

CITY OF EFFINGHAM, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2017

CITY OF EFFINGHAM, ILLINOIS

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CITY OF EFFINGHAM, ILLINOIS

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CITY OF EFFINGHAM, ILLINOIS

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Mayor Jeff Bloemker
Comnr. Merv Gillenwater
Comnr. Don Althoff
Comnr. Kevin Willis
Comnr. Kevin Esker

December 19, 2017

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, 2017

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, 2017.

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, 2017 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, 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component for the financial section of this report.

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

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

Crossroads of Opportunity

Profile of Government

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

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

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

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

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

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

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

Financial Planning & Control

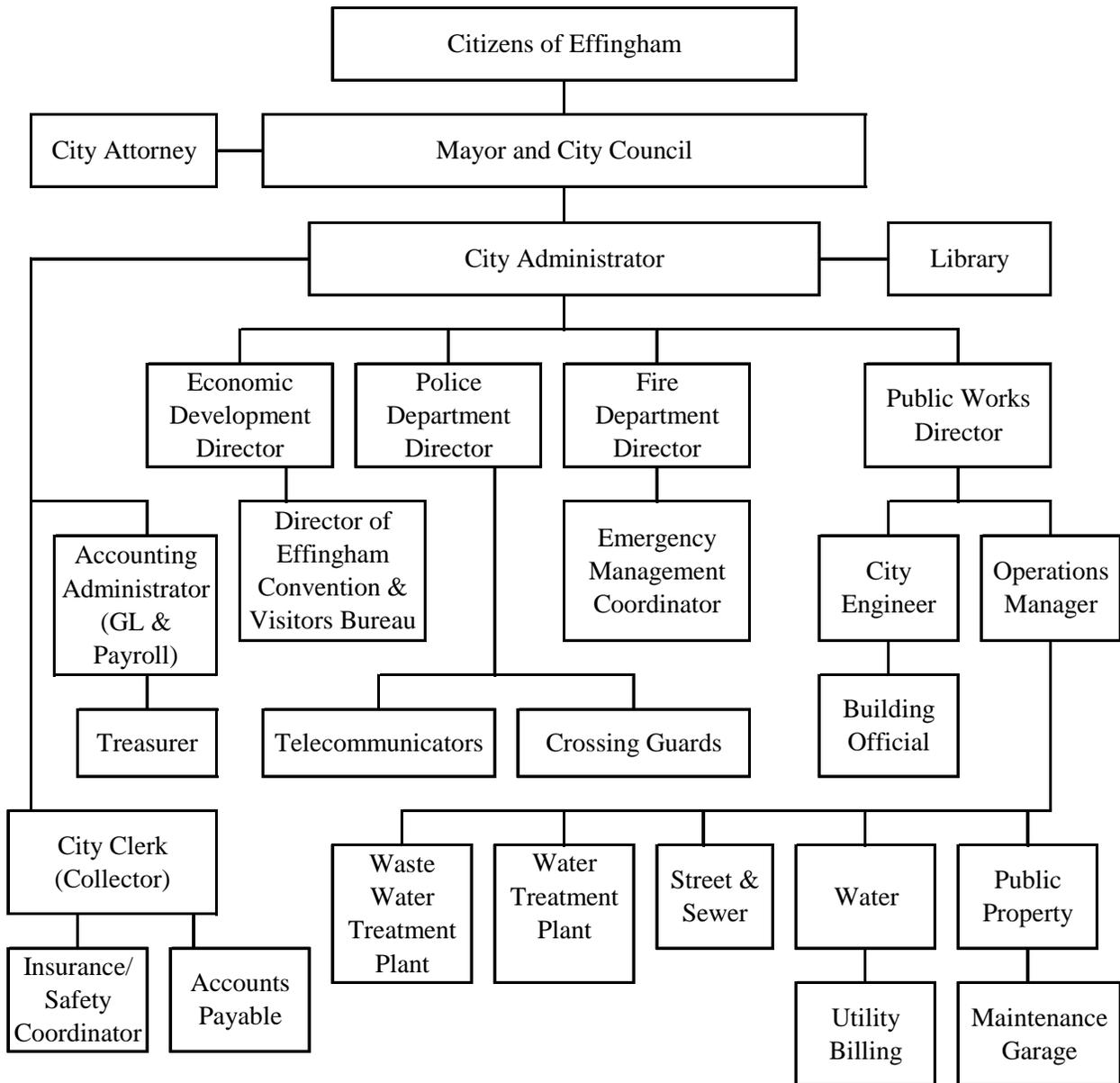
The budget serves as the foundation for the City's planning and control. The City's fiscal year begins May 1st and ends April 30th.

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

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

CITY OF EFFINGHAM, ILLINOIS

ORGANIZATIONAL CHART



CITY OF EFFINGHAM, ILLINOIS

**LIST OF ELECTED AND APPOINTED OFFICIALS
April 30, 2017**

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
Jeff Fuesting, Chief of Police

FINANCIAL SECTION

WEST & COMPANY, LLC

MEMBERS

BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE
DAVID W. FALLER
ALEXANDER M. HAGEN

CERTIFIED PUBLIC ACCOUNTANTS
&
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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, 2017, 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, 2017, 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 96 through 109 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 section 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 data section 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 December 19, 2017, 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
December 19, 2017

WEST & COMPANY, LLC

MEMBERS

BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE
DAVID W. FALLER
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Effingham, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Effingham, Illinois as of and for the year ended April 30, 2017, 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 December 19, 2017.

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 2017-001,

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 December 19, 2017.

City of Effingham, Illinois' Response to Finding

The City of Effingham, Illinois' response to the finding 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
December 19, 2017

CITY OF EFFINGHAM, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the year ended April 30, 2017**

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, 2017**

Section II: Financial Statement Findings

Finding No.: 2017-001 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 sufficient expertise and competence to prepare and/or thoroughly 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 CURRENT YEAR AUDIT FINDINGS
For the year ended April 30, 2017

Corrective Action Plan

Finding No.: 2017-001

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, 2017

Audit Finding Reference: 2016-001, 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.

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, 2017. 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 \$120,729,959 and liabilities and deferred inflows of resources of \$47,978,490, resulting in net position of \$72,751,469 as of April 30, 2017. Of the net position, \$69,988,319 represents the City's net investment in capital assets, \$4,798,067 is held for restricted purposes, and -\$2,034,917 is available to meet the City's ongoing obligations to its citizens and creditors.
- During FY 2017, The City continued to effectuate the projects and purchases within the City's approved capital improvements plan. The projects included the Pike Avenue Improvements, the completion of North Raney Street, completion of Park Street Reconstruction, completion of the West Fayette Water Main Replacement, completion of the Industrial TIF 2015 Water Main Replacement, completion of the Carbon /CO2 tank, completion of the Airport Road Lift Station, completion of the 3rd Street Sanitary Sewer Relocation, and the start of the Police Station construction.
- The City issued bonds in the amount of \$9,415,000 to fund the construction of a new Police Station.
- Sale of a portion of the Bourgeois Property in the current year.
- 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 nine 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, the Capital Projects fund, and the Debt Service 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. The required supplementary information with regards to the pensions can be found on pages 96 - 107 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 108 - 109 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 110 - 113 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 \$72,751,469 at the close of the most recent fiscal year.

By far the largest portion of the City of Effingham's net position (96%) 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit of unrestricted net position is \$2,034,917.

The primary government's net position decreased by \$117,318. However, this is an increase from the prior year decrease in net position of \$1,621,360. The increase is caused by a prior year property distribution and an increase in property taxes, offset by increased sewer relining and rehabilitation maintenance, increased public safety personnel costs, and a loss on the sale of assets.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 31,726,659	\$ 26,318,265	\$ 6,031,631	\$ 5,437,517	\$ 37,758,290	\$ 31,755,782
Capital assets (net)	46,309,565	44,183,064	32,150,584	31,345,658	78,460,149	75,528,722
Total assets	<u>\$ 78,036,224</u>	<u>\$ 70,501,329</u>	<u>\$ 38,182,215</u>	<u>\$ 36,783,175</u>	<u>\$ 116,218,439</u>	<u>\$ 107,284,504</u>
Deferred outflows of resources	<u>\$ 3,861,943</u>	<u>\$ 4,485,690</u>	<u>\$ 649,577</u>	<u>\$ 741,140</u>	<u>\$ 4,511,520</u>	<u>\$ 5,226,830</u>
Current liabilities	\$ 935,031	\$ 1,165,008	\$ 210,225	\$ 329,260	\$ 1,145,256	\$ 1,494,268
Non-current liabilities	30,576,292	22,064,852	8,241,106	9,213,713	38,817,398	31,278,565
Total liabilities	<u>\$ 31,511,323</u>	<u>\$ 23,229,860</u>	<u>\$ 8,451,331</u>	<u>\$ 9,542,973</u>	<u>\$ 39,962,654</u>	<u>\$ 32,772,833</u>
Deferred inflows of resources	<u>\$ 7,836,177</u>	<u>\$ 6,717,120</u>	<u>\$ 179,659</u>	<u>\$ 152,594</u>	<u>\$ 8,015,836</u>	<u>\$ 6,869,714</u>
Net investment in capital assets	\$ 44,096,714	\$ 41,783,494	\$ 25,891,605	\$ 24,210,812	\$ 69,988,319	\$ 65,994,306
Restricted	4,798,067	9,004,562	-	-	4,798,067	9,004,562
Unrestricted	(6,344,114)	(5,748,017)	4,309,197	3,617,936	(2,034,917)	(2,130,081)
Total net position	<u>\$ 42,550,667</u>	<u>\$ 45,040,039</u>	<u>\$ 30,200,802</u>	<u>\$ 27,828,748</u>	<u>\$ 72,751,469</u>	<u>\$ 72,868,787</u>
Total net position as a % of total liabilities and deferred inflows of resources	108.14%	150.40%	349.91%	287.03%	151.63%	183.81%
Unrestricted net position as a % of total liabilities and deferred inflows of resources	-16.12%	-19.19%	49.93%	37.32%	-4.24%	-5.37%

Governmental activities

Governmental activities decreased the City of Effingham's net position by \$2,489,372, thus decreasing the net position of the City of Effingham by almost 3.40 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 \$2,372,055, thus increasing the net position of the City of Effingham by 3.20 percent. Key elements of this increase are shown on the schedule on the next page.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 429,948	\$ 356,792	\$ 5,714,426	\$ 5,490,751	\$ 6,144,374	\$ 5,847,543
Operating grants and contributions	156,685	171,741	983,621	-	1,140,306	171,741
Capital grants and contributions	577,192	1,776,439	1,984,567	1,972,999	2,561,759	3,749,438
General revenue:						
Property taxes	7,247,559	6,450,511	-	-	7,247,559	6,450,511
Sales taxes	7,256,839	6,877,828	-	-	7,256,839	6,877,828
Income taxes	1,162,380	1,260,992	-	-	1,162,380	1,260,992
Motor fuel taxes	312,472	315,336	-	-	312,472	315,336
Hotel/motel taxes	938,166	975,484	-	-	938,166	975,484
Utility taxes	436,999	432,673	-	-	436,999	432,673
Other taxes	919,340	871,339	-	-	919,340	871,339
Unrestricted investment earnings	86,060	83,769	11,883	12,363	97,943	96,132
Other revenues	232,751	148,171	-	-	232,751	148,171
Gain (loss) on sale of capital assets	(423,805)	329,168	-	1,472	(423,805)	330,640
Total revenue	<u>19,332,586</u>	<u>20,050,243</u>	<u>8,694,497</u>	<u>7,477,585</u>	<u>28,027,083</u>	<u>27,527,828</u>
Expenses:						
General government	1,942,517	1,118,539	-	-	1,942,517	1,118,539
Public safety	6,779,540	5,999,304	-	-	6,779,540	5,999,304
Public works	4,637,943	5,123,444	-	-	4,637,943	5,123,444
Health and welfare	-	875,888	-	-	-	875,888
Culture and recreation	1,057,005	4,048,744	-	-	1,057,005	4,048,744
Economic development	4,792,845	4,086,935	-	-	4,792,845	4,086,935
Interest on long-term debt	292,192	130,212	-	-	292,192	130,212
Retirement	2,285,979	2,147,284	-	-	2,285,979	2,147,284
Water	-	-	3,069,981	3,130,428	3,069,981	3,130,428
Sewer	-	-	3,286,398	2,488,410	3,286,398	2,488,410
Total expenses	<u>21,788,021</u>	<u>23,530,350</u>	<u>6,356,379</u>	<u>5,618,838</u>	<u>28,144,400</u>	<u>29,149,188</u>
Change in net position before transfers	(2,455,435)	(3,480,107)	2,338,118	1,858,747	(117,317)	(1,621,360)
Transfers	<u>(33,937)</u>	<u>(3,376)</u>	<u>33,937</u>	<u>3,376</u>	<u>-</u>	<u>-</u>
Change in net position	(2,489,372)	(3,483,483)	2,372,055	1,862,123	(117,317)	(1,621,360)
Net position, beginning of year	<u>45,040,039</u>	<u>48,523,522</u>	<u>27,828,747</u>	<u>25,966,624</u>	<u>72,868,786</u>	<u>74,490,146</u>
Net position, end of year	<u>\$ 42,550,667</u>	<u>\$ 45,040,039</u>	<u>\$ 30,200,802</u>	<u>\$ 27,828,747</u>	<u>\$ 72,751,469</u>	<u>\$ 72,868,786</u>

Financial Analysis of the Governments' Funds

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

Government funds

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

At the end of the current fiscal year, the City of Effingham's governmental funds reported combined ending fund balances of \$23,376,102, an increase of \$5,090,627 in comparison with the prior year. The majority of the fund balance, \$16,522,479 constitutes restricted fund balance. The remainder of the fund balance is nonspendable, \$79,026 and unassigned, \$6,774,597.

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 \$6,774,597, while total fund balance was \$7,229,927. 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 60 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 \$2,690,272 during the current fiscal year to \$3,875,695.

During the current fiscal year, the General Fund's property tax revenues increased by \$122,934.

BUDGETARY HIGHLIGHTS

The original 2017 General fund budget authorized expenditures and other financing uses of \$15,250,405 funded by anticipated revenues and other financing sources of \$13,117,825 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$2,132,580. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$276,096, a positive budget to actual variance of \$2,408,676.

The original 2017 Tax Increment Financing fund budget authorized expenditures and other financing uses of \$7,913,245 funded by anticipated revenues and other financing sources of \$3,369,700 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$4,543,545. The actual amount of expenditures and other financing uses over revenues and other financing was \$2,690,272, a positive budget to actual variance of \$1,853,273. This variance is the result of less operating transfers out.

CAPITAL ASSETS AND DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2017, amounts to approximately \$78 million, net of accumulated depreciation. This investment includes land, buildings and system, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 4 percent (5 percent increase for governmental activities and a 2.5 percent increase for business-type activities).

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

- Pike Avenue Improvements
- Completion of North Raney Street
- Completion of the Park Street Reconstruction
- Completion of Water Treatment Plant improvements
- Completion of several water main replacement projects
- Completion of the 3rd Street Sanitary Sewer Relocation
- Start of the Police Station Construction

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

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,490,417	\$ 138,222	\$ 5,628,639
Buildings and system Improvements	7,217,148	30,631,528	37,848,676
Machinery and equipment	1,102,441	421,770	1,524,211
Infrastructure	1,850,621	672,984	2,523,605
Construction in progress	25,871,826	-	25,871,826
	4,777,112	286,080	5,063,192
	<u>\$ 46,309,565</u>	<u>\$ 32,150,584</u>	<u>\$ 78,460,149</u>

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$20,234,384. Notes payable at year end was \$2,462,851, 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, the new police station and refinance prior debt.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes payable and other debt	\$ 2,212,851	\$ 250,000	\$ 2,462,851
General obligation bonds	11,712,488	750,000	12,462,488
Refunding bonds	-	5,526,533	5,526,533
	<u>\$ 13,925,339</u>	<u>\$ 6,526,533</u>	<u>\$ 20,451,872</u>

Net Pension Liability

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
IMRF net pension liability	\$ 3,046,002	\$ 1,285,032	\$ 4,331,034
Firefighter's net pension liability	5,659,712	-	5,659,712
Police net pension liability	5,864,350	-	5,864,350
	<u>\$ 14,570,064</u>	<u>\$ 1,285,032</u>	<u>\$ 15,855,096</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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Assets:				
Cash and cash equivalents	\$ 19,651,460	\$ 4,860,604	\$ 24,512,064	\$ 600,531
Receivables, net	8,727,685	863,115	9,590,800	918,000
Investments, at fair value	2,294,029	-	2,294,029	
Internal balances	6,311	(6,311)	-	-
Inventories	-	206,843	206,843	-
Prepays	79,645	31,830	111,475	7,024
Restricted assets:				
Cash	967,529	75,550	1,043,079	704,431
Capital assets (net of accumulated depreciation):				
Land	5,490,417	138,222	5,628,639	-
Buildings and system	7,217,148	30,631,528	37,848,676	6,862,462
Improvements	1,102,441	421,770	1,524,211	59,496
Machinery and equipment	1,850,621	672,984	2,523,605	-
Infrastructure	25,871,826	-	25,871,826	-
Construction in progress	4,777,112	286,080	5,063,192	-
Total assets	78,036,224	38,182,215	116,218,439	9,151,944
Deferred Outflows of Resources:				
Deferred amount on bond refunding	-	267,554	267,554	-
Deferred pensions	3,861,943	382,023	4,243,966	127,341
Total deferred outflows of resources	3,861,943	649,577	4,511,520	127,341

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

STATEMENT OF NET POSITION (Continued)
April 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Liabilities:				
Accounts payable	\$ 853,103	\$ 85,140	\$ 938,243	\$ 25,338
Accrued interest payable	81,928	49,535	131,463	8,567
Customer deposits	-	75,550	75,550	-
Noncurrent liabilities:				
Due within one year	1,471,938	1,105,662	2,577,600	66,549
Due in more than one year	29,104,354	7,135,444	36,239,798	1,724,579
Total liabilities	31,511,323	8,451,331	39,962,654	1,825,033
Deferred Inflows of Resources:				
Deferred property taxes	6,227,000	-	6,227,000	918,000
Deferred pensions	1,609,177	179,659	1,788,836	59,886
Total deferred inflows of resources	7,836,177	179,659	8,015,836	977,886
Net Position:				
Net investment in capital assets	44,096,714	25,891,605	69,988,319	6,921,959
Restricted for:				
Culture and recreation	971,259	-	971,259	-
Capital projects	1,427,540	-	1,427,540	-
Economic development	1,942,658	-	1,942,658	-
General government	155,649	-	155,649	495,813
Highways and streets	214,374	-	214,374	-
Public safety	86,587	-	86,587	-
Construction and repairs	-	-	-	208,620
Unrestricted	(6,344,114)	4,309,197	(2,034,917)	(1,150,026)
Total net position	\$ 42,550,667	\$ 30,200,802	\$ 72,751,469	\$ 6,476,366

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF ACTIVITIES
For the year ended April 30, 2017**

	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		
Functions/Programs:								
Primary government:								
Governmental activities:								
General government	\$ 1,942,517	\$ 325,298	\$ 16,200	\$ -	\$ (1,601,019)	\$ -	\$ (1,601,019)	
Public safety	6,779,540	45,605	18,867	-	(6,715,068)	-	(6,715,068)	
Public works	4,637,943	59,045	-	577,192	(4,001,706)	-	(4,001,706)	
Culture and recreation	1,057,005	-	121,618	-	(935,387)	-	(935,387)	
Economic development	4,792,845	-	-	-	(4,792,845)	-	(4,792,845)	
Retirement	2,285,979	-	-	-	(2,285,979)	-	(2,285,979)	
Interest on long-term debt	292,192	-	-	-	(292,192)	-	(292,192)	
Total governmental activities	21,788,021	429,948	156,685	577,192	(20,624,196)	-	(20,624,196)	
Business-type activities:								
Water	3,069,981	2,932,959	272,546	1,666,624	-	1,802,148	1,802,148	
Sewer	3,286,398	2,781,467	711,075	317,943	-	524,087	524,087	
Total business-type activities	6,356,379	5,714,426	983,621	1,984,567	-	2,326,235	2,326,235	
Total primary government	\$ 28,144,400	\$ 6,144,374	\$ 1,140,306	\$ 2,561,759	(20,624,196)	2,326,235	(18,297,961)	
Component unit:								
Library	\$ 1,047,428	\$ 68,747	\$ 12,628	\$ -				\$ (966,053)
General revenues:								
Property taxes					7,247,559	-	7,247,559	892,752
Sales taxes					7,256,839	-	7,256,839	-
Income taxes					1,162,380	-	1,162,380	-
Motor fuel taxes					312,472	-	312,472	-
Hotel/motel taxes					938,166	-	938,166	-
Utility taxes					436,999	-	436,999	-
Other taxes					919,340	-	919,340	33,454
Investment earnings					86,060	11,883	97,943	844
Other revenues					232,751	-	232,751	613,456
Gain (loss) on sale of capital assets					(423,805)	-	(423,805)	-
Transfers					(33,937)	33,937	-	-
Total general revenues and transfers					18,134,824	45,820	18,180,644	1,540,506
Change in net position					(2,489,372)	2,372,055	(117,317)	574,453
Net position, beginning of year					45,040,039	27,828,747	72,868,786	5,901,913
Net position, end of year					\$ 42,550,667	\$ 30,200,802	\$ 72,751,469	\$ 6,476,366

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2017**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 5,106,357	\$ 2,238,355	\$ 1,906,014
Receivables (net of allowance for uncollectibles)	4,380,562	4,023,515	-
Investments, at fair value	773,375	1,006,521	-
Prepaid expenditures	78,754	-	-
Due from other funds	358,788	115,202	13,062
Cash - restricted	388,346	579,183	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,086,182</u>	<u>\$ 7,962,776</u>	<u>\$ 1,919,076</u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:			
Liabilities:			
Accounts payable	\$ 434,992	\$ 67,081	\$ 242,896
Compensated absences	462,038	-	-
Due to other funds	-	-	248,640
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>897,030</u>	<u>67,081</u>	<u>491,536</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	2,959,225	4,020,000	-
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Nonspendable - prepaid expenditures	78,754	-	-
Restricted for:			
Culture and recreation	-	-	-
Economic development	-	3,875,695	-
General government	290,019	-	-
Capital projects	-	-	1,427,540
Highways and streets	-	-	-
Public safety	86,557	-	-
Unassigned	6,774,597	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>7,229,927</u>	<u>3,875,695</u>	<u>1,427,540</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 11,086,182</u>	<u>\$ 7,962,776</u>	<u>\$ 1,919,076</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
April 30, 2017**

	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 9,519,619	\$ 824,920	\$ 19,595,265
Receivables (net of allowance for uncollectibles)	-	323,607	8,727,684
Investments, at fair value	-	514,133	2,294,029
Prepaid expenditures	-	272	79,026
Due from other funds	-	-	487,052
Cash - restricted	-	-	967,529
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,519,619</u>	<u>\$ 1,662,932</u>	<u>\$ 32,150,585</u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ 92,084	\$ 837,053
Compensated absences	-	2,302	464,340
Due to other funds	-	213,161	461,801
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>307,547</u>	<u>1,763,194</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	-	32,064	7,011,289
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Nonspendable - prepaid expenditures	-	272	79,026
Restricted for:			
Culture and recreation	-	983,956	983,956
Economic development	-	124,719	4,000,414
General government	-	-	290,019
Capital projects	9,519,619	-	10,947,159
Highways and streets	-	214,374	214,374
Public safety	-	-	86,557
Unassigned	-	-	6,774,597
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,519,619</u>	<u>1,323,321</u>	<u>23,376,102</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 9,519,619</u>	<u>\$ 1,662,932</u>	<u>\$ 32,150,585</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, 2017

Total fund balances - total governmental funds	\$ 23,376,102
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.	46,302,982
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.	28,409
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.	2,252,766
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	784,289
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,193,881)</u>
Net position of governmental activities	<u>\$ 42,550,667</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, 2017**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 11,686,597	\$ 3,557,799	\$ -
Licenses and permits	134,793	-	-
Intergovernmental grants	35,067	-	577,192
Charges for services	204,588	-	-
Fines and forfeitures	90,567	-	-
Investment income	29,602	23,076	8,224
Miscellaneous revenues	183,872	10,383	-
	<u>12,365,086</u>	<u>3,591,258</u>	<u>585,416</u>
Expenditures:			
Current:			
General government	1,861,865	-	143,324
Public safety	6,319,661	-	-
Public works	1,504,624	-	788,411
Culture and recreation	-	-	-
Economic development	266,756	4,324,846	-
Capital outlay	1,390,201	494,336	3,941,761
Debt service:			
Principal	-	385,000	-
Interest and fiscal charges	-	69,096	-
Bond issuance costs	-	-	-
	<u>11,343,107</u>	<u>5,273,278</u>	<u>4,873,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,021,979</u>	<u>(1,682,020)</u>	<u>(4,288,080)</u>
Other financing sources (uses):			
Operating transfers in	-	-	3,311,385
Operating transfers out	(745,883)	(1,343,186)	(31,937)
Proceeds from bond issuance	-	-	-
Bond premium	-	-	-
Sale of property	-	334,934	-
	<u>(745,883)</u>	<u>(1,008,252)</u>	<u>3,279,448</u>
Net change in fund balances	276,096	(2,690,272)	(1,008,632)
Fund balances, beginning of year	<u>6,953,831</u>	<u>6,565,967</u>	<u>2,436,172</u>
Fund balances, end of year	<u>\$ 7,229,927</u>	<u>\$ 3,875,695</u>	<u>\$ 1,427,540</u>

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, 2017**

	Debt Services Fund	Other Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ -	\$ 1,572,273	\$ 16,816,669
Licenses and permits	-	-	134,793
Intergovernmental grants	-	121,618	733,877
Charges for services	-	-	204,588
Fines and forfeitures	-	-	90,567
Investment income	14,845	10,258	86,005
Miscellaneous revenues	-	31,040	225,295
	<u>14,845</u>	<u>1,735,189</u>	<u>18,291,794</u>
Expenditures:			
Current:			
General government		-	2,005,189
Public safety	-	-	6,319,661
Public works	-	-	2,293,035
Culture and recreation	-	961,418	961,418
Economic development	-	196,916	4,788,518
Capital outlay	-	116,844	5,943,142
Debt service:			
Principal	-	186,720	571,720
Interest and fiscal charges	-	55,159	124,255
Bond issuance costs	129,566	-	129,566
	<u>129,566</u>	<u>1,517,057</u>	<u>23,136,504</u>
Total expenditures			
	<u>129,566</u>	<u>1,517,057</u>	<u>23,136,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,721)</u>	<u>218,132</u>	<u>(4,844,710)</u>
Other financing sources (uses):			
Operating transfers in	-	-	3,311,385
Operating transfers out	-	(1,224,316)	(3,345,322)
Proceeds from bond issuance	9,415,000	-	9,415,000
Bond premium	219,340	-	219,340
Sale of property	-	-	334,934
	<u>9,634,340</u>	<u>(1,224,316)</u>	<u>9,935,337</u>
Total other financing sources (uses)			
	<u>9,634,340</u>	<u>(1,224,316)</u>	<u>9,935,337</u>
Net change in fund balances	9,519,619	(1,006,184)	5,090,627
Fund balances, beginning of year	<u>-</u>	<u>2,329,505</u>	<u>18,285,475</u>
Fund balances, end of year	<u>\$ 9,519,619</u>	<u>\$ 1,323,321</u>	<u>\$ 23,376,102</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, 2017**

Net change in fund balances - total governmental funds \$ 5,090,627

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

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

	5,943,142	
Capital outlay		
Depreciation expense	<u>(3,051,869)</u>	2,891,273

In the statement of activities, only the gain on the sale of property is reported, where as in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the sales. (758,741)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 30,245

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 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. (9,060,766)

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. (531,443)

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. (158,080)

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. 7,513

Change in net position of governmental activities \$ (2,489,372)

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

April 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,259,022	\$ 2,601,582	\$ 4,860,604	\$ 56,195
Receivables	418,515	444,600	863,115	-
Due from other funds	-	133,438	133,438	-
Inventories	206,843	-	206,843	-
Prepaid items	<u>17,561</u>	<u>14,269</u>	<u>31,830</u>	<u>619</u>
Total current assets	<u>2,901,941</u>	<u>3,193,889</u>	<u>6,095,830</u>	<u>56,814</u>
Noncurrent assets:				
Restricted cash and cash equivalents	<u>75,550</u>	<u>-</u>	<u>75,550</u>	<u>-</u>
Total restricted assets	<u>75,550</u>	<u>-</u>	<u>75,550</u>	<u>-</u>
Capital assets:				
Land	52,212	86,010	138,222	-
Buildings and system	38,407,021	27,854,891	66,261,912	-
Improvements	714,275	121,812	836,087	-
Machinery and equipment	998,634	2,072,128	3,070,762	51,373
Construction in progress	70,531	215,549	286,080	-
Less accumulated depreciation	<u>(20,278,045)</u>	<u>(18,164,434)</u>	<u>(38,442,479)</u>	<u>(44,790)</u>
Total capital assets (net of accumulated depreciation)	<u>19,964,628</u>	<u>12,185,956</u>	<u>32,150,584</u>	<u>6,583</u>
Total noncurrent assets	<u>20,040,178</u>	<u>12,185,956</u>	<u>32,226,134</u>	<u>6,583</u>
Total assets	<u>22,942,119</u>	<u>15,379,845</u>	<u>38,321,964</u>	<u>63,397</u>
Deferred Outflows of Resources:				
Deferred amount on bond refunding	267,554	-	267,554	-
Deferred pensions	<u>226,384</u>	<u>155,639</u>	<u>382,023</u>	<u>-</u>
Total deferred outflows of resources	<u>493,938</u>	<u>155,639</u>	<u>649,577</u>	<u>-</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUNDS
 April 30, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 35,931	\$ 49,209	\$ 85,140	\$ 16,048
Accrued interest payable	34,767	14,768	49,535	-
Due to other funds	13,062	145,627	158,689	-
Compensated absences	62,011	40,318	102,329	-
Customer deposits	75,550	-	75,550	-
Notes and bonds payable	<u>588,333</u>	<u>415,000</u>	<u>1,003,333</u>	<u>-</u>
Total current liabilities	<u>809,654</u>	<u>664,922</u>	<u>1,474,576</u>	<u>16,048</u>
Noncurrent liabilities:				
Notes and bonds payable	4,072,837	1,450,363	5,523,200	-
Compensated absences	123,986	80,613	204,599	-
IMRF net pension liability	761,500	523,532	1,285,032	-
Post-employment healthcare benefits obligation	<u>59,205</u>	<u>63,408</u>	<u>122,613</u>	<u>-</u>
Total noncurrent liabilities	<u>5,017,528</u>	<u>2,117,916</u>	<u>7,135,444</u>	<u>-</u>
Total liabilities	<u>5,827,182</u>	<u>2,782,838</u>	<u>8,610,020</u>	<u>16,048</u>
Deferred Inflows of Resources				
Deferred pensions	<u>106,465</u>	<u>73,194</u>	<u>179,659</u>	<u>-</u>
Net position:				
Net investment in capital assets	15,571,012	10,320,593	25,891,605	6,583
Unrestricted	<u>1,931,398</u>	<u>2,358,859</u>	<u>4,290,257</u>	<u>40,766</u>
Total net position	<u>\$ 17,502,410</u>	<u>\$ 12,679,452</u>	<u>30,181,862</u>	<u>\$ 47,349</u>
Adjustment to reflect the consolidation of internal service fund assets and liabilities related to enterprise funds			<u>18,940</u>	
Net position of business-type activities			<u>\$ 30,200,802</u>	

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, 2017**

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Operating revenues:				
Charges for services:				
Water sales, pledged as security for revenue bonds	\$ 2,808,425	\$ -	\$ 2,808,425	\$ -
Sewer sales	-	2,767,079	2,767,079	-
Tap and connecting fees	117,409	3,920	121,329	-
Other services	7,123	10,469	17,592	238,454
Total operating revenue	2,932,957	2,781,468	5,714,425	238,454
Operating expenses:				
Cost of sales and services	1,687,285	2,102,009	3,789,294	219,957
Administration and general	354,513	331,698	686,211	-
Depreciation	910,942	805,957	1,716,899	6,033
Total operating expenses	2,952,740	3,239,664	6,192,404	225,990
Operating income (loss)	(19,783)	(458,196)	(477,979)	12,464
Nonoperating revenues (expenses):				
Capital grants	638,911	-	638,911	-
Investment earnings	4,136	7,747	11,883	57
Interest expense	(119,119)	(49,864)	(168,983)	-
Total nonoperating revenues (expenses)	523,928	(42,117)	481,811	57
Income (loss) before contributions and transfers	504,145	(500,313)	3,832	12,521
Contributions	1,300,259	1,029,018	2,329,277	-
Transfers in	2,000	31,937	33,937	-
Change in net position	1,806,404	560,642	2,367,046	12,521
Total net position, beginning of year	15,696,006	12,118,810		34,828
Total net position, end of year	\$ 17,502,410	\$ 12,679,452		\$ 47,349
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			5,009	
Change in net position of business-type activities			\$ 2,372,055	

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended April 30, 2017

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,905,448	\$ 2,781,790	\$ 5,687,238	\$ 238,454
Payments to suppliers	(1,167,526)	(1,176,386)	(2,343,912)	(215,216)
Payments to employees	(639,433)	(708,423)	(1,347,856)	-
Net cash provided by operating activities	<u>1,098,489</u>	<u>896,981</u>	<u>1,995,470</u>	<u>23,238</u>
Cash flows from noncapital financing activities:				
Transfers in	<u>2,000</u>	<u>31,937</u>	<u>33,937</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>2,000</u>	<u>31,937</u>	<u>33,937</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Capital grants	638,911	-	638,911	-
Proceeds from long term debt	36,000	-	36,000	-
Purchase of capital assets	(761,967)	(414,198)	(1,176,165)	-
Principal paid on capital debt	(490,000)	(405,000)	(895,000)	-
Interest paid on capital debt	(114,349)	(83,111)	(197,460)	-
Net cash used by capital and related financing activities	<u>(691,405)</u>	<u>(902,309)</u>	<u>(1,593,714)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income received	<u>4,136</u>	<u>7,747</u>	<u>11,883</u>	<u>58</u>
Net increase in cash and cash equivalents	413,220	34,356	447,576	23,296
Cash and cash equivalents, beginning	<u>1,921,352</u>	<u>2,567,226</u>	<u>4,488,578</u>	<u>32,899</u>
Cash and cash equivalents, ending	<u>\$ 2,334,572</u>	<u>\$ 2,601,582</u>	<u>\$ 4,936,154</u>	<u>\$ 56,195</u>
Statement of net position (proprietary funds):				
Cash and cash equivalents	\$ 2,259,022	\$ 2,601,582	\$ 4,860,604	\$ 56,195
Restricted cash and cash equivalents	<u>75,550</u>	<u>-</u>	<u>75,550</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 2,334,572</u>	<u>\$ 2,601,582</u>	<u>\$ 4,936,154</u>	<u>\$ 56,195</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)

PROPRIETARY FUNDS

For the year ended April 30, 2017

	<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)	\$ (19,783)	\$ (458,196)	\$ (477,979)	\$ 12,464
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	910,942	805,957	1,716,899	6,033
Non-capital contributions	272,546	711,075	983,621	-
Decrease (Increase) in accounts receivable	(31,234)	322	(30,912)	-
Decrease in deferred outflow pension	35,787	24,604	60,391	-
Increase in due from other funds	-	(43,821)	(43,821)	-
Increase in inventories	(5,588)	-	(5,588)	-
Increase in prepaid items	(831)	(627)	(1,458)	(38)
Increase in customer deposits	3,725	-	3,725	-
Increase (decrease) in accounts payable	(65,406)	(45,746)	(111,152)	4,779
Increase in compensated absences	22,622	465	23,087	-
Increase in deferred inflow pension	16,039	11,026	27,065	-
Increase (decrease) in due to other funds	13,062	(72,813)	(59,751)	-
Increase in post-employment healthcare obligation	(14,200)	(8,321)	(22,521)	-
Increase in net pension liability	<u>(39,192)</u>	<u>(26,944)</u>	<u>(66,136)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,098,489</u>	<u>\$ 896,981</u>	<u>\$ 1,995,470</u>	<u>\$ 23,238</u>

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

April 30, 2017

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Assets:		
Cash and cash equivalents	\$ 364,120	\$ 286,262
Receivables:		
Property tax	822,000	663,000
Interest	42,579	38,479
Total receivables	864,579	701,479
Investments, at fair value:		
Certificates of deposit	500,000	400,000
U.S. government securities	432,836	453,856
Annuity contracts	232,453	158,898
Mutual funds	9,656,564	3,967,373
Corporate bonds	2,257,365	2,121,170
U.S. treasury bonds	2,054,454	1,992,811
Total investments	15,133,672	9,094,108
Total assets	16,362,371	10,081,849
Liabilities:		
Deferred property tax revenue	822,000	663,000
Net position:		
Held in trust for pension benefits and other purposes	\$ 15,540,371	\$ 9,418,849

See notes to financial statements.

CITY OF EFFINGHAM, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended April 30, 2017**

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Additions:		
Contributions:		
Employer	\$ 792,618	\$ 634,222
Plan members	148,675	110,561
Total contributions	941,293	744,783
Investment earnings:		
Interest	125,243	117,984
Dividends	157,531	7,847
Net increase (decrease) in the fair value of investments	1,101,888	482,239
Total investment earnings	1,384,662	608,070
Total additions	2,325,955	1,352,853
Deductions:		
Benefits	983,870	767,955
Administrative expenses	49,741	15,707
Interest expense	-	17,339
Total deductions	1,033,611	801,001
Change in net position	1,292,344	551,852
Net position, beginning of year	14,248,027	8,866,997
Net position, end of year	\$ 15,540,371	\$ 9,418,849

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported as follows:

Major Governmental Funds

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

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

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

Debt Service Fund – This fund is used to service interest and principal payments on long-term debt.

Major Enterprise Funds

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

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Enterprise Funds (Continued)

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

Nonmajor Governmental Funds

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

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.

Ford Avenue Business District Fund - This fund is used to account for the revenues and expenditures for implementation of the Ford Avenue Business District Plan and Project, including all sales and hotel/motel tax revenues received from the State of Illinois and City of Effingham allocable to the operation of the Ford Avenue Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/11-74.3-1 et. seq.).

Northwest Business District Fund - This fund is used to account for the revenues and expenditures for implementation of the Northwest Business District Plan and Project, including all sales and hotel/motel tax revenues received from the State of Illinois and City of Effingham allocable to the operation of the Northwest Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/11-74.3-1 et. seq.).

Triangle Business District Fund - This fund is used to account for the revenues and expenditures for implementation of the Triangle Business District Plan and Project, including all sales and hotel/motel tax revenues received from the State of Illinois and City of Effingham allocable to the operation of the Triangle Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/11-74.3-1 et. seq.).

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.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Fund Types (Continued)

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.

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.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 2015 tax extension to the City on August 19, 2016, October 31, 2016, January 24, 2017 and January 27, 2017. The City Council adopted the 2016 tax levy (receivable in calendar year 2017) on November 1, 2016. For government-wide financial statements, the 2015 property tax levy is deferred. Taxes recorded in these financial statements are from the 2015 and prior tax levies.

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.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations (Continued)

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.

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.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

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.

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 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77 – *Tax Abatement Disclosures* and GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined significant Benefit Pension Plans*.

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	\$ 905,536
Police pension	1,650,433
Firefighter's pension	<u>1,305,974</u>
Total deferred outflows of resources	<u>3,861,943</u>
Deferred inflows of resources	
IMRF	\$ (425,858)
Police pension	(1,036,821)
Firefighter's pension	<u>(146,498)</u>
Total deferred inflows of resources	<u>(1,609,177)</u>
Net adjustment to increase "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u><u>\$ 2,252,766</u></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:

Sales tax receivable	594,804
State income tax receivable	165,231
Franchise tax receivable	16,000
Utility tax receivable	7,609
Other taxes receivable	<u>645</u>
Net adjustment to increase "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u><u>\$ 784,289</u></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 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	\$ (13,707,851)
Bond premium	(217,488)
Accrued interest payable	(81,928)
Compensated absences	(928,402)
Net IMRF pension liability	(3,046,002)
Net police pension liability	(5,864,350)
Net fire pension liability	(5,659,712)
Net post-employment healthcare benefits obligation	<u>(688,148)</u>
 Net adjustment to reduce "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	 <u><u>\$ (30,193,881)</u></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	7,373
State income tax	23,181
Utility tax	(358)
Other	<u>49</u>
 Net adjustment to increase "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	 <u><u>\$ 30,245</u></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 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:

Proceeds from bonds	\$ (9,415,000)
Bond premium issuance	(219,340)
Bond premium amortization	1,853
Principal repayments:	
General obligation debt	385,000
Notes and contracts payable	<u>186,721</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>\$ (9,060,766)</u></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:

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 “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	\$ (450,374)
Police pension expense	(999,396)
Firefighter's pension expense	<u>(908,355)</u>
Total pension expense	(2,358,125)
Contributions	399,841
Tax revenue recorded in the fuduciary funds	<u>1,426,841</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>\$ (531,443)</u></u>

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	\$ (40,340)
Accrued interest	(40,223)
Post employment healthcare benefits expense	<u>(77,517)</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>\$ (158,080)</u></u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

Deposits

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

As of April 30, 2017, the carrying balance of the City's cash deposits was \$26,565,949 which includes \$1,300 of cash on hand, and the bank balances totaled \$26,786,292, 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 \$1,302,535 and the bank balances totaled \$1,322,924, 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 \$12,745 and the bank balances totaled \$12,745, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution in the fiduciary component units' name.

Investments

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

Credit Risk

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

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

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Loan Insurance Corporation, (4) Savings accounts or certificates of deposit of a national or state bank if the investments are insured by the Federal Deposit Insurance Corporation (FDIC), (6) Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized and licensed to do business in the State of Illinois, (7) Separate account of a life insurance company authorized and licensed to do business in the State of Illinois, comprised of common or preferred stocks, bonds, or money market instruments and separate accounts managed by a life insurance company authorized and licensed to do business in the State of Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages (total investments shall not exceed 10%), and (8) stock investments as long as the fund's total value meets the \$5,000,000 minimum criteria for these investments as prescribed by law (total investment shall not exceed 35%).

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

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

As of April 30, 2017, 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	\$ 1,760,806	\$ 1,760,806	N/A	19.00
Government obligations				
FNMA	269,090	270,000	Aaa	30.00
State and local obligations				
Decatur IL Taxable Ser B	264,133	278,990	A1	32.00
Total governmental funds investments	<u>2,294,029</u>	<u>2,309,796</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	\$ 900,000	\$ 900,000	N/A	3.00
Government obligations				
FHLB	521,594	531,126	Aaa	56.00
GNMA	970	963	Aaa	66.00
FFCB	211,667	209,015	Aaa	148.00
FHLMC	74,948	75,641	Aaa	31.00
TVA	77,513	79,997	Aaa	89.00
US Treasury Bonds	668,416	699,547	Aaa	300.00
US Treasury Notes	3,378,849	3,435,451	Aaa	58.00
Corporate bonds				
Ace Ina Holdings, Inc.	91,165	92,835	A3	67.00
Aflac, Inc.	50,704	51,641	A3	35.00
Altria Group, Inc.	50,119	50,433	Aa3	304.00
American Express, Inc.	169,712	171,012	A3	42.00
American Express Credit	50,275	50,875	A2	23.00
Amgen	204,107	206,856	Baa1	107.00
AT&T	35,662	37,096	Baa1	106.00
Bank of America	127,448	127,781	Baa3	114.00
Berkshire Hathaway	191,012	198,698	Aa2	302.00
Biogen, Inc.	52,084	52,943	Baa1	65.00
Capital One Bank USA	50,428	51,585	Baa1	51.00
Citigroup, Inc.	61,731	62,374	Baa3	98.00
Citigroup, Inc.	66,875	67,572	Ba3	98.00
Corning, Inc.	178,567	176,692	Baa1	239.00
Duke Energy Carolinas	53,518	53,493	Aa2	38.00
Excelon Generation Co.	26,040	26,484	Baa2	270.00
General Electric Co.	54,587	53,926	A1	323.00
Gilead Sciences, Inc.	95,275	552,864	A3	17.00
Goldman Sachs				
Group, Inc.	232,544	237,090	A3	36.00
Goldman Sachs				
Group, Inc.	120,201	116,942	Baa2	230.00
JP Morgan Chase & Co.	336,973	340,556	A3	46.00

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)
Juniper Networks, Inc.	168,451	166,605	Baa2	84.00
Kellogg Co. Laboratory Corp	98,941	99,095	Baa2	108.00
American Holdings	25,178	25,434	Baa2	34.00
Medtronic, Inc.	136,992	138,874	A3	187.00
Microsoft Corp	97,265	100,000	Aaa	76.00
Monsanto Co.	48,273	49,156	A3	63.00
Morgan Stanley National Rural	122,246	123,454	A3	62.00
Utility Coop	116,848	120,000	A2	128.00
Nordstrom, Inc.	204,493	208,014	Baa1	54.00
Occidental Petroleum Corp	254,212	258,022	A3	70.00
Oracle Corp	121,087	124,723	A1	158.00
Pfizer, Inc.	78,737	78,812	A1	325.00
Puget Energy, Inc.	60,277	59,661	Baa3	97.00
Qualcomm, Inc.	229,509	233,483	A1	61.00
Scana Corp	54,644	54,871	Baa3	36.00
Thermo Fisher Sci.	30,230	30,344	Ba2	22.00
Time Warner, Inc.	125,230	126,530	Baa2	26.00
Wells Fargo Co.	106,895	108,271	A3	70.00
Annuity contracts				
American General				
Trilogy Annuity	158,898	125,000	N/A	44.00
John Hancock				
Life Ins. Annuity	232,453	107,326	N/A	319.00
Mutual funds	13,623,937	12,567,533	N/A	N/A
Total component unit investments	<u>\$ 24,227,780</u>	<u>\$ 23,616,696</u>		

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using weighted average months to maturity.

Interest Rate Risk

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

The annual maturities of investments are as follows:

	Governmental Funds	Component Units
Maturity of investments;		
1 year	\$ 250,000	\$ 14,606,346
2-5 years	2,044,029	3,747,964
6-10 years	-	3,793,314
Thereafter	-	2,080,156
	\$ 2,294,029	\$ 24,227,780

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	\$ 1,760,806	\$ 900,000	10.03%
Government obligations	269,090	4,933,957	19.62%
Municipal bonds	264,133	-	1.00%
Corporate bonds	-	4,378,535	16.51%
Annuity contracts	-	391,351	1.48%
Mutual funds	-	13,623,937	51.37%
Total	<u>\$ 2,294,029</u>	<u>\$ 24,227,780</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	\$ 6,227,000	\$ -	\$ 6,227,000	\$ 918,000
Utility taxes	49,018	-	49,018	-
Income taxes	353,153	-	353,153	-
Sales taxes	1,815,320	-	1,815,320	-
Personal property replacement taxes	37,903	-	37,903	-
Motor fuel taxes	26,992	-	26,992	-
Cable franchise taxes	16,000	-	16,000	-
Hotel/Motel taxes	133,189	-	133,189	-
Interest	7,728	-	7,728	-
Grants	20,270	-	20,270	-
Customer receivables	-	861,693	861,693	-
Other receivables	41,112	1,422	42,534	-
Totals	<u>\$ 8,727,685</u>	<u>\$ 863,115</u>	<u>\$ 9,590,800</u>	<u>\$ 918,000</u>

Receivable balances as of April 30, 2017, for fiduciary funds were as follows:

	Police Pension Fund	Firefighter's Pension Fund
Property taxes	\$ 822,000	\$ 663,000
Interest	42,579	38,479
Totals	<u>\$ 864,579</u>	<u>\$ 701,479</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY

Payables and receivables between funds consisted of the following at April 30, 2017:

<u>Due To</u>	<u>Due From</u>				<u>Total</u>
	<u>General Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Capital Projects Fund</u>	<u>Sewer Fund</u>	
Governmental activities:					
Nonmajor Governmental Funds					
Expense					
reimbursement	\$ 213,161	\$ -	\$ -	\$ -	\$ 213,161
Capital Projects Fund					
Capital outlay	-	115,202	-	133,438	248,640
Sewer fund					
Capital outlay	145,627	-	-	-	145,627
Water fund					
Capital outlay	-	-	13,062	-	13,062
Total	<u>\$ 358,788</u>	<u>\$ 115,202</u>	<u>\$ 13,062</u>	<u>\$ 133,438</u>	<u>\$ 620,490</u>

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017 was as follows:

Primary Government

	<u>Balance</u> <u>April 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,115,733	\$ 133,423	\$ 758,739	\$ 5,490,417
Construction in progress	<u>2,734,378</u>	<u>4,419,798</u>	<u>2,377,064</u>	<u>4,777,112</u>
Total capital assets, not being depreciated	<u>8,850,111</u>	<u>4,553,221</u>	<u>3,135,803</u>	<u>10,267,529</u>
Capital assets, being depreciated:				
Buildings	10,076,156	-	-	10,076,156
Infrastructure	65,525,164	3,185,513	62,768	68,647,909
Improvements	3,587,858	-	-	3,587,858
Machinery and equipment	2,849,492	313,980	-	3,163,472
Vehicles	1,405,504	258,481	-	1,663,985
Fire trucks	2,286,974	-	-	2,286,974
Office Equipment	504,823	9,012	-	513,835
Software	<u>79,518</u>	<u>-</u>	<u>-</u>	<u>79,518</u>
Total capital assets, being depreciated	<u>86,315,489</u>	<u>3,766,986</u>	<u>62,768</u>	<u>90,019,707</u>
Less accumulated depreciation for:				
Buildings	2,658,065	200,943	-	2,859,008
Infrastructure	40,633,144	2,205,707	62,768	42,776,083
Improvements	2,369,533	115,884	-	2,485,417
Machinery and equipment	2,217,822	314,079	-	2,531,901
Vehicles	947,334	135,403	-	1,082,737
Fire trucks	1,594,185	68,507	-	1,662,692
Office Equipment	486,178	14,969	-	501,147
Software	<u>76,275</u>	<u>2,411</u>	<u>-</u>	<u>78,686</u>
Total accumulated depreciation	<u>50,982,536</u>	<u>3,057,903</u>	<u>62,768</u>	<u>53,977,671</u>
Total capital assets, being depreciated, net	<u>35,332,953</u>	<u>709,083</u>	<u>-</u>	<u>36,042,036</u>
Governmental activities capital assets, net	<u><u>\$ 44,183,064</u></u>	<u><u>\$ 5,262,304</u></u>	<u><u>\$ 3,135,803</u></u>	<u><u>\$ 46,309,565</u></u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Balance April 30, 2016	Additions	Deletions/ Adjustments	Balance April 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 138,222	\$ -	\$ -	\$ 138,222
Construction in progress	1,775,093	2,306,252	3,795,265	286,080
Total capital assets, not being depreciated	1,913,315	2,306,252	3,795,265	424,302
Capital assets being depreciated:				
Buildings	2,100,401	237,408	-	2,337,809
Water and sewer systems	60,366,246	3,557,857	-	63,924,103
Improvements	836,087	-	-	836,087
Machinery and equipment	1,648,688	84,006	-	1,732,694
Vehicles	1,041,873	118,866	-	1,160,739
Office equipment	164,628	12,701	-	177,329
Total capital assets, being depreciated	66,157,923	4,010,838	-	70,168,761
Less accumulated depreciation for:				
Buildings	1,304,910	43,458	-	1,348,368
Water and sewer systems	32,936,203	1,345,813	-	34,282,016
Improvements	374,741	39,576	-	414,317
Machinery and equipment	1,326,610	174,268	-	1,500,878
Vehicles	618,937	112,742	-	731,679
Office equipment	164,179	1,042	-	165,221
Total accumulated depreciation	36,725,580	1,716,899	-	38,442,479
Total capital assets, being depreciated, net	29,432,343	2,293,939	-	31,726,282
Business-type activities capital assets, net	\$ 31,345,658	\$ 4,600,191	\$ 3,795,265	\$ 32,150,584

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	\$ 22,655
Public safety	416,545
Public works	2,284,062
Health and welfare	201,781
Culture and recreation	128,531
Economic development	<u>4,329</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,057,903</u></u>
Business-type activities:	
Water	\$ 910,942
Sewer	<u>805,957</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,716,899</u></u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (Continued)

Component Unit

	Balance <u>April 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2017</u>
Capital assets, being depreciated:				
Buildings	7,413,132	-	-	7,413,132
Improvements	120,965	-	-	120,965
Machinery and equipment	115,300	-	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	<u>13,185</u>	<u>-</u>	<u>-</u>	<u>13,185</u>
 Total capital assets being depreciated	 <u>7,706,096</u>	 <u>-</u>	 <u>-</u>	 <u>7,706,096</u>
Less accumulated depreciation for:				
Buildings	402,407	148,263	-	550,670
Improvements	55,421	6,048	-	61,469
Machinery and equipment	115,300	-	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	<u>13,185</u>	<u>-</u>	<u>-</u>	<u>13,185</u>
 Total accumulated depreciation	 <u>629,827</u>	 <u>154,311</u>	 <u>-</u>	 <u>784,138</u>
 Total capital assets, being depreciated, net	 <u>7,076,269</u>	 <u>(154,311)</u>	 <u>-</u>	 <u>6,921,958</u>
 Total capital assets, net	 <u>\$ 7,076,269</u>	 <u>\$ (154,311)</u>	 <u>\$ -</u>	 <u>\$ 6,921,958</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, 2017 are as follows:

Primary Government

	Balance <u>April 30, 2016</u>	Additions	Completion/ Adjustment	Balance <u>April 30, 2017</u>	Estimated Completion Costs
Governmental activities:					
North Raney Street	\$ 700,581	\$ 954,227	\$ (1,654,808)	\$ -	\$ -
St. Anthony/Rollins Hills Align.	187,955	-	-	187,955	312,045
Midtowne Blvd. Extension	60,164	-	-	60,164	1,439,836
Pike Avenue Improvements	328,285	2,187,158	-	2,515,443	1,119,557
Downtown Enhancement	805,249	1,915	-	807,164	392,836
Blohm Ave. East of Veterans	477,788	6,395	(484,183)	-	-
Clinton/Mulberry Storm Sewer	10,460	-	-	10,460	89,540
Calico Trail	43,066	190,361	-	233,427	101,573
Grove amd 2nd Sidewalks	4,515	51,252	(55,767)	-	-
Luther Street	3,768	41,287	-	45,055	482,945
3rd Street Reconstructin	61,631	197,178	-	258,809	541,191
Katrina Storm Sewer	2,512	25,570	(28,082)	-	-
Rickelman Box Culvert	11,991	34,759	-	46,750	1,553,250
East Evergreen Box Culvert	10,820	11,656	-	22,476	482,524
Truck Access Road	11,528	75,134	-	86,662	1,033,338
Park Street Reconstruction	14,065	140,159	(154,224)	-	-
Haney Street (Oakbridge RR)	-	3,638	-	3,638	554,362
OBW North	-	76,383	-	76,383	1,030,617
Vulcan Drive	-	19,049	-	19,049	360,951
Hopkins Trail	-	1,900	-	1,900	288,100
Police Station	-	401,777	-	401,777	7,138,223
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 2,734,378</u>	<u>\$ 4,419,798</u>	<u>\$ (2,377,064)</u>	<u>\$ 4,777,112</u>	<u>\$16,920,888</u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

7. CONSTRUCTION IN PROGRESS (Continued)

Primary Government (Continued)

	Balance April 30, 2016	Additions	Completion/ Adjustment	Balance April 30, 2017	Estimated Completion Costs
Business-type activities:					
3rd Street Sanitary Sewer Reloc.	\$ 14,789	\$ 286,294	\$ (301,083)	\$ -	\$ 255,211
East Route 40 Water Main	7,903	32,927	-	40,830	492,097
West Wernsing Lift Station	31,266	154,289	-	185,555	203,735
West Fayette Water Main Replacement	83,232	737,451	(820,683)	-	-
Jaycee Avenue Force Main	29,995	-	-	29,995	380,005
Airport Road Lift Station	386,550	15,495	(402,045)	-	-
Carbon/CO2 Tank	337,341	690,751	(1,028,092)	-	-
Bulk Water Relocation	146,454	90,954	(237,408)	-	-
2016 Local TIF Water Main	208,781	71,254	(280,035)	-	-
Wabash Avenue RR WM Bore	29,700	-	-	29,700	209,301
Industrial TIF 2015 WM Replace 4th to 5th Sanitary Sewer Reconstruction	396,208	59,197	(455,405)	-	-
North Raney Street Sewer	52,491	31,648	(84,139)	-	-
	50,383	135,992	(186,375)	-	-
 Total business-type activities	 <u>\$ 1,775,093</u>	 <u>\$ 2,306,252</u>	 <u>\$ (3,795,265)</u>	 <u>\$ 286,080</u>	 <u>\$ 1,540,349</u>

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, \$151,330 for social security, \$141,523 for IMRF, and \$7,674 for a medical trust. The fund also has restricted public safety assets, which includes \$63,474 for fire protection and \$23,083 for police safety. The TIF fund has restricted cash for the retirement of Series 2010A debt in the amount of \$579,183. The Water Fund has restricted cash of \$75,550 for customer deposits. The library has restricted general government assets, which includes \$8,424 for audit, \$170,428 for liability insurance, \$13,869 for workman's compensation, \$70,907 for unemployment insurance, \$52,711 for IMRF, and \$179,473 for social security. The library also had restricted assets for construction and repairs in the amount of \$208,619.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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.

The City issued 2017 general obligation (GO) bonds to provide funds for the construction of a Police Station. The City pledges sales tax revenues to pay the debt service.

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%	\$ 2,080,000
Series 2017, due December 1, 2036	2.0 - 4.0%	<u>9,415,000</u>
Total governmental activities		<u><u>\$ 11,495,000</u></u>
Business-type activities:		
Series 2012A, due February 1, 2022	2.5 - 4.0%	\$ 750,000
Business-type activities - refunding:		
Series 2012B, due February 1, 2021	2.5 - 4.0%	1,750,000
Business-type activities - advanced refunding:		
Series 2012C, due December 1, 2025	2.0 - 2.3%	<u>3,570,000</u>
Total business-type activities		<u><u>\$ 6,070,000</u></u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

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

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 815,000	\$ 295,663	\$ 920,000	\$ 165,320
2019	765,000	340,611	945,000	138,595
2020	785,000	323,053	975,000	111,070
2021	800,000	304,469	1,000,000	82,645
2022	825,000	281,064	560,000	50,345
2023 - 2027	2,120,000	1,157,575	1,670,000	92,810
2028 - 2032	2,460,000	817,683	-	-
2033 - 2037	2,925,000	353,658		
	<u>\$ 11,495,000</u>	<u>\$ 3,873,776</u>	<u>\$ 6,070,000</u>	<u>\$ 640,785</u>

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

Notes and Contracts Payable

	<u>Interest Rates</u>	<u>Amount</u>
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%	<u>\$ 2,212,851</u>
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%	<u>250,000</u>
Component unit:		
Washington Savings Bank note, serviced by the Library, proceeds used to renovate new building, due February 1, 2036	2.65%	<u>1,340,925</u>

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>
2018	\$ 192,599	\$ 67,280	\$ 83,333	\$ -	\$ 59,262	\$ 38,803
2019	198,457	61,422	83,333	-	60,854	37,211
2020	204,494	55,385	83,334	-	62,490	35,576
2021	210,579	49,300	-	-	64,076	33,990
2022	217,119	42,760	-	-	65,890	32,176
2023 - 2027	1,189,603	110,696	-	-	356,899	133,430
2028 - 2032	-	-	-	-	407,513	82,815
2033 - 2037	-	-	-	-	263,941	25,023
	<u>\$ 2,212,851</u>	<u>\$ 386,843</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 1,340,925</u>	<u>\$ 419,024</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, 2017 was as follows:

	Balance April 30, 2016	Additions	Reductions	Balance April 30, 2017	Due Within One Year
<u>Primary Government:</u>					
Governmental activities:					
General obligation bonds	\$ 2,465,000	\$ 9,415,000	\$ 385,000	\$ 11,495,000	\$ 815,000
Notes payable	2,399,572	-	186,721	2,212,851	192,599
Add amounts for					
issuance premiums	-	219,340	1,852	217,488	N/A
Compensated absences	1,332,225	60,516	-	1,392,741	464,339
Post employment health-care benefits	610,631	77,517	-	688,148	N/A
IMRF net pension liability	3,202,770	-	156,768	3,046,002	N/A
Police pension net pension liability	6,629,576	-	765,226	5,864,350	N/A
Fire pension net pension liability	5,425,079	234,633	-	5,659,712	N/A
	<u>\$ 22,064,853</u>	<u>\$ 10,007,006</u>	<u>\$ 1,495,567</u>	<u>\$ 30,576,292</u>	<u>\$ 1,471,938</u>
Business-type activities:					
General obligation bonds	\$ 885,000	\$ -	\$ 135,000	\$ 750,000	\$ 140,000
Refunding bonds	2,155,000	-	405,000	1,750,000	415,000
Advanced refunding bonds	3,925,000	-	355,000	3,570,000	365,000
Add amounts for					
issuance premiums	254,571	-	48,038	206,533	N/A
Notes payable	214,000	36,000	-	250,000	83,333
Compensated absences	283,840	23,088	-	306,928	102,329
Post employment health-care benefits	145,134	-	22,521	122,613	N/A
IMRF net pension liability	1,351,168	-	66,136	1,285,032	N/A
	<u>\$ 9,213,713</u>	<u>\$ 59,088</u>	<u>\$ 1,031,695</u>	<u>\$ 8,241,106</u>	<u>\$ 1,105,662</u>
Discretely presented component unit:					
Compensated absences	\$ 23,983	\$ -	\$ 2,124	\$ 21,859	\$ 7,287
IMRF net pension liability	450,390	-	22,046	428,344	N/A
Notes payable	1,797,525	-	456,600	1,340,925	59,262
	<u>\$ 2,271,898</u>	<u>\$ -</u>	<u>\$ 480,770</u>	<u>\$ 1,791,128</u>	<u>\$ 66,549</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, 2017 were as follows:

	<u>General Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 2,262,919	\$ 3,557,799	\$ -	\$ 5,820,718
Sales taxes	6,901,728	-	321,635	7,223,363
Income taxes	1,165,302	-	-	1,165,302
Motor fuel taxes	-	-	312,472	312,472
Hotel/motel taxes	-	-	938,166	938,166
Utility taxes	437,357	-	-	437,357
Other taxes	919,291	-	-	919,291
Total taxes	\$ 11,686,597	\$ 3,557,799	\$ 1,572,273	\$ 16,816,669

Component Units

Fiduciary Activities

	<u>Effingham Public Library</u>	<u>Police Pension Fund</u>	<u>Firefighters Pension Fund</u>
Property taxes	\$ 892,752	\$ 775,810	\$ 626,137
Other taxes:			
Replacement taxes	31,289	14,915	6,558
Miscellaneous taxes	2,165	1,893	1,527
Total taxes	\$ 926,206	\$ 792,618	\$ 634,222

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. INTERGOVERNMENTAL GRANTS

Intergovernmental grants during the year ended April 30, 2017 were as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Federal capital grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal operating grants	2,112	-	-	2,112	-	-
State capital grants	-	577,192	-	577,192	638,911	-
State operating grants	-	-	121,618	121,618	-	-
Other grants and contributions	32,955	-	-	32,955	1,300,259	1,029,018
Total	<u>\$ 35,067</u>	<u>\$ 577,192</u>	<u>\$ 121,618</u>	<u>\$ 733,877</u>	<u>\$ 1,939,170</u>	<u>\$ 1,029,018</u>

	<u>Component Unit Effingham Public Library</u>
Federal operating grants	\$ 3,125
State operating grants	<u>9,503</u>
Total	<u>\$ 12,628</u>

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2016	2015	2014
Equalized assessed valuation (EAV):			
City and library	\$ 264,991,406	\$ 256,949,308	\$ 247,187,104
Rate per \$100:			
City	1.33	1.37	1.28
Library	0.35	0.35	0.35
Taxes extended:			
City	\$ 3,524,598	\$ 3,525,036	\$ 3,173,289
Library	918,460	892,719	861,126
Tax Increment Financing District	4,021,522	3,593,293	3,157,894
City's share of road and bridge taxes extended	170,385	163,085	155,703
Total taxes extended	\$ 8,634,965	\$ 8,174,133	\$ 7,348,012
Taxes available to City after abatements and losses in collection (2016 estimated)	\$ 8,630,000	\$ 8,115,418	\$ 7,281,125
Percentage of extension available to City (2016 estimated)	99.94%	99.28%	99.09%

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2016	2015	2014
Distribution of taxes available (2016 estimated):			
Primary Government:			
General fund:			
General government	\$ 690,000	\$ 644,912	\$ 369,779
Illinois municipal retirement	435,000	420,183	680,404
Fire protection	65,000	48,673	48,335
Police protection	65,000	187,747	48,335
Audit	11,000	12,913	11,455
Liability insurance	95,000	90,862	128,207
Street lighting	125,000	121,692	108,491
Social security tax	260,000	319,913	295,781
School crossing guard	20,000	20,088	19,231
Workers' compensation	210,000	193,031	226,800
Medicare	61,000	39,779	48,384
Road and bridge	170,000	163,127	154,783
Tax increment financing fund	4,020,000	3,557,799	3,142,158
Total primary government	\$ 6,227,000	\$ 5,820,719	\$ 5,282,143
Component Units:			
Effingham Public Library fund	\$ 918,000	\$ 892,752	\$ 854,980
Police pension fund	822,000	775,810	601,582
Firefighter's pension fund	663,000	626,137	542,420
Total component units	\$ 2,403,000	\$ 2,294,699	\$ 1,998,982
Total reporting entity	\$ 8,630,000	\$ 8,115,418	\$ 7,281,125

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, 2017 are as follows:

	Transfers In			
	Capital Projects	Water	Sewer	Totals
<u>Transfers out:</u>				
General fund	\$ 743,883	\$ 2,000	\$ -	\$ 745,883
Tax increment financing	1,343,186	-	-	1,343,186
Capital projects fund	-	-	31,937	31,937
Non-major governmental	1,224,316	-	-	1,224,316
Total	\$ 3,311,385	\$ 2,000	\$ 31,937	\$ 3,345,322

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 sewer 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.

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, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	104
Inactive plan members entitled to but not yet receiving benefits	61
Active plan members	<u>81</u>
	<u><u>246</u></u>

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 2016 was 15.90%. For the calendar year ended 2016, the City of Effingham contributed \$646,931 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, 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 December 31, 2016:

- The Actuarial Cost Method used was Aggregate Entry Age Normal.
- The Asset Valuation Method used was the 5-Year smoothed market; 20% corridor.
- 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.
- For Non-Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 2012). 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 2012). 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, 2016:

CITY OF EFFINGHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65 - 7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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 3.78%, and the resulting single discount rate is 7.50%.

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)
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Balances at December 31, 2015	\$ 33,042,295	\$28,037,967	\$ 5,004,328
Changes for the year:			
Service cost	431,756	-	431,756
Interest of the total pension liability	2,425,348	-	2,425,348
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	210,449	-	210,449
Changes in assumptions	(124,392)	-	(124,392)
Contributions - employer	-	646,931	(646,931)
Contributions - employees	-	256,413	(256,413)
Net investment income	-	2,315,779	(2,315,779)
Benefit payments, including refunds of employee contributions	(1,649,189)	(1,649,189)	-
Other (net transfer)	-	(31,012)	31,012
	<u>1,293,972</u>	<u>1,538,922</u>	<u>(244,950)</u>
Balances at December 31, 2016	<u>\$ 34,336,267</u>	<u>\$29,576,889</u>	<u>\$ 4,759,378</u>

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net pension liability	\$ 9,233,739	\$ 4,759,378	\$ 1,075,203

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, 2017, the City of Effingham recognized pension expense of \$703,709. At April 30, 2017, 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 Inflows of Resources
Deferred amounts to be recognized in pension expense in future periods		
Differences between expected and actual experience	\$ 155,090	\$ 370,710
Changes of assumptions	19,702	91,670
Net difference between projected and actual earnings on pension plan investments	1,038,734	203,023
Total deferred amounts to be recognized in pension expense in future periods	1,213,526	665,403
Pension contributions subsequent to the measurement date	201,374	-
Total deferred amounts related to pensions	\$ 1,414,900	\$ 665,403

\$201,374 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2018. Other 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
2017	\$ 134,005
2018	151,239
2019	313,634
2020	(50,755)
Total	\$ 548,123

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, 2017, Police Pension Plan membership consisted of:

Active members	27
Retirees and beneficiaries	22
Inactive, non-retired members	-
Total	49

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, 2017, the City contributed \$792,618 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: The Bank of Edwardsville.

For the year ended April 30, 2017, the annual money weighted rate of return is 11.01%. 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, 2017. 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, 2017:

- 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. 2067 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 purposes of this valuation the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.86% (based upon the quarterly rate closest to but not later than the measurement date of the Bond Buyer 20 Bond Go Index as published by Bankrate.com 03-31-2017); 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, 2017
Total pension liability:	
Service cost	\$ 463,641
Interest on the total pension liability	1,378,840
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(360,569)
Changes of assumptions	-
Benefit payments	(982,566)
Net change in total pension liability	499,346
Total pension liability - beginning of period	20,877,604
Total pension liability - end of period	\$ 21,376,950
Plan fiduciary net position:	
Employer contributions	\$ 792,618
Member contributions	148,675
Net investment income	1,327,878
Benefit payments	(982,566)
Other - admin expenses	(22,033)
Net change in plan fiduciary net position	1,264,572
Plan fiduciary net position - beginning of year	14,248,028
Plan fiduciary net position - end of year	\$ 15,512,600
Net pension liability	\$ 5,864,350
Plan fiduciary net position as a percentage of total pension liability	72.57%
Covered valuation payroll	\$ 1,732,734
Net pension liability as a percentage of covered valuation payroll	338.44%

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:

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current Single</u> <u>Discount Rate</u> <u>Assumption</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Total pension liability	\$ 24,173,076	\$ 21,376,950	\$ 19,063,167
Plan fiduciary net position	<u>15,512,600</u>	<u>15,512,600</u>	<u>15,512,600</u>
 Net pension liability	 <u>\$ 8,660,476</u>	 <u>\$ 5,864,350</u>	 <u>\$ 3,550,567</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2017, the City of Effingham recognized pension expense of \$999,396. At April 30, 2017, The City of Effingham reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual	\$ 215,109	\$ 137,316
Assumption changes	671,242	-
Differences between projected and actual earning on pension plan investments	<u>419,623</u>	<u>9,182</u>
 Total deferred amounts related to pensions	 <u>\$ 1,305,974</u>	 <u>\$ 146,498</u>

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

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (Continued)

Year ending April 30,	Net Deferred Outflows of Resources
2018	\$ 273,882
2019	273,882
2020	258,244
2021	128,801
2022	131,092
Thereafter	93,575
Total	\$ 1,159,476

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 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms - At April 30, 2017, Firefighters Pension Plan membership consisted of:

Active members	17
Retirees and beneficiaries	17
Inactive, non-retired members	<u>-</u>
Total	<u><u>34</u></u>

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, 2017, the City contributed \$634,222 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: The Bank of Edwardsville.

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

For the year ended April 30, 2017, the annual money weighted rate of return is 5.26%. 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, 2017. 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, 2017:

- 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. 2067 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 3.86% based upon the quarterly rate closest to but not later than the measurement date of the Bond Buyer 20 Bond Go Index as published by Bankrate.com 03-31-2017, 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:

	<u>April 30, 2017</u>
Total pension liability:	
Service cost	\$ 367,656
Interest on the total pension liability	940,955
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	245,864
Changes of assumptions	-
Benefit payments	(767,991)
Net change in total pension liability	786,484
Total pension liability - beginning of period	14,292,076
Total pension liability - end of period	\$ 15,078,560
Plan fiduciary net position:	
Employer contributions	\$ 634,222
Member contributions	110,561
Net investment income	590,766
Benefit payments	(767,991)
Other - admin expenses	(15,707)
Net change in plan fiduciary net position	551,851
Plan fiduciary net position - beginning of year	8,866,997
Plan fiduciary net position - end of year	\$ 9,418,848
Net pension liability	\$ 5,659,712
Plan fiduciary net position as a percentage of total pension liability	62.47%
Covered valuation payroll	\$ 1,221,698
Net pension liability as a percentage of covered valuation payroll	463.27%

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:

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current Single Discount Rate Assumption</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75</u>
Total pension liability	\$ 16,993,314	\$ 15,078,560	\$ 13,483,842
Plan fiduciary net position	<u>9,418,848</u>	<u>9,418,848</u>	<u>9,418,848</u>
Net pension liability	<u>\$ 7,574,466</u>	<u>\$ 5,659,712</u>	<u>\$ 4,064,994</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2017, the City of Effingham recognized pension expense of \$908,355. At April 30, 2017, The City of Effingham reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual	\$ 719,223	\$ 320,473
Assumption changes	931,210	390,841
Differences between projected and actual earning on pension plan investments	<u>-</u>	<u>325,507</u>
Total deferred amounts related to pensions	<u>\$ 1,650,433</u>	<u>\$ 1,036,821</u>

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

CITY OF EFFINGHAM, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

Year ending April 30,	Net Deferred Outflows of Resources
2018	\$ 214,518
2019	214,517
2020	218,503
2021	27,832
2022	46,607
Thereafter	(108,365)
Total	\$ 613,612

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 self-funded 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 2017, the City contributed \$205,598 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 \$799 and \$621; retiree/spouse-\$1,567 and \$1,225; retiree/child-\$1,496 and \$1,161; and family-\$2,264 and \$1,765, respectively. The Medicare primary monthly cost of the health plan for a retiree is \$454 and a retiree/spouse is \$907.

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	\$ 263,666	
Adjustment to annual required contribution	(3,072)	
Annual OPEB cost (expense)	260,594	
Contributions made	(205,598)	
Increase in net OPEB obligation	54,996	
Net OPEB obligation - May 1, 2016	755,765	
Net OPEB obligation - April 30, 2017	\$ 810,761	

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, 2017 was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2017	\$ 260,594	78.90%	\$ 810,761
4/30/2016	188,724	99.40%	755,765
4/30/2015	425,413	45.59%	754,626

Funded Status and Funding Progress

As of May 1, 2016, 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 \$2,769,787. The covered payroll (annual payroll of active employees covered by the plan) was \$6,327,590 and the ratio of the UAAL to the covered payroll was 43.77%. 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, 2016 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. COMMITMENTS

The City has committed funds to various area entities as of April 30, 2017. These commitments were made for the purpose of encouraging economic development within the City of Effingham.

The commitments for economic development are being funded by real estate tax revenues collected within the City's four Tax Increment Financing (TIF) Districts.

18. TAX ABATEMENT

The City enters into property tax abatement agreements with local businesses within the Effingham Enterprise Zone under the Illinois Enterprise Zone Act of 1982. Under the Act, taxing districts may order the county clerk to abate any portion of its taxes on real property, or on any particular class thereof, located within a zone and upon which new improvements have been constructed or upon which existing improvements have been renovated or rehabilitated. The abatement applies only to taxes on the increase in assessed value attributable to the new construction, renovation or rehabilitation. Taxes based on the assessed value of the land and existing improvements continue to be extended and collected. Abatements are obtained through application, and equal 100 percent of the increase in tax above the property base value for three years for commercial projects and ten years for industrial projects. This abatement period shall not extend beyond the "life" of the Enterprise Zone, which currently expires in 2018.

For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$214,234.

The Effingham Public Library abides by the property tax abatement mentioned above. For the fiscal year ended April 30, 2017, the Effingham Public Library abated property taxes totaling \$54,242.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EFFINGHAM, ILLINOIS

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULES OF CHANGES IN THE NET POSITION
LIABILITY AND RELATED RATIOS
(UNAUDITED)**

Calendar Year Ending December 31,	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 431,756	435,326
Interest on the total pension liability	2,425,348	2,389,526
Changes of benefit terms	-	-
Difference between expected and actual experience of the total pension liability	210,449	(759,622)
Changes of assumptions	(124,392)	40,372
Benefit payments, including refunds of employee contributions	<u>(1,649,189)</u>	<u>(1,577,877)</u>
Net change in total pension liability	1,293,972	527,725
Total pension liability - beginning	<u>33,042,295</u>	<u>32,514,570</u>
Total pension liability - ending (A)	<u><u>\$34,336,267</u></u>	<u><u>\$33,042,295</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 646,931	\$ 628,925
Contributions - employee	256,413	245,039
Net investment income	2,315,779	359,391
Benefit payments, including refunds of employee contributions	(1,649,189)	(1,577,877)
Other (net transfers)	<u>(31,012)</u>	<u>(50,573)</u>
Net change in plan fiduciary net position	1,538,922	(395,095)
Plan fiduciary net position - beginning	<u>28,037,967</u>	<u>28,433,062</u>
Plan fiduciary net position - ending (B)	<u><u>\$29,576,889</u></u>	<u><u>\$28,037,967</u></u>
Net pension liability - ending (A) - (B)	\$ 4,759,378	\$ 5,004,328
Plan fiduciary net position as a percentage of total pension liability	86.14%	84.85%
Covered valuation payroll	\$ 4,028,212	\$ 3,955,654
Net pension liability as a percentage of covered valuation payroll	118.15%	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 Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2016	\$ 646,931	\$ 646,931	\$ -	\$4,028,212	16.06%
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 2016 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 2016 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): 27-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 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011 to 2013.

CITY OF EFFINGHAM, ILLINOIS

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

Mortality: For Non-Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates 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 2012). 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 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation.

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,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 463,641	\$ 412,725	\$ 407,508
Interest on the total pension liability	1,378,840	1,311,744	1,199,772
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(360,569)	201,440	(651,652)
Changes of assumptions	-	-	1,552,606
Benefit payments	<u>(982,566)</u>	<u>(888,995)</u>	<u>(815,909)</u>
Net change in total pension liability	499,346	1,036,914	1,692,325
Total pension liability - beginning of period	<u>20,877,604</u>	<u>19,840,690</u>	<u>18,148,365</u>
Total pension liability - end of period	<u><u>\$ 21,376,950</u></u>	<u><u>\$ 20,877,604</u></u>	<u><u>\$ 19,840,690</u></u>
Plan fiduciary net position:			
Member contributions	\$ 148,675	\$ 146,396	\$ 142,384
Employer contributions	792,618	618,018	472,239
Net investment income	1,327,878	12,453	973,618
Benefit payments	(982,566)	(888,995)	(815,909)
Other - admin expenses	<u>(22,033)</u>	<u>(20,884)</u>	<u>(15,418)</u>
Net change in plan fiduciary net position	1,264,572	(133,012)	756,914
Plan fiduciary net position - beginning of year	<u>14,248,028</u>	<u>14,381,040</u>	<u>13,624,126</u>
Plan fiduciary net position - end of year	<u><u>\$ 15,512,600</u></u>	<u><u>\$ 14,248,028</u></u>	<u><u>\$ 14,381,040</u></u>
Net pension liability	\$ 5,864,350	\$ 6,629,576	\$ 5,459,650
Plan fiduciary net position as a percentage of total pension liability	72.57%	68.25%	72.48%
Covered valuation payroll	\$ 1,732,734	\$ 1,435,206	\$ 1,408,610
Net pension liability as a percentage of covered valuation payroll	338.44%	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

Annual money-weighted rate of return, net of investment expenses for the year ended April 30,

2017	11.01%
2016	0.10%
2015	7.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>FY Ending April 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2017	\$ 820,230	\$ 792,618	\$ 27,612	\$1,732,734	45.74%
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

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

CITY OF EFFINGHAM, ILLINOIS

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

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,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 367,656	\$ 330,995	\$ 322,646
Interest on the total pension liability	940,955	908,974	821,050
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	245,864	(26,429)	(183,627)
Changes of assumptions	-	-	1,048,345
Benefit payments	<u>(767,991)</u>	<u>(715,839)</u>	<u>(697,361)</u>
Net change in total pension liability	786,484	497,701	1,311,053
Total pension liability - beginning of period	<u>14,292,076</u>	<u>13,794,375</u>	<u>12,483,322</u>
Total pension liability - end of period	<u>\$ 15,078,560</u>	<u>\$ 14,292,076</u>	<u>\$ 13,794,375</u>
Plan fiduciary net position:			
Member contributions	\$ 110,561	\$ 107,469	\$ 100,923
Employer contributions	634,222	550,492	553,371
Net investment income	590,766	(53,366)	496,134
Benefit payments	(767,991)	(715,839)	(697,361)
Other - admin expenses	<u>(15,707)</u>	<u>(19,636)</u>	<u>(13,123)</u>
Net change in plan fiduciary net position	551,851	(130,880)	439,944
Plan fiduciary net position - beginning of year	<u>8,866,997</u>	<u>8,997,877</u>	<u>8,557,933</u>
Plan fiduciary net position - end of year	<u>\$ 9,418,848</u>	<u>\$ 8,866,997</u>	<u>\$ 8,997,877</u>
Net pension liability	\$ 5,659,712	\$ 5,425,079	\$ 4,796,498
Plan fiduciary net position as a percentage of total pension liability	62.47%	62.04%	65.23%
Covered valuation payroll	\$ 1,221,698	\$ 1,087,290	\$ 1,060,692
Net pension liability as a percentage of covered valuation payroll	463.27%	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

Annual money-weighted rate of return, net of investment expenses for the year ended April 30,

2017	5.26%
2016	-0.59%
2015	5.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>FY Ending April 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2017	\$ 733,034	\$ 634,222	\$ 98,812	\$1,221,698	51.91%
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

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

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

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

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

Retirement Age

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

Mortality

Active Lives

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

Disabled Lives

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

Other Information

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

CITY OF EFFINGHAM, ILLINOIS

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)				
05/01/16	\$ -	\$ 2,769,787	\$ 2,769,787	0.00%	\$ 6,327,590	43.77%	
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%	

CITY OF EFFINGHAM, ILLINOIS

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

For the year ended April 30, 2017

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 11,770,000	\$ 11,686,597	\$ (83,403)
Licenses and permits	100,900	134,793	33,893
Intergovernmental grants	594,900	35,067	(559,833)
Charges for services	253,630	204,588	(49,042)
Fines and forfeitures	134,865	90,567	(44,298)
Investment income	12,400	29,602	17,202
Contributions and miscellaneous revenues	109,300	183,872	74,572
Total revenues	<u>12,975,995</u>	<u>12,365,086</u>	<u>(610,909)</u>
Expenditures:			
Current:			
General government	2,777,705	1,861,865	915,840
Public safety	7,000,970	6,319,661	681,309
Public works	1,628,770	1,504,624	124,146
Economic development	1,019,660	266,756	752,904
Capital outlay	1,774,400	1,390,201	384,199
Total expenditures	<u>14,201,505</u>	<u>11,343,107</u>	<u>2,858,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,225,510)</u>	<u>1,021,979</u>	<u>2,247,489</u>
Other financing sources (uses):			
Operating transfers in	121,830	-	(121,830)
Operating transfers out	(1,048,900)	(745,883)	303,017
Sale of property	20,000	-	(20,000)
Total other financing sources (uses)	<u>(907,070)</u>	<u>(745,883)</u>	<u>161,187</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (2,132,580)</u>	276,096	<u>\$ 2,408,676</u>
Fund balances, beginning of year		<u>6,953,831</u>	
Fund balances, end of year		<u>\$ 7,229,927</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, 2017**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 3,026,200	\$ 3,557,799	\$ 531,599
Investment income	18,100	23,076	4,976
Contributions and miscellaneous revenues	-	10,383	10,383
	<u>3,044,300</u>	<u>3,591,258</u>	<u>546,958</u>
Expenditures:			
Current:			
Economic development	3,545,245	4,324,846	(779,601)
Capital outlay	854,000	494,336	359,664
Debt service:			
Principal	-	385,000	(385,000)
Interest and fiscal charges	-	69,096	(69,096)
	<u>4,399,245</u>	<u>5,273,278</u>	<u>(874,033)</u>
Total expenditures			
Deficiency of revenues under expenditures	<u>(1,354,945)</u>	<u>(1,682,020)</u>	<u>(327,075)</u>
Other financing sources (uses):			
Operating transfers in	325,400	-	(325,400)
Operating transfers out	(3,514,000)	(1,343,186)	2,170,814
Sale of property	-	334,934	334,934
	<u>(3,188,600)</u>	<u>(1,008,252)</u>	<u>2,180,348</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (4,543,545)</u>	<u>(2,690,272)</u>	<u>\$ 1,853,273</u>
Fund balances, beginning of year		<u>6,565,967</u>	
Fund balances, end of year		<u>\$ 3,875,695</u>	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF EFFINGHAM, ILLINOIS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

April 30, 2017

	<u>Motor Fuel Tax Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Ford Avenue Business District Fund</u>
Assets:			
Cash and cash equivalents	\$ 187,382	\$ 331,610	\$ 230,759
Investments	-	514,133	-
Receivables	26,992	155,135	33,784
Prepaid expenditures	-	272	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 214,374</u>	<u>\$ 1,001,150</u>	<u>\$ 264,543</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ -	\$ 14,620	\$ 77,464
Compensated absences	-	2,302	-
Due to other funds	-	-	187,079
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>16,922</u>	<u>264,543</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Nonspendable - prepaid expenditures	-	272	-
Restricted for:			
Culture and recreation	-	983,956	-
Economic development	-	-	-
Highways and streets	214,374	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>214,374</u>	<u>984,228</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 214,374</u>	<u>\$ 1,001,150</u>	<u>\$ 264,543</u>

CITY OF EFFINGHAM, ILLINOIS

**COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2017**

	Northwest Business District Fund	Triangle Business District Fund	Total Nonmajor Funds
Assets:			
Cash and cash equivalents	\$ 74,314	\$ 855	\$ 824,920
Investments	-	-	514,133
Receivables	30,600	77,096	323,607
Prepaid expenditures	-	-	272
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 104,914</u>	<u>\$ 77,951</u>	<u>\$ 1,662,932</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 92,084
Compensated absences	-	-	2,302
Due to other funds	-	26,082	213,161
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>26,082</u>	<u>307,547</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	5,961	26,103	32,064
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Nonspendable - prepaid expenditures	-	-	272
Restricted for:			-
Culture and recreation	-	-	983,956
Economic development	98,953	25,766	124,719
Highways and streets	-	-	214,374
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>98,953</u>	<u>25,766</u>	<u>1,323,321</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 104,914</u>	<u>\$ 77,951</u>	<u>\$ 1,662,932</u>

CITY OF EFFINGHAM, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2017**

	<u>Motor Fuel Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Ford Avenue Business District Fund</u>
Revenues:			
Taxes	\$ 312,472	\$ 938,166	\$ 127,854
Intergovernmental grants	-	121,618	-
Investment income	3,307	6,951	-
Miscellaneous income	-	31,040	-
Total revenues	<u>315,779</u>	<u>1,097,775</u>	<u>127,854</u>
Expenditures:			
Current:			
Culture and recreation	-	961,418	-
Economic development	-	-	127,854
Capital outlay	-	116,844	-
Debt service:			
Principal	-	186,720	-
Interest and fiscal charges	-	55,159	-
Total expenditures	<u>-</u>	<u>1,320,141</u>	<u>127,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>315,779</u>	<u>(222,366)</u>	<u>-</u>
Other financing (uses):			
Operating transfers (out)	<u>(1,224,316)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(908,537)	(222,366)	-
Fund balances, beginning of year	<u>1,122,911</u>	<u>1,206,594</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 214,374</u></u>	<u><u>\$ 984,228</u></u>	<u><u>\$ -</u></u>

CITY OF EFFINGHAM, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2017**

	Northwest Business District Fund	Triangle Business District Fund	Total Nonmajor Funds
Revenues:			
Taxes	\$ 117,466	\$ 76,315	\$ 1,572,273
Intergovernmental grants	-	-	121,618
Investment income	-	-	10,258
Miscellaneous income	-	-	31,040
Total revenues	117,466	76,315	1,735,189
Expenditures:			
Current:			
Culture and recreation	-	-	961,418
Economic development	18,513	50,549	196,916
Capital outlay	-	-	116,844
Debt service:			
Principal	-	-	186,720
Interest and fiscal charges	-	-	55,159
Total expenditures	18,513	50,549	1,517,057
Excess (deficiency) of revenues over (under) expenditures	98,953	25,766	218,132
Other financing (uses):			
Operating transfers (out)	-	-	(1,224,316)
Net change in fund balances	98,953	25,766	(1,006,184)
Fund balances, beginning of year	-	-	2,329,505
Fund balances, end of year	\$ 98,953	\$ 25,766	\$ 1,323,321

STATISTICAL DATA

CITY OF EFFINGHAM, ILLINOIS

**SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
April 30, 2017**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Illinois Public Risk Fund (Arthur Gallagher)	1/1/2018	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)	12/31/2017	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)	12/31/2017	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)	12/31/2017	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)	12/31/2017	Building and Contents Coverage	
		As scheduled in policy, current total values	51,048,997
		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, 2017**

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Lloyds of London (Arthur Gallagher)	12/31/2017	Equipment Floaters (Inland Marine) As scheduled in policy, current total values Deductible	\$ 2,644,948 1,000
Lloyds of London (Arthur Gallagher)	12/31/2017	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	7,573,743 1,000,000 1,000 250,000/250,000 10,000 Cash Value 1,000 Cash Value 1,000 Replacement Cost
Citizens Insurance Co. (Arthur Gallagher)	12/31/2017	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
XL Catlin (Arthur Gallagher)	12/31/2017	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, 2017**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Co. (Weis Insurance Agency)	11/21/2017	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)	12/31/2017	Umbrella Coverage	
		Each occurrence limit	7,000,000
		General aggregate limit	7,000,000
BCS Insurance Co. (Arthur Gallagher)	12/31/2017	Cyber Liability Coverage	
		Limit of liability, per claim	1,000,000
		General aggregate limit	1,000,000
		Deductible	5,000
Citizens Insurance Co. (Arthur Gallagher)	12/31/2017	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, 2017**

Assessed valuation, 2016 levy		\$ 264,991,406
Statutory debt limitation, 8.625% of assessed valuation		\$ 22,855,509
Total debt:		
General obligation bond	(12,245,000)	
Refunding bond	(1,750,000)	
Advanced refunding bond	(3,570,000)	
Notes payable	<u>(2,462,851)</u>	
Total debt		(20,027,851)
Less debt exempt from statutory debt limitation computation:		
General obligation bond	12,245,000	
Refunding bond	1,750,000	
Advanced refunding bond	<u>3,570,000</u>	
Total debt exempt from statutory debt limitation		<u>17,565,000</u>
Legal debt margin		<u><u>\$ 20,392,658</u></u>

CITY OF EFFINGHAM, ILLINOIS

**MISCELLANEOUS STATISTICS
(UNAUDITED)
April 30, 2017**

	<u>Water</u>
Number of metered customers, April 30, 2017	5,295
Number of unmetered customers, April 30, 2017	<u>-</u>
Total customers, April 30, 2017	<u><u>5,295</u></u>
Gallons of water pumped	615,760,000
Less amount used to wash filter	<u>(21,130,000)</u>
Gallons of water available	<u><u>594,630,000</u></u>
	<u>Sewer</u>
Number of metered customers, April 30, 2017	4,954
Number of unmetered customers, April 30, 2017	<u>-</u>
Total customers, April 30, 2017	<u><u>4,954</u></u>
Gallons of water billed	<u><u>518,644,395</u></u>
Gallons received at wastewater plant	<u><u>804,120,000</u></u>
Number of customers discharging non-domestic wastes	<u><u>136</u></u>
Gallons of non-domestic wastes discharged	<u><u>74,070,180</u></u>