

CITY OF EFFINGHAM, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2015
and
INDEPENDENT AUDITORS' REPORT

CITY OF EFFINGHAM, ILLINOIS

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CITY OF EFFINGHAM, ILLINOIS

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CITY OF EFFINGHAM, ILLINOIS

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October 30, 2015

To: Mayor and Members of the City Council
Residents of the City of Effingham, Illinois

Re: Letter of Transmittal to the Comprehensive Annual Financial Report of the City of Effingham for the Fiscal year ended April 30, 2015

State law requires that all local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). The statement must be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we hereby issue the Audited Annual Financial Report of the City of Effingham, Illinois (the "City") for the fiscal year ended April 30, 2015.

This report consists of management's representations concerning the finances of the City. The management of the City is responsible for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established an internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the information contained in this financial report is complete and reliable in all material respects.

West & Company, LLC, a certified public accounting firm has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that financial statements of the City for the fiscal year ended April 30, 2015 are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended April 30, 2015 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component for the financial section of this report.

The independent audit of the financial statements of the City was performed under *Government Auditing Standards*. These standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements and other matters.

Governmental accounting standards require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Crossroads of Opportunity

Profile of Government

The City of Effingham, incorporated in 1867, is located in Effingham County in east central Illinois on Interstates 57/70, 200 miles south of Chicago. It lies about midway between St. Louis and Indianapolis. The City's population is 12,328 persons.

The City is empowered to levy a property tax on real property located within its boundaries. A local sales tax and state shared revenues are the other major sources of revenue for governmental operations. State statutes enable extension of the corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. The City is a non-home rule municipality, which may adopt local ordinances to govern its affairs and provide services, but only if authorized by an enabling state statute.

The City provides an extensive array of municipal services including public safety, public works, community development, health, welfare, cemetery, cultural services, a water and sewer utility as well as internal management support functions. The City is financially accountable for a Public Library, and Police and Firefighter Pension Funds, which are reported separately within the City's financial statements.

The City operates under a commission form of local government. The City council, which has policymaking and legislative authority, consists of a mayor and four commissioners. The council members are elected on a nonpartisan "at large" basis every four years to a four-year term. The City council, among other things, is responsible for passing ordinances and resolutions, and adopting the annual municipal budget.

In addition to their legislative functions, the mayor and commissioners have individual administrative powers and duties. The mayor is the chief executive officer of the municipality, responsible for legal issues, police protection, engineering, tourism, economic development, and building code enforcement. One commissioner is responsible for finance and general administration, another commissioner is responsible for street maintenance and sewer utilities, and another commissioner is responsible for fire protection, water utilities and health and safety. A fourth commissioner is responsible for the cemetery, vehicle maintenance, and public property.

The City Administrator serves the Mayor and City Council in the oversight of the day to day operations of the City. The City Administrator serves as the personnel director of the City, creates the agendas for the Council meetings, directs and supervises all departments of the City, prepares the annual budget for Council consideration, prepares public policy for Council consideration, and oversees the overall financial status of the City, including the City's fixed assets.

The Accounting Administrator assumes responsibility for day-to-day management of the Treasurer's Office sharing responsibility and accountability for the integrity of the organizational accounting function with the City Treasurer.

Financial Planning & Control

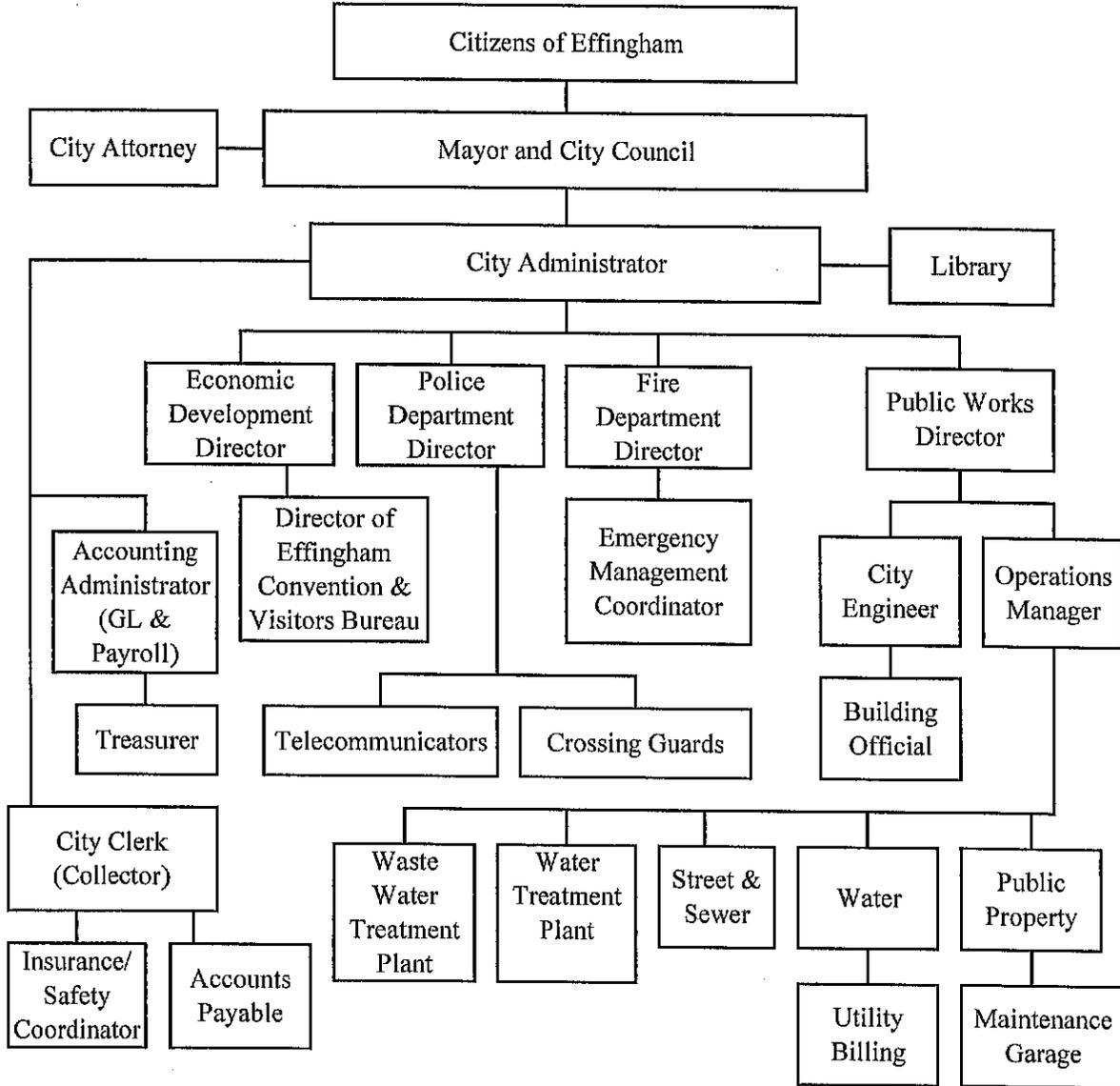
The budget serves as the foundation for the City's planning and control. The City's fiscal year begins May 1st and ends April 30th.

All municipal departments, commissions, boards and agencies seeking funding from the municipality are required to submit requests for budget to the City Administrator. The City Administrator uses these requests as the starting point for formulating a tentative budget.

The Budget is presented in account code classifications that enable reporting of financial data by fund, functions, and objects of expenditure. Budget to actual comparisons are provided for each individual major governmental fund for which an annual budget had been adopted. This comparison is presented following the "Notes to the Financial Statements".

CITY OF EFFINGHAM, ILLINOIS

ORGANIZATIONAL CHART



CITY OF EFFINGHAM, ILLINOIS
LIST OF ELECTED AND APPOINTED OFFICIALS
2015

MAYOR AND CITY COUNCIL

Jeff Bloemker, Mayor -- Public Affairs, Liquor Control Commissioner
Merv Gillenwater, Commissioner -- Accounts and Finance
Don Althoff, Commissioner -- Streets and Public Improvements
Kevin Willis, Commissioner -- Public Health and Safety
Kevin Esker, Commissioner -- Public Property

EXECUTIVE STAFF

James Arndt, City Administrator
Tracy Willenborg, City Attorney
Maria Brandt, City Treasurer
Bruce Devall, Building Official
Joseph Holomy, Fire Chief
Chris Huelsbusch, Public Works Operation Manager
Todd Hull, Economic Development Director
Jodi Jackson, Tourism Director
Kelsey Lock, City Clerk
Amanda McKay, City Librarian
Stephen W. Miller, Director of Public Works
Jeremy Heuerman, City Engineer
Janice Moomaw, Accounting Administrator
Jodi Moomaw, Telecommunications Manager
Dennis Niebrugge, Electrical/Plumbing Inspector
Michael Schutzbach, Chief of Police

FINANCIAL SECTION

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

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INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Effingham, 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 Effingham, Illinois, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Effingham's 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.

Auditors' 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 Effingham, Illinois, as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension's schedules of funding progress, and retiree's healthcare benefits schedule of funding progress on pages 17 through 25 and 99 through 112 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 evidence sufficient 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 Effingham, Illinois' basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical data are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining 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 nonmajor fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City of Effingham, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City of Effingham, Illinois' internal control over financial reporting and compliance.

West & Company, LLC

Effingham, Illinois
October 30, 2015

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
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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*

INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Effingham, Illinois

We have audited, 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, 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 Effingham, Illinois as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Effingham, Illinois' basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Effingham, 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 the City of Effingham, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Effingham, Illinois' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Effingham, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

We noted certain matters that we reported to management of the City of Effingham, Illinois in a separate letter dated October 30, 2015.

City of Effingham, Illinois' Response to Findings

The City of Effingham, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Effingham, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

West & Company, LLC

Effingham, Illinois
October 30, 2015

CITY OF EFFINGHAM, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the year ended April 30, 2015

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

CITY OF EFFINGHAM, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended April 30, 2015**

Section II: Financial Statement Findings

Finding No.: 2015-001 Lack of Expertise

Criteria:

The City of Effingham is required to maintain a system of controls over the preparation of financial statements in accordance with the modified accrual and accrual bases of accounting. This system includes reporting governmental receivables and the related deferred inflow of resources, classifying construction project expenditures between capital and non-capital accounts, and properly allocating fund balance and net position. City internal controls over financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review the financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board.

Condition:

The City of Effingham lacks sufficient expertise to prepare and review their financial statements.

Cause:

The City of Effingham has not hired or trained an individual with the knowledge and expertise to prepare and/or thoroughly review the financial statements.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the City of Effingham should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the City of Effingham's activities and operations.

Responsible Official's Response:

The City accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise or properly train current employees to prepare and/or review financial statements would take away from the funds available to provide services for City residents. The City will continue to review, approve, and accept responsibility for the audit adjustments, financial statements, and related notes provided by the auditors.

CITY OF EFFINGHAM, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended April 30, 2015**

Section II: Financial Statement Findings (Continued)

Finding No.: 2015-002 Financial Reporting

Criteria:

The City of Effingham is required to record and report its financial information in accordance with the accrual basis of accounting. City internal controls over financial reporting should ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Condition:

The City of Effingham lacks sufficient internal controls over reporting financial information to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. The auditors detected an instance where \$86,000 was misclassified as revenue instead of a liability.

Cause:

Management or employees did not timely sufficiently review the year-end financial information.

Effect:

Management in the normal course of performing its assigned functions may not prevent or detect financial misstatements and disclosure omissions in a timely manner.

Recommendation:

As part of its internal control over financial reporting, the City of Effingham should implement procedures to ensure employees or management properly reviews the financial information.

Responsible Official's Response:

The City received the first of three annual lump sum payments from the Lake Sara Area Water Cooperative pursuant to a multi-year wholesale water agreement. The payment was improperly designated as revenue. The two future payments will be correctly classified as a liability, since the money is in essence a short-term loan at 0% interest.

CITY OF EFFINGHAM, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
For the year ended April 30, 2015**

Corrective Action Plan

Finding No.: 2015-001

Condition:

The City of Effingham lacks sufficient expertise to prepare and review their accrual-basis financial statements.

Plan:

We understand the nature of this finding and realize this circumstance is not unusual in governments such as ours. The City of Effingham staff has reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate. The City of Effingham staff lacks the ability to prepare the notes to the financial statements.

The City of Effingham accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide services to the City. The City will continue to review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors.

Anticipated Date of Completion:

N/A

Name of Contact Person:

Jim Arndt, City Administrator

CITY OF EFFINGHAM, ILLINOIS
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
For the year ended April 30, 2015

Corrective Action Plan (Continued)

Finding No.: 2015-002

Condition:

The City of Effingham misclassified a liability as revenue.

Plan:

The City received the first of three annual lump sum payments from the Lake Sara Area Water Cooperative pursuant to a multi-year wholesale water agreement. The payment was improperly designated as revenue due to oversight. The two future payments will be correctly classified as a liability. In addition, City personnel will perform a more thorough review of year-end financial information.

Anticipated Date of Completion:

April 30, 2016

Name of Contact Person:

Jim Arndt, City Administrator

CITY OF EFFINGHAM, ILLINOIS

SUMMARY OF PRIOR AUDIT FINDINGS

For the year ended April 30, 2015

Audit Finding Reference: 2014-01, The City of Effingham lacks sufficient expertise to prepare and review their accrual-basis financial statements.

Status of Prior Finding: Repeated, the City of Effingham does not plan to correct the deficiency at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of the City of Effingham is intended to provide an overview of the City's financial activities for the fiscal year ended April 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information as furnished in the letter of transmittal and the financial statements.

FINANCIAL HIGHLIGHTS

- The City of Effingham has total assets and deferred outflows of resources of \$112,124,490 and liabilities and deferred inflows of resources of \$25,970,452, resulting in net position of \$86,154,038 as of April 30, 2015. Of the net position, \$65,340,763 represents the City's net investment in capital assets, \$12,083,050 is held for restricted purposes, and \$8,730,225 is available to meet the City's ongoing obligations to its citizens and creditors.
- During FY 2015, the City continued its efforts to effectuate the projects and purchases within the City's approved capital improvements plan. The projects included the removal and replacement of City sidewalks, the resurfacing of various streets throughout the community, the completion of a water boring project under I-57/I-70, the reconstruction of Douglas Avenue, the replacement of roofs at our waste water treatment plant, the replacement of the Slate Creek Lift Station, electrical upgrades for various sanitary sewer lift stations throughout the City, improvements to the water distribution maintenance facility, resurfacing of Fire Station #3 Parking Lot, the rehabilitation of sanitary sewer mains within the TIF Districts, the replacement of the Channel Dam, replacement of the roof at the water treatment plant. The planned purchases included the addition of new holiday displays for the Wonderland In Lights program, a portable pump for the sewer division, a new mower for the public property division, and the replacement of Tasers for the police department.
- Illinois statutes restrict municipality general obligation debt to less than 8.625% of equalized property value. The City's general obligation debt is well below the statutory limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (known as governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and services charges (business-type activities). The governmental activities of the City of Effingham include general government, public safety, public works, health and welfare, culture and recreation, economic development, and other miscellaneous activities. The business-type activities of the City include the water and sewer services.

In addition to these various direct operations of the City, or primary government, the government-wide financial statements also include financial information related to legally distinct entities for which the City has financial responsibility and accountability, known as component units. The City of Effingham's component units include the Effingham Firefighters Pension Fund, Effingham Police Pension Fund, and the Helen Matthes Public Library. These entities are described in Note 1 following the financial statements.

The government-wide financial statements can be found on pages 26 – 28 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Effingham, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All of the funds of the City of Effingham can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The City of Effingham maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Tax Increment Financing fund, and the Capital Projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Effingham adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the General fund and the Tax Increment Financing fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 29 – 33 of this report.

Proprietary Funds

The City of Effingham maintains two different proprietary fund types. Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation. Internal service funds are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City of Effingham uses internal service funds to account for its maintenance garage. Because this service benefits governmental and business-type functions, they have been allocated between the governmental activities and business-type activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utilities, both of which are considered to be major funds of the City of Effingham. The internal service fund is also presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 35 - 39 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Effingham's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not have any fiduciary funds, but it does include the Effingham Police Pension Fund and the Effingham Firefighters Pension Fund, both of which are fiduciary type discretely presented component units.

The basic fiduciary fund financial statements can be found on pages 40 – 41 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 42 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Effingham's progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found on pages 99 - 110 of this report.

Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are presented following the required supplemental information on pension and postemployment benefits. The City of Effingham prepares its budget on the cash basis of accounting and the statements are prepared on the modified accrual basis of accounting. It does not appear that the resulting difference would have a material effect on the financial statements. These statements can be found on pages 111 - 112 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the budget versus actual statements on major funds. Combining fund statements can be found on pages 113 - 116 of this report.

Government-wide Financial Analysis

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 of Effingham, assets and deferred outflows exceeded liabilities and deferred inflows by \$86,154,038 at the close of the most recent fiscal year.

By far the largest portion of the City of Effingham's net position (76%) reflects its net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The City of Effingham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Effingham's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Effingham's net position (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,730,225, may be used to meet the government's ongoing obligation to citizens and creditors.

The primary government's net position increased by \$877,039.

At the end of the current fiscal year, the City of Effingham is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 27,638,871	\$ 23,753,760	\$ 5,843,891	\$ 6,271,312	\$ 33,482,762	\$ 30,025,072
Capital assets (net)	47,705,994	52,288,968	30,605,838	30,048,935	78,311,832	82,337,903
Total assets	<u>\$ 75,344,865</u>	<u>\$ 76,042,728</u>	<u>\$ 36,449,729</u>	<u>\$ 36,320,247</u>	<u>\$ 111,794,594</u>	<u>\$ 112,362,975</u>
Deferred outflows of resources	\$ -	\$ -	\$ 329,896	\$ 361,068	\$ 329,896	\$ 361,068
Current liabilities	\$ 2,517,342	3,044,333	\$ 338,328	\$ 340,857	\$ 2,855,670	\$ 3,385,190
Non-current liabilities	8,164,363	8,301,528	9,627,419	10,428,326	17,791,782	18,729,854
Total liabilities	<u>\$ 10,681,705</u>	<u>\$ 11,345,861</u>	<u>\$ 9,965,747</u>	<u>\$ 10,769,183</u>	<u>\$ 20,647,452</u>	<u>\$ 22,115,044</u>
Deferred inflows of resources	<u>\$ 5,323,000</u>	<u>\$ 5,332,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,323,000</u>	<u>\$ 5,332,000</u>
Net investment in capital assets	\$ 42,510,021	46,771,948	\$ 22,830,742	\$ 21,389,355	\$ 65,340,763	\$ 68,161,303
Restricted	12,083,050	9,887,770	-	-	12,083,050	9,887,770
Unrestricted	4,747,089	2,705,149	3,983,136	4,522,777	8,730,225	7,227,926
Total net position	<u>\$ 59,340,160</u>	<u>\$ 59,364,867</u>	<u>\$ 26,813,878</u>	<u>\$ 25,912,132</u>	<u>\$ 86,154,038</u>	<u>\$ 85,276,999</u>
Total net position as a % of total liabilities and deferred inflows of resources	370.77%	355.95%	269.06%	240.61%	331.74%	310.70%
Unrestricted net position as a % of total liabilities and deferred inflows of resources	29.66%	16.22%	39.97%	42.00%	33.62%	26.33%

Governmental activities

Governmental activities decreased the City of Effingham's net position by \$24,707, thus decreasing the net position of the City of Effingham by less than one percent. Key elements of this decrease are shown on the schedule on the next page.

Business-type activities

Business-type activities increased the City of Effingham's net position by \$901,746, thus increasing the net position of the City of Effingham by 1 percent. Key elements of this increase are shown on the schedule on the next page.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 360,943	\$ 309,705	\$ 5,394,400	\$ 5,364,975	\$ 5,755,343	\$ 5,674,680
Operating grants and contributions	463,443	110,960	-	-	463,443	110,960
Capital grants and contributions	299,539	507,158	672,097	2,036,703	971,636	2,543,861
General revenue:						
Property taxes	5,315,876	5,217,340	-	-	5,315,876	5,217,340
Sales taxes	6,827,321	6,511,345	-	-	6,827,321	6,511,345
Income taxes	1,241,994	1,177,304	-	-	1,241,994	1,177,304
Motor fuel taxes	409,684	358,131	-	-	409,684	358,131
Hotel/motel taxes	890,522	810,695	-	-	890,522	810,695
Utility taxes	479,514	480,011	-	-	479,514	480,011
Other taxes	727,783	576,474	-	-	727,783	576,474
Unrestricted investment earnings	77,183	37,102	19,595	23,990	96,778	61,092
Other revenues	284,656	158,434	-	-	284,656	158,434
Gain (loss) on sale of capital assets	(131,719)	257,757	-	(83,259)	(131,719)	174,498
Total revenue	<u>17,246,739</u>	<u>16,512,416</u>	<u>6,086,092</u>	<u>7,342,409</u>	<u>23,332,831</u>	<u>23,854,825</u>
Expenses:						
General government	1,632,477	1,410,378	-	-	1,632,477	1,410,378
Public safety	5,937,598	6,280,856	-	-	5,937,598	6,280,856
Public works	4,570,194	4,918,047	-	-	4,570,194	4,918,047
Health and welfare	840,349	805,520	-	-	840,349	805,520
Culture and recreation	816,873	748,053	-	-	816,873	748,053
Economic development	3,307,953	5,259,179	-	-	3,307,953	5,259,179
Interest on long-term debt	166,002	183,754	-	-	166,002	183,754
Water	-	-	2,528,785	2,832,422	2,528,785	2,832,422
Sewer	-	-	2,655,561	2,377,579	2,655,561	2,377,579
Total expenses	<u>17,271,446</u>	<u>19,605,787</u>	<u>5,184,346</u>	<u>5,210,001</u>	<u>22,455,792</u>	<u>24,815,788</u>
Change in net position before transfers	(24,707)	(3,093,371)	901,746	2,132,408	877,039	(960,963)
Transfers	-	20,000	-	(20,000)	-	-
Change in net position	(24,707)	(3,073,371)	901,746	2,112,408	877,039	(960,963)
Net position, beginning of year	<u>59,364,867</u>	<u>62,438,238</u>	<u>25,912,132</u>	<u>23,799,724</u>	<u>85,276,999</u>	<u>86,237,962</u>
Net position, end of year	<u>\$ 59,340,160</u>	<u>\$ 59,364,867</u>	<u>\$ 26,813,878</u>	<u>\$ 25,912,132</u>	<u>\$ 86,154,038</u>	<u>\$ 85,276,999</u>

Financial Analysis of the Governments' Funds

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

Government funds

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

At the end of the current fiscal year, the City of Effingham's governmental funds reported combined ending fund balances of \$18,601,435, an increase of \$4,476,428 in comparison with the prior year. The majority of the fund balance, \$12,147,434 constitutes restricted fund balance. The remainder of the fund balance is nonspendable, \$169,283 and unassigned, \$6,284,718.

The General fund is the chief operating fund of the City of Effingham. At the end of the current fiscal year, unassigned fund balance of the General fund was \$6,284,718, while total fund balance was \$6,534,720. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance and total fund balance represents 61 percent and 63 percent of the total General fund expenditures, respectively.

The fund balance of the City of Effingham's Tax Increment Financing (TIF) fund increased by \$2,174,088 during the current fiscal year to \$8,710,110.

During the current fiscal year, the General Fund's sales tax and income tax increased by \$266,272 and \$216,365, respectively. Illinois Video Gaming Tax increased by \$153,634.

BUDGETARY HIGHLIGHTS

The original 2015 General fund budget authorized expenditures and other financing uses of \$13,754,545 funded by anticipated revenues and other financing sources of \$12,558,690 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$1,195,855. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$1,919,826, a positive budget to actual variance of \$3,115,681.

The original 2015 Tax Increment Financing fund budget authorized expenditures and other financing uses of \$16,980,090 funded by anticipated revenues and other financing sources of \$10,676,390 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$6,303,700. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$2,174,088, a positive budget to actual variance of \$8,477,788. This variance is the result of less capital outlay expenditures and economic development expenditures than budgeted.

CAPITAL ASSETS AND DEBT

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of April 30, 2015, amounts to approximately \$78 million, net of accumulated depreciation. This investment includes land, buildings and system, improvements, machinery and equipment, roads, highways, and bridges. The total decrease in the City’s investment in capital assets for the current fiscal year was 5 percent (9 percent decrease for governmental activities and a 2 percent increase for business-type activities).

Major capital asset activity during the current fiscal year included the following:

- Douglass Avenue Reconstruction
- Completion of Outerbelt West (North)
- Completion of the West Evergreen Extension
- Completion of the River Dam Replacement
- Continued the Neptune Automatic Meter Reading project
- Completion of several water main replacement projects
- Completion of West Rickelman Lift Station
- Purchase of a street sweeper

The total costs of these capital projects total over \$7 million.

City of Effingham's Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 6,115,733	\$ 138,222	\$ 6,253,955
Buildings and system	10,603,392	23,992,241	34,595,633
Improvements	1,319,525	500,922	1,820,447
Machinery and equipment	1,971,868	817,383	2,789,251
Infrastructure	26,174,342	-	26,174,342
Construction in progress	1,521,134	5,157,070	6,678,204
	<u>\$ 47,705,994</u>	<u>\$ 30,605,838</u>	<u>\$ 78,311,832</u>

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$14,794,582. Notes payable at year end was \$4,046,973, primarily for the IMRF Early Retirement Incentive and the Effingham Performance Center. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., alternate revenue bonds) issued to finance the water treatment plant, sewer treatment plant, brick arch sewer rehabilitation, and refinance prior debt.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes payable and other debt	\$ 3,222,673	\$ 824,300	\$ 4,046,973
General obligation bonds	2,615,000	1,015,000	3,630,000
Refunding bonds	-	7,117,609	7,117,609
	<u>\$ 5,837,673</u>	<u>\$ 8,956,909</u>	<u>\$ 14,794,582</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk's Office at 201 East Jefferson, Effingham, Illinois, 62401. The City Clerk can also be reached at (217) 342-5301.

BASIC FINANCIAL STATEMENTS

CITY OF EFFINGHAM, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Assets:				
Cash and cash equivalents	\$ 16,942,792	\$ 4,745,428	\$ 21,688,220	\$ 733,551
Receivables	7,740,345	688,631	8,428,976	861,000
Investments, at fair value	2,529,844	-	2,529,844	
Internal balances	(104,819)	104,819	-	-
Inventories	-	185,816	185,816	-
Prepays	170,614	48,122	218,736	6,386
Restricted assets:				
Cash	360,095	71,075	431,170	556,284
Capital assets (net of accumulated depreciation):				
Land	6,115,733	138,222	6,253,955	-
Buildings and system	10,603,392	23,992,241	34,595,633	451,676
Improvements	1,319,525	500,922	1,820,447	71,592
Machinery and equipment	1,971,868	817,383	2,789,251	-
Infrastructure	26,174,342	-	26,174,342	-
Construction in progress	1,521,134	5,157,070	6,678,204	1,404,015
Total assets	75,344,865	36,449,729	111,794,594	4,084,504
Deferred Outflows of Resources:				
Deferred amount on bond refunding	-	329,896	329,896	-

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS
STATEMENT OF NET POSITION (Continued)
April 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Liabilities:				
Accounts payable	\$ 2,465,656	\$ 195,629	\$ 2,661,285	\$ 34,522
Accrued interest payable	51,686	71,624	123,310	-
Customer deposits	-	71,075	71,075	-
Noncurrent liabilities:				
Due within one year	867,011	1,079,658	1,946,669	7,105
Due in more than one year	7,297,352	8,547,761	15,845,113	80,816
Total liabilities	<u>10,681,705</u>	<u>9,965,747</u>	<u>20,647,452</u>	<u>122,443</u>
Deferred Inflows of Resources:				
Deferred property taxes	<u>5,323,000</u>	<u>-</u>	<u>5,323,000</u>	<u>861,000</u>
Net Position:				
Net investment in capital assets	42,510,021	22,830,742	65,340,763	1,927,283
Restricted for:				
Culture and recreation	1,341,915	-	1,341,915	-
Capital projects	666,488	-	666,488	-
Economic development	8,830,111	-	8,830,111	-
General government	6,415	-	6,415	423,138
Highways and streets	1,163,466	-	1,163,466	-
Public safety	74,655	-	74,655	-
Construction and repairs	-	-	-	133,146
Unrestricted	<u>4,747,089</u>	<u>3,983,136</u>	<u>8,730,225</u>	<u>617,494</u>
Total net position	<u>\$ 59,340,160</u>	<u>\$ 26,813,878</u>	<u>\$ 86,154,038</u>	<u>\$ 3,101,061</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

STATEMENT OF ACTIVITIES
For the year ended April 30, 2015

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,632,477	\$ 218,241	\$ 345,786	\$ -	\$ -	\$ (1,068,450)	\$ (1,068,450)
Public safety	5,937,598	92,498	17,289	-	-	(5,827,811)	(5,827,811)
Public works	4,570,194	50,204	-	299,539	-	(4,220,451)	(4,220,451)
Health and welfare	840,349	-	-	-	-	(840,349)	(840,349)
Culture and recreation	816,873	-	100,368	-	-	(716,505)	(716,505)
Economic development	3,307,953	-	-	-	-	(3,307,953)	(3,307,953)
Interest on long-term debt	166,002	-	-	-	-	(166,002)	(166,002)
Total governmental activities	17,271,446	360,943	463,443	299,539	-	(16,147,521)	(16,147,521)
Business-type activities:							
Water	2,528,785	2,746,843	-	606,477	824,535	824,535	824,535
Sewer	2,655,561	2,647,557	-	65,620	57,616	57,616	57,616
Total business-type activities	5,184,346	5,394,400	-	672,097	882,151	882,151	882,151
Total primary government	\$ 22,455,792	\$ 5,755,343	\$ 463,443	\$ 971,636	\$ 882,151	\$ (15,265,370)	\$ (15,265,370)
Component unit:							
Library	\$ 831,420	\$ 34,881	\$ 20,410	\$ -	\$ -	\$ (776,129)	\$ (776,129)
General revenues:							
Property taxes							
Sales taxes							
Income taxes							
Motor fuel taxes							
Hotel/motel taxes							
Utility taxes							
Other taxes							
Investment earnings							
Other revenues							
Gain (loss) on sale of capital assets							
Total general revenues and transfers							
Change in net position							
Net position, beginning of year							
Net position, end of year							

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2015**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 4,890,902	\$ 5,987,805	\$ 4,057,578
Receivables (net of allowance for uncollectibles)	4,399,824	3,159,087	-
Investments, at fair value	1,000,243	1,004,041	-
Prepaid expenditures	168,932	-	-
Due from other funds	1,813	1,481,506	7,751
Cash - restricted	79,804	280,291	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,541,518</u>	<u>\$ 11,912,730</u>	<u>\$ 4,065,329</u>
 Liabilities, Deferred Inflow of Resources, and Fund Balance:			
Liabilities:			
Accounts payable	\$ 579,212	\$ 46,620	\$ 1,806,094
Compensated absences	432,359	-	-
Due to other funds	-	-	1,592,747
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,011,571</u>	<u>46,620</u>	<u>3,398,841</u>
 Deferred inflow of resources:			
Deferred revenue	2,995,227	3,156,000	-
	<u> </u>	<u> </u>	<u> </u>
 Fund balances:			
Nonspendable - prepaid expenditures	168,932	-	-
Restricted for:			
Culture and recreation	-	-	-
Economic development	-	8,710,110	-
General government	6,415	-	-
Capital projects	-	-	666,488
Highways and streets	-	-	-
Public safety	74,655	-	-
Unassigned	6,284,718	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>6,534,720</u>	<u>8,710,110</u>	<u>666,488</u>
 Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 10,541,518</u>	<u>\$ 11,912,730</u>	<u>\$ 4,065,329</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
April 30, 2015**

	Other Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 2,009,820	\$ 16,946,105
Receivables (net of allowance for uncollectibles)	181,434	7,740,345
Investments, at fair value	525,560	2,529,844
Prepaid expenditures	351	169,283
Due from other funds	-	1,491,070
Cash - restricted	-	360,095
	<u> </u>	<u> </u>
Total assets	\$ 2,717,165	\$ 29,236,742
	<u> </u>	<u> </u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:		
Liabilities:		
Accounts payable	\$ 24,804	\$ 2,456,730
Compensated absences	2,244	434,603
Due to other funds	-	1,592,747
	<u> </u>	<u> </u>
Total liabilities	27,048	4,484,080
	<u> </u>	<u> </u>
Deferred inflow of resources:		
Deferred revenue	-	6,151,227
	<u> </u>	<u> </u>
Fund balances:		
Nonspendable - prepaid expenditures	351	169,283
Restricted for:		
Culture and recreation	1,371,910	1,371,910
Economic development	154,390	8,864,500
General government	-	6,415
Capital projects	-	666,488
Highways and streets	1,163,466	1,163,466
Public safety	-	74,655
Unassigned	-	6,284,718
	<u> </u>	<u> </u>
Total fund balances	2,690,117	18,601,435
	<u> </u>	<u> </u>
Total liabilities, deferred inflow of resources, and fund balance	\$ 2,717,165	\$ 29,236,742
	<u> </u>	<u> </u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
April 30, 2015

Total fund balances - total governmental funds	\$ 18,601,435
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,687,231
Internal service funds are used by management to charge the cost of maintenance of assets to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	4,713
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	828,227
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,781,446)</u>
Net position of governmental activities	<u><u>\$ 59,340,160</u></u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended April 30, 2015**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
Revenues:			
Taxes	\$ 11,575,418	\$ 2,987,252	\$ -
Licenses and permits	91,545	-	-
Intergovernmental grants	363,075	-	299,539
Charges for services	180,976	-	-
Fines and forfeitures	88,422	-	-
Investment income	20,175	27,049	11,139
Miscellaneous revenues	269,603	10,381	-
Total revenues	12,589,214	3,024,682	310,678
Expenditures:			
Current:			
General government	1,496,466	-	-
Public safety	5,252,335	-	7,125
Public works	2,124,794	-	15,128
Health and welfare	667,024	-	-
Culture and recreation	-	-	-
Economic development	203,632	3,099,711	-
Capital outlay	479,280	73,405	737,622
Debt service:			
Principal	98,752	145,000	-
Interest and fiscal charges	16,251	75,247	-
Total expenditures	10,338,534	3,393,363	759,875
Excess (deficiency) of revenues over (under) expenditures	2,250,680	(368,681)	(449,197)
Other financing sources (uses):			
Operating transfers in	23,000	70,414	514,772
Operating transfers out	(383,191)	(136,772)	(65,223)
Sale of property	29,337	2,609,127	-
Total other financing sources (uses)	(330,854)	2,542,769	449,549
Net change in fund balances	1,919,826	2,174,088	352
Fund balances, beginning of year	4,614,894	6,536,022	666,136
Fund balances, end of year	\$ 6,534,720	\$ 8,710,110	\$ 666,488

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF REVENUES EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS**

For the year ended April 30, 2015

	Other Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues:		
Taxes	\$ 1,300,206	\$ 15,862,876
Licenses and permits	-	91,545
Intergovernmental grants	108,320	770,934
Charges for services	-	180,976
Fines and forfeitures	-	88,422
Investment income	18,820	77,183
Miscellaneous revenues	19,337	299,321
Total revenues	<u>1,446,683</u>	<u>17,371,257</u>
Expenditures:		
Current:		
General government	12,637	1,509,103
Public safety	-	5,259,460
Public works	7,772	2,147,694
Health and welfare	-	667,024
Culture and recreation	719,797	719,797
Economic development	-	3,303,343
Capital outlay	59,436	1,349,743
Debt service:		
Principal	176,047	419,799
Interest and fiscal charges	65,832	157,330
Total expenditures	<u>1,041,521</u>	<u>15,533,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>405,162</u>	<u>1,837,964</u>
Other financing sources (uses):		
Operating transfers in	-	608,186
Operating transfers out	(23,000)	(608,186)
Sale of property	-	2,638,464
Total other financing sources (uses)	<u>(23,000)</u>	<u>2,638,464</u>
Net change in fund balances	382,162	4,476,428
Fund balances, beginning of year	<u>2,307,955</u>	<u>14,125,007</u>
Fund balances, end of year	<u>\$ 2,690,117</u>	<u>\$ 18,601,435</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the year ended April 30, 2015

Net change in fund balances - total governmental funds \$ 4,476,428

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (1,810,793)

In the statement of activities, only the gain on the sale of property is reported, where as in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the sales. (2,770,183)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (66,658)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 419,799

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (262,394)

Internal service funds are used by management to charge the costs of repair maintenance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (10,906)

Change in net position of governmental activities \$ (24,707)

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

April 30, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,936,968	\$ 2,808,460	\$ 4,745,428	\$ -
Receivables	319,793	368,838	688,631	-
Due from other funds	-	117,415	117,415	-
Inventories	185,816	-	185,816	-
Prepaid items	<u>28,624</u>	<u>19,498</u>	<u>48,122</u>	<u>1,331</u>
Total current assets	<u>2,471,201</u>	<u>3,314,211</u>	<u>5,785,412</u>	<u>1,331</u>
Noncurrent assets:				
Restricted cash and cash equivalents	<u>71,075</u>	<u>-</u>	<u>71,075</u>	<u>-</u>
Total restricted assets	<u>71,075</u>	<u>-</u>	<u>71,075</u>	<u>-</u>
Capital assets:				
Land	52,212	86,010	138,222	-
Buildings and system improvements	30,245,912	26,660,961	56,906,873	-
Machinery and equipment	714,275	121,813	836,088	-
Construction in progress	887,482	1,812,849	2,700,331	51,373
Construction in progress	5,017,662	139,408	5,157,070	-
Less accumulated depreciation	<u>(18,520,634)</u>	<u>(16,612,112)</u>	<u>(35,132,746)</u>	<u>(32,610)</u>
Total capital assets (net of accumulated depreciation)	<u>18,396,909</u>	<u>12,208,929</u>	<u>30,605,838</u>	<u>18,763</u>
Total noncurrent assets	<u>18,467,984</u>	<u>12,208,929</u>	<u>30,676,913</u>	<u>18,763</u>
Total assets	<u>20,939,185</u>	<u>15,523,140</u>	<u>36,462,325</u>	<u>20,094</u>
Deferred Outflows of Resources:				
Deferred amount on bond refunding	<u>329,896</u>	<u>-</u>	<u>329,896</u>	<u>-</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUNDS
 April 30, 2015**

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Liabilities:				
Current liabilities:				
Bank overdraft	\$ -	\$ -	\$ -	\$ 3,313
Accounts payable	64,966	130,663	195,629	8,926
Accrued interest payable	47,707	23,917	71,624	-
Due to other funds	15,738	-	15,738	-
Compensated absences	60,166	38,280	98,446	-
Customer deposits	71,075	-	71,075	-
Notes and bonds payable	530,391	450,821	981,212	-
Total current liabilities	790,043	643,681	1,433,724	12,239
Noncurrent liabilities:				
Notes and bonds payable	5,318,229	2,657,468	7,975,697	-
Compensated absences	120,296	76,537	196,833	-
IMRF net pension obligation	124,553	77,886	202,439	-
Post-employment healthcare benefits obligation	86,089	86,703	172,792	-
Total noncurrent liabilities	5,649,167	2,898,594	8,547,761	-
Total liabilities	6,439,210	3,542,275	9,981,485	12,239
Net position:				
Net investment in capital assets	13,284,239	9,546,503	22,830,742	-
Unrestricted	1,545,632	2,434,362	3,979,994	7,855
Total net position	\$ 14,829,871	\$ 11,980,865	26,810,736	\$ 7,855
Adjustment to reflect the consolidation of internal service fund assets and liabilities related to enterprise funds			3,142	
Net position of business-type activities			\$ 26,813,878	

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended April 30, 2015**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Operating revenues:				
Charges for services:				
Water sales, pledged as security for revenue bonds	\$ 2,648,218	\$ -	\$ 2,648,218	\$ -
Sewer sales	-	2,611,129	2,611,129	-
Tap and connecting fees	81,199	38,000	119,199	-
Other services	<u>17,425</u>	<u>(1,571)</u>	<u>15,854</u>	<u>219,005</u>
Total operating revenue	<u>2,746,842</u>	<u>2,647,558</u>	<u>5,394,400</u>	<u>219,005</u>
Operating expenses:				
Cost of sales and services	1,369,851	1,308,889	2,678,740	231,191
Administration and general	347,742	497,719	845,461	-
Depreciation	<u>651,732</u>	<u>775,382</u>	<u>1,427,114</u>	<u>5,991</u>
Total operating expenses	<u>2,369,325</u>	<u>2,581,990</u>	<u>4,951,315</u>	<u>237,182</u>
Operating income (loss)	<u>377,517</u>	<u>65,568</u>	<u>443,085</u>	<u>(18,177)</u>
Nonoperating revenues (expenses):				
Investment earnings	7,054	12,541	19,595	-
Interest expense	<u>(156,733)</u>	<u>(69,027)</u>	<u>(225,760)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(149,679)</u>	<u>(56,486)</u>	<u>(206,165)</u>	<u>-</u>
Income (loss) before contributions	227,838	9,082	236,920	(18,177)
Capital contributions	<u>606,477</u>	<u>65,620</u>	<u>672,097</u>	<u>-</u>
Change in net position	834,315	74,702	909,017	(18,177)
Total net position, beginning of year	<u>13,995,556</u>	<u>11,906,163</u>		<u>26,032</u>
Total net position, end of year	<u>\$ 14,829,871</u>	<u>\$ 11,980,865</u>		<u>\$ 7,855</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(7,271)</u>	
Change in net position of business-type activities			<u>\$ 901,746</u>	

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2015**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,721,605	\$ 2,636,852	\$ 5,358,457	\$ 219,005
Payments to suppliers	(750,591)	(990,500)	(1,741,091)	(246,287)
Payments to employees	(742,586)	(636,230)	(1,378,816)	-
	<u>1,228,428</u>	<u>1,010,122</u>	<u>2,238,550</u>	<u>(27,282)</u>
Net cash provided (used) by operating activities				
Cash flows from capital and related financing activities				
Proceeds from long term debt	86,000	-	86,000	-
Purchase of capital assets	(755,011)	(556,908)	(1,311,919)	(3,993)
Principal paid on capital debt	(514,155)	(439,464)	(953,619)	-
Interest paid on capital debt	(149,818)	(109,141)	(258,959)	-
	<u>(1,332,984)</u>	<u>(1,105,513)</u>	<u>(2,438,497)</u>	<u>(3,993)</u>
Net cash used by capital and related financing activities				
Cash flows from investing activities:				
Investment income received	7,054	12,541	19,595	-
	<u>7,054</u>	<u>12,541</u>	<u>19,595</u>	<u>-</u>
Net decrease in cash and cash equivalents	(97,502)	(82,850)	(180,352)	(31,275)
Cash and cash equivalents, beginning	<u>2,105,545</u>	<u>2,891,310</u>	<u>4,996,855</u>	<u>27,962</u>
Cash and cash equivalents, ending	<u>\$ 2,008,043</u>	<u>\$ 2,808,460</u>	<u>\$ 4,816,503</u>	<u>\$ (3,313)</u>
Statement of net position (proprietary funds):				
Cash and cash equivalents	\$ 1,936,968	\$ 2,808,460	\$ 4,745,428	\$ -
Restricted cash and cash equivalents	71,075	-	71,075	-
Bank overdraft	-	-	-	(3,313)
	<u>\$ 2,008,043</u>	<u>\$ 2,808,460</u>	<u>\$ 4,816,503</u>	<u>\$ (3,313)</u>
Total cash and cash equivalents				

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS**

For the year ended April 30, 2015

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 377,517	\$ 65,568	\$ 443,085	\$ (18,177)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	651,732	775,382	1,427,114	5,991
Increase in accounts receivable	(29,362)	(10,706)	(40,068)	-
Decrease in due from other funds	173,941	66,531	240,472	-
Decrease in inventories	24,750	-	24,750	-
Decrease in prepaid items	5,516	4,250	9,766	209
Decrease in customer deposits	4,125	-	4,125	-
Increase (decrease) in accounts payable	(22,949)	32,630	9,681	(15,305)
Increase (decrease) in compensated absences	(9,970)	26,937	16,967	-
Increase in due to other funds	4,878	-	4,878	-
Increase in post-employment healthcare obligation	38,073	41,028	79,101	-
Increase in net pension expense	10,177	8,502	18,679	-
Net cash provided (used) by operating activities	\$ 1,228,428	\$ 1,010,122	\$ 2,238,550	\$ (27,282)

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
April 30, 2015

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Assets:		
Cash and cash equivalents	\$ 326,222	\$ 420,192
Receivables:		
Property tax	610,000	550,000
Interest	34,776	19,200
Total receivables	644,776	569,200
Investments, at fair value:		
Certificates of deposit	2,236,601	2,300,000
U.S. government securities	995,972	799,704
State and local government securities	1,287,045	426,423
Annuity contracts	1,265,403	3,559,032
Mutual funds	8,235,021	1,473,327
Total investments	14,020,042	8,558,486
Total assets	14,991,040	9,547,878
Liabilities:		
Deferred property tax revenue	610,000	550,000
Net position:		
Held in trust for pension benefits and other purposes	\$ 14,381,040	\$ 8,997,878

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended April 30, 2015**

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Additions:		
Contributions:		
Employer	\$ 472,239	\$ 553,371
Plan members	142,384	100,923
Total contributions	614,623	654,294
Investment earnings:		
Interest	96,108	61,511
Dividends	599,792	19,092
Gain (loss) on sale of assets	596,748	(4,435)
Net increase (decrease) in the fair value of investments	(318,795)	428,068
Total investment earnings	973,853	504,236
Total additions	1,588,476	1,158,530
Deductions:		
Benefits	815,909	697,361
Administrative expenses	15,653	13,109
Interest expense	-	8,115
Total deductions	831,562	718,585
Change in net position	756,914	439,945
Net position, beginning of year	13,624,126	8,557,933
Net position, end of year	\$ 14,381,040	\$ 8,997,878

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Effingham operates under an elected Mayor/Commissioner (five members) form of government. The City's major operations include public safety, public works, library, planning, and general and administrative services. In addition, the City operates two major enterprise activities, a water distribution system and a sewer collection system.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In accordance with governmental accounting standards, financial accountability was determined on the basis of authoritative appointments of a voting majority of the potential component unit's board, imposition of its will on the potential component unit, the existence of a financial benefit or burden, fiscal dependency and the designation of management. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units would be combined with data of the City. Each discretely presented component unit is usually reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. However, discretely presented component units that are fiduciary in nature are reported separately in statements relating to fiduciary net assets.

Discretely presented component units – The Helen Matthes Public Library serves all of the citizens of the government and is governed by a board appointed by the City Council. The Library is reported as a governmental activity. The Effingham Police Pension Fund and the Effingham Firefighters Pension Fund are responsible for funding pensions for their respective members. Because their sole purpose is to provide pension funding for the City's police officers and firefighters, the Effingham Police Pension Fund and the Effingham Firefighters Pension Fund are treated as discretely presented component units. Since they are fiduciary in nature, these component units are presented in fiduciary net asset statements. Separate financial statements are not issued for the individual component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved. Therefore, charges between the City's water and sewer function and various other functions of the government are included since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Fund Accounting

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 balance/net position, 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 various funds are reported as follows:

Major Governmental Funds

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources except those required to be reported in other funds.

Tax Increment Financing Fund (TIF) – This fund is used to account for the collection of incremental sales and real estate tax to be used to spur redevelopment and capital improvement in this district.

Capital Projects Fund – This fund is used to account for the resources to fund various capital construction projects, throughout the City, utilizing monies from various other funds such as Motor Fuel Tax, Water, and Sewer.

Major Enterprise Funds

Water and Water Replacement Fund – These funds are used to account for the activities of the City's water source of supply, treatment, and distribution systems.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Enterprise Funds (Continued)

Sewer and Sewer Replacement Fund – These funds are used to account for the activities of the City's sewer collection system, lift stations, and waste water treatment plant.

Nonmajor Governmental Funds

Special Revenue Funds -- Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. Included among these funds are:

Revolving Loan Fund – This fund is used to account for loans & grants provided to businesses to promote economic development.

Motor Fuel Tax Fund – This fund is used to account for the expenditures relative to street construction and maintenance. Revenues are collected and distributed by the State of Illinois.

Hotel/Motel Tax and Convention and Visitors Bureau Fund – This fund is used to account for the collection of a 5% room occupancy tax and activities to promote tourism & overnight stays.

Other Fund Types

Internal Service Funds – Internal Service Funds are used to account for financing of services provided by one department or agency to other departments or agencies of the governmental unit, or other governmental units, on a cost-reimbursement basis. The City's internal service fund accounts for a maintenance garage.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City does not have any fiduciary funds, but it does include the Effingham Police Pension Fund and the Effingham Firefighters Pension Fund, both of which are fiduciary type discretely presented component units.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Revenues from taxes or assessments on exchange transactions (sales taxes, utility taxes) are recognized when the underlying exchange transaction occurs. Revenues from shared nonexchange transactions (state income taxes, motor fuel taxes, replacement taxes) are also recognized in the period when the underlying transaction occurs, provided the state is required to share the revenues under act of law. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized when the related fund liability is incurred, with the exception of principal and interest payments on general long-term debt which are recognized as liabilities when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include property taxes, franchise fees, interest, and various taxes collected by the state or other party on behalf of the government. In general, other revenues, such as charges for services and miscellaneous revenues are considered to be measurable and available only when cash is received. Deferred inflows of resources arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having a legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources.

Property taxes are levied no later than the last Tuesday of December. These taxes attach as an enforceable lien on property as of January 1 of the calendar year that the levy ordinance was enacted. The taxes are payable by property owners in two equal installments around August and October subsequent to the year of the levy. The Effingham County Treasurer distributed the 2013 tax extension to the City on September 23, 2014, November 19, 2014, February 13, 2015 and February 23, 2015. The City Council adopted the 2014 tax levy (receivable in calendar year 2015) on November 18, 2014. For government-wide financial statements, the 2014 property tax levy is deferred since this amount is normally not collected within the time period to be available (defined as within 60 days of year-end). Taxes recorded in these financial statements are from the 2013 and prior tax levies.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund, the Sewer enterprise fund, and the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

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

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans. The City's reserve for past insurance claims and stop loss claims are not expected to be repaid in the following year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are nonspendable in the fund balance in applicable governmental funds to indicate that they are not expendable available financial resources. Allowance for uncollectible accounts receivable is reported in the governmental and enterprise funds and are considered adequate at year-end.

Inventory and Prepaid items

Inventory is valued at cost using the first-in, first-out method. The City maintains materials inventories in the Water Fund.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City recorded these assets at historical cost if available and at estimated historical cost when historical information was not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements with estimated useful lives in excess of one year are capitalized when purchased or as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation has been reported using the straight-line method over the estimated useful lives of the respective assets. Land is not depreciated.

In July 2004, the City adopted an ordinance establishing capitalization thresholds for different classes of capital assets. The capitalization thresholds and estimated useful lives are as follows:

<u>Property</u>	<u>Threshold</u>	<u>Estimated Useful Lives</u>
Land	\$ 10,000	N/A
Building and improvements	\$ 10,000	50 years
Streets	\$ 100,000	20 years
Bridges	\$ 50,000	50 years
Sidewalks and traffic signals	\$ 10,000	20 years
Storm sewers	\$ 10,000	50 years
Water and sewer system	\$ 10,000	30 years
Fire apparatus	\$ 50,000	20 years
Fire trucks	\$ 100,000	15 years
Vehicles	\$ 10,000	7 years
Machinery, equipment, software	\$ 2,500	5 years
Office equipment	\$ 1,000	3 years

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits to specified maximums. Upon separation from service, employees are eligible to receive only a portion of accumulated time. Such amounts are accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds and the governmental component unit, the amount of compensated absences payable from available resources is recorded only when due for payment, such as when an employee retires or resigns.

Long-term Obligations

In the government-wide financial statements and in the proprietary funds in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund category statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity Classification

For government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - The net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

For governmental fund financial statements, fund equity is classified as fund balance. Fund balance is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – the portion of a Governmental Fund’s fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions.

Restricted Fund Balance – the portion of a Governmental Fund’s fund balance that is subject to constraints, either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – the portion of a Governmental Fund’s fund balance with self-imposed constraints or limitations that have been imposed by action of the government’s highest level of decision making. The Effingham City Council can establish committed fund balances by adopting ordinances for such purposes.

Assigned Fund Balance – the portion of a Governmental Fund’s fund balance to denote an intended use of resources.

Unassigned Fund Balance – the portion of a Governmental Fund’s fund balance that is not designated for a specific purpose.

It is the City’s policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, it is the City’s policy to use fund balance in the following order: committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

New Accounting Pronouncement

In June 2012, The Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans*. This statement improves financial reporting by state and local governments for pension plans that are administered through trusts that meet certain criteria. This statement requires enhanced note disclosures and schedules of required supplementary information presented by the Police and Fire pension plans. The City is required to and implemented this standard for the fiscal year ended April 30, 2015.

In June 2012, The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement improves accounting and financial reporting by state and local governments for pensions. When implemented, it will require recognition of the entire net pension liability and a more comprehensive measure of pension expense. The City is required to implement this standard for the fiscal year ending April 30, 2016. The City expects the adoption of GASB No. 68 to have a significant impact on the financial statements, specifically the Statement of Net Position liability.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between "total fund balance – total governmental funds" and "net position of governmental activities." One element of that reconciliation explains that "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this difference are as follows:

General fund sales tax receivable	\$ 583,060
State income tax receivable	220,987
Franchise tax receivable	15,000
Utility tax receivable	8,478
Other taxes receivable	<u>702</u>
Net adjustment to increase "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u>\$ 828,227</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	\$ (5,837,673)
Accrued interest payable	(51,686)
Compensated absences	(868,947)
Net IMRF pension obligation	(441,306)
Net post-employment healthcare benefits obligation	<u>(581,834)</u>
Net adjustment to reduce "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u>\$ (7,781,446)</u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between "net changes in fund balances - total governmental funds" and "changes in net position of governmental activities." One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 1,349,743
Depreciation expense	<u>(3,160,536)</u>
Net adjustment to increase "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ (1,810,793)</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this difference are as follows:

General sales tax	\$ 31,269
State income tax	34,656
Health insurance reimbursements	(84,763)
Tourism grant	(7,952)
Utility tax	1,755
Other	<u>(3,623)</u>
Net adjustment to decrease "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ (66,658)</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Principal repayments:

General obligation debt	\$ 145,000
Notes and contracts payable	<u>274,799</u>

Net adjustment to increase "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ 419,799</u>
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Another element of that reconciliation states that “Some 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.” The details of this difference are as follows:

Compensated absences	\$ (57,809)
Accrued interest	(8,672)
IMRF pension expense	(43,543)
Post employment healthcare benefits expense	<u>(152,370)</u>

Net adjustment to decrease "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ (262,394)</u>
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CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

Deposits

Separate bank accounts are not maintained for all City funds; instead, the uninvested cash balances of certain funds are maintained in a common checking account. Separate bank accounts are not required to be maintained for all City funds. The City's accounting records are maintained to show the portion of the common bank account attributable to each participating fund. At various times throughout the year, expenditures will exceed the cash available within a particular fund; therefore the City follows the practice of making temporary interfund loans.

As of April 30, 2015, the carrying balance of the City's cash deposits was \$22,119,390 which includes \$1,045 of cash on hand, and the bank balances totaled \$22,163,176. Of the total bank balance, \$19,435,849 was fully secured by federal depository insurance or collateralized with securities held by the pledging financial institution in the City's name and \$2,727,327 was exposed to custodial credit risk. The carrying balance of the component unit's cash deposits was \$1,289,835 and the bank balances totaled \$1,325,912, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution in the component unit's name. The carrying balance of the fiduciary component units' cash deposits was \$746,414 and the bank balances totaled \$747,565, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution in the fiduciary component units' name.

Investments

Investment policies for the City's reporting entity are maintained by the City Clerk. Copies may be requested at 201 E. Jefferson Avenue, Effingham, IL 62401. Summarizations follow in subsequent sections of the Note.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City funds may be invested in: (1) Bonds, notes, certificates of indebtedness, treasury bills, or other securities, including obligations of the Government National Mortgage Association and Federal National Mortgage Association which are guaranteed as to principal by the full faith and credit of the government of the United States of America, (2) Interest bearing savings accounts, interest bearing certificates of deposit or time deposits, or any other investment constituting direct obligations of any institution as defined by the Illinois Banking Act and that is insured by the Federal Deposit Insurance Corporation, and (3) Illinois Funds.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

Police pension fund suitable investments include (1) Interest bearing bonds or tax anticipation warrants of the United States of America, of the State of Illinois, or any county, township, or municipal corporation of the State of Illinois, (2) Insured withdrawals capital account of State Chartered Savings and Loan Associations, (3) Insured withdrawable capital accounts of Federally chartered Federal Savings and Loan Associations if the withdrawable accounts are insured by the Federal Savings and Loan Insurance Corporation, (4) Savings accounts or certificates of deposit of a national or state bank if the investments are insured by the Federal Deposit Insurance Corporation (FDIC), (6) Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized and licensed to do business in the State of Illinois, (7) Separate account of a life insurance company authorized and licensed to do business in the State of Illinois, comprised of common or preferred stocks, bonds, or money market instruments and separate accounts managed by a life insurance company authorized and licensed to do business in the State of Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages (total investments shall not exceed 10%), and (8) stock investments as long as the fund's total value meets the \$5,000,000 minimum criteria for these investments as prescribed by law (total investment shall not exceed 35%).

Firefighters pension fund suitable investments include (1) Interest bearing direct obligations of the United States of America, (2) Interest bearing obligations to the extent that they are fully guaranteed or insured as the payment of principal and interest by the United States of America, (3) Interest bearing bonds, notes debentures, or other similar obligations of agencies of the United States of America, (4) Interest bearing checking, savings, and certificates of deposit issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government, (5) Interest bearing checking, savings, and certificates of deposit issued by State of Illinois chartered banks or savings and loan associations to the extent that the deposits are insured by agencies or instrumentalities of the federal government, (6) Investment in credit unions to the extent that the investment are insured by agencies or instrumentalities of the federal government, (7) Interest bearing bonds of the State of Illinois, (8) Pooled interest bearing accounts managed by the Illinois Funds in accordance with the Deposit of State Money's act and interest bearing funds or pooled accounts managed, operated, and administrated by bank subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois, (9) Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois, (10) Separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments and separate accounts managed by an insurance companies authorized to transact business in Illinois and are comprised of real estate or loans upon real estate secured by first or second mortgagees (total investments shall not exceed 10%), and (11) mutual funds managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, has been in operation for at least five years, has total net assets of \$250 million or more, and comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments (total investment shall not exceed 35%).

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

As of April 30, 2015, the City's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Ratings (1)</u>	<u>Weighted Average Maturity (2)</u>
Governmental Funds				
Certificates of deposit	\$ 1,254,041	\$ 1,254,041	N/A	13.00
Government obligations				
FHLB	750,720	750,000	N/A	68.00
FNMA	249,523	250,000	N/A	102.00
State and local obligations				
Decatur IL Taxable Ser B	<u>275,560</u>	<u>278,990</u>	N/A	59.00
Total governmental funds investments	<u>2,529,844</u>	<u>2,533,031</u>		

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

	Fair Value/ Carrying Amount	Cost	Credit Ratings (1)	Weighted Average Maturity (2)
Component units:				
Certificates of deposit	\$ 4,536,601	\$ 4,536,601	N/A	22.00
Government obligations				
FHLB	1,394,582	1,400,000	Aaa	77.00
FNMA	399,892	400,000	Aaa	102.00
GNMA	1,202	1,220	Aaa	90.00
State and local obligations				
Cook County GO Bond	202,102	206,000	A+	36.00
IL Finance Authority				
Revenue Bond	48,520	49,919	Aa2	6.00
Downers Grove IL				
GO Bond	100,823	105,000	AAA	16.00
IL State GO				
Refunding Bond	147,541	146,450	A-	6.00
St. Clair Community				
School Bond	533,987	546,547	AA	12.00
Sangamon & Christian				
County Bond	206,452	216,748	A1	5.00
IL Finance Authority				
Richland Schools	206,230	200,000	A+	13.00
Cook County Community				
School District	267,813	271,500	Aa2	28.00
Annuity contracts				
AIG Life Ins.				
Co. Annuity	4,824,435	2,750,000	N/A	786.00
Mutual funds	<u>9,708,348</u>	<u>7,073,036</u>	N/A	N/A
Total component unit investments	<u>\$ 22,578,528</u>	<u>\$ 17,903,021</u>		

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using weighted average months to maturity.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. The duration of the Police and Firefighters pension fund investments must coincide with the cash requirements of the Pension Board to meet short, medium, or long-term needs.

The annual maturities of investments are as follows:

	Governmental Funds	Component Units
Maturity of investments:		
1 year	\$ 504,041	\$ 12,199,949
2-5 years	2,025,803	2,945,793
6-10 years	-	2,422,465
Thereafter	-	5,010,321
	\$ 2,529,844	\$ 22,578,528

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Cumulatively, portfolios of the City may not be invested in any given financial institution in excess of 50% of the City's investment portfolio at the current time of investment placement, exclusive of United States Treasury securities or Government National Mortgage securities held in safekeeping. In addition the City will not maintain deposits in any financial institution in which the City's funds on deposit will exceed 50% of the institution's capital stock and surplus. Besides the limitations described in the credit risk section above, the pension funds have no other limitations on their investments.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk (Continued)

The portfolio is structured as follows:

	<u>Governmental Funds</u>	<u>Component Units</u>	<u>Percentage of Total</u>
Investments			
Certificates of Deposit	\$ 1,254,041	\$ 4,536,601	23.06%
Federal Home Loan Bank	750,720	1,394,582	8.54%
Federal National			
Mortgage Association	249,523	399,892	2.59%
Government National			
Mortgage Association	-	1,202	0.00%
Municipal bonds	275,560	1,713,468	7.92%
Annuity contracts	-	4,824,435	19.21%
Mutual funds	-	9,708,348	38.67%
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,529,844</u>	<u>\$ 22,578,528</u>	<u>100.00%</u>

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. It is the City's policy to encourage that all funds on deposit at banks in excess of FDIC limits be secured by some form of collateral. Direct investments guaranteed by the United States or an agency of the United States do not require collateral. The City shall accept the following securities as collateral: (1) Negotiable obligations of the United States Government, (2) Negotiable obligations of any agency or instrumentality of the United States Government guaranteed by the full faith and credit of the United States Government, (3) Irrevocable letters of credit issued by the Federal Home Loan Bank, (4) State of Illinois General Obligations Bonds, or (5) Bonds of any Illinois municipality carrying a Moody's Triple A rating.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

4. RECEIVABLES

Receivables as of year-end for the government's governmental activities, business-type activities, and component unit, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Property taxes	\$ 5,323,000	\$ -	\$ 5,323,000	\$ 861,000
Utility taxes	55,169	-	55,169	-
Income taxes	419,926	-	419,926	-
Sales taxes	1,643,968	-	1,643,968	-
Personal property replacement taxes	48,450	-	48,450	-
Motor fuel taxes	28,672	-	28,672	-
Cable franchise taxes	15,000	-	15,000	-
Hotel/Motel taxes	134,226	-	134,226	-
Interest	4,896	-	4,896	-
Grants	16,728	-	16,728	-
Customer receivables	-	688,631	688,631	-
Other receivables	50,310	-	50,310	-
Totals	<u>\$ 7,740,345</u>	<u>\$ 688,631</u>	<u>\$ 8,428,976</u>	<u>\$ 861,000</u>

Receivable balances as of April 30, 2015, for fiduciary funds were as follows:

	Police Pension Fund	Firefighter's Pension Fund
Property taxes	\$ 610,000	\$ 550,000
Interest	34,776	19,200
Totals	<u>\$ 644,776</u>	<u>\$ 569,200</u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY

Payables and receivables between funds consisted of the following at April 30, 2015:

	Receivable									
	Governmental Activities					Business-type Activities				
	General Fund	Tax Increment Financing Fund	Capital Projects Fund	Total Governmental Activities	Total Business-type Activities	Water fund	Sewer Fund	Capital Projects Fund	Total Business-type Activities	Total Primary Government Payable
Governmental activities: Capital Projects Fund Capital outlay	\$ 1,813	\$ 1,473,519	\$ -	\$ 1,475,332	\$ 117,415	\$ 117,415	\$ -	\$ 117,415	\$ 117,415	\$ 1,592,747
Total governmental activities	\$ 1,813	\$ 1,473,519	\$ -	\$ 1,475,332	\$ 117,415	\$ 117,415	\$ -	\$ 117,415	\$ 117,415	\$ 1,592,747
Business-type activities: Water fund Capital outlay	\$ -	\$ 7,987	\$ 7,751	\$ 15,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,738
Total business-type activities	\$ -	\$ 7,987	\$ 7,751	\$ 15,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,738
Total primary gov. receivable	\$ 1,813	\$ 1,481,506	\$ 7,751	\$ 1,491,070	\$ 117,415	\$ 117,415	\$ -	\$ 117,415	\$ 117,415	\$ 1,608,485

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2015 was as follows:

Primary Government

	<u>Balance</u> <u>April 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,885,916	\$ -	\$ 2,770,183	\$ 6,115,733
Construction in progress	<u>3,893,918</u>	<u>835,371</u>	<u>3,208,155</u>	<u>1,521,134</u>
Total capital assets, not being depreciated	<u>12,779,834</u>	<u>835,371</u>	<u>5,978,338</u>	<u>7,636,867</u>
Capital assets, being depreciated:				
Buildings	13,060,516	-	-	13,060,516
Infrastructure	61,400,599	3,415,890	247,613	64,568,876
Improvements	3,523,429	50,388	-	3,573,817
Machinery and equipment	2,552,851	325,529	182,069	2,696,311
Vehicles	1,245,853	127,127	60,039	1,312,941
Fire trucks	2,286,974	-	-	2,286,974
Office Equipment	479,947	24,876	-	504,823
Software	<u>79,518</u>	<u>-</u>	<u>-</u>	<u>79,518</u>
Total capital assets, being depreciated	<u>84,629,687</u>	<u>3,943,810</u>	<u>489,721</u>	<u>88,083,776</u>
Less accumulated depreciation for:				
Buildings	2,256,183	200,941	-	2,457,124
Infrastructure	36,102,964	2,321,891	30,321	38,394,534
Improvements	2,131,119	123,173	-	2,254,292
Machinery and equipment	1,919,941	239,053	182,069	1,976,925
Vehicles	920,838	96,859	60,039	957,658
Fire trucks	1,294,103	150,040	-	1,444,143
Office Equipment	437,865	22,602	-	460,467
Software	<u>57,540</u>	<u>11,966</u>	<u>-</u>	<u>69,506</u>
Total accumulated depreciation	<u>45,120,553</u>	<u>3,166,525</u>	<u>272,429</u>	<u>48,014,649</u>
Total capital assets, being depreciated, net	<u>39,509,134</u>	<u>777,285</u>	<u>217,292</u>	<u>40,069,127</u>
Governmental activities capital assets, net	<u>\$ 52,288,968</u>	<u>\$ 1,612,656</u>	<u>\$ 6,195,630</u>	<u>\$ 47,705,994</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Balance</u> <u>April 30, 2014</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>April 30, 2015</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 138,222	\$ -	\$ -	\$ 138,222
Construction in progress	<u>7,845,532</u>	<u>1,736,333</u>	<u>4,424,795</u>	<u>5,157,070</u>
Total capital assets, not being depreciated	<u>7,983,754</u>	<u>1,736,333</u>	<u>4,424,795</u>	<u>5,295,292</u>
Capital assets being depreciated:				
Buildings	1,861,998	90,453	-	1,952,451
Water and sewer systems	50,531,833	4,422,589	-	54,954,422
Improvements	805,834	30,253	-	836,087
Machinery and equipment	1,486,392	85,098	-	1,571,490
Vehicles	920,127	44,086	-	964,213
Office equipment	<u>164,628</u>	<u>-</u>	<u>-</u>	<u>164,628</u>
Total capital assets, being depreciated	<u>55,770,812</u>	<u>4,672,479</u>	<u>-</u>	<u>60,443,291</u>
Less accumulated depreciation for:				
Buildings	1,227,131	38,597	-	1,265,728
Water and sewer systems	30,590,345	1,058,559	-	31,648,904
Improvements	296,220	38,945	-	335,165
Machinery and equipment	1,008,838	151,284	-	1,160,122
Vehicles	444,461	120,877	-	565,338
Office equipment	<u>138,636</u>	<u>18,852</u>	<u>-</u>	<u>157,488</u>
Total accumulated depreciation	<u>33,705,631</u>	<u>1,427,114</u>	<u>-</u>	<u>35,132,745</u>
Total capital assets, being depreciated, net	<u>22,065,181</u>	<u>3,245,365</u>	<u>-</u>	<u>25,310,546</u>
Business-type activities capital assets, net	<u>\$ 30,048,935</u>	<u>\$ 4,981,698</u>	<u>\$ 4,424,795</u>	<u>\$ 30,605,838</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

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

Governmental activities:

General government	\$ 31,265
Public safety	461,691
Public works	2,402,168
Health and welfare	171,082
Culture and recreation	95,711
Economic development	<u>4,608</u>

Total depreciation expense - governmental activities \$ 3,166,525

Business-type activities:

Water	\$ 651,732
Sewer	<u>775,382</u>

Total depreciation expense - business-type activities \$ 1,427,114

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (Continued)

Component Unit

	Balance <u>April 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2015</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 217,603	\$ 1,186,412	\$ -	\$ 1,404,015
Capital assets, being depreciated:				
Buildings	761,252	-	-	761,252
Improvements	120,965	-	-	120,965
Machinery and equipment	115,300	-	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	13,185	-	-	13,185
Total capital assets being depreciated	<u>1,054,216</u>	<u>-</u>	<u>-</u>	<u>1,054,216</u>
Less accumulated depreciation for:				
Buildings	294,351	15,225	-	309,576
Improvements	43,325	6,048	-	49,373
Machinery and equipment	109,300	6,000	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	13,185	-	-	13,185
Total accumulated depreciation	<u>503,675</u>	<u>27,273</u>	<u>-</u>	<u>530,948</u>
Total capital assets, being depreciated, net	<u>550,541</u>	<u>(27,273)</u>	<u>-</u>	<u>523,268</u>
Total capital assets, net	<u>\$ 768,144</u>	<u>\$ 1,159,139</u>	<u>\$ -</u>	<u>\$ 1,927,283</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CONSTRUCTION IN PROGRESS

The City's activity in the construction projects in progress accounts as of April 30, 2015 are as follows:

Primary Government

	Balance April 30, 2014	Additions	Completion/ Adjustment	Balance April 30, 2015	Estimated Completion Costs
Governmental activities:					
Outer Belt West (North)	\$ 2,320,125	\$ 87,801	\$ (2,407,926)	\$ -	\$ -
North Raney Street	43,108	41,413	-	84,521	781,864
West Evergreen Extension	332,161	21,786	(353,947)	-	-
St. Anthony/Rollins Hills Align.	187,955	-	-	187,955	312,045
Midtowne Blvd. Extension	60,164	-	-	60,164	1,439,836
Pike Avenue Improvements	95,895	-	-	95,895	3,539,105
Downtown Enhancement	753,696	39,095	-	792,791	407,208
Thies Avenue	312	21,307	-	21,619	368,381
Douglas Avenue Reconstruction	52,182	343,712	(395,894)	-	-
Outer Belt West/ Fayette 40 Intersection	4,541	1,974	-	6,515	43,486
Blohm Ave. East of Veterans	-	261,214	-	261,214	230,786
Clinton/Mulberry Storm Sewer	-	10,460	-	10,460	89,540
Bliss Park Pavillion	43,779	6,609	(50,388)	-	-
	<u>\$ 3,893,918</u>	<u>\$ 835,371</u>	<u>\$ (3,208,155)</u>	<u>\$ 1,521,134</u>	<u>\$ 7,212,251</u>
Total governmental activities					

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CONSTRUCTION IN PROGRESS (Continued)

Primary Government (Continued)

	Balance April 30, 2014	Additions	Completion/ Adjustment	Balance April 30, 2015	Estimated Completion Costs
Business-type activities:					
River Dam Replacement	\$ 707,387	\$ 559,508	\$ (1,266,895)	\$ -	\$ -
Water Treatment Plant	4,532,704	234,292	-	4,766,996	1,533,005
TIF #1 2012 Water Main Replacement	707,900	26,711	(734,611)	-	-
Neptune Automatic Meter Reading	1,066,971	49,994	(1,116,965)	-	-
West Fayette Water Main Replacement	29,016	1,928	-	30,944	469,056
Jaycee Avenue Force Main	29,995	-	-	29,995	380,006
Temple Force Main	133,147	8,121	(141,268)	-	-
Airport Road Lift Station	14,479	35,877	-	50,356	299,644
West Rickelman Lift Station	29,432	309,037	(338,469)	-	-
Waste Water Treatment Plant Roof	37,492	52,961	(90,453)	-	-
Rte 40 Water Main Replacement Schwerman to Henrietta	3,386	7,381	-	10,767	239,233
Central TIF 2012 Water Main Replacement	242,749	11,329	(254,078)	-	-
Wabash Avenue RR WM Bore	-	23,321	-	23,321	215,679
Industrial TIF 2015 WM Replace	-	21,154	-	21,154	457,846
I57/70 Water Main Crossing at Willenborg	19,681	150,363	(170,044)	-	-
CIPS Lake Spillway Reconstruction	-	144,470	-	144,470	155,530
Industrial Avenue Water Main Replacement	94,701	38,249	(132,950)	-	-
Radio Upgrades	196,492	-	(179,062)	17,430	45,570
North Raney Street Sewer	-	22,585	-	22,585	269,415
Pike Sewer	-	19,041	-	19,041	285,959
Pike Water	-	20,011	-	20,011	284,990
Total business-type activities	\$ 7,845,532	\$ 1,736,333	\$ (4,424,795)	\$ 5,157,070	\$ 4,635,933

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CONSTRUCTION IN PROGRESS (Continued)

Component Unit

	Balance April 30, 2014	Additions	Completion/ Adjustment	Balance April 30, 2015	Estimated Completion Costs
Component Unit:					
New library remodeling	\$ 217,603	\$ 1,186,412	\$ -	\$ 1,404,015	n/a

8. RESTRICTED ASSETS

In addition to amounts restricted for special purposes required to be accounted for in Special Revenue Funds, the General Fund has restricted general government assets, which includes \$1,262 for a cemetery trust account, and \$3,887 for a medical trust. The fund also has restricted public safety assets, which includes \$53,057 for fire protection and \$21,598 for police safety. The TIF fund has restricted cash for the retirement of Series 2010A debt in the amount of \$280,291. The Water Fund has restricted cash of \$71,075 for customer deposits. The library has restricted general government assets, which includes \$8,397 for audit, \$149,228 for liability insurance, \$11,812 for workman's compensation, \$54,855 for unemployment insurance, \$43,454 for IMRF, and \$155,392 for social security. The Library also has restricted construction and repairs assets of \$133,146.

9. LONG-TERM DEBT

Bonds

The City issued general obligation (GO) bonds to provide funds for the acquisition and construction of a 1,000,000 gallon clearwell, the rehabilitation of the existing approximate 1,000,000 gallon clearwell, and the rehabilitation of the approximately 2,100 linear feet of various sized brick arch sewer. In addition, the City issued bonds to finance other major capital projects, which are serviced by the General Fund. The City also issues bonds where the government pledges revenues to pay debt service. The City pledged future sewer fund net revenues through a revenue bond.

Prior-Year Defeasance of Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the refunded portion of the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the City's financial statements. At April 30, 2015, \$3,965,000 of bonds outstanding are considered defeased.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

Bonds (Continued)

Bonds outstanding at year end are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Series 2010A (taxable), due December 21, 2021	2.2 - 5.5%	<u>\$ 2,615,000</u>
Business-type activities:		
Series 2012A, due February 1, 2022	2.5 - 4.0%	\$ 1,015,000
Business-type activities - refunding:		
Series 2012B, due February 1, 2021	2.5 - 4.0%	2,545,000
Business-type activities - advanced refunding:		
Series 2012C, due December 1, 2025	2.0 - 2.3%	<u>4,270,000</u>
Total business-type activities		<u>\$ 7,830,000</u>

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

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 150,000	\$ 68,482	\$ 865,000	\$ 213,145
2017	385,000	65,429	895,000	190,645
2018	400,000	56,536	920,000	165,320
2019	405,000	46,856	945,000	138,595
2020	415,000	36,498	975,000	111,070
2021 - 2025	860,000	38,473	2,800,000	215,910
2026 - 2030	-	-	430,000	9,890
	<u>\$ 2,615,000</u>	<u>\$ 312,274</u>	<u>\$ 7,830,000</u>	<u>\$ 1,044,575</u>

The City of Effingham has complied with the general covenants of the Series 2010A, Series 2012A, Series 2012B, and Series 2012C bond issues.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

Notes and Contracts Payable

Annual debt service requirements to maturity for notes and contracts payable are as follows:

	Interest Rates	Amount
Governmental activities:		
Midland States Bank installment contract, serviced by the Hotel/Motel fund, proceeds used to purchase the Effingham Performance Center, due March 24, 2030	3.00%	\$ 2,580,974
Washington Savings Bank general obligation promissory note, serviced by the General fund, proceeds used to refinance the 2009 Illinois Municipal Retirement Fund early retirement incentive debt and costs, due December 1, 2020	2.27%	641,699
Total governmental activities		\$ 3,222,673
Business-type activities		
Washington Savings Bank general obligation promissory note, serviced by the Water and Sewer fund, proceeds used to refinance the 2009 Illinois Municipal Retirement Fund early retirement incentive debt and costs, due December 1, 2020	2.27%	\$ 738,300
Lake Sara Area Water Cooperative advance serviced by the Water fund, proceeds utilized for the Water fund's expenses due April 30, 2020	0.00%	86,000
Total business-type activities		\$ 824,300

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

Notes and Contracts Payable (Continued)

Business-type activities:

Annual debt service requirements to maturity for notes and contracts payable are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 282,408	\$ 92,474	\$ 116,212	\$ 26,604
2017	290,033	84,850	118,865	13,451
2018	298,270	76,612	150,245	10,737
2019	306,541	68,342	153,021	7,962
2020	315,045	59,838	155,860	5,123
2021 - 2025	1,232,502	181,898	130,097	2,219
2026 - 2030	497,874	22,788	-	-
	<u>\$ 3,222,673</u>	<u>\$ 586,802</u>	<u>\$ 824,300</u>	<u>\$ 66,096</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the primary government for the year ended April 30, 2015 was as follows:

	Balance April 30, 2014	Additions	Reductions	Balance April 30, 2015	Due Within One Year
<u>Primary Government:</u>					
Governmental activities:					
General obligation bonds	\$ 2,760,000	\$ -	\$ 145,000	\$ 2,615,000	\$ 150,000
Notes payable	3,497,472	-	274,799	3,222,673	282,408
Compensated absences	1,216,827	86,723	-	1,303,550	434,603
Post employment health-care benefits	429,464	152,370	-	581,834	N/A
IMRF net pension obligation	397,765	43,541	-	441,306	N/A
	<u>\$ 8,301,528</u>	<u>\$ 282,634</u>	<u>\$ 419,799</u>	<u>\$ 8,164,363</u>	<u>\$ 867,011</u>
Governmental activities, long-term liabilities					
Business-type activities:					
General obligation bonds	\$ 1,145,000	\$ -	\$ 130,000	\$ 1,015,000	\$ 130,000
Refunding bonds	2,925,000	-	380,000	2,545,000	390,000
Advanced refunding bonds	4,325,000	-	55,000	4,270,000	345,000
Add amounts for issuance premiums	350,648	-	48,039	302,609	N/A
Notes payable	1,126,917	86,000	388,617	824,300	116,212
Compensated absences	278,311	16,968	-	295,279	98,446
Post employment health-care benefits	93,691	79,101	-	172,792	N/A
IMRF net pension obligation	183,759	18,680	-	202,439	N/A
	<u>\$ 10,428,326</u>	<u>\$ 200,749</u>	<u>\$ 1,001,656</u>	<u>\$ 9,627,419</u>	<u>\$ 1,079,658</u>
Business-type activities, long-term liabilities					
Discretely presented component unit:					
Compensated absences	\$ 22,802	\$ -	\$ 1,488	\$ 21,314	\$ 7,105
IMRF net pension obligation	60,104	6,503	-	66,607	N/A
	<u>\$ 82,906</u>	<u>\$ 6,503</u>	<u>\$ 1,488</u>	<u>\$ 87,921</u>	<u>\$ 7,105</u>

The City utilizes general, hotel/motel, water, and sewer funds to liquidate post-employment healthcare benefits and accrued compensated absences.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. TAXES

Tax revenues during the year ended April 30, 2015 were as follows:

Primary Government - Governmental Activities				
	General Fund	TIF Fund	Other Governmental Funds	Total
Property taxes	\$ 2,328,624	\$ 2,987,252	\$ -	\$ 5,315,876
Sales taxes	6,827,321	-	-	6,827,321
Income taxes	1,241,994	-	-	1,241,994
Motor fuel taxes	-	-	409,684	409,684
Hotel/motel taxes	-	-	890,522	890,522
Utility taxes	479,514	-	-	479,514
Other taxes	727,783	-	-	727,783
	<u>\$ 11,605,236</u>	<u>\$ 2,987,252</u>	<u>\$ 1,300,206</u>	<u>\$ 15,892,694</u>
Component Units				
Fiduciary Activities				
	Helen Matthes Public Library	Police Pension Fund	Firefighters Pension Fund	
Property taxes	\$ 824,302	\$ 456,129	\$ 545,384	
Other taxes:				
Replacement taxes	29,401	14,915	6,558	
Miscellaneous taxes	2,144	1,195	1,429	
	<u>\$ 855,847</u>	<u>\$ 472,239</u>	<u>\$ 553,371</u>	

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

12. INTERGOVERNMENTAL GRANTS

Intergovernmental grants during the year ended April 30, 2015 were as follows:

	Governmental Activities			Business-Type Activities		
	General	Capital Projects	Other Governmental	Total	Water	Sewer
State capital grants	\$ -	\$ 299,539	\$ -	\$ 299,539	\$ -	\$ -
State operating grants	-	-	100,368	100,368	-	-
Other grants and contributions	363,075	-	-	363,075	606,477	65,620
Total	\$ 363,075	\$ 299,539	\$ 100,368	\$ 762,982	\$ 606,477	\$ 65,620

	Component Unit
Federal operating grants	\$ 5,000
State operating grants	15,410
Total	\$ 20,410

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED

	2014	For Tax Levy Year 2013	2012
Equalized assessed valuation (EAV):			
City and library	\$ 247,187,104	\$ 239,397,876	\$ 237,309,659
Rate per \$100:			
City	1.28	1.34	1.30
Library	0.35	0.34	0.34
Taxes extended:			
City	\$ 3,173,289	\$ 3,209,033	\$ 3,089,202
Library	861,126	825,123	817,105
Tax Increment Financing District	3,157,894	2,989,936	2,850,261
City's share of road and bridge taxes extended	155,703	148,625	142,173
Total taxes extended	<u>\$ 7,348,012</u>	<u>\$ 7,172,717</u>	<u>\$ 6,898,741</u>
Taxes available to City after abatements and losses in collection (2014 estimated)	<u>\$ 7,344,000</u>	<u>\$ 7,141,692</u>	<u>\$ 6,886,230</u>
Percentage of extension available to City (2014 estimated)	<u>99.95%</u>	<u>99.57%</u>	<u>99.82%</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED (Continued)

	<u>2014</u>	<u>For Tax Levy Year 2013</u>	<u>2012</u>
Distribution of taxes available (2014 estimated):			
Primary Government:			
General fund:			
General government	\$ 375,000	\$ 735,768	\$ 733,195
Illinois municipal retirement	690,000	436,239	414,147
Fire protection	49,000	178,009	177,400
Police protection	49,000	178,009	177,400
Audit	11,000	10,919	9,994
Liability insurance	130,000	99,161	101,310
Street and bridge	-	-	94,633
Street lighting	110,000	118,673	118,266
Social security tax	300,000	178,422	161,645
School crossing guard	19,000	19,344	18,968
Workers' compensation	230,000	188,380	184,623
Medicare	49,000	37,230	37,966
Road and bridge	155,000	148,470	141,931
Tax increment financing fund	<u>3,156,000</u>	<u>2,987,252</u>	<u>2,845,862</u>
Total primary government	<u>\$ 5,323,000</u>	<u>\$ 5,315,876</u>	<u>\$ 5,217,340</u>
Component Units:			
Helen Matthes Library fund	\$ 861,000	824,302	815,534
Police pension fund	610,000	456,129	454,129
Firefighter's pension fund	<u>550,000</u>	<u>545,385</u>	<u>399,227</u>
Total component units	<u>\$ 2,021,000</u>	<u>\$ 1,825,816</u>	<u>\$ 1,668,890</u>
Total reporting entity	<u>\$ 7,344,000</u>	<u>\$ 7,141,692</u>	<u>\$ 6,886,230</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. SCHEDULE OF OPERATING TRANSFERS WITHIN REPORTING ENTITY

Operating transfers between funds during the year ended April 30, 2015 are as follows:

	Transfers In			Totals
	General Fund	TIF Fund	Capital Projects	
<u>Transfers out:</u>				
General fund	\$ -	\$ 5,191	\$ 378,000	\$ 383,191
Tax increment financing	-	-	136,772	136,772
Capital projects fund	-	65,223	-	65,223
Non-major governmental	23,000	-	-	23,000
Total	\$ 23,000	\$ 70,414	\$ 514,772	\$ 608,186

Major transfers from the general fund and TIF fund to the Capital Projects fund provide funds for capital improvements/redevelopment projects. The capital projects fund returned unused monies to the TIF fund upon completion of a project. The motor fuel tax fund transferred money to the capital projects to fund projects.

15. EMPLOYEE RETIREMENT SYSTEMS

IMRF

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

Funding Policy - As set by statute, the City Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2014 used by the City was 15.85 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2014 was 17.95 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

IMRF (Continued)

Annual Pension Cost and Net Pension Obligation – The City’s annual pension cost and net pension obligation to IMRF for the current year were as follows:

Annual required contribution	\$ 676,213
Interest on net pension obligation	48,122
Adjustment to annual required contribution	<u>(35,841)</u>
Annual pension cost (expense)	688,494
Contributions made	<u>(619,770)</u>
Increase in net pension obligation	68,724
Net pension obligation - May 1, 2014	<u>641,628</u>
Net pension obligation - April 30, 2015	<u><u>\$ 710,352</u></u>

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/15	\$ 688,494	90%	\$ 710,352
4/30/14	691,767	79%	641,628
4/30/13	643,992	76%	493,790

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3 percent annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at the December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

IMRF (Continued)

Funded Status and Funding Progress - As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 57.63 percent funded. The actuarial accrued liability for benefits was \$13,421,748 and the actuarial value of assets was \$7,735,565, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,686,183. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$3,927,134 and the ratio of the UAAL to the covered payroll was 145 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

POLICE AND FIREFIGHTERS PENSION FUNDS

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Separate financial statements are not issued for this pension plan. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2014 was \$1,366,170.

At April 30, 2014, Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	20
Current employees	22
Total	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 2px;"/> <hr style="border: 0; border-top: 3px double black; margin-top: 2px;"/> 42

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. Tier 2 employees must attain age 55 to receive half their salary instead of age 50 and their salary is based on an average of their highest 8 of last 10 years of employment instead of their retirement date's salary, among other benefit changes.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the total assets for the Police Pension Plan equal at least 90% of the total actuarial liabilities by the end of fiscal year 2040.

Firefighters Pension Plan

Fire sworn personnel are covered by the Firefighters Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois Compiled Statutes (40 ILCS 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Separate financial statements are not issued for this pension plan. The City's payroll for employees covered by the Firefighters Pension Plan for the year ended April 30, 2014 was \$1,027,009.

At April 30, 2014 the Firefighters Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	16
Current employees	16
Total	32

The Firefighters Pension Plan provided retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. Tier 2 employees must attain age 55 to receive half their salary instead of age 50 and their salary is based on an average of their highest 8 of last 10 years of employment instead of their last day of work's salary, among other benefit changes.

Covered employees are required to contribute 8.455% of their 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 interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the total assets for the Firefighters Pension Plan equal at least 90% of the total actuarial liabilities by the end of fiscal year 2040.

Related Party Transactions

There were no securities of the City or any other related parties included in plan assets, including any loan.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

	Police Pension
Actuarial valuation date	May 01, 2014
Funding method	Projected unit credit
Amortization method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040
Asset valuation method	Investment gains and losses are recognized over a 5-year period.
Significant actuarial assumptions-	
(a) Rate of return on investment of present and future assets	6.75%
(b) Mortality rate assumption	RP-2000 combined healthy mortality, with blue collar adjustment/RP-2000 disabled retiree mortality
(c) Decrements other than mortality	State of Illinois DOI experience tables
(d) Rate of service-related deaths/disabilities	5% / 70%
(f) Salary increases	Service-related tables with rates grading from 11% to 4% at 30 years of service
(g) Payroll growth/Tier 2 cost-of-living adjustmen	4.5% / 1.25%
(h) Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

	Firefighters Pension
Actuarial valuation date	May 01, 2014
Funding method	Projected unit credit
Amortization method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040
Asset valuation method	Investment gains and losses are recognized over a 5-year period.
Significant actuarial assumptions-	
(a) Rate of return on investment of present and future assets	6.50%
(b) Mortality rate assumption	RP-2000 combined healthy mortality, with blue collar adjustment/RP-2000 disabled retiree mortality
(c) Decrements other than mortality	State of Illinois DOI experience tables
(d) Rate of service-related deaths/disabilities	5% / 90%
(f) Salary increases	Service-related tables with rates grading from 12% to 4% at 30 years of service
(g) Payroll growth/Tier 2 cost-of-living adjustmen	4.5% / 1.25%
(h) Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

	Police Pension	Firefighters Pension
Pension benefit obligation -		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 10,963,703	\$ 9,800,625
Active Participants	7,891,377	3,831,223
Total pension benefit obligation	18,855,080	13,631,848
Net assets available for benefits, at lower of cost or market	13,301,131	8,737,897
Unfunded pension benefit obligation	\$ 5,553,949	\$ 4,893,951

Actuarially Determined Contribution Requirements and Contributions Made

The Systems' funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the projected unit credit funding method. The Systems used a level dollar amount method to amortize the unfunded liability over the remaining 26 years as prescribed by section 3-125 and section 4-118 of the Illinois Pension Code.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described in the previous section (Funding Status and Progress).

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Actuarial valuation date	May 1, 2014	May 1, 2014
Actuarially determined contribution requirement - employer:		
As a dollar amount:		
Normal cost	\$ 303,695	\$ 257,416
Amortization of unfunded actuarial accrued liability	181,813	170,385
Interest to the end of the fiscal year	32,772	27,807
	<u>\$ 518,280</u>	<u>\$ 455,608</u>
As a percentage of covered payroll:		
Normal cost	22.230%	25.065%
Amortization of unfunded actuarial accrued liability	13.308%	16.590%
Interest to the end of the fiscal year	2.399%	2.708%
	<u>37.937%</u>	<u>44.363%</u>
Actual contributions made for April 30, 2014 are as follows:		
As a dollar amount:		
Employer	\$ 454,129	\$ 399,227
Employee	145,883	97,637
	<u>\$ 600,012</u>	<u>\$ 496,864</u>
As a percentage of current covered payroll:		
Employer	33.241%	38.873%
Employee	10.678%	9.507%
	<u>43.919%</u>	<u>48.379%</u>
Covered payroll	\$ 1,366,170	\$ 1,027,009

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

POLICE AND FIREFIGHTERS PENSION FUNDS (Continued)

Annual Pension Costs

Police Pension				
Annual Valuation Date	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation	
2015	\$ 456,848	103.37%	\$ -	-
2014	446,503	101.71%	-	-
2013	*	N/A	N/A	-

Firefighters Pension				
Annual Valuation Date	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation	
2015	\$ 423,138	130.78%	\$ -	-
2014	411,406	97.04%	-	-
2013	*	N/A	N/A	-

* The City of Effingham did not complete an actuarial valuation of the Police or Firefighters' Pension Funds as of April 30, 2011. These valuations would have provided the 2013 annual pension costs.

Schedule of Funding Progress

The Schedule of Funding Progress for the Police and Firefighters Pension Funds gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Funding Progress for the past ten years is reported as required supplementary information.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING

Police Pension Plan

Plan Description - Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Separate financial statements are not issued for this pension plan.

The Police Pension Plan is administered by a five member board of trustees. The Board consists of two trustees elected by and from the active members, one trustee elected by and from the beneficiaries of legal age of the fund, and two trustees appointed by the mayor. All board trustees terms are two years in length.

Benefits Provided – Employees hired before January 1, 2011 are eligible for Tier 1 benefits. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 55 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of an average of their highest 8 of last 10 years of salary. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The pension is increased on January 1 every year after retirement, by the lesser of 3% of the original pension amount or ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms - At April 30, 2015, Police Pension Plan membership consisted of:

Active members	22
Retirees and beneficiaries	20
Inactive, non-retired members	-
	<hr/>
Total	<u>20</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Police Pension Plan (Continued)

Contributions - As set by statute, covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. For the fiscal year ended April 30, 2015, the City contributed \$472,239 to the plan.

Investments - Illinois Compiled Statutes require the Police Pension Board to adopt an investment policy that falls within statutory requirements. The board, through a majority vote, may amend the investment policy as necessary. The Board does not have written procedures regarding asset allocation. Fair value of investments is determined based on quoted market prices or cost if no quoted market price is available.

The Police Pension Fund had investments with the following organizations that individually represented 5 percent or more of the pension plan's net position: Washington Savings Bank, AIG American General Life Insurance, Euro Pacific Growth Fund, Fundamental Investors Inc., Growth Fund of America Inc., Investment Company of America.

For the year ended April 30, 2015, the annual money weighted rate of return is 7.20%. The annual money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability - The Police Pension Fund's net pension liability was measured as of April 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The following are the methods and assumptions used to determine total pension liability at April 30, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Amortization Method** was Level Dollar.
- The **Amortization Period** ends in fiscal year 2041.
- The **Asset Valuation Method** used was a 5-year smoothed market, no corridor.
- **Salary Increases** were expected to be graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance.
- **Payroll growth** was assumed to be 3.50%
- The **Investment Rate of Return** was assumed to be 6.75%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The rates for **Mortality** for **active members** were developed from the RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Police Pension Plan (Continued)

- The rates for **Mortality** for **disabled members** were developed from the RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50.
- There were no benefit changes during the year. Municipal contributions at 100% based upon 5-year historical average.
- The long-term expected rate of return on pension plan investments was determined based upon an analysis of Illinois Downstate Police and Fire Pension funds.

Single Discount Rate - A Single Discount Rate of 6.75% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate is developed based on employee contributions for current participants, normal cost contributions for current participants, and unfunded accrued liability contributions for current and future participants. 2065 is the last year ending in the projection period for which projected benefit payments are fully funded. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (to the extent that the plan's net fiduciary 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 as of the measurement date (to the extent that the plan's projected fiduciary position is insufficient to pay benefits).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.75%, the municipal bond rate is 3.62% (based upon the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve 04-30-2015), and the resulting single discount rate is 6.75%.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Police Pension Plan (Continued)

Changes in the Net Pension Liability – Changes in the net pension liability are as follows:

	<u>April 30, 2015</u>
Total pension liability:	
Service cost	\$ 407,508
Interest on the total pension liability	1,199,772
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(651,652)
Changes of assumptions	1,552,606
Benefit payments	(815,909)
Net change in total pension liability	1,692,325
Total pension liability - beginning of period	18,148,365
Total pension liability - end of period	\$ 19,840,690
Plan fiduciary net position:	
Employer contributions	\$ 472,239
Member contributions	142,384
Net investment income	973,618
Benefit payments	(815,909)
Other - admin expenses	(15,418)
Net change in plan fiduciary net position	756,914
Plan fiduciary net position - beginning of year	13,624,126
Plan fiduciary net position - end of year	\$ 14,381,040
Net pension liability	\$ 5,459,650
Plan fiduciary net position as a percentage of total pension liability	72.48%
Covered valuation payroll	\$ 1,408,610
Net pension liability as a percentage of covered valuation payroll	387.59%

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Police Pension Plan (Continued)

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 6.75%, 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:

	1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75
Total pension liability	\$ 22,453,880	\$ 19,840,691	\$ 17,679,923
Plan fiduciary net position	<u>14,381,041</u>	<u>14,381,041</u>	<u>14,381,041</u>
Net pension liability	<u>\$ 8,072,839</u>	<u>\$ 5,459,650</u>	<u>\$ 3,298,882</u>

Firefighters Pension Plan

Plan Description - Fire sworn personnel are covered by the Firefighters Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Separate financial statements are not issued for this pension plan.

The Firefighters Pension Plan is administered by a five member board of trustees. The Board consists of two trustees elected by and from the active members, one trustee elected by and from the retired/disabled members of the fund, and two trustees appointed by the mayor. Appointed trustees' terms are not mandated, but typically serve three years.

Benefits Provided - Employees hired before January 1, 2011 are eligible for Tier 1 benefits. The Firefighters Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Firefighters Pension Plan (Continued)

Benefits Provided (Continued)

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 55 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of an average of their highest 8 of last 10 years of salary. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The pension is increased on January 1 every year after retirement, by the lesser of 3% of the original pension amount or ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms - At April 30, 2015, Firefighters Pension Plan membership consisted of:

Active members	16
Retirees and beneficiaries	16
Inactive, non-retired members	-
Total	32

Contributions - As set by statute, covered employees are required to contribute 8.455% 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 plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the total assets for the Firefighters Pension Plan equal at least 90% of the total actuarial liabilities by the end of fiscal year 2040. For the fiscal year ended April 30, 2015, the City contributed \$553,371 to the plan.

Investments - Illinois Compiled Statutes require the Firefighters Pension Board to adopt an investment policy that falls within statutory requirements. The board, through a majority vote, may amend the investment policy as necessary. The Board does not have written procedures regarding asset allocation. Fair value of investments is determined based on quoted market prices or cost if no quoted market price is available.

The Firefighters Pension Fund had investments with the following organizations that individually represented 5 percent or more of the pension plan's net position: Washington Savings Bank, First Bankers Bank Securities, Alliance Ovation Annuity.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Firefighters Pension Plan (Continued)

For the year ended April 30, 2015, the annual money weighted rate of return is 5.81%. The annual money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability - The Firefighters Pension Fund's net pension liability was measured as of April 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The following are the methods and assumptions used to determine total pension liability at April 30, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Amortization Method** was Level Dollar.
- The **Amortization Period** ends in fiscal year 2041.
- The **Asset Valuation Method** used was a 5-year smoothed market, no corridor.
- **Salary Increases** were expected to be graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance.
- **Payroll growth** was assumed to be 3.50%
- The **Investment Rate of Return** was assumed to be 6.75%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The rates for **Mortality** for **active members** were developed from the RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015.
- The rates for **Mortality** for **disabled members** were developed from the RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50.
- There were no benefit changes during the year. Municipal contributions at 100% based upon 5-year historical average.
- The long-term expected rate of return on pension plan investments was determined based upon an analysis of Illinois Downstate Police and Fire Pension funds.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Firefighters Pension Plan (Continued)

Single Discount Rate - A Single Discount Rate of 6.75% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate is developed based on employee contributions for current participants, normal cost contributions for current participants, and unfunded accrued liability contributions for current and future participants. 2065 is the last year ending in the projection period for which projected benefit payments are fully funded. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (to the extent that the plan's net fiduciary 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 as of the measurement date (to the extent that the plan's projected fiduciary position is insufficient to pay benefits).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.75%, the municipal bond rate is 3.62% (based upon the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve 04-30-2015), and the resulting single discount rate is 6.75%.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Firefighters Pension Plan (Continued)

Changes in the Net Pension Liability – Changes in the net pension liability are as follows:

	<u>April 30, 2015</u>
Total pension liability:	
Service cost	\$ 322,646
Interest on the total pension liability	821,050
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(183,627)
Changes of assumptions	1,048,345
Benefit payments	(697,361)
Net change in total pension liability	1,311,053
Total pension liability - beginning of period	12,483,322
Total pension liability - end of period	\$ 13,794,375
Plan fiduciary net position:	
Employer contributions	\$ 553,371
Member contributions	100,923
Net investment income	496,134
Benefit payments	(697,361)
Other - admin expenses	(13,123)
Net change in plan fiduciary net position	439,944
Plan fiduciary net position - beginning of year	8,557,933
Plan fiduciary net position - end of year	\$ 8,997,877
Net pension liability	\$ 4,796,498
Plan fiduciary net position as a percentage of total pension liability	65.23%
Covered valuation payroll	\$ 1,060,692
Net pension liability as a percentage of covered valuation payroll	452.20%

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. PENSION PLAN REPORTING (Continued)

Firefighters Pension Plan (Continued)

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 6.75%, 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:

	1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75
Total pension liability	\$ 15,567,141	\$ 13,794,375	\$ 12,322,340
Plan fiduciary net position	<u>8,997,877</u>	<u>8,997,877</u>	<u>8,997,877</u>
Net pension liability	<u>\$ 6,569,264</u>	<u>\$ 4,796,498</u>	<u>\$ 3,324,463</u>

17. POST-EMPLOYMENT HEALTH CARE BENEFITS

The City of Effingham provides post-employment health care benefits to former employees, retirees, and eligible dependents through Blue Cross Blue Shield of Illinois, a fully insured medical care plan. Illinois Statutes mandate that a municipality must offer its retirees health insurance benefits equivalent to that offered to active employees. Illinois Statutes enable a municipality to make the health plan benefits supplemental to Medicare and to offer these supplemental benefits at a different retiree contribution rate than regular benefits provided by the group plan. State Statutes do not presently require the municipality to pay any portion of the cost of the plan for retired employees. The City of Effingham issues a financial report that includes financial statements and required supplementary information. The report may be reviewed at 201 E. Jefferson Avenue, Effingham, IL.

Funding Policy

The required contribution is based on set monthly rates provided by the plan. For fiscal year 2015, the City contributed \$193,942 to the plan. Presently, the municipality requires a 100% retiree premium for continuation of the health plan, except for individuals who participated in an Early Retirement Incentive. Those individuals receive a \$350 or \$450 stipend until the age of 65. The total monthly premium of the traditional and high deductible health plans per retiree is \$643 and \$498; retiree/spouse-\$1,264 and \$979; retiree/child-\$1,197 and \$927; and family-\$1,818 and \$1,408, respectively. The Medicare primary monthly cost of the health plan for a retiree is \$346 and a retiree/spouse is \$692.

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, that amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Post-employment Healthcare Benefits Program.

Annual required contribution	\$ 499,158
Adjustment to annual required contribution	<u>(73,745)</u>
Annual OPEB cost (expense)	425,413
Contributions made	<u>(193,942)</u>
Increase in net OPEB obligation	231,471
Net OPEB obligation - May 1, 2014	<u>523,155</u>
Net OPEB obligation - April 30, 2015	<u><u>\$ 754,626</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended April 30, 2015 was as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
4/30/2015	\$ 425,413	45.59%	\$ 754,626
4/30/2014	440,572	46.09%	523,155
4/30/2013	224,017	66.65%	285,631

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funded Status and Funding Progress

As of April 30, 2015, the most recent actuarial valuation date, the plan was not funded, as the plan is pay-as-you-go. The actuarial accrued liability for benefits was \$2,510,303. The covered payroll (annual payroll of active employees covered by the plan) was \$5,730,721 and the ratio of the UAAL to the covered payroll was 43.80%. 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 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an ultimate healthcare trend rate of 4.5 percent. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EFFINGHAM, ILLINOIS

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/14	\$ 7,735,565	\$13,421,748	\$ 5,686,183	57.63%	\$ 3,927,134	144.79%
12/31/13	6,565,349	11,690,672	5,125,323	56.16%	3,644,085	140.65%
12/31/12	4,598,468	10,870,726	6,272,258	42.30%	3,567,750	175.80%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$10,311,647. On a market basis, the funded ratio would be 76.83 percent.

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

CITY OF EFFINGHAM, ILLINOIS

**POLICE PENSION FUND
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

SCHEDULE OF FUNDING PROGRESS

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]
04/30/14	\$13,301,131	\$ 18,855,080	\$ 5,553,950	70.54%	\$ 1,366,170	406.53%
04/30/13	12,614,583	17,483,961	4,869,378	72.15%	1,328,981	366.40%
04/30/12	12,063,621	16,866,915	4,803,294	71.52%	1,293,467	371.35%
04/30/11 *	N/A	N/A	N/A	N/A	N/A	N/A
04/30/10	10,743,828	15,513,558	4,769,730	69.25%	1,247,759	382.26%
04/30/09	9,381,666	14,622,843	5,241,177	64.16%	1,177,513	445.11%
04/30/08	11,335,730	13,753,076	2,417,346	82.42%	1,068,883	226.16%
04/30/07	11,208,176	13,337,755	2,129,579	84.03%	1,072,734	198.52%
04/30/06	10,378,911	12,843,413	2,464,502	80.81%	1,030,177	239.23%
04/30/05	9,164,957	12,188,727	3,023,770	75.19%	990,515	305.27%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2015	\$ 456,848	\$ 472,239	103.37%
2014	446,503	454,129	101.71%
2013 *	N/A	497,333	N/A
2012	439,976	550,711	125.17%
2011	442,831	438,970	99.13%

* The City did not complete an actuarial valuation of the Police Pension Plan as of April 30, 2011. This valuation would have provided the required contribution for the year ended April 30, 2013.

CITY OF EFFINGHAM, ILLINOIS

**FIREFIIGHTERS' PENSION FUND
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
04/30/14	\$ 8,737,897	\$ 13,631,848	\$ 4,893,951	64.10%	\$ 1,027,009	476.52%
04/30/13	8,484,597	13,189,310	4,704,713	64.33%	991,804	474.36%
04/30/12	8,153,405	12,775,660	4,622,255	63.82%	960,124	481.42%
04/30/11 *	N/A	N/A	N/A	N/A	N/A	N/A
04/30/10	7,455,541	10,668,784	3,213,243	69.88%	931,924	344.80%
04/30/09	6,767,604	10,050,488	3,282,884	67.34%	841,924	389.93%
04/30/08	7,581,664	9,878,141	2,296,477	76.75%	838,964	273.73%
04/30/07	7,562,801	8,996,589	1,433,788	84.06%	852,489	168.19%
04/30/06	7,083,617	8,521,293	1,437,676	83.13%	822,985	174.69%
04/30/05	6,461,329	7,881,758	1,420,429	81.98%	790,006	179.80%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contribution</u>
2015	\$ 423,138	\$ 553,371	130.78%
2014	411,406	399,227	97.04%
2013 *	N/A	497,333	N/A
2012	366,590	500,651	136.57%
2011	349,236	346,203	99.13%
2010	296,635	372,693	125.64%
2009	257,285	345,541	134.30%

* The City did not complete an actuarial valuation of the Firefighters' Pension Plan as of April 30, 2011. This valuation would have provided the required contribution for the year ended April 30, 2013.

CITY OF EFFINGHAM, ILLINOIS

**POLICE PENSION FUND
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

Calendar year ended April 30,	2015
Total pension liability:	
Service cost	\$ 407,508
Interest on the total pension liability	1,199,772
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(651,652)
Changes of assumptions	1,552,606
Benefit payments	(815,909)
Net change in total pension liability	1,692,325
Total pension liability - beginning of period	18,148,365
Total pension liability - end of period	\$ 19,840,690
Plan fiduciary net position:	
Employer contributions	\$ 472,239
Member contributions	142,384
Net investment income	973,618
Benefit payments	(815,909)
Other - admin expenses	(15,418)
Net change in plan fiduciary net position	756,914
Plan fiduciary net position - beginning of year	13,624,126
Plan fiduciary net position - end of year	\$ 14,381,040
Net pension liability	\$ 5,459,650
Plan fiduciary net position as a percentage of total pension liability	72.48%
Covered valuation payroll	\$ 1,408,610
Net pension liability as a percentage of covered valuation payroll	387.59%

This schedule is 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 EFFINGHAM, ILLINOIS

**POLICE PENSION FUND
SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
AND EMPLOYER CONTRIBUTIONS**

SCHEDULE OF ANNUAL MONEY WEIGHTED RATE OF RETURN

	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses	7.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>FY Ending April 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2015	\$ 780,848	\$ 472,239	\$ 308,609	\$1,408,610	33.53%

These schedules are 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 EFFINGHAM, ILLINOIS

**POLICE PENSION FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability and Contribution Rate

Valuation Date: Actuarially determined contributions are calculated as of May 1 of each year prior to the beginning of the year in which contributions are reported.

Methods and Assumptions Used to Determine Total Pension Liability and Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	Ends in fiscal year 2041
Asset Valuation Method	5-year smoothed market, no corridor
Salary Increases	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
Payroll Growth	3.50% per year
Investment Rate of Return	6.75% per year

CITY OF EFFINGHAM, ILLINOIS
POLICE PENSION FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability and Contribution Rate (Continued)

Methods and Assumptions Used to Determine Total Pension Liability and Contribution Rates (Continued)

Retirement Age

Age	Rate of Retirement	Age	Rate of Retirement
50	0.36	60	0.22
51	0.22	61	0.30
52	0.18	62	0.39
53	0.19	63	0.48
54	0.19	64	0.57
55	0.20	65	0.65
56	0.20	66	0.74
57	0.20	67	0.83
58	0.21	68	0.91
59	0.21	69	1.00

Mortality

Active Lives

RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015

Disabled Lives

RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50

Other Information

There were no benefit changes during the year.
Municipal Contributions at 100% based upon 5-year historical average.

CITY OF EFFINGHAM, ILLINOIS
FIREFIGHTERS PENSION FUND
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

Calendar year ended April 30,	<u>2015</u>
Total pension liability:	
Service cost	\$ 322,646
Interest on the total pension liability	821,050
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(183,627)
Changes of assumptions	1,048,345
Benefit payments	<u>(697,361)</u>
Net change in total pension liability	1,311,053
Total pension liability - beginning of period	<u>12,483,322</u>
Total pension liability - end of period	<u><u>\$ 13,794,375</u></u>
Plan fiduciary net position:	
Employer contributions	\$ 553,371
Member contributions	100,923
Net investment income	496,134
Benefit payments	(697,361)
Other - admin expenses	<u>(13,123)</u>
Net change in plan fiduciary net position	439,944
Plan fiduciary net position - beginning of year	<u>8,557,933</u>
Plan fiduciary net position - end of year	<u><u>\$ 8,997,877</u></u>
Net pension liability	\$ 4,796,498
Plan fiduciary net position as a percentage of total pension liability	65.23%
Covered valuation payroll	\$ 1,060,692
Net pension liability as a percentage of covered valuation payroll	452.20%

This schedule is 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 EFFINGHAM, ILLINOIS
FIREFIGHTERS PENSION FUND
SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF ANNUAL MONEY WEIGHTED RATE OF RETURN

	2015
Annual money-weighted rate of return, net of investment expenses	5.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FY Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 631,631	\$ 553,371	\$ 78,260	\$1,060,692	52.17%

These schedules are 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 EFFINGHAM, ILLINOIS
FIREFIGHTERS PENSION FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability and Contribution Rate

Valuation Date: Actuarially determined contributions are calculated as of May 1 of each year prior to the beginning of the year in which contributions are reported.

Methods and Assumptions Used to Determine Total Pension Liability and Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	Ends in fiscal year 2041
Asset Valuation Method	5-year smoothed market, no corridor
Salary Increases	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
Payroll Growth	3.50% per year
Investment Rate of Return	6.75% per year

CITY OF EFFINGHAM, ILLINOIS
FIREFIGHTERS PENSION FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability and Contribution Rate (Continued)

Methods and Assumptions Used to Determine Total Pension Liability and Contribution Rates (Continued)

Retirement Age

Age	Rate of Retirement	Age	Rate of Retirement
50	0.19	60	0.28
51	0.12	61	0.36
52	0.04	62	0.44
53	0.06	63	0.52
54	0.09	64	0.60
55	0.12	65	0.68
56	0.15	66	0.76
57	0.19	67	0.84
58	0.22	68	0.92
59	0.25	69	1.00

Mortality

Active Lives

RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015

Disabled Lives

RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50

Other Information

There were no benefit changes during the year.
Municipal Contributions at 100% based upon 5-year historical average.

CITY OF EFFINGHAM, ILLINOIS

**RETIREE HEALTHCARE BENEFIT PROGRAM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
04/30/15	\$ -	\$ 2,510,303	\$ 2,510,303	0.00%	\$ 5,730,721	43.80%
04/30/14	-	2,523,543	2,523,543	0.00%	5,536,929	45.58%
04/30/13	-	2,547,921	2,547,921	0.00%	5,349,689	47.63%

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND**

For the year ended April 30, 2015

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 11,217,200	\$ 11,575,418	\$ 358,218
Licenses and permits	98,850	91,545	(7,305)
Intergovernmental grants	692,950	363,075	(329,875)
Charges for services	186,000	180,976	(5,024)
Fines and forfeitures	149,400	88,422	(60,978)
Investment income	12,500	20,175	7,675
Contributions and miscellaneous revenues	126,700	269,603	142,903
Total revenues	<u>12,483,600</u>	<u>12,589,214</u>	<u>105,614</u>
Expenditures:			
Current:			
General government	2,052,550	1,496,466	556,084
Public safety	6,305,375	5,252,335	1,053,040
Public works	2,195,380	2,124,794	70,586
Health and welfare	638,050	667,024	(28,974)
Economic development	416,250	203,632	212,618
Capital outlay	1,191,690	479,280	712,410
Debt service:			
Principal	98,800	98,752	48
Interest and fiscal charges	16,300	16,251	49
Total expenditures	<u>12,914,395</u>	<u>10,338,534</u>	<u>2,575,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,795)</u>	<u>2,250,680</u>	<u>2,681,475</u>
Other financing sources (uses):			
Operating transfers in	35,090	23,000	(12,090)
Operating transfers out	(840,150)	(383,191)	456,959
Sale of property	40,000	29,337	(10,663)
Total other financing sources (uses)	<u>(765,060)</u>	<u>(330,854)</u>	<u>434,206</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (1,195,855)</u>	<u>1,919,826</u>	<u>\$ 3,115,681</u>
Fund balances, beginning of year		<u>4,614,894</u>	
Fund balances, end of year		<u>\$ 6,534,720</u>	

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND
For the year ended April 30, 2015**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 2,882,500	\$ 2,987,252	\$ 104,752
Investment income	8,800	27,049	18,249
Contributions and miscellaneous revenues	-	10,381	10,381
	2,891,300	3,024,682	133,382
Expenditures:			
Current:			
Economic development	4,944,060	3,099,711	1,844,349
Capital outlay	2,110,530	73,405	2,037,125
Debt service:			
Principal	143,300	145,000	(1,700)
Interest and fiscal charges	91,700	75,247	16,453
	7,289,590	3,393,363	3,896,227
Excess (deficiency) of revenues over (under) expenditures	(4,398,290)	(368,681)	4,029,609
Other financing sources (uses):			
Operating transfers in	4,903,930	70,414	(4,833,516)
Operating transfers out	(6,809,340)	(136,772)	6,672,568
Sale of property	-	2,609,127	2,609,127
	(1,905,410)	2,542,769	4,448,179
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (6,303,700)	2,174,088	\$ 8,477,788
Fund balances, beginning of year		6,536,022	
Fund balances, end of year		\$ 8,710,110	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF EFFINGHAM, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2015

	Revolving Loan Fund	Motor Fuel Tax Fund	Hotel/Motel Tax Fund
Assets:			
Cash and cash equivalents	\$ 154,390	\$ 1,134,794	\$ 720,636
Investments	-	-	525,560
Receivables	-	28,672	152,762
Prepaid expenditures	-	-	351
Total assets	\$ 154,390	\$ 1,163,466	\$ 1,399,309
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 24,804
Compensated absences	-	-	2,244
Total liabilities	-	-	27,048
Fund balances:			
Nonspendable - prepaid expenditures	-	-	351
Restricted for:			
Culture and recreation	-	-	1,371,910
Economic development	154,390	-	-
Highways and streets	-	1,163,466	-
Total fund balances	154,390	1,163,466	1,372,261
Total liabilities and fund balances	\$ 154,390	\$ 1,163,466	\$ 1,399,309

CITY OF EFFINGHAM, ILLINOIS
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2015

	<u>Total Nonmajor Funds</u>
Assets:	
Cash and cash equivalents	\$ 2,009,820
Investments	525,560
Receivables	181,434
Prepaid expenditures	<u>351</u>
Total assets	<u><u>\$ 2,717,165</u></u>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 24,804
Compensated absences	<u>2,244</u>
Total liabilities	<u>27,048</u>
Fund balances:	
Nonspendable - prepaid expenditures	351
Restricted for:	
Culture and recreation	1,371,910
Economic development	154,390
Highways and streets	<u>1,163,466</u>
Total fund balances	<u>2,690,117</u>
Total liabilities and fund balances	<u><u>\$ 2,717,165</u></u>

CITY OF EFFINGHAM, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2015**

	Revolving Loan Fund	Motor Fuel Fund	Hotel/Motel Tax Fund
Revenues:			
Taxes	\$ -	\$ 409,684	\$ 890,522
Intergovernmental grants	-	-	108,320
Investment income	1,535	3,819	13,466
Miscellaneous income	-	-	19,337
	<u>1,535</u>	<u>413,503</u>	<u>1,031,645</u>
Expenditures:			
Current:			
General government	-	12,637	-
Culture and recreation	-	-	719,797
Public works	-	7,772	-
Capital outlay	-	-	59,436
Debt service:			
Principal	-	-	176,047
Interest and fiscal charges	-	-	65,832
	<u>-</u>	<u>20,409</u>	<u>1,021,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,535</u>	<u>393,094</u>	<u>10,533</u>
Other financing (uses):			
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(23,000)</u>
Net change in fund balances	1,535	393,094	(12,467)
Fund balances, beginning of year	<u>152,855</u>	<u>770,372</u>	<u>1,384,728</u>
Fund balances, end of year	<u>\$ 154,390</u>	<u>\$ 1,163,466</u>	<u>\$ 1,372,261</u>

CITY OF EFFINGHAM, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2015**

	<u>Total Nonmajor Funds</u>
Revenues:	
Taxes	\$ 1,300,206
Intergovernmental grants	108,320
Investment income	18,820
Miscellaneous income	<u>19,337</u>
Total revenues	<u>1,446,683</u>
Expenditures:	
Current:	
General government	12,637
Culture and recreation	719,797
Public works	7,772
Capital outlay	59,436
Debt service:	
Principal	176,047
Interest and fiscal charges	<u>65,832</u>
Total expenditures	<u>1,041,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>405,162</u>
Other financing (uses):	
Operating transfers (out)	<u>(23,000)</u>
Net change in fund balances	382,162
Fund balances, beginning of year	<u>2,307,955</u>
Fund balances, end of year	<u>\$ 2,690,117</u>

STATISTICAL DATA

CITY OF EFFINGHAM, ILLINOIS
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
April 30, 2015

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Illinois Public Risk Fund (Arthur Gallagher)	1/1/2016	Workers' Compensation and Employer's Liability	
		Bodily injury by accident, each accident	\$ 3,000,000
		Bodily injury by disease, each employee	3,000,000
		Policy limit	3,000,000
		Additional coverage under Umbrella Coverage	
Lloyds of London (Arthur Gallagher)	12/31/2015	Comprehensive General Liability Coverage	
		Limit of liability, per occurrence per member	1,000,000
		Deductible	-
		Includes:	
		Damage to premises rented to you	1,000,000
		Medical expense limit	5,000
		Personal and advertising injury limit	1,000,000
		General aggregate limit	3,000,000
		Products/completed operations aggregate limit	3,000,000
Additional coverage under Umbrella Coverage			
Lloyds of London (Arthur Gallagher)	12/31/2015	Public Officials Liability	
		Aggregate limit	3,000,000
		Each wrongful act limit	1,000,000
		Deductible	2,500
		Additional coverage under Umbrella Coverage	
Lloyds of London (Arthur Gallagher)	12/31/2015	Law Enforcement Liability	
		Aggregate limit	3,000,000
		Each wrongful act limit	1,000,000
		Medical expense limit	-
		Deductible	2,500
Additional coverage under Umbrella Coverage			
Lloyds of London (Arthur Gallagher)	12/31/2015	Building and Contents Coverage	
		As scheduled in policy, current total values	50,222,564
		Deductible	1,000
		Coinsurance	100%
		Earthquake limit	
		Per claim/per member	5,000,000
		Annual aggregate	5,000,000
		Deductible	50,000
		Flood limit	
		Per claim/per member	5,000,000
		Annual aggregate	5,000,000
Deductible	50,000		

CITY OF EFFINGHAM, ILLINOIS

**SCHEDULE OF INSURANCE COVERAGE (Continued)
(UNAUDITED)
April 30, 2015**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Lloyds of London (Arthur Gallagher)	12/31/2015	Equipment Floaters (Inland Marine) As scheduled in policy, current total values Deductible	\$ 2,404,090 1,000
Lloyds of London (Arthur Gallagher)	12/31/2015	Automobile Liability and Automobile Physical Damage As scheduled in policy, current total values Limit of liability, per occurrence per member Deductible Automobile liability, including: Bodily injury and property damage Owned and non-owned vehicles Uninsured/underinsured motorist, each accident Medical payments, each person Automobile physical damage Collision Deductible Comprehensive Deductible Firefighting equipment Additional coverage under Umbrella Coverage	6,756,748 1,000,000 1,000 1,000,000/1,000,000 10,000 Cash Value 1,000 Cash Value 1,000 Replacement Cost
Citizens Insurance Co. (Arthur Gallagher)	12/31/2015	Crime Coverage Limit of liability, any one occurrence Deductible Includes: Forgery or alteration Theft, disappearance and destruction (inside/outside) Computer fraud	500,000 2,500 100,000 100,000 100,000
Zurich American (Arthur Gallagher)	12/31/2015	Boiler & Machinery Coverage Policy limit Deductible Sub-limits: Spoilage Expediting expenses Pollution clean up and removal Data and media Other: business income Other: extra expense	50,000,000 2,500 Included Included 2,500,000 2,500,000 Included Included

CITY OF EFFINGHAM, ILLINOIS

SCHEDULE OF INSURANCE COVERAGE (Continued)
(UNAUDITED)
April 30, 2015

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Westfield Insurance Co. (Weis Insurance Agency)	11/21/2015	1937 Antique Fire Engine/Retired Fire Fighters Association	
		Liability limit	
		Bodily injury and property damage	\$ 1,000,000
		Uninsured motorists limit	
		Bodily injury	1,000,000
Lloyds of London (Arthur Gallagher)	12/31/2015	Umbrella Coverage	
		Each occurrence limit	7,000,000
		General aggregate limit	7,000,000
Citizens Insurance Co. (Arthur Gallagher)	12/31/2015	Public Official Bond	
		Loss caused by any employee required by law to be individually bonded	
		Per employee	500,000

CITY OF EFFINGHAM, ILLINOIS
COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)
April 30, 2015

Assessed valuation, 2014 levy		<u>\$ 309,636,397</u>
Statutory debt limitation, 8.625% of assessed valuation		\$ 26,706,139
Total debt:		
General obligation bond	(3,630,000)	
Refunding bond	(2,545,000)	
Advanced refunding bond	(4,270,000)	
Notes payable	<u>(4,046,973)</u>	
Total debt		(14,491,973)
Less debt exempt from statutory debt limitation computation:		
General obligation bond	3,630,000	
Refunding bond	2,545,000	
Advanced refunding bond	<u>4,270,000</u>	
Total debt exempt from statutory debt limitation		<u>10,445,000</u>
Legal debt margin		<u>\$ 22,659,166</u>

CITY OF EFFINGHAM, ILLINOIS

MISCELLANEOUS STATISTICS
(UNAUDITED)
April 30, 2015

	<u>Water</u>
Number of metered customers, April 30, 2015	5,195
Number of unmetered customers, April 30, 2015	<u>-</u>
Total customers, April 30, 2015	<u>5,195</u>
Gallons of water pumped	630,938,000
Less amount used to wash filter	<u>(24,060,000)</u>
Gallons of water available	<u>606,878,000</u>
	<u>Sewer</u>
Number of metered customers, April 30, 2014	4,883
Number of unmetered customers, April 30, 2014	<u>-</u>
Total customers, April 30, 2014	<u>4,883</u>
Gallons of water billed	<u>529,744,106</u>
Gallons received at wastewater plant	<u>884,079,000</u>
Number of customers discharging non-domestic wastes	<u>136</u>
Gallons of non-domestic wastes discharged	<u>97,080,145</u>