

**CITY OF EFFINGHAM, ILLINOIS**

**FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION**

**For the year ended April 30, 2016  
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 31, 2016

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, 2016

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, 2016.

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, 2016 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, 2016 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**

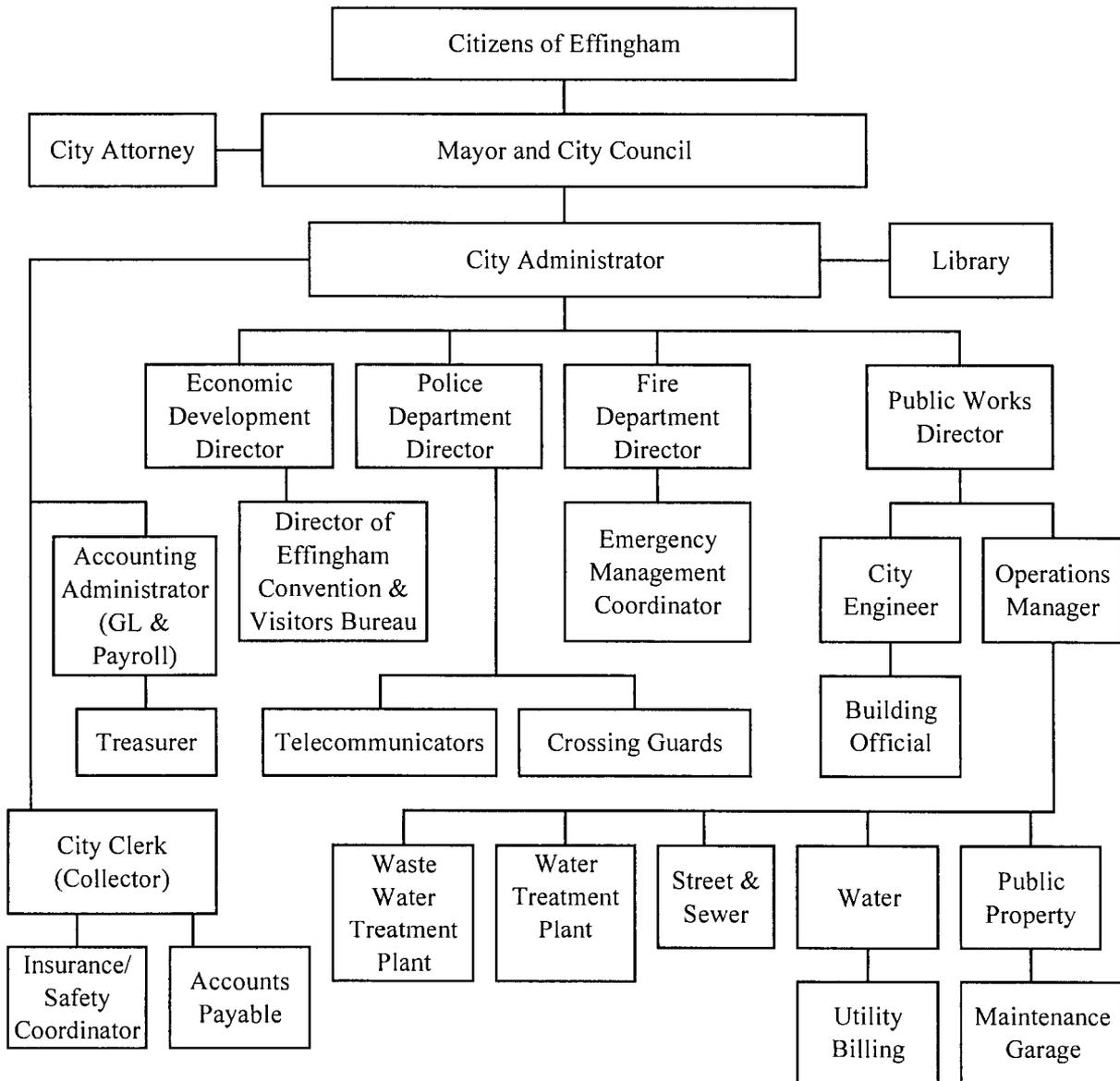
The budget serves as the foundation for the City's planning and control. The City's fiscal year begins May 1<sup>st</sup> and ends April 30<sup>th</sup>.

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**  
**April 30, 2016**

**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  
Michelle Wilkins, Building Official  
Joseph Holomy, Fire Chief  
Chris Huelsbusch, Public Works Operation Manager  
Todd Hull, Economic Development Director  
Jodi Thoele, 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/Treasurer  
Jodi Moomaw, Telecommunications Manager  
Dennis Niebrugge, Electrical/Plumbing Inspector  
Michael Schutzbach, Chief of Police

**FINANCIAL SECTION**

# WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
&  
CONSULTANTS

501 E. EVERGREEN AVENUE  
P.O. BOX 1308  
EFFINGHAM, IL 62401

(217) 347-5181  
www.westcpa.com

## MEMBERS

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

## OFFICES

EDWARDSVILLE  
EFFINGHAM  
GREENVILLE  
MATTOON  
SULLIVAN

## 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, 2016, 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, 2016, 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 changes in the net pension liability and related ratios, schedules of annual money-weighted rate of return and employer contributions, notes to schedule of employer contributions, and retiree's healthcare benefits schedule of funding progress on pages 15 through 23 and 95 through 108 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 31, 2016, 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 31, 2016

# WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
&  
CONSULTANTS

## MEMBERS

RICHARD C. WEST  
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## OFFICES

EDWARDSVILLE  
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MATTOON  
SULLIVAN

### 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, 2016, 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 31, 2016.

#### *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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001, that we consider to be a material weakness.

### ***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 31, 2016.

### ***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 31, 2016

CITY OF EFFINGHAM, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS' RESULTS

For the year ended April 30, 2016

**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 type="checkbox"/> Yes	<input checked="" 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, 2016**

**Section II: Financial Statement Findings**

**Finding No.: 2016-001 Lack of Governmental Accounting Standards 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, recording pension amounts, 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 an individual with sufficient governmental accounting training 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**

**CORRECTIVE ACTION PLAN  
For the year ended April 30, 2016**

**Corrective Action Plan**

**Finding No.: 2016-001**

**Condition:**

The City of Effingham lacks an individual with sufficient governmental accounting training 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**

**SUMMARY OF PRIOR AUDIT FINDINGS**

**For the year ended April 30, 2016**

Audit Finding Reference: 2015-001, 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.

Audit Finding Reference: 2015-002, 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.

Status of Prior Finding: Corrected, the City of Effingham corrected the deficiency.

## 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, 2016. 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 \$112,511,333 and liabilities and deferred inflows of resources of \$39,642,547, resulting in net position of \$72,868,786 as of April 30, 2016. Of the net position, \$65,994,306 represents the City's net investment in capital assets, \$9,004,562 is held for restricted purposes, and -\$2,130,082 is available to meet the City's ongoing obligations to its citizens and creditors.
- During FY 2016, The City continued to effectuate the projects and purchases within the City's approved capital improvements plan. The projects included the removal and replacement of City sidewalks, street resurfacing, the construction of Blohm Ave east of Veteran's Drive, the reconstruction of Thies Ave, the cleaning and lining of sanitary sewers throughout the community, improvements to water mains, the completion of the West Rickelman Lift Station, the completion of electrical upgrades to multiple lift stations throughout the City, the replacement of the Roof on City Hall, and improvements to the Water Treatment Plant. The planned purchases included several vehicles, an emergency generator for the Police Department, a mini-excavator for the public works department, and new repeater for the Fire Department.
- In 2016, the City of Effingham implemented Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB No. 68. These statements improve accounting and financial reporting by the City of Effingham for pensions by including pension related balances and activity on the Statement of Net Position and the Statement of Activities. The implementation also required the restatement of fund balance as of April 30, 2015.
- 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 Effingham Public Library. These entities are described in Note 1 following the financial statements.

The government-wide financial statements can be found on pages 24 – 26 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 27 – 32 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 33 - 37 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 38 – 39 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 40 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 95 - 108 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 107 - 108 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 109 - 112 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 \$72,868,786 at the close of the most recent fiscal year.

By far the largest portion of the City of Effingham's net position (91%) 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 (12%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit of unrestricted net position is \$2,130,082.

The primary government's net position decreased by \$3,483,483, which is primarily due to the implementation of GASB 68.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 26,318,265	\$ 27,638,871	\$ 5,437,517	\$ 5,843,891	\$ 31,755,782	\$ 33,482,762
Capital assets (net)	44,183,064	47,705,994	31,345,658	30,605,838	75,528,722	78,311,832
Total assets	<u>\$ 70,501,329</u>	<u>\$ 75,344,865</u>	<u>\$ 36,783,175</u>	<u>\$ 36,449,729</u>	<u>\$ 107,284,504</u>	<u>\$ 111,794,594</u>
Deferred outflows of resources	\$ 4,485,690	\$ -	\$ 741,139	\$ 329,896	\$ 5,226,829	\$ 329,896
Current liabilities	\$ 1,165,008	\$ 2,517,342	\$ 329,260	\$ 338,328	\$ 1,494,268	\$ 2,855,670
Non-current liabilities	22,064,852	8,164,363	9,213,713	9,627,419	31,278,565	17,791,782
Total liabilities	<u>\$ 23,229,860</u>	<u>\$ 10,681,705</u>	<u>\$ 9,542,973</u>	<u>\$ 9,965,747</u>	<u>\$ 32,772,833</u>	<u>\$ 20,647,452</u>
Deferred inflows of resources	\$ 6,717,120	\$ 5,323,000	\$ 152,594	\$ -	\$ 6,869,714	\$ 5,323,000
Net investment in capital assets	\$ 41,783,494	\$ 42,510,021	\$ 24,210,812	\$ 22,830,742	\$ 65,994,306	\$ 65,340,763
Restricted	9,004,562	12,083,050	-	-	9,004,562	12,083,050
Unrestricted	(5,748,017)	4,747,089	3,617,935	3,983,136	(2,130,082)	8,730,225
Total net position	<u>\$ 45,040,039</u>	<u>\$ 59,340,160</u>	<u>\$ 27,828,747</u>	<u>\$ 26,813,878</u>	<u>\$ 72,868,786</u>	<u>\$ 86,154,038</u>
Total net position as a % of total liabilities and deferred inflows of resources	150.40%	370.77%	287.03%	269.06%	183.81%	331.74%
Unrestricted net position as a % of total liabilities and deferred inflows of resources	-19.19%	29.66%	37.32%	39.97%	-5.37%	33.62%

### Governmental activities

Governmental activities decreased the City of Effingham's net position by \$3,483,483, thus decreasing the net position of the City of Effingham by almost five 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 \$1,862,123, thus increasing the net position of the City of Effingham by 2.50 percent. Key elements of this increase are shown on the schedule on the next page.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 356,792	\$ 360,943	\$ 5,490,751	\$ 5,394,400	\$ 5,847,543	\$ 5,755,343
Operating grants and contributions	171,741	463,443	-	-	171,741	463,443
Capital grants and contributions	1,776,439	299,539	1,972,999	672,097	3,749,438	971,636
General revenue:						
Property taxes	6,450,511	5,315,876	-	-	6,450,511	5,315,876
Sales taxes	6,877,828	6,827,321	-	-	6,877,828	6,827,321
Income taxes	1,260,992	1,241,994	-	-	1,260,992	1,241,994
Motor fuel taxes	315,336	409,684	-	-	315,336	409,684
Hotel/motel taxes	975,484	890,522	-	-	975,484	890,522
Utility taxes	432,673	479,514	-	-	432,673	479,514
Other taxes	871,339	727,783	-	-	871,339	727,783
Unrestricted investment earnings	83,769	77,183	12,363	19,595	96,132	96,778
Other revenues	148,171	284,656	-	-	148,171	284,656
Gain (loss) on sale of capital assets	329,168	(131,719)	1,472	-	330,640	(131,719)
<b>Total revenue</b>	<b>20,050,243</b>	<b>17,246,739</b>	<b>7,477,585</b>	<b>6,086,092</b>	<b>27,527,828</b>	<b>23,332,831</b>
<b>Expenses:</b>						
General government	1,118,539	1,632,477	-	-	1,118,539	1,632,477
Public safety	5,999,304	5,937,598	-	-	5,999,304	5,937,598
Public works	5,123,444	4,570,194	-	-	5,123,444	4,570,194
Health and welfare	875,888	840,349	-	-	875,888	840,349
Culture and recreation	4,048,744	816,873	-	-	4,048,744	816,873
Economic development	4,086,935	3,307,953	-	-	4,086,935	3,307,953
Interest on long-term debt	130,212	166,002	-	-	130,212	166,002
Retirement	2,147,284	-	-	-	2,147,284	-
Water	-	-	3,130,428	2,528,785	3,130,428	2,528,785
Sewer	-	-	2,488,410	2,655,561	2,488,410	2,655,561
<b>Total expenses</b>	<b>23,530,350</b>	<b>17,271,446</b>	<b>5,618,838</b>	<b>5,184,346</b>	<b>29,149,188</b>	<b>22,455,792</b>
Change in net position before transfers	(3,480,107)	(24,707)	1,858,747	901,746	(1,621,360)	877,039
Transfers	(3,376)	-	3,376	-	-	-
Change in net position	(3,483,483)	(24,707)	1,862,123	901,746	(1,621,360)	877,039
Net position, beginning of year, restated	48,523,522	59,364,867	25,966,624	25,912,132	74,490,146	85,276,999
<b>Net position, end of year</b>	<b>\$ 45,040,039</b>	<b>\$ 59,340,160</b>	<b>\$ 27,828,747</b>	<b>\$ 26,813,878</b>	<b>\$ 72,868,786</b>	<b>\$ 86,154,038</b>

## **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 \$18,285,475, a decrease of \$213,927 in comparison with the prior year. The majority of the fund balance, \$11,516,904 constitutes restricted fund balance. The remainder of the fund balance is nonspendable, \$74,299 and unassigned, \$6,694,272.

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 \$6,694,272, while total fund balance was \$6,953,831. 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 64 percent of the total General fund expenditures, respectively.

The fund balance of the City of Effingham's Tax Increment Financing (TIF) fund decreased by \$2,144,143 during the current fiscal year to \$6,565,967.

During the current fiscal year, the General Fund's sales tax and income tax increased by \$68,011 and \$109,293, respectively. Illinois Video Gaming Tax increased by \$103,003.

### **BUDGETARY HIGHLIGHTS**

The original 2016 General fund budget authorized expenditures and other financing uses of \$14,295,900 funded by anticipated revenues and other financing sources of \$11,956,220 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$2,339,680. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$419,111, a positive budget to actual variance of \$2,758,791.

The original 2016 Tax Increment Financing fund budget authorized expenditures and other financing uses of \$16,939,636 funded by anticipated revenues and other financing sources of \$12,429,136 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$4,510,500. The actual amount of expenditures and other financing uses over revenues and other financing sources was \$2,144,143, a positive budget to actual variance of \$2,366,357. This variance is the result of less 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, 2016, amounts to approximately \$75 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 8 percent (16 percent decrease for governmental activities and a 4 percent increase for business-type activities).

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

- Downtown Enhancement
- Completion of Outerbelt West (South)
- Completion of Thies Avenue
- Completion of the CIPS Spillway Reconstruction
- Completion of the Water Treatment Plant
- Completion of several water main replacement projects
- Completion of the Pike Sewer Project

The total costs of these capital projects total over \$4 million.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 6,115,733	\$ 138,222	\$ 6,253,955
Buildings and system	7,418,091	28,225,534	35,643,625
Improvements	1,218,325	461,346	1,679,671
Machinery and equipment	1,804,517	745,463	2,549,980
Infrastructure	24,892,020	-	24,892,020
Construction in progress	2,734,378	1,775,093	4,509,471
	<u>\$ 44,183,064</u>	<u>\$ 31,345,658</u>	<u>\$ 75,528,722</u>

### Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$12,298,142. Notes payable at year end was \$2,613,571, 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.

	Governmental Activities	Business-type Activities	Total
Notes payable and other debt	\$ 2,399,571	\$ 214,000	\$ 2,613,571
General obligation bonds	2,465,000	885,000	3,350,000
Refunding bonds	-	6,334,571	6,334,571
	<u>\$ 4,864,571</u>	<u>\$ 7,433,571</u>	<u>\$ 12,298,142</u>

### Net Pension Liability

At the end of the current fiscal year, the City had total net pension liability as follows:

	Governmental Activities	Business-type Activities	Total
IMRF net pension liability	\$ 3,202,770	\$ 1,351,168	\$ 4,553,938
Firefighter's net pension liability	5,425,079	-	5,425,079
Police net pension liability	6,629,576	-	6,629,576
	<u>\$ 15,257,425</u>	<u>\$ 1,351,168</u>	<u>\$ 16,608,593</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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Assets:				
Cash and cash equivalents	\$ 14,794,137	\$ 4,416,753	\$ 19,210,890	\$ 447,744
Receivables	8,057,915	832,203	8,890,118	892,000
Investments, at fair value	2,522,520	-	2,522,520	
Internal balances	114,892	(114,892)	-	-
Inventories	-	201,255	201,255	-
Prepays	74,881	30,373	105,254	6,688
Restricted assets:				
Cash	753,920	71,825	825,745	612,178
Capital assets (net of accumulated depreciation):				
Land	6,115,733	138,222	6,253,955	-
Buildings and system	7,418,091	28,225,534	35,643,625	7,010,725
Improvements	1,218,325	461,346	1,679,671	65,544
Machinery and equipment	1,804,517	745,463	2,549,980	-
Infrastructure	24,892,020	-	24,892,020	-
Construction in progress	2,734,378	1,775,093	4,509,471	-
Total assets	<u>70,501,329</u>	<u>36,783,175</u>	<u>107,284,504</u>	<u>9,034,879</u>
Deferred Outflows of Resources:				
Deferred amount on bond refunding	-	298,725	298,725	-
Deferred pensions	4,485,690	442,414	4,928,104	147,471
Total deferred outflows of resources	<u>4,485,690</u>	<u>741,139</u>	<u>5,226,829</u>	<u>147,471</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)**  
**April 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
<b>Liabilities:</b>				
Accounts payable	\$ 1,123,303	\$ 196,291	\$ 1,319,594	\$ 53,688
Accrued interest payable	41,705	61,144	102,849	11,986
Customer deposits	-	71,825	71,825	-
<b>Noncurrent liabilities:</b>				
Due within one year	1,015,884	989,632	2,005,516	364,718
Due in more than one year	21,048,968	8,224,081	29,273,049	1,907,180
Total liabilities	<u>23,229,860</u>	<u>9,542,973</u>	<u>32,772,833</u>	<u>2,337,572</u>
<b>Deferred Inflows of Resources:</b>				
Deferred property taxes	5,703,000	-	5,703,000	892,000
Deferred pensions	1,014,120	152,594	1,166,714	50,865
Total deferred inflows of resources	6,717,120	152,594	6,869,714	942,865
<b>Net Position:</b>				
Net investment in capital assets	41,783,494	24,210,812	65,994,306	7,076,269
<b>Restricted for:</b>				
Culture and recreation	1,191,625	-	1,191,625	-
Capital projects	2,436,172	-	2,436,172	-
Economic development	4,068,334	-	4,068,334	-
General government	98,633	-	98,633	487,172
Highways and streets	1,122,911	-	1,122,911	-
Public safety	86,887	-	86,887	-
Construction and repairs	-	-	-	125,007
Unrestricted	<u>(5,748,017)</u>	<u>3,617,935</u>	<u>(2,130,082)</u>	<u>(1,786,535)</u>
Total net position	<u>\$ 45,040,039</u>	<u>\$ 27,828,747</u>	<u>\$ 72,868,786</u>	<u>\$ 5,901,913</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF ACTIVITIES  
For the year ended April 30, 2016**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Library
		Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Functions/Programs:</b>								
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 1,118,539	\$ 253,481	\$ 28,049	\$ -	\$ (837,009)	\$ -	\$ (837,009)	
Public safety	5,999,304	79,996	37,431	3,300	(5,878,577)	-	(5,878,577)	
Public works	5,123,444	23,315	-	1,773,139	(3,326,990)	-	(3,326,990)	
Health and welfare	875,888	-	-	-	(875,888)	-	(875,888)	
Culture and recreation	4,048,744	-	106,261	-	(3,942,483)	-	(3,942,483)	
Economic development	4,086,935	-	-	-	(4,086,935)	-	(4,086,935)	
Retirement	2,147,284	-	-	-	(2,147,284)	-	(2,147,284)	
Interest on long-term debt	130,212	-	-	-	(130,212)	-	(130,212)	
<b>Total governmental activities</b>	<b>23,530,350</b>	<b>356,792</b>	<b>171,741</b>	<b>1,776,439</b>	<b>(21,225,378)</b>	<b>-</b>	<b>(21,225,378)</b>	
<b>Business-type activities:</b>								
Water	3,130,428	2,787,285	-	1,704,472	-	1,361,329	1,361,329	
Sewer	2,488,410	2,703,466	-	268,527	-	483,583	483,583	
<b>Total business-type activities</b>	<b>5,618,838</b>	<b>5,490,751</b>	<b>-</b>	<b>1,972,999</b>	<b>-</b>	<b>1,844,912</b>	<b>1,844,912</b>	
<b>Total primary government</b>	<b>\$ 29,149,188</b>	<b>\$ 5,847,543</b>	<b>\$ 171,741</b>	<b>\$ 3,749,438</b>	<b>(21,225,378)</b>	<b>1,844,912</b>	<b>(19,380,466)</b>	
<b>Component unit:</b>								
Library	\$ 1,128,449	\$ 38,889	\$ 15,410	\$ 2,984,360				\$ 1,910,210
<b>General revenues:</b>								
Property taxes					6,450,511	-	6,450,511	854,980
Sales taxes					6,877,828	-	6,877,828	-
Income taxes					1,260,992	-	1,260,992	-
Motor fuel taxes					315,336	-	315,336	-
Hotel/motel taxes					975,484	-	975,484	-
Utility taxes					432,673	-	432,673	-
Other taxes					871,339	-	871,339	31,934
Investment earnings					83,769	12,363	96,132	4,025
Other revenues					148,171	-	148,171	282,994
Gain (loss) on sale of capital assets					329,168	1,472	330,640	-
Transfers					(3,376)	3,376	-	-
<b>Total general revenues and transfers</b>					<b>17,741,895</b>	<b>17,211</b>	<b>17,759,106</b>	<b>1,173,933</b>
Change in net position					(3,483,483)	1,862,123	(1,621,360)	3,084,143
Net position, beginning of year, restated					48,523,522	25,966,624	74,490,146	2,817,770
Net position, end of year					<b>\$ 45,040,039</b>	<b>\$ 27,828,747</b>	<b>\$ 72,868,786</b>	<b>\$ 5,901,913</b>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2016**

	<u>General Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Capital Projects Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,941,096	\$ 2,581,473	\$ 5,583,141
Receivables (net of allowance for uncollectibles)	4,296,371	3,594,523	-
Investments, at fair value	1,000,078	1,000,000	-
Prepaid expenditures	74,039	-	-
Due from other funds	218,440	2,513,595	-
Cash - restricted	185,520	568,400	-
	<u>\$ 10,715,544</u>	<u>\$ 10,257,991</u>	<u>\$ 5,583,141</u>
<b>Total assets</b>			
<b>Liabilities, Deferred Inflow of Resources, and Fund Balance:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 454,457	\$ 101,024	\$ 543,757
Compensated absences	441,214	-	-
Due to other funds	-	-	2,603,212
	<u>895,671</u>	<u>101,024</u>	<u>3,146,969</u>
<b>Total liabilities</b>			
<b>Deferred inflow of resources:</b>			
Deferred revenue	<u>2,866,042</u>	<u>3,591,000</u>	<u>-</u>
<b>Fund balances:</b>			
Nonspendable - prepaid expenditures	74,039	-	-
Restricted for:			
Culture and recreation	-	-	-
Economic development	-	6,565,967	-
General government	98,633	-	-
Capital projects	-	-	2,436,172
Highways and streets	-	-	-
Public safety	86,887	-	-
Unassigned	6,694,272	-	-
	<u>6,953,831</u>	<u>6,565,967</u>	<u>2,436,172</u>
<b>Total fund balances</b>			
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<u>\$ 10,715,544</u>	<u>\$ 10,257,991</u>	<u>\$ 5,583,141</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**BALANCE SHEET (Continued)  
GOVERNMENTAL FUNDS  
April 30, 2016**

	Other Nonmajor Funds	Total Governmental Funds
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,655,527	\$ 14,761,237
Receivables (net of allowance for uncollectibles)	167,021	8,057,915
Investments, at fair value	522,443	2,522,521
Prepaid expenditures	260	74,299
Due from other funds	-	2,732,035
Cash - restricted	-	753,920
	<u>\$ 2,345,251</u>	<u>\$ 28,901,927</u>
Total assets	<u>\$ 2,345,251</u>	<u>\$ 28,901,927</u>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balance:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 12,797	\$ 1,112,035
Compensated absences	2,949	444,163
Due to other funds	-	2,603,212
	<u>15,746</u>	<u>4,159,410</u>
Total liabilities	<u>15,746</u>	<u>4,159,410</u>
<b>Deferred inflow of resources:</b>		
Deferred revenue	-	6,457,042
	<u>-</u>	<u>6,457,042</u>
<b>Fund balances:</b>		
Nonspendable - prepaid expenditures	260	74,299
Restricted for:		
Culture and recreation	1,206,334	1,206,334
Economic development	-	6,565,967
General government	-	98,633
Capital projects	-	2,436,172
Highways and streets	1,122,911	1,122,911
Public safety	-	86,887
Unassigned	-	6,694,272
	<u>2,329,505</u>	<u>18,285,475</u>
Total fund balances	<u>2,329,505</u>	<u>18,285,475</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 2,345,251</u>	<u>\$ 28,901,927</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, 2016**

Total fund balances - total governmental funds	\$ 18,285,475
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.	44,170,448
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.	20,897
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the government funds.	3,471,570
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	754,042
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,662,393)</u>
Net position of governmental activities	<u>\$ 45,040,039</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, 2016**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
Revenues:			
Taxes	\$ 11,657,001	\$ 3,142,158	\$ -
Licenses and permits	100,594	-	-
Intergovernmental grants	68,780	-	1,773,139
Charges for services	158,977	-	-
Fines and forfeitures	97,221	-	-
Investment income	26,432	24,873	13,382
Miscellaneous revenues	105,399	-	-
Total revenues	12,214,404	3,167,031	1,786,521
Expenditures:			
Current:			
General government	1,278,696	-	40,493
Public safety	5,561,379	-	47,150
Public works	1,794,977	-	961,693
Health and welfare	705,818	-	-
Culture and recreation	-	-	-
Economic development	369,631	3,712,975	-
Capital outlay	432,642	404,126	1,696,432
Debt service:			
Principal	641,700	150,000	-
Interest and fiscal charges	7,283	72,432	-
Total expenditures	10,792,126	4,339,533	2,745,768
Excess (deficiency) of revenues over (under) expenditures	1,422,278	(1,172,502)	(959,247)
Other financing sources (uses):			
Operating transfers in	20,705	249,468	3,080,437
Operating transfers out	(1,353,040)	(1,221,109)	(249,473)
Sale of property	329,168	-	-
Total other financing sources (uses)	(1,003,167)	(971,641)	2,830,964
Net change in fund balances	419,111	(2,144,143)	1,871,717
Fund balances, beginning of year	6,534,720	8,710,110	564,455
Fund balances, end of year	\$ 6,953,831	\$ 6,565,967	\$ 2,436,172

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, 2016**

	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Taxes	\$ 1,290,820	\$ 16,089,979
Licenses and permits	-	100,594
Intergovernmental grants	106,261	1,948,180
Charges for services	-	158,977
Fines and forfeitures	-	97,221
Investment income	19,082	83,769
Miscellaneous revenues	31,655	137,054
Total revenues	<u>1,447,818</u>	<u>18,615,774</u>
<b>Expenditures:</b>		
Current:		
General government	1,603	1,320,792
Public safety	-	5,608,529
Public works	-	2,756,670
Health and welfare	-	705,818
Culture and recreation	963,086	963,086
Economic development	-	4,082,606
Capital outlay	66,434	2,599,634
Debt service:		
Principal	181,402	973,102
Interest and fiscal charges	60,477	140,192
Total expenditures	<u>1,273,002</u>	<u>19,150,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>174,816</u>	<u>(534,655)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	-	3,350,610
Operating transfers out	(535,428)	(3,359,050)
Sale of property	-	329,168
Total other financing sources (uses)	<u>(535,428)</u>	<u>320,728</u>
Net change in fund balances	(360,612)	(213,927)
Fund balances, beginning of year	<u>2,690,117</u>	<u>18,499,402</u>
Fund balances, end of year	<u>\$ 2,329,505</u>	<u>\$ 18,285,475</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, 2016**

Net change in fund balances - total governmental funds \$ (213,927)

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 depreciation exceeded capital outlays in the current period.

	Capital outlay	2,599,634	
	Depreciation expense	<u>(3,132,056)</u>	(532,422)

Distributions of capital assets decrease net position but do not require the use of current financial resources and, therefore, are not reported in governmental funds. (2,984,360)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (74,187)

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. 973,102

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In addition, governmental funds do not report tax revenues in fiduciary pension funds (629,942)

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. (37,931)

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. 16,184

Change in net position of governmental activities \$ (3,483,483)

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**April 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,849,527	\$ 2,567,226	\$ 4,416,753	\$ 32,899
Receivables	387,281	444,922	832,203	-
Due from other funds	-	89,617	89,617	-
Inventories	201,255	-	201,255	-
Prepaid items	<u>16,731</u>	<u>13,642</u>	<u>30,373</u>	<u>581</u>
<b>Total current assets</b>	<u>2,454,794</u>	<u>3,115,407</u>	<u>5,570,201</u>	<u>33,480</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	<u>71,825</u>	<u>-</u>	<u>71,825</u>	<u>-</u>
<b>Total restricted assets</b>	<u>71,825</u>	<u>-</u>	<u>71,825</u>	<u>-</u>
<b>Capital assets:</b>				
Land	52,212	86,010	138,222	-
Buildings and system Improvements	35,585,398	26,881,249	62,466,647	-
Machinery and equipment	714,275	121,812	836,087	-
Construction in progress	891,487	1,963,702	2,855,189	51,373
Less accumulated depreciation	1,209,620	565,473	1,775,093	-
<b>Total capital assets       (net of accumulated       depreciation)</b>	<u>(19,367,103)</u>	<u>(17,358,477)</u>	<u>(36,725,580)</u>	<u>(38,757)</u>
<b>Total noncurrent assets</b>	<u>19,085,889</u>	<u>12,259,769</u>	<u>31,345,658</u>	<u>12,616</u>
<b>Total assets</b>	<u>21,612,508</u>	<u>15,375,176</u>	<u>36,987,684</u>	<u>46,096</u>
<b>Deferred Outflows of Resources:</b>				
Deferred amount on bond refunding	298,725	-	298,725	-
Deferred pensions	<u>262,171</u>	<u>180,243</u>	<u>442,414</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>560,896</u>	<u>180,243</u>	<u>741,139</u>	<u>-</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**April 30, 2016**

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Liabilities:				
Current liabilities:				
Accounts payable	\$ 101,338	\$ 94,953	\$ 196,291	\$ 11,268
Accrued interest payable	43,893	17,251	61,144	-
Due to other funds	-	218,440	218,440	-
Compensated absences	54,469	40,163	94,632	-
Customer deposits	71,825	-	71,825	-
Notes and bonds payable	490,000	405,000	895,000	-
Total current liabilities	761,525	775,807	1,537,332	11,268
Noncurrent liabilities:				
Notes and bonds payable	4,642,445	1,896,126	6,538,571	-
Compensated absences	108,905	80,303	189,208	-
IMRF net pension liability	800,692	550,476	1,351,168	-
Post-employment healthcare benefits obligation	73,405	71,729	145,134	-
Total noncurrent liabilities	5,625,447	2,598,634	8,224,081	-
Total liabilities	6,386,972	3,374,441	9,761,413	11,268
Deferred Inflows of Resources				
Deferred pensions	90,426	62,168	152,594	
Net position:				
Net investment in capital assets	14,252,169	9,958,643	24,210,812	-
Unrestricted	1,443,837	2,160,167	3,604,004	34,828
Total net position	\$ 15,696,006	\$ 12,118,810	27,814,816	\$ 34,828
Adjustment to reflect the consolidation of internal service fund assets and liabilities related to enterprise funds			13,931	
Net position of business-type activities			\$ 27,828,747	

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, 2016**

	<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	\$ 2,682,860	\$ -	\$ 2,682,860	\$ -
Sewer sales	-	2,660,282	2,660,282	-
Tap and connecting fees	100,539	35,780	136,319	-
Other services	<u>3,886</u>	<u>7,404</u>	<u>11,290</u>	<u>219,637</u>
Total operating revenue	<u>2,787,285</u>	<u>2,703,466</u>	<u>5,490,751</u>	<u>219,637</u>
Operating expenses:				
Cost of sales and services	1,805,595	1,221,473	3,027,068	194,957
Administration and general	325,884	468,398	794,282	-
Depreciation	<u>862,204</u>	<u>746,364</u>	<u>1,608,568</u>	<u>6,147</u>
Total operating expenses	<u>2,993,683</u>	<u>2,436,235</u>	<u>5,429,918</u>	<u>201,104</u>
Operating income (loss)	<u>(206,398)</u>	<u>267,231</u>	<u>60,833</u>	<u>18,533</u>
Nonoperating revenues (expenses):				
Investment earnings	3,601	8,762	12,363	-
Interest expense	(139,525)	(56,809)	(196,334)	-
Loss on disposal of capital assets	<u>1,472</u>	<u>-</u>	<u>1,472</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(134,452)</u>	<u>(48,047)</u>	<u>(182,499)</u>	<u>-</u>
Income (loss) before contributions	(340,850)	219,184	(121,666)	18,533
Capital contributions	1,704,472	268,527	1,972,999	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,440</u>
Change in net position	1,363,622	487,711	1,851,333	26,973
Total net position, beginning of year, as restated	<u>14,332,384</u>	<u>11,631,099</u>		<u>7,855</u>
Total net position, end of year	<u>\$ 15,696,006</u>	<u>\$ 12,118,810</u>		<u>\$ 34,828</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>10,789</u>	
Change in net position of business-type activities			<u>\$ 1,862,122</u>	

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the year ended April 30, 2016**

	<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	\$ 2,720,547	\$ 2,627,382	\$ 5,347,929	\$ 219,637
Payments to suppliers	(1,174,509)	(814,769)	(1,989,278)	(191,863)
Payments to employees	(646,207)	(663,292)	(1,309,499)	-
	<u>899,831</u>	<u>1,149,321</u>	<u>2,049,152</u>	<u>27,774</u>
Net cash provided (used) by operating activities				
Cash flows from noncapital financing activities:				
Transfers in	-	-	-	8,440
	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,440</u>
Net cash provided (used) by noncapital financing activities				
Cash flows from capital and related financing activities				
Proceeds from long term debt	128,000	-	128,000	-
Purchase of capital assets	(163,252)	(528,679)	(691,931)	-
Proceeds from sale of capital asset	1,472		1,472	-
Principal paid on capital debt	(826,900)	(776,400)	(1,603,300)	-
Interest paid on capital debt	(129,443)	(94,238)	(223,681)	-
	<u>(990,123)</u>	<u>(1,399,317)</u>	<u>(2,389,440)</u>	<u>-</u>
Net cash used by capital and related financing activities				
Cash flows from investing activities:				
Investment income received	3,601	8,762	12,363	-
	<u>3,601</u>	<u>8,762</u>	<u>12,363</u>	<u>-</u>
Net decrease in cash and cash equivalents	(86,691)	(241,234)	(327,925)	36,214
Cash and cash equivalents, beginning	2,008,043	2,808,460	4,816,503	(3,315)
Cash and cash equivalents, ending	<u>\$ 1,921,352</u>	<u>\$ 2,567,226</u>	<u>\$ 4,488,578</u>	<u>\$ 32,899</u>
Statement of net position (proprietary funds):				
Cash and cash equivalents	\$ 1,849,527	\$ 2,567,226	\$ 4,416,753	\$ 32,899
Restricted cash and cash equivalents	71,825	-	71,825	-
	<u>\$ 1,921,352</u>	<u>\$ 2,567,226</u>	<u>\$ 4,488,578</u>	<u>\$ 32,899</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, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (206,398)	\$ 267,231	\$ 60,833	\$ 18,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	862,204	746,364	1,608,568	6,147
Non-capital contributions	316,541	-	316,541	-
Increase in				
accounts receivable	(67,488)	(76,084)	(143,572)	-
Increase in deferred				
outflow pension	(231,170)	(158,930)	(390,100)	-
Decrease in due				
from other funds	-	27,798	27,798	-
Increase in inventories	(15,440)	-	(15,440)	-
Decrease in				
prepaid items	11,892	5,856	17,748	750
Decrease in customer				
deposits	750	-	750	-
Increase (decrease) in				
accounts payable	36,372	(35,705)	667	2,344
Increase (decrease) in				
compensated absences	(17,087)	5,647	(11,440)	-
Increase in deferred				
inflow pension	90,426	62,168	152,594	-
Increase (decrease) in due				
to other funds	(15,738)	218,440	202,702	-
Increase in post-employment				
healthcare obligation	(12,684)	(14,974)	(27,658)	-
Increase in net pension				
liability	<u>147,651</u>	<u>101,510</u>	<u>249,161</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 899,831</u>	<u>\$ 1,149,321</u>	<u>\$ 2,049,152</u>	<u>\$ 27,774</u>

See notes to financial statements.

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

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Assets:		
Cash and cash equivalents	\$ 792,121	\$ 2,096,621
Receivables:		
Property tax	780,000	630,000
Interest	42,097	16,788
Total receivables	822,097	646,788
Investments, at fair value:		
Certificates of deposit	2,039,000	1,400,000
U.S. government securities	1,061	-
State and local government securities	2,001,169	416,075
Annuity contracts	1,223,403	3,477,097
Mutual funds	8,149,176	1,460,416
Total investments	13,413,809	6,753,588
Total assets	15,028,027	9,496,997
Liabilities:		
Deferred property tax revenue	780,000	630,000
Net position:		
Held in trust for pension benefits and other purposes	\$ 14,248,027	\$ 8,866,997

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the year ended April 30, 2016**

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Additions:		
Contributions:		
Employer	\$ 618,018	\$ 550,349
Plan members	146,396	107,469
Total contributions	764,414	657,818
Investment earnings (losses):		
Interest	119,953	61,026
Dividends	494,157	25,441
Net increase (decrease) in the fair value of investments	(601,657)	(130,196)
Total investment earnings (losses)	12,453	(43,729)
Total additions	776,867	614,089
Deductions:		
Benefits	888,996	715,839
Administrative expenses	20,884	19,636
Interest expense	-	9,495
Total deductions	909,880	744,970
Change in net position	(133,013)	(130,881)
Net position, beginning of year	14,381,040	8,997,878
Net position, end of year	\$ 14,248,027	\$ 8,866,997

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 Effingham 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 position 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**

I. 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**

I. 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 2014 tax extension to the City on August 26, 2015, October 28, 2015 and February 12, 2016. The City Council adopted the 2015 tax levy (receivable in calendar year 2016) on December 1, 2016. For government-wide financial statements, the 2015 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 2014 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)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the City after the measurement date but before the end of the City's reporting period and unrecognized items concerning a bond refunding.

Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, the deferred inflows of resources consist of current year taxes levied. In the governmental fund balance sheet, the deferred inflows of resources consist of current year taxes levied and unavailable revenues.

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.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Effective May 2015, 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
Artwork	\$ 10,000	N/A
Buildings	\$ 10,000	50 years
Streets/curb/gutter/alley	\$ 100,000	20 years
Bridges	\$ 50,000	50 years
Sidewalks & bike paths	\$ 10,000	20 years
Sanitary sewers	\$ 10,000	50 years
Storm sewers	\$ 10,000	50 years
Traffic signals	\$ 10,000	20 years
All other infrastructure improvements	\$ 10,000	20 years
Water & sewer system & improvements	\$ 10,000	30 years
Fire trucks	\$ 100,000	15 years
Vehicles	\$ 10,000	7 years
Computer software/equipment	\$ 5,000	5 years
Machinery & equipment	\$ 5,000	5 years
Office equipment	\$ 5,000	5 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 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASE Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASE No. 68*. These Statements improve accounting and financial reporting by the City for pension by including pension related balances and activity on the Statement of Net Position, Statement of Activities, Statement of Net Position – Proprietary Funds, and Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.

**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 “pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.” The details of this difference are as follows:

Deferred outflows of resources	
IMRF	\$ 1,048,684
Police pension	1,361,653
Firefighter's pension	<u>2,075,353</u>
Total deferred outflows of resources	<u>4,485,690</u>
Deferred inflows of resources	
IMRF	(361,706)
Police pension	(162,677)
Firefighter's pension	<u>(489,737)</u>
Total deferred inflows of resources	<u>(1,014,120)</u>
Net adjustment to increase "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u>\$ 3,471,570</u>

Another 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	\$ 561,327
State income tax receivable	168,153
Franchise tax receivable	16,000
Utility tax receivable	7,966
Other taxes receivable	<u>596</u>
Net adjustment to increase "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u>\$ 754,042</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 Balance Sheet and the Government-wide Statement of Net Position (Continued)

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	\$ (4,864,571)
Accrued interest payable	(41,705)
Compensated absences	(888,061)
Net IMRF pension liability	(3,202,770)
Net police pension liability	(6,629,576)
Net fire pension liability	(5,425,079)
Net post-employment healthcare benefits obligation	<u>(610,631)</u>
Net adjustment to reduce "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u>\$ (21,662,393)</u>

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

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:

Deferred inflows of resources:	
General sales tax	\$ (21,733)
State income tax	(52,833)
Utility tax	(511)
Cable franchise tax	1,000
Other	<u>(110)</u>
Net adjustment to decrease "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ (74,187)</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	\$ 150,000
Notes and contracts payable	<u>823,102</u>
Net adjustment to increase "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ 973,102</u>

Another element of that reconciliation states that “governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In addition, governmental funds do not report property tax revenue in fiduciary funds.” The details of this difference is as follows:

Pension expense:	
IMRF pension expense	\$ (376,605)
Police pension expense	(967,142)
Firefighter's pension expense	<u>(803,537)</u>
Total pension expense	(2,147,284)
Contributions	348,976
Tax revenue recorded in the fuduciary funds	<u>1,168,366</u>
Net adjustment to decrease "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ (629,942)</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 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	\$ (19,115)
Accrued interest	9,981
Post employment healthcare benefits expense	<u>(28,797)</u>
Net adjustment to decrease "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u><u>\$ (37,931)</u></u>

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, 2016, the carrying balance of the City's cash deposits was \$20,036,635 which includes \$1,300 of cash on hand, and the bank balances totaled \$20,500,817, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution. The carrying balance of the component unit's cash deposits was \$1,059,922 and the bank balances totaled \$1,194,257, 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 \$2,888,742 and the bank balances totaled \$2,888,742, 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.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

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%).

As of April 30, 2016, the City’s reporting entity had the following investments:

	Fair Value/ Carrying Amount	Cost	Credit Ratings (1)	Weighted Average Maturity (2)
Governmental Funds				
Certificates of deposit	\$ 1,250,000	\$ 1,250,000	N/A	15.40
Government obligations				
FHLB	750,057	750,000	N/A	40.00
FNMA	250,020	250,000	N/A	19.00
State and local obligations				
Decatur IL Taxable Ser B	<u>272,443</u>	<u>250,000</u>	N/A	47.00
Total governmental funds investments	<u><u>2,522,520</u></u>	<u><u>2,500,000</u></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	\$ 3,439,000	\$ 3,439,000	N/A	42.00
Government obligations				
GNMA	1,061	1,078	Aaa	78.00
State and local obligations				
Cook County GO Bond	215,320	206,000	A2	22.00
IL Finance Authority				
Revenue Bond	51,029	49,919	Aa2	4.00
Downers Grove IL				
GO Bond	106,114	105,000	AAA	10.00
IL State GO				
Refunding Bond	148,064	146,450	BBB+	3.00
St. Clair Community				
School Bond	525,720	546,545	AA	4.00
Sangamon & Christian				
County Bond	205,162	216,748	A1	2.00
IL Finance Authority				
Richland Schools	207,200	200,000	A+	7.00
Aurora IL GO				
Refunding Bond	255,710	248,950	AA	16.00
Will, Grundy, Etc.				
Counties IL	443,004	450,052	AA	17.00
Cook County IL				
Cons. School Dist	259,920	271,500		
Annuity contracts				
AIG Life Ins.				
Co. Annuity	4,480,296	2,750,000	N/A	758.00
John Hancock				
Life Ins. Annuity	220,204	107,326	N/A	331.00
Mutual funds	<u>9,609,593</u>	<u>7,630,487</u>	N/A	N/A
Total component unit investments	<u>\$ 20,167,397</u>	<u>\$ 16,369,055</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:

	<u>Governmental Funds</u>	<u>Component Units</u>
Maturity of investments;		
1 year	\$ -	\$ 9,854,592
2-5 years	2,522,520	3,986,827
6-10 years	-	1,154,265
Thereafter	-	5,171,713
	<u>\$ 2,522,520</u>	<u>\$ 20,167,397</u>

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	\$ 1,250,000	\$ 3,439,000	20.67%
Federal Home Loan Bank	750,057	-	3.31%
Federal National			
Mortgage Association	250,020	-	1.10%
Government National			
Mortgage Association	-	1,061	0.00%
Municipal bonds	272,443	2,417,243	11.85%
Annuity contracts	-	4,700,500	20.72%
Mutual funds	-	9,609,593	42.35%
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,522,520</u>	<u>\$ 20,167,397</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	\$ 5,703,000	\$ -	\$ 5,703,000	\$ 892,000
Utility taxes	47,361	-	47,361	-
Income taxes	364,556	-	364,556	-
Sales taxes	1,665,856	-	1,665,856	-
Personal property replacement taxes	42,386	-	42,386	-
Motor fuel taxes	28,056	-	28,056	-
Cable franchise taxes	16,000	-	16,000	-
Hotel/Motel taxes	119,447	-	119,447	-
Interest	5,331	-	5,331	-
Grants	17,710	-	17,710	-
Customer receivables	-	832,203	832,203	-
Other receivables	48,212	-	48,212	-
<b>Totals</b>	<b><u>\$ 8,057,915</u></b>	<b><u>\$ 832,203</u></b>	<b><u>\$ 8,890,118</u></b>	<b><u>\$ 892,000</u></b>

Receivable balances as of April 30, 2016, for fiduciary funds were as follows:

	Police Pension Fund	Firefighter's Pension Fund
Property taxes	\$ 780,000	\$ 630,000
Interest	42,097	16,788
<b>Totals</b>	<b><u>\$ 822,097</u></b>	<b><u>\$ 646,788</u></b>

**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, 2016:

	Receivable						Total Primary Government Payable
	Governmental Activities			Business-type Activities			
	General Fund	Tax Increment Financing Fund	Capital Projects Fund	Total Governmental Activities	Sewer Fund	Total Business-type Activities	
Governmental activities:							
Capital Projects Fund							
Capital outlay	\$ -	\$ 2,513,595	\$ -	\$ 2,513,595	\$ 89,617	\$ 89,617	\$ 2,603,212
Total governmental activities	<u>\$ -</u>	<u>\$ 2,513,595</u>	<u>\$ -</u>	<u>\$ 2,513,595</u>	<u>\$ 89,617</u>	<u>\$ 89,617</u>	<u>\$ 2,603,212</u>
Business-type activities:							
Sewer fund							
Capital outlay	\$ 218,440	\$ -	\$ -	\$ 218,440	\$ -	\$ -	\$ 218,440
Total business-type activities	<u>\$ 218,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,440</u>
Total primary gov. receivable	<u>\$ 218,440</u>	<u>\$ 2,513,595</u>	<u>\$ -</u>	<u>\$ 2,732,035</u>	<u>\$ 89,617</u>	<u>\$ 89,617</u>	<u>\$ 2,821,652</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

Primary Government

	Balance <u>April 30, 2015</u>	Additions	Deletions	Balance <u>April 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,115,733	\$ -	\$ -	\$ 6,115,733
Construction in progress	<u>1,521,134</u>	<u>1,514,797</u>	<u>301,553</u>	<u>2,734,378</u>
Total capital assets, not being depreciated	<u>7,636,867</u>	<u>1,514,797</u>	<u>301,553</u>	<u>8,850,111</u>
Capital assets, being depreciated:				
Buildings	13,060,516	-	2,984,360	10,076,156
Infrastructure	64,568,871	984,455	28,162	65,525,164
Improvements	3,573,817	14,041	-	3,587,858
Machinery and equipment	2,696,311	183,078	29,897	2,849,492
Vehicles	1,312,941	204,814	112,251	1,405,504
Fire trucks	2,286,974	-	-	2,286,974
Office Equipment	504,823	-	-	504,823
Software	<u>79,518</u>	<u>-</u>	<u>-</u>	<u>79,518</u>
Total capital assets, being depreciated	<u>88,083,771</u>	<u>1,386,388</u>	<u>3,154,670</u>	<u>86,315,489</u>
Less accumulated depreciation for:				
Buildings	2,457,124	200,941	-	2,658,065
Infrastructure	38,394,528	2,266,778	28,162	40,633,144
Improvements	2,254,292	115,241	-	2,369,533
Machinery and equipment	1,976,925	270,792	29,895	2,217,822
Vehicles	957,658	101,927	112,251	947,334
Fire trucks	1,444,143	150,042	-	1,594,185
Office Equipment	460,467	25,711	-	486,178
Software	<u>69,506</u>	<u>6,769</u>	<u>-</u>	<u>76,275</u>
Total accumulated depreciation	<u>48,014,643</u>	<u>3,138,201</u>	<u>170,308</u>	<u>50,982,536</u>
Total capital assets, being depreciated, net	<u>40,069,128</u>	<u>(1,751,813)</u>	<u>2,984,362</u>	<u>35,332,953</u>
Governmental activities capital assets, net	<u>\$ 47,705,995</u>	<u>\$ (237,016)</u>	<u>\$ 3,285,915</u>	<u>\$ 44,183,064</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Balance</u> <u>April 30, 2015</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>April 30, 2016</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 138,222	\$ -	\$ -	\$ 138,222
Construction in progress	<u>5,157,070</u>	<u>2,335,253</u>	<u>5,717,230</u>	<u>1,775,093</u>
Total capital assets, not being depreciated	<u>5,295,292</u>	<u>2,335,253</u>	<u>5,717,230</u>	<u>1,913,315</u>
Capital assets being depreciated:				
Buildings	1,952,451	147,950	-	2,100,401
Water and sewer systems	54,954,422	5,411,824	-	60,366,246
Improvements	836,087	-	-	836,087
Machinery and equipment	1,571,490	77,198	-	1,648,688
Vehicles	964,213	93,395	15,735	1,041,873
Office equipment	<u>164,628</u>	<u>-</u>	<u>-</u>	<u>164,628</u>
Total capital assets, being depreciated	<u>60,443,291</u>	<u>5,730,367</u>	<u>15,735</u>	<u>66,157,923</u>
Less accumulated depreciation for:				
Buildings	1,265,728	39,182	-	1,304,910
Water and sewer systems	31,648,904	1,287,299	-	32,936,203
Improvements	335,165	39,576	-	374,741
Machinery and equipment	1,163,907	162,703	-	1,326,610
Vehicles	565,338	69,334	15,735	618,937
Office equipment	<u>153,705</u>	<u>10,474</u>	<u>-</u>	<u>164,179</u>
Total accumulated depreciation	<u>35,132,747</u>	<u>1,608,568</u>	<u>15,735</u>	<u>36,725,580</u>
Total capital assets, being depreciated, net	<u>25,310,544</u>	<u>4,121,799</u>	<u>-</u>	<u>29,432,343</u>
Business-type activities capital assets, net	<u>\$ 30,605,836</u>	<u>\$ 6,457,052</u>	<u>\$ 5,717,230</u>	<u>\$ 31,345,658</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	\$ 25,595
Public safety	476,529
Public works	2,347,927
Health and welfare	183,935
Culture and recreation	99,889
Economic development	<u>4,326</u>
Total depreciation expense - governmental activities	<u>\$ 3,138,201</u>
Business-type activities:	
Water	\$ 862,204
Sewer	<u>746,364</u>
Total depreciation expense - business-type activities	<u>\$ 1,608,568</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

6. CAPITAL ASSETS (Continued)

Component Unit

	Balance <u>April 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2016</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,404,015	\$ 2,263,505	\$ 3,667,520	\$ -
Capital assets, being depreciated:				
Buildings	761,252	6,651,880	-	7,413,132
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>6,651,880</u>	<u>-</u>	<u>7,706,096</u>
Less accumulated depreciation for:				
Buildings	309,576	92,831	-	402,407
Improvements	49,373	6,048	-	55,421
Machinery and equipment	115,300	-	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	13,185	-	-	13,185
Total accumulated depreciation	<u>530,948</u>	<u>98,879</u>	<u>-</u>	<u>629,827</u>
Total capital assets, being depreciated, net	<u>523,268</u>	<u>6,553,001</u>	<u>-</u>	<u>7,076,269</u>
Total capital assets, net	<u>\$ 1,927,283</u>	<u>\$ 8,816,506</u>	<u>\$ 3,667,520</u>	<u>\$ 7,076,269</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, 2016 are as follows:

Primary Government

	<u>Balance</u> <u>April 30, 2015</u>	<u>Additions</u>	<u>Completion/ Adjustment</u>	<u>Balance</u> <u>April 30, 2016</u>	<u>Estimated Completion Costs</u>
Governmental activities:					
Outer Belt West (South)	\$ -	\$ 6,112	\$ (6,112)	\$ -	\$ -
North Raney Street	84,521	616,060	-	700,581	165,805
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	232,390	-	328,285	3,306,715
Downtown Enhancement	792,791	12,458	-	805,249	394,750
Thies Avenue	21,619	234,314	(255,933)	-	-
Outer Belt West/ Fayette 40 Intersection	6,515	32,993	(39,508)	-	-
Blohm Ave. East of Veterans	261,214	216,574	-	477,788	14,212
Clinton/Mulberry Storm Sewer	10,460	-	-	10,460	89,540
Calico Trail	-	43,066	-	43,066	291,933
Grove amd 2nd	-	4,515	-	4,515	50,485
Luther Street	-	3,768	-	3,768	524,232
3rd Street Reconstructin	-	61,631	-	61,631	738,369
Katrina Storm Sewer	-	2,512	-	2,512	22,498
Rickelman Box Culvert	-	11,991	-	11,991	1,588,009
East Evergreen Box Culvert	-	10,820	-	10,820	494,180
Truck Access Road	-	11,528	-	11,528	1,108,472
Park Street Reconstruction	-	14,065	-	14,065	115,935
	<u>\$ 1,521,134</u>	<u>\$ 1,514,797</u>	<u>\$ (301,553)</u>	<u>\$ 2,734,378</u>	<u>\$ 10,657,016</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

7. CONSTRUCTION IN PROGRESS (Continued)

Primary Government (Continued)

	Balance <u>April 30, 2015</u>	Additions	Completion/ Adjustment	Balance <u>April 30, 2016</u>	Estimated Completion Costs
Business-type activities:					
3rd Street Sanitary Sewer Reloc.	\$ -	\$ 14,789	\$ -	\$ 14,789	\$ 255,211
Water Treatment Plant	4,766,996	-	(4,766,996)	-	-
East Route 40 Water Main	-	7,903	-	7,903	492,097
West Wernsing Lift Station	-	31,266	-	31,266	203,735
Water Treatment Plant Roof	-	32,750	(32,750)	-	-
West Fayette Water Main Replacement	30,944	52,288	-	83,232	516,768
Jaycee Avenue Force Main	29,995	-	-	29,995	380,005
Airport Road Lift Station	50,356	336,194	-	386,550	1,450
Carbon/CO2 Tank	-	337,341	-	337,341	662,659
Bulk Water Relocation	-	146,454	-	146,454	13,746
Rte 40 Water Main Replacement Schwerman to Henrietta	10,767	118,804	(129,571)	-	-
2016 Local TIF Water Main	-	208,781	-	208,781	68,320
Wabash Avenue RR WM Bore	23,321	6,379	-	29,700	209,301
Industrial TIF 2015 WM Replace	21,154	375,054	-	396,208	82,792
4th to 5th Sanitary Sewer Reconstruction	-	52,491	-	52,491	12,249
CIPS Lake Spillway Reconstruction	144,470	139,605	(284,075)	-	-
Radio Upgrades	17,430	44,693	(62,123)	-	-
North Raney Street Sewer	22,585	27,798	-	50,383	241,617
Pike Sewer	19,041	201,247	(220,288)	-	-
Pike Water	20,011	201,416	(221,427)	-	-
Total business-type activities	<u>\$ 5,157,070</u>	<u>\$ 2,335,253</u>	<u>\$ (5,717,230)</u>	<u>\$ 1,775,093</u>	<u>\$ 3,139,950</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

7. CONSTRUCTION IN PROGRESS (Continued)

Component Unit

	Balance April 30, 2015	Additions	Completion/ Adjustment	Balance April 30, 2016	Estimated Completion Costs
Component Unit:					
New library remodeling	\$ 1,404,015	\$ 2,263,505	\$ (3,667,520)	\$ -	\$ -

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, \$8,923 for social security, \$84,557 for IMRF, and \$3,891 for a medical trust. The fund also has restricted public safety assets, which includes \$65,577 for fire protection and \$21,310 for police safety. The TIF fund has restricted cash for the retirement of Series 2010A debt in the amount of \$568,400. The Water Fund has restricted cash of \$71,825 for customer deposits. The library has restricted general government assets, which includes \$8,415 for audit, \$165,028 for liability insurance, \$13,531 for workman’s compensation, \$62,886 for unemployment insurance, \$62,478 for IMRF, and \$174,834 for social security. The library also had restricted assets for construction and repairs in the amount of \$125,007.

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, 2016, \$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%	\$ 2,465,000
Business-type activities:		
Series 2012A, due February 1, 2022	2.5 - 4.0%	\$ 885,000
Business-type activities - refunding:		
Series 2012B, due February 1, 2021	2.5 - 4.0%	2,155,000
Business-type activities - advanced refunding:		
Series 2012C, due December 1, 2025	2.0 - 2.3%	3,925,000
Total business-type activities		\$ 6,965,000

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>
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	425,000	25,314	1,000,000	82,645
2022 - 2026	435,000	13,159	2,230,000	143,155
	\$ 2,465,000	\$ 243,792	\$ 6,965,000	\$ 831,430

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%	\$ 2,399,571
Business-type activities		
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%	214,000
Component unit:		
Washington Savings Bank note, serviced by the Library, proceeds used to renovate new building, due February 1, 2036	2.65%	1,496,577
Washington Savings Bank note, serviced by the Library, proceeds used to renovate new building, due April 14, 2017	2.65%	300,948
Total component unit		\$ 1,797,525

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (Continued)

Notes and Contracts Payable (Continued)

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>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 186,720	\$ 84,850	\$ -	\$ -	\$ 356,724	\$ 46,627
2018	192,599	76,612	71,333	-	59,262	38,803
2019	198,457	68,342	71,333	-	60,854	37,211
2020	204,494	59,838	71,334	-	62,490	35,576
2021	210,579	51,229	-	-	64,076	33,990
2022 - 2026	908,848	130,669	-	-	347,561	142,768
2027 - 2031	497,874	22,788	-	-	396,850	93,478
2032 - 2036	-	-	-	-	449,708	37,197
	<u>\$ 2,399,571</u>	<u>\$ 494,328</u>	<u>\$ 214,000</u>	<u>\$ -</u>	<u>\$ 1,797,525</u>	<u>\$ 465,650</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, 2016 was as follows:

	Balance April 30, 2015	Additions	Reductions	Balance April 30, 2016	Due Within One Year
<u>Primary Government:</u>					
Governmental activities:					
General obligation bonds	\$ 2,615,000	\$ -	\$ 150,000	\$ 2,465,000	\$ 385,000
Notes payable	3,222,673	-	823,102	2,399,571	186,720
Compensated absences	1,303,550	28,675	-	1,332,225	444,164
Post employment health-care benefits	581,834	28,797	-	610,631	N/A
Net pension obligation	441,306	-	441,306	-	N/A
IMRF net pension liability	-	3,202,770	-	3,202,770	N/A
Police pension net pension liability	-	6,629,576	-	6,629,576	N/A
Fire pension net pension liability	-	5,425,079	-	5,425,079	N/A
Governmental activities, long-term liabilities	<u>\$ 8,164,363</u>	<u>\$ 15,314,897</u>	<u>\$ 1,414,408</u>	<u>\$ 22,064,852</u>	<u>\$ 1,015,884</u>
Business-type activities:					
General obligation bonds	\$ 1,015,000	\$ -	\$ 130,000	\$ 885,000	\$ 135,000
Refunding bonds	2,545,000	-	390,000	2,155,000	405,000
Advanced refunding bonds	4,270,000	-	345,000	3,925,000	355,000
Add amounts for issuance premiums	302,609	-	48,038	254,571	N/A
Notes payable	824,300	128,000	738,300	214,000	-
Compensated absences	295,279	-	11,439	283,840	94,632
Post employment health-care benefits	172,792	-	27,658	145,134	N/A
Net pension obligation	202,439	-	202,439	-	N/A
IMRF net pension liability	-	1,351,168	-	1,351,168	N/A
Business-type activities, long-term liabilities	<u>\$ 9,627,419</u>	<u>\$ 1,479,168</u>	<u>\$ 1,892,874</u>	<u>\$ 9,213,713</u>	<u>\$ 989,632</u>
Discretely presented component unit:					
Compensated absences	\$ 21,314	\$ 2,669	\$ -	\$ 23,983	\$ 7,994
Net pension obligation	66,607	-	66,607	-	N/A
IMRF net pension liability	-	450,390	-	450,390	N/A
Notes payable	-	2,000,000	202,475	1,797,525	356,724
	<u>\$ 87,921</u>	<u>\$ 2,453,059</u>	<u>\$ 269,082</u>	<u>\$ 2,271,898</u>	<u>\$ 364,718</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, 2016 were as follows:

	<u>General Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 2,139,985	\$ 3,142,158	\$ -	\$ 5,282,143
Sales taxes	6,899,561	-	-	6,899,561
Income taxes	1,313,825	-	-	1,313,825
Motor fuel taxes	-	-	315,336	315,336
Hotel/motel taxes	-	-	975,484	975,484
Utility taxes	433,184	-	-	433,184
Other taxes	870,446	-	-	870,446
<b>Total taxes</b>	<b><u>\$ 11,657,001</u></b>	<b><u>\$ 3,142,158</u></b>	<b><u>\$ 1,290,820</u></b>	<b><u>\$ 16,089,979</u></b>

Component Units

Fiduciary Activities

	<u>Effingham Public Library</u>	<u>Police Pension Fund</u>	<u>Firefighters Pension Fund</u>
Property taxes	\$ 854,980	\$ 601,582	\$ 542,420
Other taxes:			
Replacement taxes	29,787	14,915	6,558
Miscellaneous taxes	2,147	1,521	1,371
<b>Total taxes</b>	<b><u>\$ 886,914</u></b>	<b><u>\$ 618,018</u></b>	<b><u>\$ 550,349</u></b>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

12. INTERGOVERNMENTAL GRANTS

Intergovernmental grants during the year ended April 30, 2016 were as follows:

	General Fund	Capital Projects Fund	Other Governmental Fund	Total	Water Fund	Sewer Fund
Federal capital grants	\$ 3,300	\$ -	\$ -	\$ 3,300	\$ -	\$ -
Federal operating grants	20,960	-	-	20,960	-	-
State capital grants	-	1,773,139	-	1,773,139	-	-
State operating grants	-	-	106,261	106,261	-	-
Other grants and contributions	44,520	-	-	44,520	1,704,472	268,527
<b>Total</b>	<b>\$ 68,780</b>	<b>\$ 1,773,139</b>	<b>\$ 106,261</b>	<b>\$ 1,948,180</b>	<b>\$ 1,704,472</b>	<b>\$ 268,527</b>

	<u>Component Unit</u> Effingham Public Library
State operating grants	\$ 15,410
Other grants and contributions	<u>2,984,360</u>
<b>Total</b>	<b><u>\$ 2,999,770</u></b>

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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

	For Tax Levy Year		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equalized assessed valuation (EAV):			
City and library	\$ 256,949,308	\$ 247,187,104	\$ 239,397,876
Rate per \$100:			
City	1.37	1.28	1.34
Library	0.35	0.35	0.34
Taxes extended:			
City	\$ 3,525,036	\$ 3,173,289	\$ 3,209,033
Library	892,719	861,126	825,123
Tax Increment Financing District	3,593,293	3,157,894	2,989,936
City's share of road and bridge taxes extended	<u>163,085</u>	<u>155,703</u>	<u>148,625</u>
Total taxes extended	<u>\$ 8,174,133</u>	<u>\$ 7,348,012</u>	<u>\$ 7,172,717</u>
Taxes available to City after abatements and losses in collection (2015 estimated)	<u>\$ 8,168,000</u>	<u>\$ 7,281,125</u>	<u>\$ 7,141,692</u>
Percentage of extension available to City (2015 estimated)	<u>99.92%</u>	<u>99.09%</u>	<u>99.57%</u>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

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

	2015	For Tax Levy Year 2014	2013
Distribution of taxes available (2015 estimated):			
Primary Government:			
General fund:			
General government	\$ 649,000	\$ 369,779	\$ 735,768
Illinois municipal retirement	423,000	680,404	436,239
Fire protection	49,000	48,335	178,009
Police protection	189,000	48,335	178,009
Audit	13,000	11,455	10,919
Liability insurance	91,000	128,207	99,161
Street lighting	122,000	108,491	118,673
Social security tax	322,000	295,781	178,422
School crossing guard	20,000	19,231	19,344
Workers' compensation	194,000	226,800	188,380
Medicare	40,000	48,384	37,230
Road and bridge	163,000	154,783	148,470
Tax increment financing fund	3,591,000	3,142,158	2,987,252
Total primary government	\$ 5,866,000	\$ 5,282,143	\$ 5,315,876
Component Units:			
Effingham Public Library fund	\$ 892,000	\$ 854,980	\$ 824,302
Police pension fund	780,000	601,582	456,129
Firefighter's pension fund	630,000	542,420	545,385
Total component units	\$ 2,302,000	\$ 1,998,982	\$ 1,825,816
Total reporting entity	\$ 8,168,000	\$ 7,281,125	\$ 7,141,692

**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, 2016 are as follows:

	Transfers In				Totals
	General Fund	TIF Fund	Capital Projects	Non-major Proprietary	
<u>Transfers out:</u>					
General fund	\$ -	\$ -	\$ 1,344,600	\$ 8,440	\$ 1,353,040
Revolving loan fund	-	-	154,648	-	154,648
Tax increment financing	-	-	1,221,109	-	1,221,109
Capital projects fund	5	249,468	-	-	249,473
Non-major governmental	20,700	-	360,080	-	380,780
	<u>20,705</u>	<u>249,468</u>	<u>3,080,437</u>	<u>8,440</u>	<u>3,359,050</u>
Total	<u>\$ 20,705</u>	<u>\$ 249,468</u>	<u>\$ 3,080,437</u>	<u>\$ 8,440</u>	<u>\$ 3,359,050</u>

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 of Effingham's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

Benefits Provided

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

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Benefits Provided (Continued)

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

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

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

Employees Covered by Benefit Plans

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	99
Inactive plan members entitled to but not yet receiving benefits	62
Active plan members	84
	245

Contributions

As set by statute, the City of Effingham's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City of Effingham's annual contribution rate for calendar year 2015 was 15.90%. For the calendar year ended 2015, the City of Effingham contributed \$628,925 to the plan. The City of Effingham also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Net Pension Liability

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

Actuarial Assumptions

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

- The Actuarial Cost Method used was Aggregate Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates that are specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25 - 8.50%
Cash Equivalents	1%	2.25%
 Total	 <u>100%</u>	

Single Discount Rate

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

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

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

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 32,514,570	\$28,433,062	\$ 4,081,508
Changes for the year:			
Service cost	435,326	-	435,326
Interest of the total pension liability	2,389,526	-	2,389,526
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(759,622)	-	(759,622)
Changes in assumptions	40,372	-	40,372
Contributions - employer	-	628,925	(628,925)
Contributions - employees	-	245,039	(245,039)
Net investment income	-	359,391	(359,391)
Benefit payments, including refunds of employee contributions	(1,577,877)	(1,577,877)	-
Other (net transfer)	-	(50,573)	50,573
Net changes	527,725	(395,095)	922,820
Balances at December 31, 2015	\$ 33,042,295	\$28,037,967	\$ 5,004,328

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.47%	Current Discount 7.47%	1% Higher 8.47%
Net pension liability	\$ 9,390,922	\$ 5,004,325	\$ 1,398,507

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2016, the City of Effingham recognized pension expense of \$376,605. At April 30, 2016, The City of Effingham reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Outflows of Resources
Deferred amounts to be recognized in pension expense in future periods		
Differences between expected and actual experience	\$ -	\$ 565,166
Changes of assumptions	30,037	-
Net difference between projected and actual earnings on pension plan investments	1,384,979	-
Total deferred amounts to be recognized in pension expense in future periods	\$ 1,415,016	\$ 565,166

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

Year Ending December 31,	Net Deferred Outflows of Resources
2016	\$ 162,124
2017	162,124
2018	179,358
2019	346,244
Total	\$ 849,850

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund

*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, 2016, Police Pension Plan membership consisted of:

Active members	22	
Retirees and beneficiaries	21	
Inactive, non-retired members	-	
Total	43	

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (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. 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 2040. For the fiscal year ended April 30, 2016, the City contributed \$618,018 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, 2016, the annual money weighted rate of return is 0.10%. 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, 2016. 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, 2016:

- 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.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (Continued)

- 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.

*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. 2066 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**

15 . EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (Continued)

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

	April 30, 2016
Total pension liability:	
Service cost	\$ 412,725
Interest on the total pension liability	1,311,743
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	201,440
Changes of assumptions	-
Benefit payments	(888,995)
Net change in total pension liability	1,036,913
Total pension liability - beginning of period	19,840,691
Total pension liability - end of period	\$ 20,877,604
Plan fiduciary net position:	
Employer contributions	\$ 618,018
Member contributions	146,396
Net investment income	12,452
Benefit payments	(888,995)
Other - admin expenses	(20,884)
Net change in plan fiduciary net position	(133,013)
Plan fiduciary net position - beginning of year	14,381,041
Plan fiduciary net position - end of year	\$ 14,248,028
Net pension liability	\$ 6,629,576
Plan fiduciary net position as a percentage of total pension liability	68.25%
Covered valuation payroll	\$ 1,435,206
Net pension liability as a percentage of covered valuation payroll	461.93%

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (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	\$ 23,595,971	\$ 20,877,604	\$ 18,627,444
Plan fiduciary net position	14,248,028	14,248,028	14,248,028
Net pension liability	\$ 9,347,943	\$ 6,629,576	\$ 4,379,416

Firefighters Pension Fund

*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**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

*Benefits Provided* (Continued)

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. The Firefighters' 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, 2016, 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, 2016, the City contributed \$550,492 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

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

For the year ended April 30, 2016, the annual money weighted rate of return is -0.59%. 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, 2016. 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, 2016:

- 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**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (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. 2066 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**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

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

	April 30, 2016
Total pension liability:	
Service cost	\$ 330,995
Interest on the total pension liability	908,974
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(26,429)
Changes of assumptions	-
Benefit payments	(715,839)
Net change in total pension liability	497,701
Total pension liability - beginning of period	13,794,375
Total pension liability - end of period	\$ 14,292,076
Plan fiduciary net position:	
Employer contributions	\$ 550,492
Member contributions	107,469
Net investment income	(53,366)
Benefit payments	(715,839)
Other - admin expenses	(19,636)
Net change in plan fiduciary net position	(130,880)
Plan fiduciary net position - beginning of year	8,997,877
Plan fiduciary net position - end of year	\$ 8,866,997
Net pension liability	\$ 5,425,079
Plan fiduciary net position as a percentage of total pension liability	62.04%
Covered valuation payroll	\$ 1,087,290
Net pension liability as a percentage of covered valuation payroll	498.95%

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (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 <u>5.75%</u>	Current Single Discount Rate Assumption <u>6.75%</u>	1% Increase <u>7.75</u>
Total pension liability	\$ 16,112,532	\$ 14,292,076	\$ 12,777,978
Plan fiduciary net position	<u>8,866,997</u>	<u>8,866,997</u>	<u>8,866,997</u>
Net pension liability	<u>\$ 7,245,535</u>	<u>\$ 5,425,079</u>	<u>\$ 3,910,981</u>

16. 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 2016, the City contributed \$187,585 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 \$663 and \$517; retiree/spouse-\$1,300 and \$1,013; retiree/child-\$1,242 and \$967; and family-\$1,879 and \$1,464, respectively. The Medicare primary monthly cost of the health plan for a retiree is \$377 and a retiree/spouse is \$753.

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

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

16. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 190,538
Adjustment to annual required contribution	<u>(1,814)</u>
Annual OPEB cost (expense)	188,724
Contributions made	<u>(187,585)</u>
Increase in net OPEB obligation	1,139
Net OPEB obligation - May 1, 2015	<u>754,626</u>
Net OPEB obligation - April 30, 2016	<u><u>\$ 755,765</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, 2016 was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2016	\$ 188,724	99.40%	\$ 755,765
4/30/2015	425,413	45.59%	754,626
4/30/2014	440,572	46.09%	523,155

Funded Status and Funding Progress

As of May 1, 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.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

16. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 May 1, 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.

17. RESTATEMENT OF NET POSITION

The City has restated net position of its governmental activities and business-type activities as of April 30, 2015. Net position was restated to present a net pension liability and the related deferred outflows of resources in accordance with Governmental Accounting Standards Board Statement No. 68.

Net position of the City's governmental funds was also restated for a correction of an error in a prior period resulting from incorrect grant revenue received for a capital project.

**CITY OF EFFINGHAM, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

17. RESTATEMENT OF NET POSITION (Continued)

Restated net position is calculated as follows:

	Governmental Activities	Business-type Activities	Proprietary Fund		Component Unit
			Water	Sewer	
Net position at April 30, 2015	\$ 59,340,160	\$ 26,813,877	\$ 14,829,871	\$ 11,980,865	\$ 3,101,061
Incorrect grant revenue	(102,031)	-	-	-	-
Recognition of pension liability-IMRF	(2,612,165)	(1,102,007)	(653,041)	(448,966)	(367,336)
Recognition of pension-related					
deferred outflow of resources-IMRF	124,003	52,315	31,002	21,313	17,438
Recognition of pension liability-police pension	(5,459,650)	-	-	-	-
Recognition of pension-related					
deferred outflow of resources-police pension	1,345,474	-	-	-	-
Recognition of pension-related					
deferred inflow of resources-police pension	(580,660)	-	-	-	-
Recognition of pension liability-fire pension	(4,796,498)	-	-	-	-
Recognition of pension-related					
deferred outflow of resources-fire pension	985,192	-	-	-	-
Recognition of pension-related					
deferred inflow of resources-fire pension	(161,609)	-	-	-	-
Removal of IMRF net pension obligation	441,306	202,439	124,552	77,887	66,607
Net position, as restated, at April 30, 2015	<u>\$ 48,523,522</u>	<u>\$ 25,966,624</u>	<u>\$ 14,332,384</u>	<u>\$ 11,631,099</u>	<u>\$ 2,817,770</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EFFINGHAM, ILLINOIS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**(UNAUDITED)**  
**For the year ended April 30, 2016**

Calendar Year Ending December 31,	<u>2015</u>
Total pension liability:	
Service cost	\$ 435,326
Interest on the total pension liability	2,389,526
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(759,622)
Changes of assumptions	40,372
Benefit payments, including refunds of employee contributions	<u>(1,577,877)</u>
Net change in total pension liability	527,725
Total pension liability - beginning	<u>32,514,570</u>
Total pension liability - ending (A)	<u>\$33,042,295</u>
Plan fiduciary net position:	
Contributions - employer	\$ 628,925
Contributions - employee	245,039
Net investment income	359,391
Benefit payments, including refunds of employee contributions	(1,577,877)
Other (net transfers)	<u>(50,573)</u>
Net change in plan fiduciary net position	(395,095)
Plan fiduciary net position - beginning	<u>28,433,062</u>
Plan fiduciary net position - ending (B)	<u>\$28,037,967</u>
Net pension liability - ending (A) - (B)	\$ 5,004,328
Plan fiduciary net position as a percentage of total pension liability	84.85%
Covered valuation payroll	\$ 3,955,654
Net pension liability as a percentage of covered valuation payroll	126.51%

**CITY OF EFFINGHAM, ILLINOIS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**(UNAUDITED)**

**Notes to Schedule**

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

<u>Calendar Year</u> Ending <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered Valuation Payroll</u>
2015	\$ 627,367	\$ 628,925	\$ (1,558)	\$3,955,654	15.90%

**Notes to Schedule:**

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

***Valuation Date:***

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

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**CITY OF EFFINGHAM, ILLINOIS**

**ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(UNAUDITED)**

Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

There were no benefit changes during the year.

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

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

**CITY OF EFFINGHAM, ILLINOIS**

**POLICE PENSION FUND  
SCHEDULES OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS  
(UNAUDITED)  
For the year ended April 30,**

	2016	2015
Total pension liability:		
Service cost	\$ 412,725	\$ 407,508
Interest on the total pension liability	1,311,743	1,199,772
Changes of benefit terms	-	-
Difference between expected and actual experience of the total pension liability	201,440	(651,652)
Changes of assumptions	-	1,552,606
Benefit payments	(888,995)	(815,909)
Net change in total pension liability	1,036,913	1,692,325
Total pension liability - beginning of period	19,840,690	18,148,365
Total pension liability - end of period	\$ 20,877,603	\$ 19,840,690
Plan fiduciary net position:		
Member contributions	\$ 146,396	\$ 142,384
Employer contributions	618,018	472,239
Net investment income	12,452	973,618
Benefit payments	(888,995)	(815,909)
Other - admin expenses	(20,884)	(15,418)
Net change in plan fiduciary net position	(133,013)	756,914
Plan fiduciary net position - beginning of year	14,381,040	13,624,126
Plan fiduciary net position - end of year	\$ 14,248,027	\$ 14,381,040
Net pension liability	\$ 6,629,576	\$ 5,459,650
Plan fiduciary net position as a percentage of total pension liability	68.25%	72.48%
Covered valuation payroll	\$ 1,435,206	\$ 1,408,610
Net pension liability as a percentage of covered valuation payroll	461.93%	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**

	2016
Annual money-weighted rate of return, net of investment expenses	0.10%

**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
2016	\$ 822,649	\$ 618,018	\$ 204,631	\$1,435,206	43.06%
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**

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Dollar
<b>Amortization Period</b>	Ends in fiscal year 2041
<b>Asset Valuation Method</b>	5-year smoothed market, no corridor
<b>Salary Increases</b>	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
<b>Payroll Growth</b>	3.50% 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**  
**FIREFIGHTER'S PENSION FUND**  
**SCHEDULES OF CHANGES IN NET PENSION**  
**AND RELATED RATIOS**  
**(UNAUDITED)**  
**For the year ended April 30,**

	2016	2015
Total pension liability:		
Service cost	\$ 330,995	\$ 322,646
Interest on the total pension liability	908,974	821,050
Changes of benefit terms	-	-
Difference between expected and actual experience of the total pension liability	(26,429)	(183,627)
Changes of assumptions	-	1,048,345
Benefit payments	(715,839)	(697,361)
Net change in total pension liability	497,701	1,311,053
Total pension liability - beginning of period	13,794,375	12,483,322
Total pension liability - end of period	\$ 14,292,076	\$ 13,794,375
Plan fiduciary net position:		
Member contributions	\$ 107,469	\$ 100,923
Employer contributions	550,492	553,371
Net investment income	(53,366)	496,134
Benefit payments	(715,839)	(697,361)
Other - admin expenses	(19,636)	(13,123)
Net change in plan fiduciary net position	(130,880)	439,944
Plan fiduciary net position - beginning of year	8,997,877	8,557,933
Plan fiduciary net position - end of year	\$ 8,866,997	\$ 8,997,877
Net pension liability	\$ 5,425,079	\$ 4,796,498
Plan fiduciary net position as a percentage of total pension liability	62.04%	65.23%
Covered valuation payroll	\$ 1,087,290	\$ 1,060,692
Net pension liability as a percentage of covered valuation payroll	498.95%	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**

	<b>2016</b>
Annual money-weighted rate of return, net of investment expenses	-0.59%

**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
2016	\$ 663,249	\$ 550,492	\$ 112,757	\$1,087,290	50.63%
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**

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Dollar
<b>Amortization Period</b>	Ends in fiscal year 2041
<b>Asset Valuation Method</b>	5-year smoothed market, no corridor
<b>Salary Increases</b>	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
<b>Payroll Growth</b>	3.50% 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)			
05/01/15	\$ -	\$ 2,510,303	\$ 2,510,303	0.00%	\$ 5,730,721	43.80%
05/01/14	-	2,523,543	2,523,543	0.00%	5,536,929	45.58%
05/01/13	-	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, 2016**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 10,909,800	\$ 11,657,001	\$ 747,201
Licenses and permits	99,100	100,594	1,494
Intergovernmental grants	395,300	68,780	(326,520)
Charges for services	244,500	158,977	(85,523)
Fines and forfeitures	120,100	97,221	(22,879)
Investment income	14,300	26,432	12,132
Contributions and miscellaneous revenues	129,300	105,399	(23,901)
Total revenues	<u>11,912,400</u>	<u>12,214,404</u>	<u>302,004</u>
Expenditures:			
Current:			
General government	1,749,670	1,278,696	470,974
Public safety	6,113,300	5,561,379	551,921
Public works	1,633,450	1,794,977	(161,527)
Health and welfare	706,600	705,818	782
Economic development	593,100	369,631	223,469
Capital outlay	912,450	432,642	479,808
Debt service:			
Principal	641,700	641,700	-
Interest and fiscal charges	7,290	7,283	7
Total expenditures	<u>12,357,560</u>	<u>10,792,126</u>	<u>1,565,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(445,160)</u>	<u>1,422,278</u>	<u>1,867,438</u>
Other financing sources (uses):			
Operating transfers in	23,820	20,705	(3,115)
Operating transfers out	(1,938,340)	(1,353,040)	585,300
Sale of property	20,000	329,168	309,168
Total other financing sources (uses)	<u>(1,894,520)</u>	<u>(1,003,167)</u>	<u>891,353</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (2,339,680)</u>	419,111	<u>\$ 2,758,791</u>
Fund balances, beginning of year		<u>6,534,720</u>	
Fund balances, end of year		<u>\$ 6,953,831</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, 2016**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 2,948,800	\$ 3,142,158	\$ 193,358
Investment income	10,000	24,873	14,873
Total revenues	2,958,800	3,167,031	208,231
Expenditures:			
Current:			
Economic development	6,802,685	3,712,975	3,089,710
Capital outlay	1,346,100	404,126	941,974
Debt service:			
Principal	-	150,000	(150,000)
Interest and fiscal charges	-	72,432	(72,432)
Total expenditures	8,148,785	4,339,533	3,809,252
Excess (deficiency) of revenues over (under) expenditures	(5,189,985)	(1,172,502)	4,017,483
Other financing sources (uses):			
Operating transfers in	6,857,646	249,468	(6,608,178)
Operating transfers out	(8,790,851)	(1,221,109)	7,569,742
Sale of property	2,612,690	-	(2,612,690)
Total other financing sources (uses)	679,485	(971,641)	(1,651,126)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (4,510,500)	(2,144,143)	\$ 2,366,357
Fund balances, beginning of year		8,710,110	
Fund balances, end of year		\$ 6,565,967	

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CITY OF EFFINGHAM, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**April 30, 2016**

	<u>Revolving Loan Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Hotel/Motel Tax Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 1,094,855	\$ 560,672
Investments	-	-	522,443
Receivables	-	28,056	138,965
Prepaid expenditures	-	-	260
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 1,122,911</u>	<u>\$ 1,222,340</u>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 12,797
Compensated absences	-	-	2,949
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>15,746</u>
<b>Fund balances:</b>			
Nonspendable - prepaid expenditures	-	-	260
Restricted for:			
Culture and recreation	-	-	1,206,334
Highways and streets	-	1,122,911	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>-</u>	<u>1,122,911</u>	<u>1,206,594</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,122,911</u>	<u>\$ 1,222,340</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**April 30, 2016**

	Total Nonmajor Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,655,527
Investments	522,443
Receivables	167,021
Prepaid expenditures	<u>260</u>
Total assets	<u><u>\$ 2,345,251</u></u>
<b>Liabilities and fund balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 12,797
Compensated absences	<u>2,949</u>
Total liabilities	<u>15,746</u>
<b>Fund balances:</b>	
Nonspendable - prepaid expenditures	260
<b>Restricted for:</b>	
Culture and recreation	1,206,334
Highways and streets	<u>1,122,911</u>
Total fund balances	<u>2,329,505</u>
Total liabilities and fund balances	<u><u>\$ 2,345,251</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, 2016**

	Revolving Loan Fund	Motor Fuel Fund	Hotel/Motel Tax Fund
Revenues:			
Taxes	\$ -	\$ 315,336	\$ 975,484
Intergovernmental grants	-	-	106,261
Investment income	258	5,792	13,032
Miscellaneous income	-	-	31,655
Total revenues	258	321,128	1,126,432
Expenditures:			
Current:			
General government	-	1,603	-
Culture and recreation	-	-	963,086
Capital outlay	-	-	66,434
Debt service:			
Principal	-	-	181,402
Interest and fiscal charges	-	-	60,477
Total expenditures	-	1,603	1,271,399
Excess (deficiency) of revenues over (under) expenditures	258	319,525	(144,967)
Other financing (uses):			
Operating transfers (out)	(154,648)	(360,080)	(20,700)
Net change in fund balances	(154,390)	(40,555)	(165,667)
Fund balances, beginning of year	154,390	1,163,466	1,372,261
Fund balances, end of year	\$ -	\$ 1,122,911	\$ 1,206,594

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended April 30, 2016**

	<u>Total Nonmajor Funds</u>
Revenues:	
Taxes	\$ 1,290,820
Intergovernmental grants	106,261
Investment income	19,082
Miscellaneous income	<u>31,655</u>
Total revenues	<u>1,447,818</u>
Expenditures:	
Current:	
General government	1,603
Culture and recreation	963,086
Capital outlay	66,434
Debt service:	
Principal	181,402
Interest and fiscal charges	<u>60,477</u>
Total expenditures	<u>1,273,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>174,816</u>
Other financing (uses):	
Operating transfers (out)	<u>(535,428)</u>
Net change in fund balances	(360,612)
Fund balances, beginning of year	<u>2,690,117</u>
Fund balances, end of year	<u><u>\$ 2,329,505</u></u>

**STATISTICAL DATA**

**CITY OF EFFINGHAM, ILLINOIS**

**SCHEDULE OF INSURANCE COVERAGE  
(UNAUDITED)  
April 30, 2016**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Illinois Public Risk Fund (Arthur Gallagher)	1/1/2017	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)	12/31/2016	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)	12/31/2016	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)	12/31/2016	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)	12/31/2016	Building and Contents Coverage	
		As scheduled in policy, current total values	50,345,900
		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, 2016**

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Lloyds of London (Arthur Gallagher)	12/31/2016	Equipment Floaters (Inland Marine) As scheduled in policy, current total values Deductible	\$ 2,376,517 1,000
Lloyds of London (Arthur Gallagher)	12/31/2016	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	7,131,544 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)	12/31/2016	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)	12/31/2016	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, 2016**

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Westfield Insurance Co. (Weis Insurance Agency)	12/31/2016	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)	12/31/2016	Umbrella Coverage	
		Each occurrence limit	7,000,000
		General aggregate limit	7,000,000
Citizens Insurance Co. (Arthur Gallagher)	12/31/2016	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, 2016**

Assessed valuation, 2014 levy		\$ 256,949,308
Statutory debt limitation, 8.625% of assessed valuation		\$ 22,161,878
Total debt:		
General obligation bond	(3,350,000)	
Refunding bond	(2,155,000)	
Advanced refunding bond	(3,925,000)	
Notes payable	<u>(2,613,571)</u>	
Total debt		(12,043,571)
Less debt exempt from statutory debt limitation computation:		
General obligation bond	3,350,000	
Refunding bond	2,155,000	
Advanced refunding bond	<u>3,925,000</u>	
Total debt exempt from statutory debt limitation		<u>9,430,000</u>
Legal debt margin		<u><u>\$ 19,548,307</u></u>

**CITY OF EFFINGHAM, ILLINOIS**

**MISCELLANEOUS STATISTICS  
(UNAUDITED)  
April 30, 2016**

	<u>Water</u>
Number of metered customers, April 30, 2016	5,258
Number of unmetered customers, April 30, 2016	<u>-</u>
Total customers, April 30, 2016	<u><u>5,258</u></u>
Gallons of water pumped	614,912,000
Less amount used to wash filter	<u>(19,087,000)</u>
Gallons of water available	<u><u>595,825,000</u></u>
	<u>Sewer</u>
Number of metered customers, April 30, 2016	4,927
Number of unmetered customers, April 30, 2016	<u>-</u>
Total customers, April 30, 2016	<u><u>4,927</u></u>
Gallons of water billed	<u><u>515,649,204</u></u>
Gallons received at wastewater plant	<u><u>917,663,000</u></u>
Number of customers discharging non-domestic wastes	<u><u>136</u></u>
Gallons of non-domestic wastes discharged	<u><u>86,599,170</u></u>