pool bonded debt.

The Water and Sewer Fund transferred \$180,000 to the General Fund for a portion of the commercial insurance costs, and \$42,828 to the Employee Benefits Fund for benefit costs in excess of the property tax levy.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Activities:		
General Fund	\$ 350,863	\$ 1,647
Other governmental funds	<u>-</u>	<u>199,489</u>
 Total Governmental Activities	 <u>\$ 350,863</u>	 <u>\$ 201,136</u>
Business-Type Activities:		
Water and Sewer Fund	\$ 71,973	\$ -
Internal Service Fund	<u>-</u>	<u>189,587</u>
 Total Business-Type Activities	 <u>\$ 71,973</u>	 <u>\$ 189,587</u>
Component Unit:		
Carnegie Public Library	<u>\$ -</u>	<u>\$ 32,113</u>

The purposes of interfund receivables and payables are as follows:

The General Fund has loaned \$32,113 to the Library Fund for operating expenses from the pooled cash account, \$179,000 to the Self-Health Insurance Fund for operating expenses, and \$139,750 to the Tax Increment Financing Fund for TIF grants. The Water and Sewer Fund has loaned \$1,647 to the General Fund, \$10,587 to the Self-Health Insurance Fund, and \$59,739 to the Employee Benefits Fund for operating expenses from the pooled cash account. All loans are expected to be repaid within one year, except the Tax Increment Financing Fund which requires annual payments with a final maturity date of April 30, 2021. The internal service fund net position has been charged to various activities resulting in a loan of \$58,561 to the Water and Sewer Fund and \$10,205 to the Library Fund from the Self-Health Insurance Fund.

- k) Property Taxes - Property taxes are deferred in the fiscal year for which they are levied and are recorded as revenue in the fiscal year in which they are received. Taxes levied and uncollected are carried as an asset of the appropriate fund.

The City's property tax calendar is as follows:

1. Property is assessed on January 1 each year.
2. The tax levy ordinance was adopted and filed with the county clerk on December 15, 2015.
3. Property taxes are due to be collected by the County from July through September in two installments in the year following the levy year.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

- l) **Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and proprietary fund financial statements. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund payables and accrued liabilities are reported as obligations of the funds once incurred and is expected to be paid in a timely manner and in full from current financial resources. Bonds, capital leases and long-term notes that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. The face amount of debt issued is reported as other financing sources. Bond premiums received on debt issuances are reported as other financing sources while bond discounts on debt issuances are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- m) **Compensated Absences** - The City permits employees to accumulate unpaid vacation, sick pay and other employee benefit amounts. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, these accumulations which are payable from available financial resources are recorded as a liability in the fund financial statements. These accumulations which will not be liquidated with expendable available financial resources are recorded as long-term liabilities in the government-wide financial statements only.
- n) **Operating Revenues and Expenses** - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with proprietary funds' principal operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- o) **Net Position** – Net position on the government-wide and proprietary fund financial statements is divided into three components:
1. **Net investment in capital assets** - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
  2. **Restricted** - consists of net position that is restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by both federal and state grantors and by other contributors.
  3. **Unrestricted** - all other net position is reported in this category.
- p) **Fund Balance** – The following classifications describe the constraints placed on the purposes for which resources can be used:
1. **Nonspendable fund balance** – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
  2. **Restricted fund balance** – consists of amounts that are subject to outside restrictions, such as those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
  3. **Committed fund balance** – consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

4. Assigned fund balance – consists of amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. The intent can be expressed by the City Council or by an official or body which the Council delegates authority.
5. Unassigned fund balance - consists of amounts available for any purpose and positive amounts are reported only in the General Fund.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

- q) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- r) Recently Issued and Adopted Accounting Pronouncements – In 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. These statements improve accounting and financial reporting for pensions. See Note M for the restatement of net position.

NOTE B - CASH DEPOSITS AND INVESTMENTS

The City maintains a cash pool that is available for use by all funds, except for the Firefighters’ Pension Fund and Police Pension Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as cash deposits. In addition, cash deposits and investments are separately held by several of the City's funds. The City is allowed to invest in securities as authorized by 30ILCS 235/2 and 235/6.

At April 30, 2016, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Governmental Activities:		
Certificates of Deposit	\$ 1,149,205	1.53
Illinois Metropolitan Investment Fund	<u>34,592</u>	n/a
Total Investments	<u>\$ 1,183,797</u>	
Business-Type Activities:		
Certificates of Deposit	<u>\$ 149,069</u>	0.23
Fiduciary Pension Trust Funds:		
Firefighters’ Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 731,632	
U.S. Government Implied Obligation Agencies	<u>1,151,744</u>	
Subtotal, U.S. Government and its Agencies	1,883,376	22.03
Mutual Funds	2,184,111	n/a
Common Stock	6,589,825	n/a
Corporate Bonds	<u>2,269,432</u>	6.44
Total Investments	<u>\$ 12,926,744</u>	

CITY OF CHARLESTON, ILLINOIS  
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	Fair Value	Weighted Average Maturity
Police Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 751,661	
U.S. Government Implied Obligation Agencies	1,031,779	
Subtotal, U.S. Government and its Agencies	1,783,440	10.76
Mutual Funds	1,842,365	n/a
Common Stock	5,792,796	n/a
Corporate Bonds	1,451,620	7.81
Certificates of Deposit	339,617	4.42
 Total Investments	 \$ 11,209,838	
Agency Funds:		
Illinois Metropolitan Investment Fund	\$ 7,188	n/a

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. For investments in all funds except fiduciary funds, the City minimizes its exposure to interest rate risk structuring investments to mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity. At April 30, 2016, the City's investments consisted of negotiable certificates of deposit and the Illinois Metropolitan Investment Fund.

In accordance with the Firefighters' and Police Pension Funds investment policies, the Pension Funds investment portfolios will remain sufficiently liquid to enable the pension fund to pay all necessary benefits and meet all operating requirements which might be reasonably anticipated.

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit quality ratings for obligations of the U.S. government or guaranteed by the U.S. government are not required to be disclosed. The City's negotiable certificates of deposit are not subject to credit risk rating.

At April 30, 2016, the City's investments were rated as follows by Moody's:

Governmental Activities:

Illinois Metropolitan Investment Fund	Aaa/MR1
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The Firefighters' and Police Pension Funds investment policy states that the Pension Funds investment in contracts and agreements of Life Insurance Companies licensed to do business in the State of Illinois shall be rated at least A+ by A.M. Best Company, Aa rated by Moodys, and AA+ rated by Standard and Poors rating services. Notwithstanding, the portfolio of the general account of the Insurance Company shall not invest more than 10% of the portfolio in real estate and/or more than 10% of the portfolio in bonds with ratings of less than Baa1 by Moodys or BBB+ by Standard and Poors. Credit quality ratings for obligations of the U.S. government or guaranteed by the U.S. government are not required to be disclosed.

CITY OF CHARLESTON, ILLINOIS  
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Concentration of Credit Risk:

The City's investment policy does not place limitations on the amount that can be invested in any one issuer. The City's cash and negotiable certificates of deposit are not subject to credit risk rating.

It is the policy of the Firefighters' and Police Pension Funds to invest in a manner that seeks to ensure the preservation of capital. The Pension Funds are to consciously diversify the aggregate fund to ensure that adverse or unexpected results will not have an excessively detrimental impact on the entire portfolio.

The Firefighters' Pension Fund has adopted an asset allocation policy as follows:

	<u>Min</u>	<u>Target</u>	<u>Max</u>
Cash	2%	2%	5%
Fixed Income	43%	43%	68%
Lg/Mid. Cap Domestic Equities	26%	42%	45%
Sm. Cap Domestic Equities	2%	5%	7%
International Equities	2%	5%	7%
Real Estate	0%	3%	5%

The Police Pension Fund has adopted an asset allocation policy as follows:

	<u>Min</u>	<u>Target</u>	<u>Max</u>
Cash	2%	2%	5%
Fixed Income	38%	43%	75%
Lg/Mid. Cap Domestic Equities	18%	42%	81%
Sm. Cap Domestic Equities	2%	5%	7%
International Equities	0%	5%	7%
Real Estate	0%	3%	5%

Custodial Credit Risk for Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits in federally insured banks and savings and loans are insured up to \$250,000 for demand deposits and \$250,000 for time deposits. The City's policy requires that all deposits with financial institutions in excess of any insurance limit will be secured by the institution pledging securities with a third party institution in fair value amounts at least to cover uninsured amounts. As of April 30, 2016, of the City's total bank balances, \$955,066 was secured by federal depository insurance and \$5,380,578 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Deposits for the Firefighters' and Police Pension Funds are insured in an amount equal to \$250,000 for the fund plus an amount for each member's beneficial interest in the deposits, limited to an amount equal to \$250,000 divided by the largest beneficial interest percentage of a member. As of April 30, 2016, all cash deposits were adequately insured.

Custodial Credit Risk for Investments:

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no custodial credit risk in that all of its investments are insured.

CITY OF CHARLESTON, ILLINOIS  
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Foreign Currency Risk:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of deposits or investments. None of the City's deposits or investments are directly subject to foreign currency risk.

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2016</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 869,855	\$ 31,877	\$ -	\$ 901,732
Construction in progress	98,468	92,349	(98,468)	92,349
Capital assets being depreciated:				
Building and improvements	13,099,701	-	-	13,099,701
Accumulated depreciation	<u>(2,844,936)</u>	<u>(288,014)</u>	<u>-</u>	<u>(3,132,950)</u>
Building and improvements, net	<u>10,254,765</u>	<u>(288,014)</u>	<u>-</u>	<u>9,966,751</u>
Vehicles, machinery and equipment	7,680,095	214,633	(49,363)	7,845,365
Accumulated depreciation	<u>(5,653,554)</u>	<u>(385,933)</u>	<u>49,363</u>	<u>(5,990,124)</u>
Vehicles, machinery and equipment, net	<u>2,026,541</u>	<u>(171,300)</u>	<u>-</u>	<u>1,855,241</u>
Infrastructure	15,775,547	1,107,084	-	16,882,631
Accumulated depreciation	<u>(6,995,883)</u>	<u>(656,563)</u>	<u>-</u>	<u>(7,652,446)</u>
Infrastructure, net	<u>8,779,664</u>	<u>450,521</u>	<u>-</u>	<u>9,230,185</u>
<b>Total, Governmental Activities, Net Capital Assets</b>	<u><b>\$ 22,029,293</b></u>	<u><b>\$ 115,433</b></u>	<u><b>\$ (98,468)</b></u>	<u><b>\$ 22,046,258</b></u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,040,839	\$ -	\$ -	\$ 1,040,839
Construction in progress	-	45,345	-	45,345
Capital assets being depreciated:				
Building and improvements	15,048,632	-	-	15,048,632
Accumulated depreciation	<u>(4,566,913)</u>	<u>(784,154)</u>	<u>-</u>	<u>(5,351,067)</u>
Building and improvements, net	<u>10,481,719</u>	<u>(784,154)</u>	<u>-</u>	<u>9,697,565</u>
Vehicles, machinery and equipment	4,365,007	42,246	-	4,407,253
Accumulated depreciation	<u>(3,099,043)</u>	<u>(212,434)</u>	<u>-</u>	<u>(3,311,477)</u>
Vehicles, machinery and equipment, net	<u>1,265,964</u>	<u>(170,188)</u>	<u>-</u>	<u>1,095,776</u>

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	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Infrastructure	38,246,546	-	-	38,246,546
Accumulated depreciation	<u>(15,286,587)</u>	<u>(275,545)</u>	<u>-</u>	<u>(15,562,132)</u>
Infrastructure, net	<u>22,959,959</u>	<u>(275,545)</u>	<u>-</u>	<u>22,684,414</u>
 Total, Business-Type Activities, Net Capital Assets	 <u>\$ 35,748,481</u>	 <u>\$(1,184,542)</u>	 <u>\$ -</u>	 <u>\$ 34,563,939</u>
 Component Units:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 395,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,957</u>
Capital assets being depreciated:				
Building and improvements	804,497	-	-	804,497
Accumulated depreciation	<u>(303,369)</u>	<u>(13,885)</u>	<u>-</u>	<u>(317,254)</u>
Building and improvements, net	<u>501,128</u>	<u>(13,885)</u>	<u>-</u>	<u>487,243</u>
 Vehicles, machinery and equipment	 94,826	 -	 -	 94,826
Accumulated depreciation	<u>(80,295)</u>	<u>(1,875)</u>	<u>-</u>	<u>(82,170)</u>
Vehicles, machinery and equipment, net	<u>14,531</u>	<u>(1,875)</u>	<u>-</u>	<u>12,656</u>
 Total, Governmental Activities, Net Capital Assets	 <u>\$ 911,616</u>	 <u>\$ (15,760)</u>	 <u>\$ -</u>	 <u>\$ 895,856</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 272,668
Public safety	266,953
Highways and streets	617,118
Culture and recreation	143,817
Urban development and housing	24,130
Economic development and assistance	<u>5,824</u>
 Total Depreciation Expense, Governmental Activities	 <u>\$1,330,510</u>
 Business-Type Activities	 <u>\$1,272,133</u>
 Component Unit - Library	 <u>\$ 15,760</u>

The City has the following construction in progress at April 30, 2016:

Project	Expenses	Estimated Cost	Estimated Completion Date
Lake Trails	\$ 14,443	\$ 235,000	April 2017
Lake Bathrooms	77,905	83,357	August 2016
Sanitary Sewer – 10 <sup>th</sup> Street	45,345	62,382	April 2017

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

NOTE D - DEFINED BENEFIT PENSION PLANS

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

Benefits Provided - IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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

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

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.47% for Regular, 7.50% for SLEP, and 7.50% for ECO.
- **Projected Retirement Age** was from the Experience-Based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

CITY OF CHARLESTON, ILLINOIS  
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- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **Long-Term Expected Rate of Return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate - A single discount rate of 7.47% for Regular, 7.50% for SLEP, and 7.50% for ECO was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47% for Regular, 7.50% for SLEP, and 7.50% for ECO.

Additional information for each plan follows:

CITY OF CHARLESTON, ILLINOIS  
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a) Illinois Municipal Retirement Fund – Regular (All Other Employees)

Employees Covered by Benefit Terms - As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	99
Inactive plan members entitled to but not yet receiving benefits	34
Active plan members	<u>85</u>
 Total	 <u><u>218</u></u>

Contributions - As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate was 13.07% and 12.85% for calendar year 2015 and 2016, respectively. For the fiscal year ended April 30, 2016, the City contributed \$551,370 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

	Total Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (A) – (B)
Changes in the Net Pension Liability:	<u>(A)</u>	<u>(B)</u>	<u>(A) – (B)</u>
Balances at December 31, 2014	\$ 28,357,553	\$ 26,328,853	\$ 2,028,700
Changes for the year:			
Service Cost	405,183	-	405,183
Interest on the Total Pension Liability	2,084,227	-	2,084,227
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	989,302	-	989,302
Changes of Assumptions	72,805	-	72,805
Contributions – Employer	-	552,229	(552,229)
Contributions – Employees	-	217,296	(217,296)
Net Investment Income	-	129,901	(129,901)
Benefit Payments, including Refunds of Employee Contributions	(1,466,691)	(1,466,691)	-
Other (Net Transfer)	-	292,517	(292,517)
Net Changes	<u>2,084,826</u>	<u>(274,748)</u>	<u>2,359,574</u>
Balances at December 31, 2015	<u>\$ 30,442,379</u>	<u>\$ 26,054,105</u>	<u>\$ 4,388,274</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated using a single discount rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	<u>1% Lower</u> 6.47%	<u>Current</u> 7.47%	<u>1% Higher</u> 8.47%
Net Pension Liability	\$ 8,332,661	\$ 4,388,274	\$ 1,125,170

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$633,055. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions:		
Deferred Amounts to be Recognized in Pension Expense in Future Periods:		
Differences between expected and actual experience	\$ 759,205	\$ -
Changes of assumptions	55,872	-
Net difference between projected and actual earnings on pension plan investments	<u>1,463,671</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>2,278,748</u>	<u>-</u>
Pension contributions made subsequent to the measurement date	<u>174,325</u>	<u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 2,453,073</u>	 <u>\$ -</u>

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

	<u>Net Deferred Outflows of Resources</u>
Year Ending December 31	
2016	\$ 612,948
2017	612,948
2018	612,948
2019	439,904
2020	<u>-</u>
 Total	 <u>\$ 2,278,748</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

b) Illinois Municipal Retirement Fund – Sheriff’s Law Enforcement Personnel

Employees Covered by Benefit Terms - As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>-</u>
 Total	 <u><u>1</u></u>

Contributions - As set by statute, the City’s SLEP Plan Members are required to contribute 7.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City’s annual contribution rate was 13.35% and 13.69% for calendar year 2015 and 2016, respectively. For the fiscal year ended April 30, 2016, the City contributed \$0 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

	Total Pension Liability (Asset) <u>(A)</u>	Plan Net Position <u>(B)</u>	Net Pension Liability (Asset) <u>(A) – (B)</u>
Changes in the Net Pension (Asset):			
Balances at December 31, 2014	\$ 19,052	\$ 52,075	\$ (33,023)
Changes for the year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	1,429	-	1,429
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	101	-	101
Changes of Assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – Employees	-	-	-
Net Investment Income	-	260	(260)
Benefit Payments, including Refunds of Employee Contributions	-	-	-
Other (Net Transfer)	-	(4,906)	4,906
Net Changes	<u>1,530</u>	<u>(4,646)</u>	<u>6,176</u>
Balances at December 31, 2015	<u>\$ 20,582</u>	<u>\$ 47,429</u>	<u>\$ (26,847)</u>

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NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	<u>1% Lower 6.50%</u>	<u>Current 7.50%</u>	<u>1% Higher 8.50%</u>
Net Pension Liability (Asset)	\$ (23,975)	\$ (26,847)	\$ (29,225)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$3,406. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions:		
Deferred Amounts to be Recognized in Pension Expense in Future Periods:		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>2,770</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>2,770</u>	<u>-</u>
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 2,770</u>	 <u>\$ -</u>

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

	<u>Net Deferred Outflows of Resources</u>
Year Ending December 31	
2016	\$ 692
2017	692
2018	692
2019	694
2020	<u>-</u>
 Total	 <u>\$ 2,770</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

c) Illinois Municipal Retirement Fund – Elected County Officials

Employees Covered by Benefit Terms - As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>-</u>
 Total	 <u><u>1</u></u>

Contributions - As set by statute, the City's ECO Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate was 0% and 0% for calendar year 2015 and 2016, respectively. For the fiscal year ended April 30, 2016, the City contributed \$0 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

	Total Pension Liability (Asset) <u>(A)</u>	Plan Net Position <u>(B)</u>	Net Pension Liability (Asset) <u>(A) – (B)</u>
Changes in the Net Pension (Asset):			
Balances at December 31, 2014	\$ 124,164	\$ 116,593	\$ 7,571
Changes for the year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	9,312	-	9,312
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(38,621)	-	(38,621)
Changes of Assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – Employees	-	-	-
Net Investment Income	-	583	(583)
Benefit Payments, including Refunds of Employee Contributions	-	-	-
Other (Net Transfer)	-	<u>(22,305)</u>	<u>22,305</u>
Net Changes	<u>(29,309)</u>	<u>(21,722)</u>	<u>(7,587)</u>
Balances at December 31, 2015	<u>\$ 94,855</u>	<u>\$ 94,871</u>	<u>\$ (16)</u>

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	<u>1% Lower</u> 6.50%	<u>Current</u> 7.50%	<u>1% Higher</u> 8.50%
Net Pension Liability (Asset)	\$ 6,907	\$ (16)	\$ (6,145)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of (\$13,447). At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions:		
Deferred Amounts to be Recognized in Pension Expense in Future Periods:		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>5,860</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>5,860</u>	<u>-</u>
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 5,860</u>	 <u>\$ -</u>

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

	<u>Net Deferred Outflows of Resources</u>
Year Ending December 31	
2016	\$ 1,465
2017	1,465
2018	1,465
2019	1,465
2020	<u>-</u>
 Total	 <u>\$ 5,860</u>

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d) Firefighters' Pension Trust Fund

Plan Description:

All eligible City fire and ambulance personnel are covered by the Firefighters' Pension Trust Fund (the "Fund"), a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4) and may only be amended by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are elected by active fire employees, one member is elected by pension beneficiaries and two members are appointed by the City's Mayor.

Benefits Provided:

The Fund provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters a plan. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 annual benefit shall be increased by 1/12 of 2.5% of such monthly salary for each additional month of service over 20 years up to 30 years, 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 benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit 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 ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty or otherwise the greater of 54% of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12% of final salary. The maximum family survivor benefit is 75% of final salary. Employees disabled in the line of duty receive 65% of final salary.

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Plan Membership:

At April 30, 2016 participation was:

Retirees and beneficiaries currently receiving benefits	42
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>35</u>
 Total	 <u><u>79</u></u>

Contributions:

Covered employees are required by Illinois Compiled Statutes to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, Illinois Compiled Statutes requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the fiscal year ended April 30, 2016, the City contributed \$853,070 to the plan.

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation performed as of April 30, 2016 (May 1, 2016) using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2016
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.5% net of investment expenses
Inflation	2.5%
Salary scale	5.5%
Mortality	RP-2014 Blue Collar Health Annuitant Mortality Table projected to 2016 using improvement scale MP-2015.
Withdrawal	Based on studies of the Fund and the Department of Insurance
Disability	Based on studies of the Fund and the Department of Insurance
Retirement	Based on studies of the Fund and the Department of Insurance (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

Investment Policy:

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Funds' Board of Trustees. Illinois Compiled Statutes (ILCS) limit the Fund's investments to those allowable by ILCS and require the Funds' Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States, investment grade corporate bonds and Illinois Funds.

CITY OF CHARLESTON, ILLINOIS  
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The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, investment grade obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity, and corporate debt securities and real estate investment trusts. All bank balances are required to be covered by federal depository insurance. There were no changes made to the investment policy during the year.

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	3%	(.25%)
Fixed income	37%	2.90%
Equities	55%	6.00%
Alternative investments	5%	2.97%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.0% or more of the Fund's investments.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocations as of April 30, 2016 are listed in the table above.

**Investment Rate of Return:**

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate:**

The discount rate used to measure the total pension liability was 6.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the discount rate was determined in accordance with paragraphs 40-45. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Net Pension Liability of the City:

	Pension Liability <u>(A)</u>	Plan Net Position <u>(B)</u>	Net Pension Liability <u>(A) – (B)</u>
Changes in the Net Pension:			
Balances at April 30, 2015	\$ 30,105,751	\$ 13,843,377	\$ 16,262,374
Changes for the year:			
Service Cost	637,009	-	637,009
Interest on the Total Pension Liability	1,965,715	-	1,965,715
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	316,828	-	316,828
Changes of Assumptions	3,888,066	-	3,888,066
Contributions – Employer	-	853,070	(853,070)
Contributions – Member	-	180,258	(180,258)
Net Investment Income	-	(327,615)	327,615
Benefit Payments, including Refunds of Member Contributions	(1,533,438)	(1,533,438)	-
Administrative Expense	-	(25,281)	25,281
Other (Net Transfer)	-	-	-
Net Changes	<u>5,274,180</u>	<u>(853,006)</u>	<u>6,127,186</u>
Balances at April 30, 2016	<u>\$ 35,379,931</u>	<u>\$ 12,990,371</u>	<u>\$ 22,389,560</u>

Discount Rate Sensitivity:

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.45% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.45%) or one percentage point higher (7.45%) than the current rate:

	1% Decrease <u>(5.45%)</u>	Current Discount Rate <u>(6.45%)</u>	1% Increase <u>(7.45%)</u>
Net Pension Liability	\$ 27,211,792	\$ 22,389,560	\$ 18,423,216

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$1,429,196. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF CHARLESTON, ILLINOIS  
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions:		
Deferred Amounts to be Recognized in Pension		
Expense in Future Periods:		
Differences between expected and actual experience	\$ 316,828	\$ -
Changes of assumptions	3,888,066	-
Net difference between projected and actual earnings on pension plan investments	<u>1,346,166</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>5,551,060</u>	<u>-</u>
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 5,551,060</u>	 <u>\$ -</u>

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

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 947,441
2018	947,441
2019	947,441
2020	947,441
2021	947,442
Thereafter	<u>813,854</u>
 Total	 <u>\$ 5,551,060</u>

e) Police Pension Trust Fund

Plan Description:

Police sworn personnel are covered by the Police Pension Trust Fund (the “Fund”), a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4) and may only be amended by the Illinois legislature. The City accounts for the Police Pension Plan as a pension trust fund.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are elected by active police employees, one member is elected by pension beneficiaries and two members are appointed by the City’s Mayor.

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Benefits Provided:

The Fund provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters a plan. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 annual benefit 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 monthly 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 of 2.5% of final salary for each year of service. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit 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 ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty or otherwise the greater of 50% of final salary or the employee's retirement benefit. Employees disabled in the line of duty receive 65% of final salary.

Plan Membership:

At April 30, 2016 participation was:

Retirees and beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>30</u>
Total	<u><u>60</u></u>

Contributions:

Covered employees are required by Illinois Compiled Statutes to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, Illinois Compiled Statutes requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the fiscal year ended April 30, 2016, the City contributed \$730,357 to the plan.

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NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 (May 1, 2016) using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2016
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.5% net of investment expenses
Inflation	2.5%
Salary scale	5.5%
Mortality	RP-2014 Blue Collar Health Annuitant Mortality Table projected to 2016 using improvement scale MP-2015.
Withdrawal	Based on studies of the Fund and the Department of Insurance
Disability	Based on studies of the Fund and the Department of Insurance
Retirement	Based on studies of the Fund and the Department of Insurance (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

Investment Policy:

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Funds' Board of Trustees. Illinois Compiled Statutes (ILCS) limit the Fund's investments to those allowable by ILCS and require the Funds' Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, investment grade obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity, and corporate debt securities and real estate investment trusts. All bank balances are required to be covered by federal depository insurance. There were no changes made to the investment policy during the year.

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	3%	(.25%)
Fixed income	37%	2.90%
Equities	55%	6.00%
Alternative investments	5%	2.97%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.0% or more of the Fund's investments.

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The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocations as of April 30, 2016 are listed in the table above.

Investment Rate of Return:

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.90) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate:

The discount rate used to measure the total pension liability was 6.57%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability of the City:

	Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (A) – (B)
Changes in the Net Pension:	<u>(A)</u>	<u>(B)</u>	<u>(A) – (B)</u>
Balances at April 30, 2015	\$ 28,101,267	\$ 12,258,286	\$ 15,842,981
Changes for the year:			
Service Cost	545,029	-	545,029
Interest on the Total Pension Liability	1,865,469	-	1,865,469
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(296,852)	-	(296,852)
Changes of Assumptions	3,063,749	-	3,063,749
Contributions – Employer	-	730,357	(730,357)
Contributions – Member	-	229,505	(229,505)
Net Investment Income	-	(270,127)	270,127
Benefit Payments, including Refunds of Member Contributions	(1,335,801)	(1,335,801)	-
Administrative Expense	-	(91,373)	91,373
Other (Net Transfer)	-	-	-
Net Changes	<u>3,841,594</u>	<u>(737,439)</u>	<u>4,579,033</u>
Balances at April 30, 2016	<u>\$ 31,942,861</u>	<u>\$ 11,520,847</u>	<u>\$ 20,422,014</u>

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Discount Rate Sensitivity:

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.57% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.57%) or one percentage point higher (7.57%) than the current rate:

	<u>1% Decrease (5.57%)</u>	<u>Current Discount Rate (6.57%)</u>	<u>1% Increase (7.57%)</u>
Net Pension Liability	\$ 24,934,107	\$ 20,422,014	\$ 16,739,987

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2016, the City recognized pension expense of \$1,370,518. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions:		
Deferred Amounts to be Recognized in Pension Expense in Future Periods:		
Differences between expected and actual experience	\$ -	\$ 296,852
Changes of assumptions	3,063,749	-
Net difference between projected and actual earnings on pension plan investments	<u>1,171,975</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>4,235,724</u>	<u>296,852</u>
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 4,235,724</u>	 <u>\$ 296,852</u>

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

	<u>Net Deferred Outflows of Resources</u>
Year Ending April 30	
2017	\$ 719,816
2018	719,816
2019	719,816
2020	719,816
2021	719,816
Thereafter	<u>339,792</u>
 Total	 <u>\$ 3,938,872</u>

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NOTE E - DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS

- a) The City maintains for its employees a deferred compensation plan under provisions of Internal Revenue Code Section 457. The plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The City has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for this plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these plan assets are not reported as a part of these financial statements.
- b) The City participates in a Section 401 qualified plan. The City has agreed to provide additional compensation to the City Manager through the Illinois City Managers Association Retirement Fund. The City's agreement states it will make mandatory contributions to the Illinois City Managers Association Retirement Fund in an amount equal to 7.5% of the employee's salary.

NOTE F - LONG-TERM LIABILITIES

- a) The following is a summary of the City's long-term liabilities as of April 30, 2016, and transactions for the year then ended:

	Balance May 1, 2015	<u>Additions</u>	<u>Retired</u>	Balance April 30, 2016	Amount Due Within One Year
<b>Governmental Activities:</b>					
Notes payable	\$ 660,844	\$ -	\$ 470,525	\$ 190,319	\$ 60,608
2011B GO Refunding Bonds	620,000	-	115,000	505,000	120,000
2012 GO Refunding Bonds	5,125,000	-	425,000	4,700,000	440,000
Compensated absences	<u>1,454,069</u>	<u>43,940</u>	<u>-</u>	<u>1,498,009</u>	<u>-</u>
Total Governmental Activities, Long-Term Liabilities	<u>\$ 7,859,913</u>	<u>\$ 43,940</u>	<u>\$ 1,010,525</u>	<u>\$ 6,893,328</u>	<u>\$ 620,608</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 7,080,874	\$ -	\$ 572,355	\$ 6,508,519	\$ 719,473
2011A Alternative Revenue Bonds	4,640,000	-	530,000	4,110,000	535,000
Compensated absences	<u>310,097</u>	<u>-</u>	<u>56,287</u>	<u>253,810</u>	<u>-</u>
Total Business-Type Activities, Long-Term Liabilities	<u>\$ 12,030,971</u>	<u>\$ -</u>	<u>\$ 1,158,642</u>	<u>\$ 10,872,329</u>	<u>\$ 1,254,473</u>
<b>Component Unit:</b>					
Notes payable	\$ 281,680	\$ -	\$ 23,466	\$ 258,214	\$ 24,564
Capital lease payable	11,340	-	3,775	7,565	4,019
Compensated absences	<u>15,527</u>	<u>1,072</u>	<u>-</u>	<u>16,599</u>	<u>-</u>
Total Component Unit	<u>\$ 308,547</u>	<u>\$ 1,072</u>	<u>\$ 27,241</u>	<u>\$ 282,378</u>	<u>\$ 28,583</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

b) Governmental Activities:

First Mid-Illinois Bank and Trust, dated June 13, 2012, due December 23, 2018, monthly payments of \$4,040.75 including interest at 2.95%, secured by equipment.	\$ 123,583
Illinois Finance Authority, dated December 8, 2004, due November 1, 2019, yearly payments of \$16,666.67 with no interest, secured by equipment.	66,667
Prairie State Bank & Trust, dated May 23, 2013, due May 23, 2020, monthly payments of \$7,060.31 including interest at 1.92%, secured by equipment.	<u>69</u>
Total Notes Payable of Governmental Activities	<u>\$ 190,319</u>

\$950,000 general obligation refunding bonds, series 2011B. Bond proceeds were issued to refund the general obligation bonds, series 2004 which were originally for pool renovation. BNY Mellon Trust Company is bond registrar and paying agent. Bonds are dated October 1, 2011, with final payment due December 15, 2019. Principal payments are due annually on December 15 and interest payments, varying from 2.00% to 3.00%, are due semiannually on June 15 and December 15. The bonds were issued with a premium of \$20,979 which will be amortized over the life of the bonds. The economic gain, calculated on a present value basis, amounted to \$74,543. City pays debt service expenditures from general revenues and abates associated property tax levies.

\$ 505,000

\$5,145,000 general obligation refunding bonds, series 2012. Bond proceeds were issued to refund the general obligation bonds, series 2005 which were originally for the library renovation. BNY Mellon Trust Company is bond registrar and paying agent. Bonds are dated May 30, 2012, with final payment due December 15, 2024. Principal payments are due annually on December 15 and interest payments, varying from 0.80% to 2.50%, are due semiannually on June 15 and December 15. The economic gain, calculated on a present value basis, amounted to \$481,195.

4,700,000

\$ 5,205,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2016, are as follows:

<u>Year Ending</u> <u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 620,608	\$ 105,693	\$ 726,301
2018	642,357	96,553	738,910
2019	660,688	85,534	746,222
2020	646,667	74,408	721,075
2021	520,000	62,257	582,257
2022-2025	<u>2,305,000</u>	<u>138,922</u>	<u>2,443,922</u>
	<u>\$ 5,395,320</u>	<u>\$ 563,367</u>	<u>\$ 5,958,687</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

c) Business-Type Activities:

State of Illinois, dated October 9, 2009, due March 8, 2031, semi-annual payments of \$164,520.83 with no interest, unsecured.	\$ 4,935,625
First Mid-Illinois Bank and Trust, dated July 12, 2011, due August 1, 2016, monthly payments of \$520.68 including interest at 2.72%, secured by software.	1,536
First Mid-Illinois Bank and Trust, dated September 23, 2011, due October 1, 2016, monthly payments of \$3,844.54 including interest at 2.72%, secured by equipment.	18,956
First Mid-Illinois Bank and Trust, dated April 4, 2012, due August 4, 2021, monthly payments of \$22,931.98, interest only until May 4, 2016, including interest at 2.64%, secured by equipment.	1,278,916
First Federal Savings and Loan, dated August 8, 2012, due August 8, 2017, monthly payments of \$4,366.65 including interest at 1.50%, secured by equipment.	64,708
Prairie State Bank & Trust, dated May 23, 2013, due May 23, 2018, monthly payments of \$1,218.92 including interest at 1.695%, secured by equipment.	29,925
First Mid-Illinois Bank and Trust, dated August 13, 2013, due August 13, 2018, monthly payments of \$1,502.92 including interest at 1.88%, secured by equipment.	39,510
Prairie State Bank & Trust, dated September 4, 2013, due September 4, 2018, monthly payments of \$370.53 including interest at 1.69%, secured by equipment.	10,156
First Mid-Illinois Bank and Trust, dated November 22, 2013, due November 22, 2018, monthly payments of \$405.89 including interest at 1.84%, secured by equipment.	12,282
First Financial Bank, dated July 9, 2014, due July 28, 2019, monthly payments of \$979.78 including interest at 1.77%, secured by equipment.	36,171
First Financial Bank, dated August 12, 2014, due August 12, 2019, monthly payments of \$440.49 including interest at 1.77%, secured by equipment.	16,266
First Financial Bank, dated August 27, 2014, due August 27, 2019, monthly payments of \$1,012.97 including interest at 1.77%, secured by equipment.	39,310
First Financial Bank, dated October 15, 2014, due October 15, 2019, monthly payments of \$636.61 including interest at 1.77%, secured by equipment.	<u>25,158</u>
Total Notes Payable of Business-Type Activities	<u>\$ 6,508,519</u>

\$6,140,000 general obligation waterworks and sewerage refunding bonds (alternative revenue source), series 2011A. Bond proceeds were issued to refund the general obligation waterworks and sewerage bonds (alternative revenue source), series 2003 which were originally for water treatment plant upgrade.

BNY Midwest Trust Company is bond registrar and paying agent. Bonds are dated October 1, 2011, with final payment due December 15, 2022. Principal payments are due annually on

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 15 and interest payments, varying from 2.00% to 3.00%, are due semiannually on June 15 and December 15. The bonds were issued with a premium of \$21,409 which will be amortized over the life of the bonds. The economic gain, calculated on a present value basis, amounted to \$497,326. City pays debt service expenditures from water and sewer revenues and abates the associated property tax levies.

\$ 4,110,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2016, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,254,473	\$ 135,563	\$ 1,390,036
2018	1,222,964	116,246	1,339,210
2019	1,200,833	97,262	1,298,095
2020	1,186,343	78,491	1,264,834
2021	1,198,490	56,818	1,255,308
2022-2026	2,910,208	57,300	2,967,508
2027-2031	<u>1,645,208</u>	<u>-</u>	<u>1,645,208</u>
	<u>\$ 10,618,519</u>	<u>\$ 541,680</u>	<u>\$ 11,160,199</u>

d) Component Unit:

First Mid-Illinois Bank and Trust, dated February 5, 2010, refinanced February 5, 2013 and February 5, 2016, monthly payments of \$2,510 including interest at 2.25%, due August 5, 2025, secured by real estate and co-signed by City of Charleston.

\$ 258,214

Watts Copy Systems, Inc. dated January 24, 2013, due January 24, 2018, monthly payments of \$365 including interest at 6.287%, secured by equipment.

7,565

Total Long-Term Debt of Component Unit \$ 265,779

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2016, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 28,583	\$ 5,918	\$ 34,501
2018	28,667	5,103	33,770
2019	25,692	4,429	30,121
2020	26,267	3,854	30,121
2021	26,874	3,247	30,121
2022-2025	<u>129,696</u>	<u>6,834</u>	<u>136,530</u>
	<u>\$ 265,779</u>	<u>\$ 29,385</u>	<u>\$ 295,164</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

NOTE G - ECONOMIC DEPENDENCY

Thirteen percent or \$696,975 of Water and Sewer Fund revenues were derived from sales to one customer, Eastern Illinois University.

NOTE H - DEFICIT FUND BALANCES

The following funds had deficit fund balances as of April 30, 2016:

Employee Benefits Fund	\$ 53,344
Tax Increment Financing Fund	138,528
Internal Service Fund	292,336

NOTE I - RISK MANAGEMENT AND SELF INSURANCE

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the City purchases commercial insurance.

The City maintains an internal service fund for its self-insured employees' health insurance claims. Each participating fund makes payments to the self-insurance fund for amounts which are determined based on historical claims experience. Such payments are displayed on the fund financial statements as revenues and expenditures/expenses.

For medical claims, self-insurance is in effect up to a stop loss of \$60,000 per covered person. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. An independent claims administrator performs all claim handling procedures.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The change in the aggregate liability for claims for the year ended April 30, 2016 is as follows:

Claims payable, beginning of the year	\$ 171,554
Claims incurred and changes in accrual	1,043,170
Claims payments	<u>(1,126,796)</u>
Claims Payable, End of the Year	<u>\$ 87,928</u>

NOTE J - OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

In addition to providing the pension benefits described, the City provides post-employment health care and life insurance benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Benefits Provided:

The City provides post-employment health care and life insurance benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans.

All health care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include: general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary. Retirees have the ability to purchase life insurance coverage equal to half of the employee coverage (currently \$20,000) as a part of the group plan.

Membership:

At May 1, 2014 (most recent actuarial valuation), membership consisted of:

Retirees and beneficiaries of employees	
currently receiving benefits	17
Terminated employees entitled to benefits	
but not yet receiving them	-
Active vested plan members	10
Active nonvested plan members	<u>111</u>
Total	<u>138</u>
Participating employers	1

Funding Policy:

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the blended premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2016, retirees contributed \$90,563, the City contributed \$166,579. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation:

The City had an actuarial valuation performed for the plan as of May 1, 2014 to determine the employer's annual required contribution (ARC) for the fiscal years ended April 30, 2016 and 2015. The City had an actuarial valuation performed for the plan as of April 30, 2012 to determine the employer's annual required contribution (ARC) for the fiscal years ended April 30, 2014 and 2013. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016 was as follows:

<u>April 30</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 252,355	\$ 166,579	66.0%	\$ 585,608
2015	242,212	157,346	65.0%	499,832
2014	214,644	121,660	56.7%	414,966

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The net OPEB obligation (NOPEBO) as of April 30, 2016, was calculated as follows:

Annual required contribution	\$ 249,023
Interest on net OPEB obligation	19,993
Adjustment to annual required contribution	<u>(16,661)</u>
Annual OPEB cost	252,355
Contribution made	<u>(166,579)</u>
Increase (decrease) in net OPEB obligation	85,776
Net OPEB obligation, beginning of year	<u>499,832</u>
 Net OPEB Obligation, End of Year	 <u>\$ 585,608</u>

Funded Status and Funding Progress:

The funded status of the plan as of May 1, 2014 (most recent actuarial valuation date) was as follows:

Actuarial accrued liability (AAL)	\$ 4,687,010
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	4,687,010
Funded ratio (actuarial value of plan assets/AAL)	0%

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

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the May 1, 2014, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 3.60% initially, 8.50% for the second year, reduced by decrements to an ultimate rate of 5.50%. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period was 30 years.

NOTE K - LITIGATION

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

NOTE L - SUBSEQUENT EVENTS

On May 2, 2016, the City was awarded a grant from the Charleston Area Charitable Foundation in the amount of \$900,000 to be used for Lake Charleston/Sister City Park Recreation Trail Development and Property Acquisition.

On October 13, 2016, the City was awarded a grant from Illinois Department of Transportation's Illinois Transportation Enhancement Program (ITEP) in the amount of \$800,000 to be used for Charleston to Mattoon Lincoln Prairie Grass Trail Pedestrian/Bicycle Facility Improvements.

NOTE M - ACCOUNTING CHANGE

In 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The adoption of these accounting policies requires retroactive application by restating financial statements for all periods presented. As a result, the City has restated beginning net position as of May 1, 2015, to record the net pension asset, net pension liability, and deferred outflows of resources which were not previously recorded, and to remove the net pension obligation previously reported. The beginning net position was restated as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position, beginning of year	\$ 18,788,443	\$ 26,600,551
Accounting change – IMRF net pension asset	33,023	-
Accounting change – IMRF deferred outflows of resources	106,239	68,995
Accounting change – IMRF net pension liability	(1,237,501)	(798,770)
Accounting change – IMRF net pension obligation	95,286	-
Accounting change – Pension trusts net pension liability	(32,105,355)	-
Accounting change – Pension trusts net pension obligation	<u>825,203</u>	<u>-</u>
Total accounting change	<u>(32,283,105)</u>	<u>(729,775)</u>
Net Position, Beginning of Year, as Restated	<u>\$ (13,494,662)</u>	<u>\$ 25,870,776</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PROGRAM  
 April 30, 2016

Other Post-Employment Healthcare Benefits Program:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2016	\$ -	\$ 4,687,010	\$ 4,687,010	0.00%	\$ -	0.00%
4/30/2015	-	4,687,010	4,687,010	0.00%	-	0.00%
4/30/2014	-	3,970,463	3,970,463	0.00%	-	0.00%

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 REGULAR PLAN  
 December 31, 2015

Total Pension Liability:	<u>2015</u>
Service cost	\$ 405,183
Interest	2,084,227
Differences between expected and actual experience	989,302
Changes of assumptions	72,805
Benefit payments, including refunds of employee contributions	<u>(1,466,691)</u>
Net change in total pension liability	2,084,826
Total pension liability, beginning of year	<u>28,357,553</u>
Total Pension Liability, End of Year	<u>\$ 30,442,379</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 552,229
Contributions - employees	217,296
Net investment income	129,901
Benefit payments, including refunds of employee contributions	(1,466,691)
Other (net transfer)	<u>292,517</u>
Net change in fiduciary net position	(274,748)
Plan net position, beginning of year	<u>26,328,853</u>
Plan Net Position, End of Year	<u>\$ 26,054,105</u>
Employer's Net Pension Liability	<u>\$ 4,388,274</u>
Plan Fiduciary Net Position	
as a percentage of the Total Pension Liability	85.58%
Covered Employee Payroll	\$ 4,184,930
Employer's Net Pension Liability	
as a Percentage of Covered Employee Payroll	104.86%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 SHERIFF'S LAW ENFORCEMENT PERSONNEL  
 December 31, 2015

	2015
Total Pension Liability:	
Interest	\$ 1,429
Differences between expected and actual experience	101
Net change in total pension liability	1,530
Total pension liability, beginning of year	19,052
Total Pension Liability, End of Year	\$ 20,582
 Plan Fiduciary Net Position:	
Net investment income	\$ 260
Other (net transfer)	(4,906)
Net change in fiduciary net position	(4,646)
Plan net position, beginning of year	52,075
Plan Net Position, End of Year	\$ 47,429
 Employer's Net Pension Liability (Asset)	 \$ (26,847)
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	230.44%
 Covered Employee Payroll	\$ -
 Employer's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	0.00%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 ELECTED COUNTY OFFICIALS  
 December 31, 2015

	2015
Total Pension Liability:	
Interest	\$ 9,312
Differences between expected and actual experience	(38,621)
Net change in total pension liability	(29,309)
Total pension liability, beginning of year	124,164
Total Pension Liability, End of Year	\$ 94,855
Plan Fiduciary Net Position:	
Net investment income	\$ 583
Other (net transfer)	(22,305)
Net change in fiduciary net position	(21,722)
Plan net position, beginning of year	116,593
Plan Net Position, End of Year	\$ 94,871
Employer's Net Pension Liability (Asset)	\$ (16)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.02%
Covered Employee Payroll	\$ -
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF CHARLESTON, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FIREFIGHTERS' PENSION FUND  
April 30, 2016

Total Pension Liability:	2016	2015
Service cost	\$ 637,009	\$ 534,247
Interest	1,965,715	1,836,335
Differences between expected and actual experience	316,828	178,958
Changes of assumptions	3,888,066	3,843,696
Benefit payments, including refunds of member contributions	(1,533,438)	(1,543,895)
Net change in total pension liability	5,274,180	4,849,341
Total pension liability, beginning of year	30,105,751	25,256,410
Total Pension Liability, End of Year	\$ 35,379,931	\$ 30,105,751
Plan Fiduciary Net Position:		
Contributions - employer	\$ 853,070	\$ 737,795
Contributions - members	180,258	167,333
Net investment income	(327,615)	970,210
Benefit payments, including refunds of member contributions	(1,533,438)	(1,543,895)
Administrative expense	(25,281)	(21,700)
Net change in fiduciary net position	(853,006)	309,743
Plan net position, beginning of year	13,843,377	13,533,634
Plan Net Position, End of Year	\$ 12,990,371	\$ 13,843,377
Employer's Net Pension Liability	\$ 22,389,560	\$ 16,262,374
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.72%	45.98%
Covered Employee Payroll	\$ 2,170,081	\$ 2,036,241
Employer's Net Pension Liability as a percentage of covered employee payroll	1031.74%	798.65%

CITY OF CHARLESTON, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
POLICE PENSION FUND  
April 30, 2016

Total Pension Liability:	2016	2015
Service cost	\$ 545,029	\$ 429,374
Interest	1,865,469	1,672,362
Differences between expected and actual experience	(296,852)	733,545
Changes of assumptions	3,063,749	3,559,196
Benefit payments, including refunds of member contributions	(1,335,801)	(1,182,746)
Net change in total pension liability	3,841,594	5,211,731
Total pension liability, beginning of year	28,101,267	22,889,536
Total Pension Liability, End of Year	\$ 31,942,861	\$ 28,101,267
Plan Fiduciary Net Position:		
Contributions - employer	\$ 730,357	\$ 665,353
Contributions - members	229,505	189,348
Net investment income	(270,127)	781,669
Benefit payments, including refunds of member contributions	(1,335,801)	(1,182,746)
Administrative expense	(91,373)	(40,273)
Net change in fiduciary net position	(737,439)	413,351
Plan net position, beginning of year	12,258,286	11,844,935
Plan Net Position, End of Year	\$ 11,520,847	\$ 12,258,286
Employer's Net Pension Liability	\$ 20,422,014	\$ 15,842,981
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.07%	43.62%
Covered Employee Payroll	\$ 1,882,651	\$ 1,887,054
Employer's Net Pension Liability as a percentage of covered employee payroll	1084.75%	839.56%

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 December 31, 2015

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Employee Payroll
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Illinois Municipal Retirement Fund - Regular Plan (All Other Employees):

2015	\$ 552,229	\$ 552,229	\$ -	\$ 4,184,930	13.20%
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Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel (SLEP):

2015	\$ -	\$ -	\$ -	\$ -	0.00%
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Illinois Municipal Retirement Fund - Elected County Officials (ECO):

2015	\$ -	\$ -	\$ -	\$ -	0.00%
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CITY OF CHARLESTON, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
December 31, 2015

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contributions Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period until remaining period reaches 15 years (then 15-year rolling period)
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.5%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Other Information:	There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 FIREFIGHTERS' PENSION FUND  
 April 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially Determined Contribution	\$ 432,791	\$ 447,700	\$ 506,340	\$ 598,414	\$ 800,970	\$ 799,361	\$ 516,548	\$ 543,261	\$ 613,488	\$ 661,765
Contributions in Relation to the Actuarially Determined Contribution	<u>434,223</u>	<u>418,505</u>	<u>435,586</u>	<u>470,257</u>	<u>602,905</u>	<u>806,563</u>	<u>791,765</u>	<u>711,004</u>	<u>737,795</u>	<u>853,070</u>
Contribution Deficiency (Excess)	<u>\$ (1,432)</u>	<u>\$ 29,195</u>	<u>\$ 70,754</u>	<u>\$ 128,157</u>	<u>\$ 198,065</u>	<u>\$ (7,202)</u>	<u>\$ (275,217)</u>	<u>\$ (167,743)</u>	<u>\$ (124,307)</u>	<u>\$ (191,305)</u>
Covered Employee Payroll	\$ 1,490,653	\$ 1,572,029	\$ 1,693,921	\$ 1,687,275	\$ 1,753,789	\$ 1,721,457	\$ 1,861,605	\$ 1,943,033	\$ 2,036,241	\$ 2,170,081
Contributions as a Percentage of Covered Employee Payroll	29.13%	26.62%	25.71%	27.87%	34.38%	46.85%	42.53%	36.59%	36.23%	39.31%

Notes to the Required Supplementary Information:

The information is formatted to comply with the requirements of GASB Statement No. 67 & 68.  
 The information presented was determined as part of the actuarial valuation as of April 30 of the prior fiscal year. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry-age normal through 2012; projected unit credit beginning in 2013
Amortization method	Level percentage of pay, closed
Remaining amortization period	25 years (The funding schedule was reset to end in 2040 in 2011.)
Asset valuation method	Market
Inflation	3% through 2014; 2.5% beginning in 2015
Salary increases	5.5% compounded annually, including inflation
Investment rate of return	7.5% including inflation
Retirement age	See the Notes to the Financial Statements
Mortality	Mortality rates were based on the 1971 GAM Mortality Table through 2012; the RP-2000 Mortality Table (BCA, +1M, -4F, 2x>105) was used from 2013-2015; RP-2014 projected to 2016 was used beginning in 2016

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 POLICE PENSION FUND  
 April 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially Determined Contribution	\$ 399,098	\$ 438,209	\$ 460,621	\$ 521,866	\$ 691,702	\$ 738,930	\$ 558,760	\$ 573,920	\$ 615,874	\$ 669,480
Contributions in Relation to the Actuarially Determined Contribution	<u>326,154</u>	<u>398,004</u>	<u>424,024</u>	<u>426,813</u>	<u>529,766</u>	<u>700,017</u>	<u>734,408</u>	<u>665,412</u>	<u>665,353</u>	<u>730,357</u>
Contribution Deficiency (Excess)	<u>\$ 72,944</u>	<u>\$ 40,205</u>	<u>\$ 36,597</u>	<u>\$ 95,053</u>	<u>\$ 161,936</u>	<u>\$ 38,913</u>	<u>\$ (175,648)</u>	<u>\$ (91,492)</u>	<u>\$ (49,479)</u>	<u>\$ (60,877)</u>
Covered Employee Payroll	\$ 1,589,676	\$ 1,638,920	\$ 1,661,494	\$ 1,695,983	\$ 1,756,393	\$ 1,724,222	\$ 1,772,626	\$ 1,888,677	\$ 1,887,054	\$ 1,882,651
Contributions as a Percentage of Covered Employee Payroll	20.52%	24.28%	25.52%	25.17%	30.16%	40.60%	41.43%	35.23%	35.26%	38.79%

Notes to the Required Supplementary Information:

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 The information presented was determined as part of the actuarial valuation as of April 30 of the prior fiscal year. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry-age normal through 2012; projected unit credit beginning in 2013
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Salary increases	5.5% compounded annually, including inflation
Investment rate of return	7.5% including inflation
Retirement age	See the Notes to the Financial Statements
Mortality	Mortality rates were based on the 1971 GAM Mortality Table through 2012; the RP-2000 Mortality Table (BCA, +1M, -4F, 2x>105) was used from 2013-2015; RP-2014 projected to 2016 was used beginning in 2016

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 PENSION TRUST FUNDS  
 April 30, 2016

	2016	2015
Firefighters' Pension Fund:		
Annual Money-Weighted Rate of Return, Net of Investment Expense	-1.80%	7.18%
 Police Pension Fund:		
Annual Money-Weighted Rate of Return, Net of Investment Expense	-1.90%	6.78%

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF CHARLESTON, ILLINOIS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 April 30, 2016

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Playground and Recreation Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>								
Cash deposits	\$ -	\$ 161,508	\$ 11,387	\$ 5,722	\$ -	\$ 125,127	\$ 14,913	\$ 318,657
Investments	-	14	-	-	14,167	-	-	14,181
Receivables:								
Property taxes	510,221	-	-	-	-	171,123	527,783	1,209,127
Other	-	-	-	-	-	13,021	-	13,021
Due from other governmental agencies	8,441	49,699	-	-	-	-	-	58,140
Prepaid expenditures	8,500	-	-	-	-	-	-	8,500
Restricted assets:								
Cash deposits	-	-	235	-	-	-	-	235
Inventory	-	60,938	-	-	-	-	-	60,938
<b>Total Assets</b>	<b>\$ 527,162</b>	<b>\$ 272,159</b>	<b>\$ 11,622</b>	<b>\$ 5,722</b>	<b>\$ 14,167</b>	<b>\$ 309,271</b>	<b>\$ 542,696</b>	<b>\$ 1,682,799</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 8,508	\$ 74,540	\$ -	\$ -	\$ -	\$ 20,856	\$ -	\$ 103,904
Accrued wages	2,038	951	-	-	-	8,599	-	11,588
Deposits held for others	-	-	-	4,500	-	-	-	4,500
Due to other funds	59,739	-	-	139,750	-	-	-	199,489
<b>Total liabilities</b>	<b>70,285</b>	<b>75,491</b>	<b>-</b>	<b>144,250</b>	<b>-</b>	<b>29,455</b>	<b>-</b>	<b>319,481</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable miscellaneous revenue	-	-	-	-	-	34,957	-	34,957
Unavailable property tax revenue	510,221	-	-	-	-	171,123	527,783	1,209,127
<b>Total deferred inflows of resources</b>	<b>510,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206,080</b>	<b>527,783</b>	<b>1,244,084</b>
<b>FUND BALANCE</b>								
Nonspendable	8,500	60,938	-	-	-	-	-	69,438
Restricted for:								
General government	2,331	-	-	-	-	-	-	2,331
Public safety	-	-	11,622	-	-	-	-	11,622
Highways and streets	-	135,730	-	-	-	-	-	135,730
Culture and recreation	-	-	-	-	14,167	-	-	14,167
Debt service	-	-	-	-	-	-	14,913	14,913
Committed for:								
Culture and recreation	-	-	-	-	-	73,736	-	73,736
Unassigned (deficit)	(64,175)	-	-	(138,528)	-	-	-	(202,703)
<b>Total fund balance (deficit)</b>	<b>(53,344)</b>	<b>196,668</b>	<b>11,622</b>	<b>(138,528)</b>	<b>14,167</b>	<b>73,736</b>	<b>14,913</b>	<b>119,234</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 527,162</b>	<b>\$ 272,159</b>	<b>\$ 11,622</b>	<b>\$ 5,722</b>	<b>\$ 14,167</b>	<b>\$ 309,271</b>	<b>\$ 542,696</b>	<b>\$ 1,682,799</b>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended April 30, 2016

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Playground and Recreation Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:								
Property taxes	\$ 494,669	\$ -	\$ -	\$ 154,147	\$ -	\$ 171,777	\$ 512,692	\$ 1,333,285
Mobile home privilege tax	742	-	-	-	-	258	769	1,769
Replacement income tax	50,904	-	-	-	-	-	-	50,904
Other governmental agencies	-	558,592	-	-	-	-	-	558,592
Licenses, permits and fees	-	-	-	-	-	302,066	-	302,066
Interest income	43	181	7	12	-	132	(1,070)	(695)
Private donations and contributions	-	-	-	-	-	27,258	-	27,258
Net increase (decrease) in fair value of investments	-	-	-	-	79	-	35	114
Miscellaneous income	<u>792</u>	<u>57</u>	<u>2,324</u>	<u>-</u>	<u>-</u>	<u>4,834</u>	<u>-</u>	<u>8,007</u>
Total revenues	<u>547,150</u>	<u>558,830</u>	<u>2,331</u>	<u>154,159</u>	<u>79</u>	<u>506,325</u>	<u>512,426</u>	<u>2,281,300</u>
Expenditures:								
General government	774,016	-	-	-	-	-	-	774,016
Public safety	-	-	1,010	-	-	-	-	1,010
Highways and streets	-	549,847	-	-	-	-	-	549,847
Culture and recreation	-	-	-	-	-	515,404	-	515,404
Economic development and assistance	-	-	-	117,601	-	-	-	117,601
Debt service:								
Principal	-	-	-	-	-	-	540,000	540,000
Interest	-	-	-	1,923	-	-	108,690	110,613
Total expenditures	<u>774,016</u>	<u>549,847</u>	<u>1,010</u>	<u>119,524</u>	<u>-</u>	<u>515,404</u>	<u>648,690</u>	<u>2,608,491</u>
Excess of revenues over (under) expenditures	<u>(226,866)</u>	<u>8,983</u>	<u>1,321</u>	<u>34,635</u>	<u>79</u>	<u>(9,079)</u>	<u>(136,264)</u>	<u>(327,191)</u>
Other Financing Sources (Uses):								
Transfers in	<u>154,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>130,625</u>	<u>321,453</u>
Net change in fund balances	(72,038)	8,983	1,321	34,635	79	26,921	(5,639)	(5,738)
Fund balance (deficit), beginning of year	<u>18,694</u>	<u>187,685</u>	<u>10,301</u>	<u>(173,163)</u>	<u>14,088</u>	<u>46,815</u>	<u>20,552</u>	<u>124,972</u>
Fund Balance (Deficit), End of Year	<u>\$ (53,344)</u>	<u>\$ 196,668</u>	<u>\$ 11,622</u>	<u>\$ (138,528)</u>	<u>\$ 14,167</u>	<u>\$ 73,736</u>	<u>\$ 14,913</u>	<u>\$ 119,234</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
EMPLOYEE BENEFITS FUND  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 497,562	\$ 497,562	\$ 494,669	\$ (2,893)
Mobile home taxes	700	700	742	42
Replacement income tax	54,100	54,100	50,904	(3,196)
<b>Employer contributions:</b>				
Interest income	100	100	43	(57)
Miscellaneous income	<u>600</u>	<u>600</u>	<u>792</u>	<u>192</u>
Total revenues	<u>553,062</u>	<u>553,062</u>	<u>547,150</u>	<u>(5,912)</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Human Resources:</b>				
Personnel services	59,355	59,355	70,125	(10,770)
Commodities	500	500	752	(252)
Contractual services	44,376	44,376	44,842	(466)
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	<u>106,231</u>	<u>106,231</u>	<u>115,719</u>	<u>(9,488)</u>
<b>Employee Benefits:</b>				
Personnel services	<u>1,061,043</u>	<u>1,061,043</u>	<u>658,297</u>	<u>402,746</u>
Total expenditures	<u>1,167,274</u>	<u>1,167,274</u>	<u>774,016</u>	<u>393,258</u>
Excess of revenues over (under) expenditures	<u>(614,212)</u>	<u>(614,212)</u>	<u>(226,866)</u>	<u>387,346</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>593,132</u>	<u>593,132</u>	<u>154,828</u>	<u>(438,304)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (21,080)</u>	<u>\$ (21,080)</u>	<u>(72,038)</u>	<u>\$ (50,958)</u>
Fund balance, beginning of year			<u>18,694</u>	
Fund Balance (Deficit), End of Year			<u>\$ (53,344)</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
MOTOR FUEL TAX FUND  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Revenues:</b>				
Motor fuel tax allotments	\$ 519,745	\$ 519,745	\$ 558,592	\$ 38,847
Interest income	-	-	181	181
Contingencies	-	-	57	57
Net increase (decrease) in fair value of investments	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenues	<u>520,245</u>	<u>520,245</u>	<u>558,830</u>	<u>38,585</u>
<b>Expenditures:</b>				
<b>Highways and Streets:</b>				
Personnel services	28,513	28,513	28,575	(62)
Commodities	187,000	187,000	131,425	55,575
Contractual services	15,000	15,000	24,998	(9,998)
Capital outlay	<u>400,000</u>	<u>400,000</u>	<u>364,849</u>	<u>35,151</u>
Total expenditures	<u>630,513</u>	<u>630,513</u>	<u>549,847</u>	<u>80,666</u>
Excess of revenues over (under) expenditures	<u>(110,268)</u>	<u>(110,268)</u>	<u>8,983</u>	<u>119,251</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (190,268)</u>	<u>\$ (190,268)</u>	<u>8,983</u>	<u>\$ 199,251</u>
Fund balance, beginning of year			<u>187,685</u>	
Fund Balance, End of Year			<u>\$ 196,668</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
DRUG TRAFFIC PREVENTION FUND  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Revenues:</b>				
Interest income	\$ 1	\$ 1	\$ 7	\$ 6
Offender payments	5,000	5,000	1,324	(3,676)
Miscellaneous income	<u>8,000</u>	<u>8,000</u>	<u>1,000</u>	<u>(7,000)</u>
Total revenues	<u>13,001</u>	<u>13,001</u>	<u>2,331</u>	<u>(10,670)</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Commodities	2,000	2,000	10	1,990
Contractual services	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>1,010</u>	<u>2,990</u>
Excess of revenues over (under) expenditures	<u>\$ 9,001</u>	<u>\$ 9,001</u>	1,321	<u>\$ (7,680)</u>
Fund balance, beginning of year			<u>10,301</u>	
Fund Balance, End of Year			<u>\$ 11,622</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
TAX INCREMENT FINANCING FUND  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Property taxes	\$ 164,109	\$ 164,109	\$ 154,147	\$ (9,962)
Interest income	<u>20</u>	<u>20</u>	<u>12</u>	<u>(8)</u>
Total revenues	<u>164,129</u>	<u>164,129</u>	<u>154,159</u>	<u>(9,970)</u>
Expenditures:				
Economic Development and Assistance:				
Contractual services:				
Audit and accounting services	750	750	725	25
Other consulting services	<u>650</u>	<u>650</u>	<u>1,903</u>	<u>(1,253)</u>
	<u>1,400</u>	<u>1,400</u>	<u>2,628</u>	<u>(1,228)</u>
Capital outlay:				
Rebate to taxing bodies	32,822	32,822	30,829	1,993
TIF grants	65,500	65,500	83,201	(17,701)
TIF public improvements	<u>20,000</u>	<u>20,000</u>	<u>943</u>	<u>19,057</u>
	<u>118,322</u>	<u>118,322</u>	<u>114,973</u>	<u>3,349</u>
Total economic development and assistance	<u>119,722</u>	<u>119,722</u>	<u>117,601</u>	<u>2,121</u>
Debt Service:				
Interest	<u>2,158</u>	<u>2,158</u>	<u>1,923</u>	<u>235</u>
Total expenditures	<u>121,880</u>	<u>121,880</u>	<u>119,524</u>	<u>2,356</u>
Excess of revenues (expenditures)	<u>\$ 42,249</u>	<u>\$ 42,249</u>	34,635	<u>\$ (7,614)</u>
Fund balance (deficit), beginning of year			<u>(173,163)</u>	
Fund Balance (Deficit), End of Year			<u>\$ (138,528)</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
RECREATIONAL LAND FUND  
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Net increase (decrease) in fair value of investments	\$ 30	\$ 30	\$ 79	\$ 49
Expenditures:				
None	-	-	-	-
Excess of revenues over (under) expenditures	<u>30</u>	<u>30</u>	<u>79</u>	<u>49</u>
Other Financing Sources (Uses):				
Transfers out	<u>(14,082)</u>	<u>(14,082)</u>	-	<u>14,082</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (14,052)</u>	<u>\$ (14,052)</u>	79	<u>\$ 14,131</u>
Fund balance, beginning of year			<u>14,088</u>	
Fund Balance, End of Year			<u>\$ 14,167</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
PLAYGROUND AND RECREATION FUND  
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
<b>Revenues:</b>				
Property taxes	\$ 172,783	\$ 172,783	\$ 171,777	\$ (1,006)
Mobile home taxes	230	230	258	28
Rentals	5,100	5,100	5,335	235
Recreation programs fees	212,985	212,985	206,993	(5,992)
Concessions	2,500	2,500	2,635	135
Brochure advertising	1,600	1,600	1,775	175
Interest income	150	150	132	(18)
Private donations and contributions	24,500	24,500	20,975	(3,525)
Program sponsors	8,000	8,000	6,283	(1,717)
Swimming pool	105,732	105,732	85,328	-
Miscellaneous income	<u>6,525</u>	<u>6,525</u>	<u>4,834</u>	<u>(1,691)</u>
Total revenues	<u>540,105</u>	<u>540,105</u>	<u>506,325</u>	<u>(33,780)</u>
<b>Expenditures:</b>				
<b>Culture and Recreation:</b>				
Recreation programs	376,740	376,740	334,872	41,868
Swimming pool	<u>193,384</u>	<u>193,384</u>	<u>180,532</u>	<u>12,852</u>
Total expenditures	<u>570,124</u>	<u>570,124</u>	<u>515,404</u>	<u>54,720</u>
Excess of revenues over (under) expenditures	<u>(30,019)</u>	<u>(30,019)</u>	<u>(9,079)</u>	<u>20,940</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 5,981</u>	<u>\$ 5,981</u>	26,921	<u>\$ 20,940</u>
Fund balance, beginning of year			<u>46,815</u>	
Fund Balance, End of Year			<u>\$ 73,736</u>	

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF NET POSITION  
 NON-MAJOR PENSION TRUST FUNDS

April 30, 2016

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total Non-Major Pension Trust Funds</u>
<b>ASSETS</b>			
Cash	\$ 191,918	\$ 128,262	\$ 320,180
Receivables:			
Interest	29,523	35,566	65,089
Due from other funds	<u>12,270</u>	<u>162,191</u>	<u>174,461</u>
Total receivables	<u>41,793</u>	<u>197,757</u>	<u>239,550</u>
Investments, at fair value:			
Federal government obligations	1,883,376	1,783,440	3,666,816
Mutual funds	2,184,111	1,842,365	4,026,476
Common stock	6,589,825	5,792,796	12,382,621
Corporate bonds	2,269,432	1,451,620	3,721,052
Certificates of deposit	<u>-</u>	<u>339,617</u>	<u>339,617</u>
Total investments	<u>12,926,744</u>	<u>11,209,838</u>	<u>24,136,582</u>
Total assets	<u>13,160,455</u>	<u>11,535,857</u>	<u>24,696,312</u>
<b>LIABILITIES</b>			
Accounts payable	20,084	15,010	35,094
Due to other funds	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total liabilities	<u>170,084</u>	<u>15,010</u>	<u>185,094</u>
<b>NET POSITION</b>			
Held in Trust for Pension Benefits	<u>\$ 12,990,371</u>	<u>\$ 11,520,847</u>	<u>\$ 24,511,218</u>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF CHANGES IN  
 NET POSITION - NON-MAJOR PENSION TRUST FUNDS  
 For the Year Ended April 30, 2016

	Firefighters' Pension Fund	Police Pension Fund	Total Non-Major Pension Trust Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Additions:			
Contributions:			
Employer	\$ 853,070	\$ 730,358	\$ 1,583,428
Plan members	<u>180,258</u>	<u>229,505</u>	<u>409,763</u>
Total contributions	<u>1,033,328</u>	<u>959,863</u>	<u>1,993,191</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	(582,068)	(486,127)	(1,068,195)
Interest	128,666	108,514	237,180
Dividends and capital gain distributions	<u>196,541</u>	<u>170,442</u>	<u>366,983</u>
	(256,861)	(207,171)	(464,032)
Less investment expense	<u>(70,653)</u>	<u>(62,957)</u>	<u>(133,610)</u>
Net investment income	<u>(327,514)</u>	<u>(270,128)</u>	<u>(597,642)</u>
Other additions	<u>6,558</u>	<u>5,560</u>	<u>12,118</u>
Total additions	<u>712,372</u>	<u>695,295</u>	<u>1,407,667</u>
Deductions:			
Benefits	1,533,438	1,354,502	2,887,940
Refunds of contributions	-	56,709	56,709
Administration expenses	<u>31,940</u>	<u>21,523</u>	<u>53,463</u>
Total deductions	<u>1,565,378</u>	<u>1,432,734</u>	<u>2,998,112</u>
Change in net position	(853,006)	(737,439)	(1,590,445)
Net position, beginning of year	<u>13,843,377</u>	<u>12,258,286</u>	<u>26,101,663</u>
Net Position, End of Year	<u>\$ 12,990,371</u>	<u>\$ 11,520,847</u>	<u>\$ 24,511,218</u>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES - PLAYGROUND AND RECREATION AFFILIATE FUNDS  
 For the Year Ended April 30, 2016

	Balance 4/30/2015	Receipts	Disbursements	Balance 4/30/2016
<b>ASSETS</b>				
Cash	\$ 172,292	\$ 292,918	\$ 301,215	\$ 163,995
Investments	7,148	40	-	7,188
Total Assets	\$ 179,440	\$ 292,958	\$ 301,215	\$ 171,183
<b>LIABILITIES</b>				
Amounts due to affiliate organizations:				
Girl's softball	\$ 4,566	\$ 10,164	\$ 7,929	\$ 6,801
Boy's baseball	17,558	30,671	32,005	16,224
Boy's baseball payroll	2,248	18,000	11,905	8,343
Penguins swim club	10,380	3,670	4,935	9,115
5th quarter	97	1,700	269	1,528
Wrestling club	1,040	2,715	1,033	2,722
Dog activity club	16,480	5,280	577	21,183
Boy's baseball concessions	10,993	30,948	34,781	7,160
Community band memorial fund	8,243	2,868	2,709	8,402
Charleston windrunners club	680	-	11	669
Officials payroll account	1,686	8,431	8,739	1,378
Selfless volleyball academy	5,565	27,176	30,743	1,998
Junior football league	26,604	77,310	72,406	31,508
Red, white & blue days	55,467	30,974	55,005	31,436
Christmas in the heart of Charleston	2,033	5,821	3,692	4,162
Tree commission	453	-	1	452
Charleston youth soccer program	14,643	37,230	34,141	17,732
Dog park	704	-	334	370
Total Amount Due to Affiliate Organizations	\$ 179,440	\$ 292,958	\$ 301,215	\$ 171,183

## ADDITIONAL INFORMATION

CITY OF CHARLESTON, ILLINOIS  
 SCHEDULE OF OPERATING REVENUES AND EXPENSES  
 OF THE WASTE WATER TREATMENT PLANT  
 For the Year Ended April 30, 2016

Operating Revenues:	
Sewer service charges	\$ 2,698,853
Sewer permits	8,529
Sewer dump fee	5,815
Miscellaneous	<u>11,058</u>
	<u>2,724,255</u>
Operating Expenses:	
Information technology	1,830
City garage	24,257
Utility department	602,239
Waste water treatment plant	755,101
Accounting	237,878
Social security	58,327
IMRF	123,556
Depreciation	<u>636,067</u>
	<u>2,439,253</u>
Net Operating Income	<u>\$ 285,002</u>

CITY OF CHARLESTON, ILLINOIS  
 SCHEDULE OF OPERATING REVENUES AND EXPENSES  
 OF THE WATER TREATMENT PLANT  
 For the Year Ended April 30, 2016

Operating Revenues:	
Water service charges	\$ 2,698,853
Water permits	8,529
Miscellaneous	<u>11,058</u>
	<u>2,718,440</u>
Operating Expenses:	
Information technology	1,830
City garage	24,257
Utility department	602,239
Water treatment plant	805,634
Accounting	237,878
Social security	58,327
IMRF	123,556
Depreciation	<u>636,067</u>
	<u>2,489,786</u>
Net Operating Income	<u><u>\$ 228,654</u></u>

CITY OF CHARLESTON, ILLINOIS  
WATER AND SEWER FUND  
WATER BILLS, WATER PUMPED AND WATER SALES

	No. of Bills Rendered Customers Year Ended April 30		Raw Water Pumped For Processing (1,000 Gallons) Year Ended April 30		Treated Water Pumped to City (1,000 Gallons) Year Ended April 30		Water Sales Billed to Customers (1,000 Gallons) Year Ended April 30		1,000 Gallons Received at the Wastewater Plant Year Ended April 30	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
May	7,040	7,011	45,489	44,562	41,531	40,407	32,748	32,526	82,100	109,900
June	7,056	7,011	42,147	42,001	38,435	38,337	32,790	32,336	108,100	100,900
July	7,084	7,026	44,671	43,968	40,755	39,832	29,310	30,635	98,600	65,400
August	7,069	7,183	48,768	48,620	44,986	44,811	32,661	32,220	54,300	58,300
September	7,025	7,021	49,624	49,917	44,337	45,560	36,510	37,404	65,200	64,300
October	7,017	7,026	47,548	48,612	43,862	44,340	35,543	35,140	67,500	107,400
November	7,007	7,009	42,354	43,488	38,433	39,477	34,572	35,151	93,100	79,000
December	6,987	7,001	39,826	42,117	36,510	38,103	31,146	32,531	102,000	112,600
January	6,989	7,005	43,889	45,233	39,887	40,615	28,293	29,524	99,200	100,700
February	6,990	6,988	42,500	43,543	38,500	38,722	30,962	31,127	94,200	76,000
March	6,992	7,002	43,000	47,123	39,000	40,945	29,727	30,444	117,300	114,900
April	7,000	7,012	44,458	45,860	40,325	41,393	31,429	32,175	119,400	117,300
	<u>84,256</u>	<u>84,295</u>	<u>534,274</u>	<u>545,044</u>	<u>486,561</u>	<u>492,542</u>	<u>385,691</u>	<u>391,213</u>	<u>1,101,000</u>	<u>1,106,700</u>

This unaudited schedule was prepared from information supplied by Water Utility personnel from available records.

CITY OF CHARLESTON, ILLINOIS  
 WATER AND SEWER FUND  
 COMBINED WATER AND SEWERAGE SERVICE RATES - MONTHLY  
 April 30, 2016

Rates Effective											
After 5-1-15		5-1-14 to 4-30-15		5-1-13 to 4-30-14		6-1-12 to 4-30-13		5-1-11 to 5-31-12			

WATER AND SEWER SERVICE - IN CORPORATE LIMITS  
 (Excluding Eastern Illinois University)

First	1,000 gallons	\$ 13.18		\$ 12.73		\$ 12.36		\$ 12.06		\$ 11.65
Next	9,000 gallons	13.18 Per M		12.73 Per M		12.36 Per M		12.06 Per M		11.65 Per M
Over	10,000 gallons	12.68 " "		12.25 " "		11.89 " "		11.60 " "		11.21 " "

WATER SERVICE ONLY - IN CORPORATE LIMITS

First	1,000 gallons	\$ 11.93		\$ 11.53		\$ 11.19		\$ 10.92		\$ 10.55
Next	9,000 gallons	11.93 Per M		11.53 Per M		11.19 Per M		10.92 Per M		10.55 Per M
Over	10,000 gallons	10.97 " "		10.60 " "		10.29 " "		10.04 " "		9.70 " "

WATER SERVICE ONLY - OUTSIDE

First	1,000 gallons	\$ 23.86		\$ 23.06		\$ 22.38		\$ 21.84		\$ 21.10
Next	9,000 gallons	23.86 Per M		23.06 Per M		22.38 Per M		21.84 Per M		21.10 Per M
Over	10,000 gallons	21.94 " "		21.20 " "		20.58 " "		20.08 " "		19.40 " "

WATER AND SEWER SERVICE - EASTERN ILLINOIS UNIVERSITY

Effective 5-1-11	11.21 " "
Effective 6-1-12	11.60 " "
Effective 5-1-13	11.89 " "
Effective 5-1-14	12.25 " "
Effective 5-1-15	12.68 " "

Rates effective 5-1-11 by ordinance 11-O-10  
 Rates effective 6-1-12 by ordinance 12-O-6  
 Rates effective 5-1-13 by ordinance 13-O-5  
 Rates effective 5-1-14 by ordinance 14-O-7  
 Rates effective 5-1-15 by ordinance 15-O-12

Services outside the corporate limits are established as double the amount of rates inside the corporate limits. A late charge fee of 10% shall be assessed against all delinquent water and/or sewer bills. Bills are delinquent if not paid 15 days after billing date. Water service shall be discontinued for any customer whose bill is 10 days past due.

CITY OF CHARLESTON, ILLINOIS  
LEGAL DEBT MARGIN  
April 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assessed Valuation	<u>\$ 190,900,674</u>	<u>\$ 187,753,946</u>	<u>\$ 186,977,180</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>\$ 16,465,183</u>	<u>\$ 16,193,778</u>	<u>\$ 16,126,782</u>
Total Debt:			
General obligation debt:			
Bonds	9,315,000	10,385,000	16,290,000
Less: Refunded bonds	-	-	(4,920,000)
Notes payable	<u>6,964,617</u>	<u>8,034,737</u>	<u>8,500,792</u>
	<u>16,279,617</u>	<u>18,419,737</u>	<u>19,870,792</u>
Less bonds exempt from debt limitation computation	<u>(4,110,000)</u>	<u>(4,640,000)</u>	<u>(5,160,000)</u>
	<u>12,169,617</u>	<u>13,779,737</u>	<u>14,710,792</u>
Legal Debt Margin	<u>\$ 4,295,566</u>	<u>\$ 2,414,041</u>	<u>\$ 1,415,990</u>

CITY OF CHARLESTON, ILLINOIS  
 ASSESSED VALUATION, TAX RATES, TAXES EXTENDED AND COLLECTED

	Tax Levy Year		
	2015	2014	2013
Assessed Valuation	<u>\$ 190,900,674</u>	<u>\$ 187,753,946</u>	<u>\$ 186,977,180</u>
Tax Rates:			
General corporate	0.16307	0.14968	0.21196
IMRF	0.14617	0.14806	0.15405
Fire protection	0.09093	0.09352	0.09399
Firemen's pension	0.38926	0.41611	0.35162
Police protection	0.08083	0.08312	0.08356
Police pension	0.38597	0.35325	0.31852
Library	0.19903	0.20468	0.20574
Garbage	0.00269	0.00276	0.00325
Audit	0.00696	0.00715	0.00719
Judgment	0.23076	0.24416	0.23498
Street lighting	0.04800	0.04877	0.04882
Playground and recreation	0.08964	0.09219	0.09267
Emergency services	0.00052	0.00053	0.00053
Social security	0.12110	0.11689	0.11489
Ambulance service	0.04294	0.04417	0.04440
Unemployment insurance	-	0.00053	0.00053
General obligation bonds (Library series)	<u>0.27647</u>	<u>0.27515</u>	<u>0.27477</u>
 Total	 <u>2.27434</u>	 <u>2.28072</u>	 <u>2.24147</u>

CITY OF CHARLESTON, ILLINOIS  
 ASSESSED VALUATION, TAX RATES, TAXES EXTENDED AND COLLECTED

	Tax Levy Year		
	2015	2014	2013
Taxes Extended:			
General corporate	\$ 311,302	\$ 281,030	\$ 396,317
Street and bridge *	137,150	135,868	133,444
IMRF	279,040	277,988	288,038
Fire protection	173,586	175,587	175,740
Firemen's pension	743,100	781,263	657,450
Police protection	154,305	156,061	156,238
Police pension	736,819	663,241	595,560
Library	379,950	384,295	384,687
Garbage	5,135	5,182	6,077
Audit	13,287	13,424	13,444
Judgment	440,522	458,420	439,359
Street lighting	91,632	91,568	91,282
Playground and recreation	171,123	173,090	173,272
Emergency services	993	995	991
Social security	231,181	219,466	214,818
Ambulance service	81,973	82,931	83,018
Unemployment insurance	-	995	991
General obligation bonds (Library series)	<u>527,783</u>	<u>516,605</u>	<u>513,757</u>
 Total	 <u>\$ 4,478,881</u>	 <u>\$ 4,418,009</u>	 <u>\$ 4,324,483</u>
Net Taxes Collected:			
Municipal levy		\$ 4,249,847	\$ 4,158,745
City's share of township road and bridge		<u>134,945</u>	<u>132,350</u>
 Total		 <u>\$ 4,384,792</u>	 <u>\$ 4,291,095</u>
 Percent Collected		 99.25%	 99.23%
Net Taxes Collected:			
Tax Increment Finance		<u>\$ 154,147</u>	<u>\$ 164,110</u>

\* Includes City share of township road and bridge tax.