

**CITY OF EFFINGHAM, ILLINOIS**

**FINANCIAL STATEMENTS**  
**WITH ACCOMPANYING INFORMATION**

**For the year ended April 30, 2018**

**CITY OF EFFINGHAM, ILLINOIS**  
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**CITY OF EFFINGHAM, ILLINOIS**

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**CITY OF EFFINGHAM, ILLINOIS**

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October 30, 2018

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, 2018

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, 2018.

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, 2018 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, 2018 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 Treasurer assumes responsibility for day-to-day management of the Treasurer's Office sharing responsibility and accountability for the integrity of the organizational accounting function with the City Treasurer.

## **Financial Planning & Control**

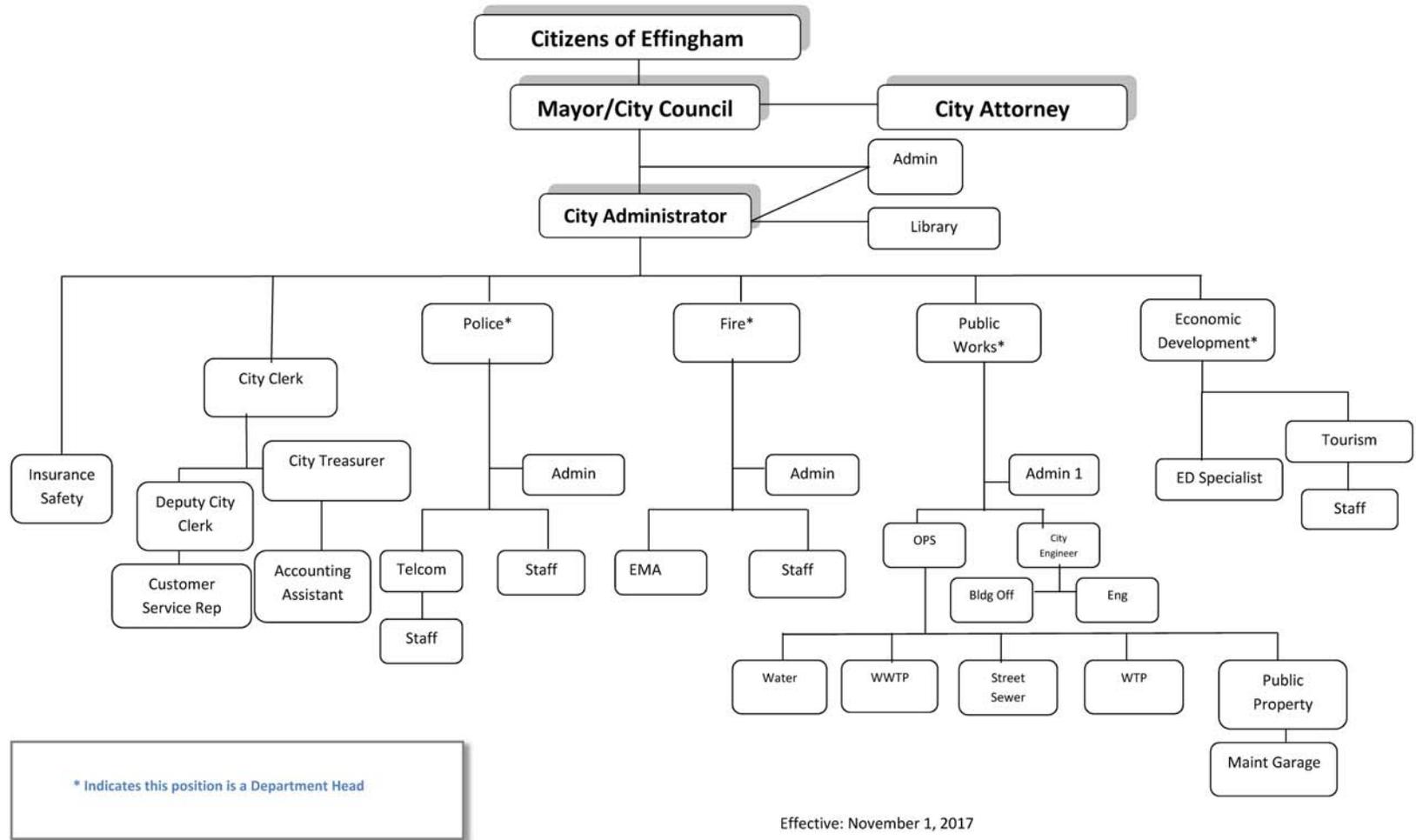
The budget serves as the foundation for the City's planning and control. The City's fiscal year begins May 1<sup>st</sup> and ends April 30<sup>th</sup>.

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

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

# CITY OF EFFINGHAM, ILLINOIS

## ORGANIZATIONAL CHART



**CITY OF EFFINGHAM, ILLINOIS**

**LIST OF ELECTED AND APPOINTED OFFICIALS  
April 30, 2018**

**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  
Caitlin Phillips, Treasurer  
Jodi Moomaw, Telecommunications Manager  
Dennis Niebrugge, Electrical/Plumbing Inspector  
Jeff Fuesting, Chief of Police

**FINANCIAL SECTION**

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

&  
CONSULTANTS  
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OFFICES

CHAMPAIGN  
EDWARDSVILLE  
EFFINGHAM  
GREENVILLE  
MATTOON  
SULLIVAN

INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners  
City of Effingham, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Effingham, Illinois, as of and for the year ended April 30, 2018, 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 unit, each major fund, and the aggregate remaining fund information of the City of Effingham, Illinois, as of April 30, 2018, 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 16 through 24 and 102 through 115 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 October 30, 2018, on our consideration of the City of Effingham, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Effingham, Illinois' internal control over financial reporting and compliance.

*West & Company, LLC*

Effingham, Illinois  
October 30, 2018

# 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

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## OFFICES

CHAMPAIGN  
EDWARDSVILLE  
EFFINGHAM  
GREENVILLE  
MATTOON  
SULLIVAN

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

#### INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners  
City of Effingham, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Effingham, Illinois as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Effingham, Illinois' basic financial statements, and have issued our report thereon dated October 30, 2018.

#### *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 2018-001, that we consider to be a material weakness.

### ***Compliance and Other Matters***

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

We noted certain matters that we reported to management of the City of Effingham, Illinois in a separate letter dated October 30, 2018.

### ***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  
October 30, 2018

**CITY OF EFFINGHAM, ILLINOIS**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS' RESULTS  
For the year ended April 30, 2018**

**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, 2018**

**Section II: Financial Statement Findings**

**Finding No.: 2018-001 Controls Over Financial Statement Preparation**

**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.

GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government’s major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

**Condition:**

The City of Effingham lacks sufficient internal controls over the financial reporting process. While the City maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the modified accrual and accrual bases of accounting financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**Cause:**

The additional expense to hire and/or train accounting personnel to comply with these requirements would take away from the funds available to provide services for City residents.

**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.

**CITY OF EFFINGHAM, ILLINOIS**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended April 30, 2018**

**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 comply with these requirements 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, 2018**

**Corrective Action Plan**

**Finding No.: 2018-001**

**Condition:**

The City of Effingham lacks sufficient internal controls over the financial reporting process. While the City maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the modified accrual and accrual bases of accounting financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**Plan:**

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:**

Kelsey Lock, Interim City Administrator

**CITY OF EFFINGHAM, ILLINOIS**

**SUMMARY OF PRIOR AUDIT FINDINGS**

**For the year ended April 30, 2018**

Audit Finding Reference: 2017-001, 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, 2018. 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 \$119,755,002 and liabilities and deferred inflows of resources of \$44,860,222, resulting in net position of \$74,894,780 as of April 30, 2018. Of the net position, \$70,348,521 represents the City's net investment in capital assets, \$7,490,299 is held for restricted purposes, and -\$2,944,040 is available to meet the City's ongoing obligations to its citizens and creditors.
- During FY 2018, The City continued to effectuate the projects and purchases within the City's approved capital improvements plan. The projects included completion of the Pike Avenue Improvements, the completion of Luther Street, completion of 3<sup>rd</sup> Street Reconstruction, completion of the Truck Access Road, completion of the Calico Trail, completion of the West Wernsing Lift Station, a firetruck, and the start of the new Police Station construction.
- The City created a new business district, the Banker Street Business District.
- 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 25 – 27 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 28 – 37 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 38 - 42 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 43 – 44 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 45 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 102 - 113 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 114 - 115 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 116 - 121 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 \$74,894,780 at the close of the most recent fiscal year.

By far the largest portion of the City of Effingham's net position (94%) 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit of unrestricted net position is \$2,944,040.

The primary government's net position increased by \$2,143,311. This is an increase from the prior year decrease in net position of \$117,318. The increase is due to decreased economic development expenditures in the current year

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 28,873,045	\$ 31,726,659	\$ 6,125,137	\$ 6,031,631	\$ 34,998,182	\$ 37,758,290
Capital assets (net)	49,265,478	46,309,565	31,788,894	32,150,584	81,054,372	78,460,149
Total assets	<u>\$ 78,138,523</u>	<u>\$ 78,036,224</u>	<u>\$ 37,914,031</u>	<u>\$ 38,182,215</u>	<u>\$ 116,052,554</u>	<u>\$ 116,218,439</u>
Deferred outflows of resources	<u>\$ 3,191,251</u>	<u>\$ 3,861,943</u>	<u>\$ 511,195</u>	<u>\$ 649,577</u>	<u>\$ 3,702,446</u>	<u>\$ 4,511,520</u>
Current liabilities	\$ 1,388,892	\$ 935,031	\$ 222,023	\$ 210,225	\$ 1,610,915	\$ 1,145,256
Non-current liabilities	27,044,019	30,576,292	6,183,952	8,241,106	33,227,971	38,817,398
Total liabilities	<u>\$ 28,432,911</u>	<u>\$ 31,511,323</u>	<u>\$ 6,405,975</u>	<u>\$ 8,451,331</u>	<u>\$ 34,838,886</u>	<u>\$ 39,962,654</u>
Deferred inflows of resources	<u>\$ 9,150,763</u>	<u>\$ 7,836,177</u>	<u>\$ 870,571</u>	<u>\$ 179,659</u>	<u>\$ 10,021,334</u>	<u>\$ 8,015,836</u>
Net investment in capital assets	\$ 43,798,406	\$ 44,096,714	\$ 26,550,115	\$ 25,891,605	\$ 70,348,521	\$ 69,988,319
Restricted	6,128,542	4,798,067	1,361,757	-	7,490,299	4,798,067
Unrestricted	<u>(6,180,848)</u>	<u>(6,344,114)</u>	<u>3,236,808</u>	<u>4,309,197</u>	<u>(2,944,040)</u>	<u>(2,034,917)</u>
Total net position	<u>\$ 43,746,100</u>	<u>\$ 42,550,667</u>	<u>\$ 31,148,680</u>	<u>\$ 30,200,802</u>	<u>\$ 74,894,780</u>	<u>\$ 72,751,469</u>
Total net position as a % of total liabilities and deferred inflows of resources	116.40%	108.14%	428.07%	349.91%	166.95%	151.63%
Unrestricted net position as a % of total liabilities and deferred inflows of resources	-16.45%	-16.12%	44.48%	49.93%	-6.56%	-4.24%

### Governmental activities

Governmental activities increased the City of Effingham's net position by \$1,195,433, thus increasing the net position of the City of Effingham by almost 1.64 percent. Key elements of this increase are shown on the schedule on the next page.

### Business-type activities

Business-type activities increased the City of Effingham's net position by \$947,878, thus increasing the net position of the City of Effingham by 1.30 percent. Key elements of this increase are shown on the schedule on the next page.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 403,264	\$ 429,948	\$ 6,095,890	\$ 5,714,426	\$ 6,499,154	\$ 6,144,374
Operating grants and contributions	161,728	156,685	202,251	983,621	363,979	1,140,306
Capital grants and contributions	327,908	577,192	939,487	1,984,567	1,267,395	2,561,759
General revenue:						
Property taxes	7,692,516	7,247,559	-	-	7,692,516	7,247,559
Sales taxes	7,823,809	7,256,839	-	-	7,823,809	7,256,839
Income taxes	1,121,774	1,162,380	-	-	1,121,774	1,162,380
Motor fuel taxes	314,771	312,472	-	-	314,771	312,472
Hotel/motel taxes	1,024,669	938,166	-	-	1,024,669	938,166
Utility taxes	441,204	436,999	-	-	441,204	436,999
Other taxes	1,008,811	919,340	-	-	1,008,811	919,340
Unrestricted investment earnings	142,791	86,060	16,185	11,883	158,976	97,943
Other revenues	250,514	232,751	-	-	250,514	232,751
Gain (loss) on sale of capital assets	123,777	(423,805)	-	-	123,777	(423,805)
Total revenue	<u>20,837,536</u>	<u>19,332,586</u>	<u>7,253,813</u>	<u>8,694,497</u>	<u>28,091,349</u>	<u>28,027,083</u>
Expenses:						
General government	2,096,454	1,942,517	-	-	2,096,454	1,942,517
Public safety	6,813,473	6,779,540	-	-	6,813,473	6,779,540
Public works	5,001,870	4,637,943	-	-	5,001,870	4,637,943
Culture and recreation	834,786	1,057,005	-	-	834,786	1,057,005
Economic development	2,876,129	4,792,845	-	-	2,876,129	4,792,845
Interest on long-term debt	369,326	292,192	-	-	369,326	292,192
Retirement	1,648,065	2,285,979	-	-	1,648,065	2,285,979
Water	-	-	3,383,446	3,069,981	3,383,446	3,069,981
Sewer	-	-	2,924,489	3,286,398	2,924,489	3,286,398
Total expenses	<u>19,640,103</u>	<u>21,788,021</u>	<u>6,307,935</u>	<u>6,356,379</u>	<u>25,948,038</u>	<u>28,144,400</u>
Change in net position before transfers	1,197,433	(2,455,435)	945,878	2,338,118	2,143,311	(117,317)
Transfers	(2,000)	(33,937)	2,000	33,937	-	-
Change in net position	1,195,433	(2,489,372)	947,878	2,372,055	2,143,311	(117,317)
Net position, beginning 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>
Net position, end of year	<u>\$ 43,746,100</u>	<u>\$ 42,550,667</u>	<u>\$ 31,148,680</u>	<u>\$ 30,200,802</u>	<u>\$ 74,894,780</u>	<u>\$ 72,751,469</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 \$20,610,721, a decrease of \$2,765,381 in comparison with the prior year. The majority of the fund balance, \$13,758,204 constitutes restricted fund balance. The remainder of the fund balance is nonspendable, \$126,052 and unassigned, \$6,726,465.

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 \$6,805,015, while total fund balance was \$7,395,104. 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 62 percent and 67 percent of the total General fund expenditures, respectively.

The fund balance of the City of Effingham's Tax Increment Financing (TIF) fund decreased by \$1,129,892 during the current fiscal year to \$2,745,803.

### **BUDGETARY HIGHLIGHTS**

The original 2018 General fund budget authorized expenditures and other financing uses of \$13,065,018 funded by anticipated revenues and other financing sources of \$13,573,023 leaving the amount of revenues and other financing sources over expenditures and other financing uses of \$508,005. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$165,177, a negative budget to actual variance of \$342,828.

The original 2018 Tax Increment Financing fund budget authorized expenditures and other financing uses of \$8,100,805 funded by anticipated revenues and other financing sources of \$4,792,805 leaving the amount of expenditures and other financing uses over revenues and other financing sources of \$3,308,000. The actual amount of expenditures and other financing uses over revenues and other financing was \$1,129,892, a positive budget to actual variance of \$2,178,108. 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, 2018, amounts to approximately \$81 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 3 percent (6 percent increase for governmental activities and a 1 percent decrease for business-type activities).

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

- Completion of Pike Avenue Improvements
- Completion of the truck access road
- Completion of Luther Street improvements
- Completion of the 3<sup>rd</sup> Street Reconstruction
- Completion of the Calico and Hopkins Trails
- Start of the Police Station Construction

The total costs of these capital projects total over \$8 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	7,016,206	29,441,943	36,458,149
Improvements	992,624	1,231,869	2,224,493
Machinery and equipment	2,179,388	724,259	2,903,647
Infrastructure	28,670,442	-	28,670,442
Construction in progress	4,916,401	252,601	5,169,002
	<u>\$ 49,265,478</u>	<u>\$ 31,788,894</u>	<u>\$ 81,054,372</u>

## Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$18,385,168. Notes payable at year end was \$2,190,244, for 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	\$ 2,023,577	\$ 166,667	\$ 2,190,244
General obligation bonds	10,886,430	610,000	11,496,430
Refunding bonds	-	4,698,494	4,698,494
	<u>\$ 12,910,007</u>	<u>\$ 5,475,161</u>	<u>\$ 18,385,168</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	\$ 667,071	\$ 281,420	\$ 948,491
Firefighter's net pension liability	5,656,431	-	5,656,431
Police net pension liability	5,710,225	-	5,710,225
	<u>\$ 12,033,727</u>	<u>\$ 281,420</u>	<u>\$ 12,315,147</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, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
<b>Assets:</b>				
Cash and cash equivalents	\$ 17,791,202	\$ 3,449,560	\$ 21,240,762	\$ 627,308
Receivables, net	8,345,939	919,277	9,265,216	921,000
Investments, at fair value	1,545,258	-	1,545,258	
Internal balances	(130,949)	130,949	-	-
Inventories	-	158,626	158,626	-
Prepays	87,371	28,351	115,722	6,263
<b>Restricted assets:</b>				
Cash	1,234,224	1,438,374	2,672,598	747,521
<b>Capital assets (net of accumulated depreciation):</b>				
Land	5,490,417	138,222	5,628,639	-
Buildings and system	7,016,206	29,441,943	36,458,149	6,714,200
Improvements	992,624	1,231,869	2,224,493	76,872
Machinery and equipment	2,179,388	724,259	2,903,647	19,836
Infrastructure	28,670,442	-	28,670,442	-
Construction in progress	4,916,401	252,601	5,169,002	-
<b>Total assets</b>	<b>78,138,523</b>	<b>37,914,031</b>	<b>116,052,554</b>	<b>9,113,000</b>
<b>Deferred Outflows of Resources:</b>				
Deferred amount on bond refunding	-	236,382	236,382	-
Deferred pensions	3,191,251	274,813	3,466,064	91,605
<b>Total deferred outflows of resources</b>	<b>3,191,251</b>	<b>511,195</b>	<b>3,702,446</b>	<b>91,605</b>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)**  
**April 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
<b>Liabilities:</b>				
Accounts payable	\$ 1,278,720	\$ 102,651	\$ 1,381,371	\$ 31,708
Accrued interest payable	110,172	42,755	152,927	7,523
Customer deposits	-	76,617	76,617	-
Noncurrent liabilities:				
Due within one year	1,407,189	1,139,818	2,547,007	60,854
Due in more than one year	25,636,830	5,044,134	30,680,964	1,230,740
<b>Total liabilities</b>	<b>28,432,911</b>	<b>6,405,975</b>	<b>34,838,886</b>	<b>1,330,825</b>
<b>Deferred Inflows of Resources:</b>				
Deferred property taxes	5,859,000	-	5,859,000	921,000
Deferred pensions	3,291,763	870,571	4,162,334	290,191
<b>Total deferred inflows of resources</b>	<b>9,150,763</b>	<b>870,571</b>	<b>10,021,334</b>	<b>1,211,191</b>
<b>Net Position:</b>				
Net investment in capital assets	43,798,406	26,550,115	70,348,521	5,633,373
Restricted for:				
Culture and recreation	1,276,349	-	1,276,349	-
Capital projects	2,179,872	-	2,179,872	-
Economic development	1,116,386	-	1,116,386	-
General government	255,763	-	255,763	435,771
Highways and streets	456,688	-	456,688	-
Public safety	100,458	-	100,458	-
Construction and repairs	-	-	-	235,988
Debt service	743,026	1,361,757	2,104,783	-
Unrestricted	(6,180,848)	3,236,808	(2,944,040)	357,457
<b>Total net position</b>	<b>\$ 43,746,100</b>	<b>\$ 31,148,680</b>	<b>\$ 74,894,780</b>	<b>\$ 6,662,589</b>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF ACTIVITIES  
For the year ended April 30, 2018**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Library
		Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Functions/Programs:</b>								
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 2,096,454	\$ 230,711	\$ 38,882	\$ -	\$ (1,826,861)	\$ -	\$ (1,826,861)	
Public safety	6,813,473	114,935	6,780	-	(6,691,758)	-	(6,691,758)	
Public works	5,001,870	57,618	-	327,908	(4,616,344)	-	(4,616,344)	
Culture and recreation	834,786	-	116,066	-	(718,720)	-	(718,720)	
Economic development	2,876,129	-	-	-	(2,876,129)	-	(2,876,129)	
Retirement	1,648,065	-	-	-	(1,648,065)	-	(1,648,065)	
Interest on long-term debt	369,326	-	-	-	(369,326)	-	(369,326)	
<b>Total governmental activities</b>	<b>19,640,103</b>	<b>403,264</b>	<b>161,728</b>	<b>327,908</b>	<b>(18,747,203)</b>	<b>-</b>	<b>(18,747,203)</b>	
<b>Business-type activities:</b>								
Water	3,383,446	3,154,685	107,416	936,047	-	814,702	814,702	
Sewer	2,924,489	2,941,205	94,835	3,440	-	114,991	114,991	
<b>Total business-type activities</b>	<b>6,307,935</b>	<b>6,095,890</b>	<b>202,251</b>	<b>939,487</b>	<b>-</b>	<b>929,693</b>	<b>929,693</b>	
<b>Total primary government</b>	<b>\$ 25,948,038</b>	<b>\$ 6,499,154</b>	<b>\$ 363,979</b>	<b>\$ 1,267,395</b>	<b>(18,747,203)</b>	<b>929,693</b>	<b>(17,817,510)</b>	
<b>Component unit:</b>								
Library	\$ 953,923	\$ 50,601	\$ -	\$ -				\$ (903,322)
<b>General Revenue:</b>								
Property taxes					7,692,516	-	7,692,516	920,276
Sales taxes					7,823,809	-	7,823,809	-
Income taxes					1,121,774	-	1,121,774	-
Motor fuel taxes					314,771	-	314,771	-
Hotel/motel taxes					1,024,669	-	1,024,669	-
Utility taxes					441,204	-	441,204	-
Other taxes					1,008,811	-	1,008,811	25,504
Investment earnings					142,791	16,185	158,976	1,082
Other revenues					250,514	-	250,514	142,683
Gain (loss) on sale of capital assets					123,777	-	123,777	-
Transfers					(2,000)	2,000	-	-
<b>Total general revenues and transfers</b>					<b>19,942,636</b>	<b>18,185</b>	<b>19,960,821</b>	<b>1,089,545</b>
Change in net position					1,195,433	947,878	2,143,311	186,223
Net position, beginning of year					42,550,667	30,200,802	72,751,469	6,476,366
Net position, end of year					<b>\$ 43,746,100</b>	<b>\$ 31,148,680</b>	<b>\$ 74,894,780</b>	<b>\$ 6,662,589</b>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2018**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Cash and cash equivalents	\$ 5,190,027	\$ 1,573,800	\$ 1,589,837
Receivables (net of allowance for uncollectibles)	3,907,656	4,052,766	68,527
Investments, at fair value	778,523	513,127	-
Prepaid expenditures	71,420	-	-
Due from other funds	241,880	117,868	13,062
Cash - restricted	<u>491,198</u>	<u>576,005</u>	<u>-</u>
Total assets	<u><u>\$ 10,680,704</u></u>	<u><u>\$ 6,833,566</u></u>	<u><u>\$ 1,671,426</u></u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:			
Liabilities:			
Accounts payable	\$ 402,326	\$ 37,763	\$ 692,694
Compensated absences	441,887	-	-
Due to other funds	<u>23,952</u>	<u>-</u>	<u>305,196</u>
Total liabilities	<u>868,165</u>	<u>37,763</u>	<u>997,890</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	<u>2,417,435</u>	<u>4,050,000</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	71,420	-	-
Long-term due from	39,241	-	-
Restricted for:			
Culture and recreation	-	-	-
Economic development	-	2,169,798	-
General government	378,970	-	-
Capital projects	-	-	673,536
Highways and streets	-	-	-
Public safety	100,458	-	-
Debt service	-	576,005	-
Unassigned	<u>6,805,015</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>7,395,104</u>	<u>2,745,803</u>	<u>673,536</u>
Total liabilities, deferred inflow of resources, and fund balance	<u><u>\$ 10,680,704</u></u>	<u><u>\$ 6,833,566</u></u>	<u><u>\$ 1,671,426</u></u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**BALANCE SHEET (Continued)  
GOVERNMENTAL FUNDS  
April 30, 2018**

	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 7,343,243	\$ 2,003,938	\$ 17,700,845
Receivables (net of allowance for uncollectibles)	-	316,990	8,345,939
Investments, at fair value	-	253,608	1,545,258
Prepaid expenditures	-	15,391	86,811
Due from other funds	-	23,952	396,762
Cash - restricted	<u>167,021</u>	<u>-</u>	<u>1,234,224</u>
Total assets	<u>\$ 7,510,264</u>	<u>\$ 2,613,879</u>	<u>\$ 29,309,839</u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ 118,695	\$ 1,251,478
Compensated absences	-	1,846	443,733
Due to other funds	<u>-</u>	<u>172,374</u>	<u>501,522</u>
Total liabilities	<u>-</u>	<u>292,915</u>	<u>2,196,733</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	<u>-</u>	<u>34,950</u>	<u>6,502,385</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	15,391	86,811
Long-term due from	-	-	39,241
Restricted for:			
Culture and recreation	-	1,270,469	1,270,469
Economic development	-	622,016	2,791,814
General government	-	-	378,970
Capital projects	7,343,243	-	8,016,779
Highways and streets	-	456,688	456,688
Public safety	-	-	100,458
Debt service	167,021	-	743,026
Unassigned	<u>-</u>	<u>(78,550)</u>	<u>6,726,465</u>
Total fund balances	<u>7,510,264</u>	<u>2,286,014</u>	<u>20,610,721</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 7,510,264</u>	<u>\$ 2,613,879</u>	<u>\$ 29,309,839</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**BALANCE SHEET (Continued)  
GOVERNMENTAL FUNDS  
April 30, 2018**

	<u>Component Unit</u>
	<u>Library</u>
Assets:	
Cash and cash equivalents	\$ 627,308
Receivables (net of allowance for uncollectibles)	921,000
Investments, at fair value	-
Prepaid expenditures	6,263
Due from other funds	-
Cash - restricted	<u>747,521</u>
Total assets	<u><u>\$ 2,302,092</u></u>
Liabilities, Deferred Inflow of Resources, and Fund Balance:	
Liabilities:	
Accounts payable	\$ 31,708
Compensated absences	-
Due to other funds	<u>-</u>
Total liabilities	<u>31,708</u>
Deferred inflow of resources:	
Property taxes and unavailable revenue	<u>921,000</u>
Fund balances:	
Nonspendable:	
Prepaid expenditures	6,263
Long-term due from	-
Restricted for:	
Culture and recreation	-
Economic development	-
General government	511,533
Capital projects	235,988
Highways and streets	-
Public safety	-
Debt service	-
Unassigned	<u>595,600</u>
Total fund balances	<u>1,349,384</u>
Total liabilities, deferred inflow of resources, and fund balance	<u><u>\$ 2,302,092</u></u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
April 30, 2018**

Total fund balances - total governmental funds	\$ 20,610,721
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.	49,263,682
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.	39,283
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.	(100,512)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	643,385
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,710,459)</u>
Net position of governmental activities	<u><u>\$ 43,746,100</u></u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL COMPONENT  
UNIT TO THE STATEMENT OF NET POSITION**

**April 30, 2018**

Total fund balances - governmental component unit	\$	1,349,384
Amounts reported for governmental component unit 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.		6,810,908
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.		
Deferred Inflows - IMRF	(290,191)	
Deferred Outflows - IMRF	<u>91,605</u>	(198,586)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(1,177,534)	
Accrued interest payable	(7,523)	
Compensated absences	(20,253)	
Net IMRF pension liability	<u>(93,807)</u>	<u>(1,299,117)</u>
Net position of governmental activities	\$	<u><u>6,662,589</u></u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended April 30, 2018**

	General Fund	Tax Increment Financing Fund	Capital Projects Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Taxes	\$ 12,004,022	\$ 4,001,942	\$ -
Licenses and permits	145,091	-	-
Intergovernmental grants	45,662	-	327,908
Charges for services	124,741	-	-
Fines and forfeitures	133,432	-	-
Investment income	26,645	24,676	7,389
Miscellaneous revenues	169,011	330	-
	<u>12,648,604</u>	<u>4,026,948</u>	<u>335,297</u>
Expenditures:			
Current:			
General government	2,031,435	-	4,890
Public safety	6,458,776	-	-
Public works	1,555,361	-	1,086,313
Health and welfare	1,045	-	-
Culture and recreation	-	-	-
Economic development	131,374	2,504,799	-
Capital outlay	858,804	34,837	5,203,242
Debt service:			
Principal	-	400,000	-
Interest and fiscal charges	750	59,658	-
	<u>11,037,545</u>	<u>2,999,294</u>	<u>6,294,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,611,059</u>	<u>1,027,654</u>	<u>(5,959,148)</u>
Other financing sources (uses):			
Operating transfers in	-	-	5,205,144
Operating transfers out	(1,569,659)	(2,157,546)	-
Sale of property	123,777	-	-
	<u>(1,445,882)</u>	<u>(2,157,546)</u>	<u>5,205,144</u>
Net change in fund balances	165,177	(1,129,892)	(754,004)
Fund balances, beginning of year	<u>7,229,927</u>	<u>3,875,695</u>	<u>1,427,540</u>
Fund balances, end of year	<u>\$ 7,395,104</u>	<u>\$ 2,745,803</u>	<u>\$ 673,536</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, 2018**

	Debt Services Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ 2,063,824	\$ 18,069,788
Licenses and permits	-	-	145,091
Intergovernmental grants	-	116,066	489,636
Charges for services	-	-	124,741
Fines and forfeitures	-	-	133,432
Investment income	70,237	13,593	142,540
Miscellaneous revenues	-	70,552	239,893
Total revenues	70,237	2,264,035	19,345,121
Expenditures:			
Current:			
General government	-	-	2,036,325
Public safety	-	-	6,458,776
Public works	-	22,400	2,664,074
Health and welfare	-	-	1,045
Culture and recreation	-	702,883	702,883
Economic development	-	235,629	2,871,802
Capital outlay	-	44,076	6,140,959
Debt service:			
Principal	415,000	189,274	1,004,274
Interest and fiscal charges	239,127	52,606	352,141
Total expenditures	654,127	1,246,868	22,232,279
Excess (deficiency) of revenues over (under) expenditures	(583,890)	1,017,167	(2,887,158)
Other financing sources (uses):			
Operating transfers in	817,659	-	6,022,803
Operating transfers out	(2,243,124)	(54,474)	(6,024,803)
Sale of property	-	-	123,777
Total other financing sources (uses)	(1,425,465)	(54,474)	121,777
Net change in fund balances	(2,009,355)	962,693	(2,765,381)
Fund balances, beginning of year	9,519,619	1,323,321	23,376,102
Fund balances, end of year	\$ 7,510,264	\$ 2,286,014	\$ 20,610,721

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, 2018**

	Component Unit
	Library
Revenues:	
Taxes	\$ 945,780
Licenses and permits	-
Intergovernmental grants	-
Charges for services	50,601
Fines and forfeitures	-
Investment income	1,082
Miscellaneous revenues	142,682
Total revenues	1,140,145
Expenditures:	
Current:	
General government	-
Public safety	-
Public works	-
Health and welfare	-
Culture and recreation	835,787
Economic development	-
Capital outlay	43,556
Debt service:	
Principal	163,391
Interest and fiscal charges	34,675
Total expenditures	1,077,409
Excess (deficiency) of revenues over (under) expenditures	62,736
Other financing sources (uses):	
Operating transfers in	-
Operating transfers out	-
Sale of property	-
Total other financing sources (uses)	-
Net change in fund balances	62,736
Fund balances, beginning of year	1,286,648
Fund balances, end of year	\$ 1,349,384

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, 2018**

Net change in fund balances - total governmental funds \$ (2,765,381)

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.

Capital outlay	6,140,959	
Depreciation expense (internal services fund included below)	<u>(3,180,259)</u>	2,960,700

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (140,905)

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. 1,015,334

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. 183,059

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. (68,248)

Internal service funds are used by management to charge the costs of repair maintenance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 10,874

Change in net position of governmental activities \$ 1,195,433

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL COMPONENT  
UNIT TO THE STATEMENT OF ACTIVITIES  
For the year ended April 30, 2018**

Net change in fund balances - governmental component unit \$ 62,736

Amounts reported for the governmental component unit 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.

Capital outlay	43,556	
Depreciation expense	<u>(154,606)</u>	(111,050)

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. This amount is the net effect of these differences in the treatment of long-term debt. 163,391

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.

IMRF pension benefit	13,084	
Contributions	<u>55,411</u>	68,495

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. 2,651

Change in net position of governmental component unit	<u><u>\$ 186,223</u></u>
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See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**April 30, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,229,952	\$ 2,219,608	\$ 3,449,560	\$ 90,358
Receivables	455,015	464,262	919,277	-
Due from other funds	92,187	95,142	187,329	-
Inventories	158,626	-	158,626	-
Prepaid items	15,691	12,660	28,351	561
Total current assets	<u>1,951,471</u>	<u>2,791,672</u>	<u>4,743,143</u>	<u>90,919</u>
Noncurrent assets:				
Restricted cash and cash equivalents	<u>834,543</u>	<u>603,831</u>	<u>1,438,374</u>	<u>-</u>
Total restricted assets	<u>834,543</u>	<u>603,831</u>	<u>1,438,374</u>	<u>-</u>
Capital assets:				
Land	52,212	86,010	138,222	-
Buildings and system	38,465,697	28,044,383	66,510,080	-
Improvements	1,578,351	121,812	1,700,163	-
Machinery and equipment	1,174,168	2,156,807	3,330,975	51,373
Construction in progress	208,040	44,561	252,601	-
Less accumulated depreciation	<u>(21,199,446)</u>	<u>(18,943,701)</u>	<u>(40,143,147)</u>	<u>(49,577)</u>
Total capital assets (net of accumulated depreciation)	<u>20,279,022</u>	<u>11,509,872</u>	<u>31,788,894</u>	<u>1,796</u>
Total noncurrent assets	<u>21,113,565</u>	<u>12,113,703</u>	<u>33,227,268</u>	<u>1,796</u>
Total assets	<u>23,065,036</u>	<u>14,905,375</u>	<u>37,970,411</u>	<u>92,715</u>
Deferred Outflows of Resources:				
Deferred amount on bond refunding	236,382	-	236,382	-
Deferred pensions	162,852	111,961	274,813	-
Total deferred outflows of resources	<u>399,234</u>	<u>111,961</u>	<u>511,195</u>	<u>-</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**April 30, 2018**

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 52,115	\$ 50,536	\$ 102,651	\$ 27,243
Accrued interest payable	31,490	11,265	42,755	-
Due to other funds	13,062	69,507	82,569	-
Compensated absences	63,340	48,145	111,485	-
Customer deposits	76,617	-	76,617	-
Notes and bonds payable	598,333	430,000	1,028,333	-
Total current liabilities	834,957	609,453	1,444,410	27,243
<b>Noncurrent liabilities:</b>				
Notes and bonds payable	3,457,229	989,599	4,446,828	-
Compensated absences	126,642	96,261	222,903	-
IMRF net pension liability	166,767	114,653	281,420	-
Post-employment healthcare benefits obligation	40,616	52,367	92,983	-
Total noncurrent liabilities	3,791,254	1,252,880	5,044,134	-
Total liabilities	4,626,211	1,862,333	6,488,544	27,243
<b>Deferred Inflows of Resources</b>				
Deferred pensions	515,894	354,677	870,571	-
<b>Net position:</b>				
Net investment in capital assets	16,459,842	10,090,273	26,550,115	1,796
Restricted for debt service	757,926	603,831	1,361,757	
Unrestricted	1,104,397	2,106,222	3,210,619	63,676
Total net position	\$ 18,322,165	\$ 12,800,326	31,122,491	\$ 65,472
Adjustment to reflect the consolidation of internal service fund assets and liabilities related to enterprise funds			26,189	
Net position of business-type activities			\$ 31,148,680	

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, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Operating revenues:				
Charges for services:				
Water sales, pledged as security for revenue bonds	\$ 3,065,389	\$ -	\$ 3,065,389	\$ -
Sewer sales	-	2,920,180	2,920,180	-
Tap and connecting fees	88,882	14,500	103,382	-
Other services	<u>413</u>	<u>6,524</u>	<u>6,937</u>	<u>251,323</u>
Total operating revenue	<u>3,154,684</u>	<u>2,941,204</u>	<u>6,095,888</u>	<u>251,323</u>
Operating expenses:				
Cost of sales and services	1,874,398	1,769,433	3,643,831	228,665
Administration and general	427,539	350,607	778,146	-
Depreciation	<u>970,408</u>	<u>779,267</u>	<u>1,749,675</u>	<u>4,787</u>
Total operating expenses	<u>3,272,345</u>	<u>2,899,307</u>	<u>6,171,652</u>	<u>233,452</u>
Operating income (loss)	<u>(117,661)</u>	<u>41,897</u>	<u>(75,764)</u>	<u>17,871</u>
Nonoperating revenues (expenses):				
Capital grants	6,535	3,440	9,975	-
Investment earnings	5,770	10,415	16,185	252
Interest expense	<u>(113,817)</u>	<u>(29,713)</u>	<u>(143,530)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(101,512)</u>	<u>(15,858)</u>	<u>(117,370)</u>	<u>252</u>
Income (loss) before contributions and transfers	(219,173)	26,039	(193,134)	18,123
Contributions	1,036,928	94,835	1,131,763	-
Transfers in	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Change in net position	819,755	120,874	940,629	18,123
Total net position, beginning of year	<u>17,502,410</u>	<u>12,679,452</u>		<u>47,349</u>
Total net position, end of year	<u>\$ 18,322,165</u>	<u>\$ 12,800,326</u>		<u>\$ 65,472</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>7,249</u>	
Change in net position of business-type activities			<u>\$ 947,878</u>	

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the year ended April 30, 2018**

	Water Fund	Sewer Fund	Totals	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,119,251	\$ 2,921,542	\$ 6,040,793	\$ 251,323
Payments to suppliers	(1,520,858)	(1,428,348)	(2,949,206)	(217,413)
Payments to employees	(835,953)	(703,030)	(1,538,983)	-
	<u>762,440</u>	<u>790,164</u>	<u>1,552,604</u>	<u>33,910</u>
Net cash provided by operating activities				
Cash flows from noncapital financing activities:				
Transfers in	2,000	-	2,000	-
	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Net cash provided by noncapital financing activities				
Cash flows from capital and related financing activities:				
Capital grants	6,535	3,440	9,975	-
Purchase of capital assets	(355,291)	(103,187)	(458,478)	-
Principal paid on capital debt	(588,333)	(415,000)	(1,003,333)	-
Interest paid on capital debt	(103,198)	(63,975)	(167,173)	-
	<u>(1,040,287)</u>	<u>(578,722)</u>	<u>(1,619,009)</u>	<u>-</u>
Net cash used by capital and related financing activities				
Cash flows from investing activities:				
Investment income received	5,770	10,415	16,185	253
	<u>5,770</u>	<u>10,415</u>	<u>16,185</u>	<u>253</u>
Net increase (decrease) in cash and cash equivalents	(270,077)	221,857	(48,220)	34,163
Cash and cash equivalents, beginning	2,334,572	2,601,582	4,936,154	56,195
	<u>2,334,572</u>	<u>2,601,582</u>	<u>4,936,154</u>	<u>56,195</u>
Cash and cash equivalents, ending	\$ 2,064,495	\$ 2,823,439	\$ 4,887,934	\$ 90,358
	<u>\$ 2,064,495</u>	<u>\$ 2,823,439</u>	<u>\$ 4,887,934</u>	<u>\$ 90,358</u>
Statement of net position (proprietary funds):				
Cash and cash equivalents	\$ 1,229,952	\$ 2,219,608	\$ 3,449,560	\$ 90,358
Restricted cash and cash equivalents	834,543	603,831	1,438,374	-
	<u>834,543</u>	<u>603,831</u>	<u>1,438,374</u>	<u>-</u>
Total cash and cash equivalents	\$ 2,064,495	\$ 2,823,439	\$ 4,887,934	\$ 90,358
	<u>\$ 2,064,495</u>	<u>\$ 2,823,439</u>	<u>\$ 4,887,934</u>	<u>\$ 90,358</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF CASH FLOWS (Continued)**

**PROPRIETARY FUNDS**

**For the year ended April 30, 2018**

	<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)	\$ (117,661)	\$ 41,897	\$ (75,764)	\$ 17,871
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	970,408	779,267	1,749,675	4,787
Non-capital contributions	107,416	94,835	202,251	-
Increase in				
accounts receivable	(36,500)	(19,662)	(56,162)	-
Decrease in deferred				
outflow pension	63,532	43,678	107,210	-
Decrease (increase) in due				
from other funds	(92,187)	38,297	(53,890)	-
Decrease in inventories	48,217	-	48,217	-
Decrease in				
prepaid items	1,873	1,608	3,481	58
Increase in customer				
deposits	1,067	-	1,067	-
Increase in				
accounts payable	16,183	1,326	17,509	11,194
Increase in				
compensated absences	3,985	23,475	27,460	-
Increase in deferred				
inflow pension	409,429	281,483	690,912	-
Decrease in due				
to other funds	-	(76,120)	(76,120)	-
Decrease in post-employment				
healthcare obligation	(18,589)	(11,041)	(29,630)	-
Decrease in net pension				
liability	<u>(594,733)</u>	<u>(408,879)</u>	<u>(1,003,612)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 762,440</u>	<u>\$ 790,164</u>	<u>\$ 1,552,604</u>	<u>\$ 33,910</u>

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**April 30, 2018**

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Assets:		
Cash and cash equivalents	\$ 463,858	\$ 183,827
Receivables:		
Property tax	820,000	733,000
Interest	50,822	26,241
Total receivables	870,822	759,241
Investments, at fair value:		
U.S. government securities	568,951	269,160
Annuity contracts	-	209,169
Mutual funds	10,488,739	6,261,034
Corporate bonds	2,705,714	1,489,334
U.S. treasury bonds	2,482,579	1,603,173
Total investments	16,245,983	9,831,870
Total assets	17,580,663	10,774,938
Liabilities:		
Deferred property tax revenue	820,000	733,000
Net position:		
Held in trust for pension benefits and other purposes	\$ 16,760,663	\$ 10,041,938

See notes to financial statements.

**CITY OF EFFINGHAM, ILLINOIS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the year ended April 30, 2018**

	Component Units	
	Police Pension Fund	Firefighters' Pension Fund
Additions:		
Contributions:		
Employer	\$ 832,798	\$ 665,871
Plan members	168,119	118,790
Total contributions	1,000,917	784,661
Investment earnings:		
Interest	160,191	122,679
Dividends	235,283	129,311
Net increase in the fair value of investments	958,360	426,212
Total investment earnings	1,353,834	678,202
Total additions	2,354,751	1,462,863
Deductions:		
Benefits	1,078,136	794,468
Administrative expenses	56,323	45,306
Total deductions	1,134,459	839,774
Change in net position	1,220,292	623,089
Net position, beginning of year	15,540,371	9,418,849
Net position, end of year	\$ 16,760,663	\$ 10,041,938

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. Prior to the year ended April 30, 2018, the City had presented the Library's government-wide financial statements, but had not presented the Library's fund financial statements. 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. As of April 30, 2018, there are funds remaining from the 2017 general obligation bond proceeds to be used on the construction of the Police Station.

##### 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.).

Banker Street Business District Fund - This fund is used to account for the revenues and expenditures for implementation of the Banker Street 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 Banker Street Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/11-74.3-1 et. seq.).

## CITY OF EFFINGHAM, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Other Fund Types (Continued)

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

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

##### 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 2016 tax extension to the City on August 24, 2017, October 26, 2017, January 31, 2018 and February 1, 2018. The City Council adopted the 2017 tax levy (receivable in calendar year 2018) on October 17, 2017. For government-wide financial statements, the 2017 property tax levy is deferred. Taxes recorded in these financial statements are from the 2016 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. 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 and items related to pensions. 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 2015 the Governmental Accounting Standards Board issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, which is effective for the City’s fiscal year ending April 30, 2019. This Statement is expected to have a material impact on the City’s financial statements.

**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	\$ 651,410
Police pension	1,493,997
Firefighter's pension	<u>1,045,844</u>
Total deferred outflows of resources	<u>3,191,251</u>
Deferred inflows of resources	
IMRF	\$ (2,063,578)
Police pension	(1,073,912)
Firefighter's pension	<u>(154,273)</u>
Total deferred inflows of resources	<u>(3,291,763)</u>
Net adjustment to "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u><u>\$ (100,512)</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:

Deferred component of:	
Sales tax receivable	619,022
Franchise tax receivable	16,000
Utility tax receivable	7,653
Other taxes receivable	<u>710</u>
Net adjustment to "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	<u><u>\$ 643,385</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	\$ (12,703,577)
Bond premium	(206,429)
Accrued interest payable	(110,172)
Compensated absences	(887,200)
Net IMRF pension liability	(667,071)
Net police pension liability	(5,710,225)
Net fire pension liability	(5,656,431)
Net post-employment healthcare benefits obligation	<u>(769,354)</u>
 Net adjustment to "total fund balances - total governmental funds" to arrive at "net position of governmental activities"	  <u><u>\$ (26,710,459)</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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between “change in fund balance – total governmental funds” and “change in net position of governmental activities.” One 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	24,217
State income tax	(165,231)
Utility tax	44
Other	<u>65</u>
 Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	  <u><u>\$ (140,905)</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:

Bond premium amortization	\$ 11,060
Principal repayments:	
General obligation debt	815,000
Notes and contracts payable	<u>189,274</u>
Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ 1,015,334</u>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

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

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

Another element of that reconciliation states that “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	\$ 93,042
Police pension expense	(872,200)
Firefighter's pension expense	<u>(930,495)</u>
Total pension expense	(1,709,653)

Contributions	394,043
Tax revenue recorded in the fuduciary funds	<u>1,498,669</u>

Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u><u>\$ 183,059</u></u>
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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.” The details of this difference are as follows:

Compensated absences	\$ 41,202
Accrued interest	(28,244)
Post employment healthcare benefits expense	<u>(81,206)</u>

Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	<u><u>\$ (68,248)</u></u>
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## CITY OF EFFINGHAM, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

#### 3. DEPOSITS AND INVESTMENTS

##### Deposits

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

##### 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.

As of April 30, 2018, the bank balances of the City's cash deposits were \$23,984,066, of which \$840,315 was secured by insurance and \$23,143,751 was collateralized with securities held by the pledging financial institution. The bank balances of the component unit's cash deposits were \$1,374,206, of which \$251,000 was secured by insurance and \$1,123,206 was collateralized with securities held by the pledging financial institution. The bank balances of the fiduciary component units' cash deposits were \$318,179, of which \$261,973 was secured by insurance and \$56,206 was collateralized with securities held by the pledging financial institution.

##### 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.

## CITY OF EFFINGHAM, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

#### 3. DEPOSITS AND INVESTMENTS (Continued)

##### Investments (Continued)

###### 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.

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)

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

As of April 30, 2018, 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	\$ 1,026,022	\$ 1,026,022	N/A	7.00
Government obligations				
FNMA	265,628	270,000	Aaa	18.00
State and local obligations				
Decatur IL Taxable Ser B	<u>253,608</u>	<u>278,990</u>	A1	20.00
Total governmental funds investments	<u>1,545,258</u>	<u>1,575,012</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:				
Government obligations				
FHLB	\$ 493,801	\$ 515,670	Aaa	47.00
GNMA	630	619	Aaa	54.00
FFCB	230,326	235,655	Aaa	134.00
FHLMC	73,833	75,641	Aaa	19.00
TVA	39,522	42,665	Aaa	77.00
US Treasury Bonds	661,221	713,367	Aaa	297.00
US Treasury Notes	3,424,531	3,570,068	Aaa	49.00
Corporate bonds				
Ace Ina Holdings, Inc.	39,224	41,260	A	55.00
Aflac, Inc.	19,738	20,656	A-	23.00
Altria Group, Inc.	46,918	50,433	A-	292.00
American Express, Inc.	86,569	90,692	BBB+	56.00
American Express Credit	19,927	20,350	A-	11.00
Amgen	198,995	206,856	A	96.00
Apple, Inc.	84,206	89,574	AA+	313.00
AT&T	34,613	37,096	BBB+	94.00
Bank of America	64,416	66,446	BBB+	102.00
Berkshire Hathaway	145,348	154,543	AA	289.00
Biogen, Inc.	50,013	52,943	A-	53.00
Boston Scientific Corp.	49,717	50,390	BBB-	85.00
Bristol Myers Squibb Co.	86,947	90,734	A+	106.00
Citigroup, Inc.	170,798	175,226	BBB	79.00
Coca-Cola Co.	38,241	40,372	A+	90.00
Corning, Inc.	140,233	136,710	BBB+	227.00
Duke Energy Carolinas	51,355	53,493	A	26.00
DuPont E I DE Nemours	83,894	86,622	A-	142.00
Excelon Generation Co.	26,856	26,484	BBB	258.00
General Electric Capital	56,400	59,783	A	157.00
General Electric Co.	48,399	53,926	A	311.00
General Motors Co.	14,565	15,884	BBB	204.00
Georgia Power	19,543	20,291	A-	49.00

**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)
Goldman Sachs Group, Inc.	147,006	151,530	BBB+	36.00
Goldman Sachs Group, Inc.	88,523	87,707	BBB-	217.00
Google, Inc.	30,140	31,508	AA+	70.00
JM Smucker Co.	53,408	57,263	BBB	203.00
JP Morgan Chase & Co.	329,850	340,556	A-	37.00
Juniper Networks, Inc.	193,131	198,244	BBB	71.00
Kellogg Co.	94,446	99,095	BBB	96.00
Laboratory Corp American Holdings	24,772	25,434	BBB	22.00
Lockheed Martin Corp	43,529	47,120	BBB+	296.00
Medtronic, Inc.	166,704	174,890	A	156.00
Microsoft Corp	94,149	100,000	AAA	64.00
Monsanto Co.	18,842	19,662	BBB	51.00
Morgan Stanley	94,186	97,477	BBB+	42.00
National Rural Utility Coop	56,334	60,000	A	116.00
Nordstrom, Inc.	146,770	154,677	BBB+	42.00
Occidental Petroleum Corp	175,014	182,133	A	58.00
Oglerthorpe Power Corp	24,764	24,988	A-	314.00
Oracle Corp	80,238	88,346	AA-	145.00
Pfizer, Inc.	181,188	188,804	AA	288.00
Proctor & Gamble Co.	23,355	24,855	AA-	354.00
Puget Energy, Inc.	58,905	59,661	BBB-	85.00
Qualcomm, Inc.	146,234	155,655	A	49.00
San Diego Gas & Electric	14,941	15,453	A+	40.00
Stryker Corp	40,915	41,149	A	21.00
Thermo Fisher Sci.	29,931	30,344	BBB+	10.00
Time Warner, Inc.	123,874	126,530	BBB	14.00
United Helath Group	33,973	35,688	A+	108.00
Wells Fargo Co.	103,009	108,271	BBB+	58.00

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Ratings (1)</u>	<u>Weighted Average Maturity (2)</u>
Annuity contracts				
American General				
Trilogy Annuity	209,169	125,000	N/A	80.00
Mutual funds	<u>16,749,774</u>	<u>14,649,478</u>	N/A	N/A
Total component unit investments	<u><u>\$ 26,077,853</u></u>	<u><u>\$ 24,295,967</u></u>		

(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.

As of April 30, 2018, the City had the following investments included in cash and cash equivalents:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Ratings (1)</u>	<u>Weighted Average Maturity (2)</u>
Governmental Funds				
Money market funds	\$ 1,026,022	\$ 1,026,022	AAAm	N/A
Illinois funds	<u>9,048</u>	<u>9,048</u>	AAAm	N/A
Total governmental funds investments	<u><u>\$ 1,035,070</u></u>	<u><u>\$ 1,035,070</u></u>		
Component Units				
Money market funds	<u><u>\$ 329,507</u></u>	<u><u>\$ 329,507</u></u>	AAAm	N/A

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.

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk (Continued)

The annual maturities of investments are as follows:

	Governmental Funds	Component Units
Maturity of investments;		
1 year	\$ 513,127	\$ 17,177,515
2-5 years	1,032,131	4,512,186
6-10 years	-	2,434,228
Thereafter	-	1,953,924
	\$ 1,545,258	\$ 26,077,853

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.

The portfolio is structured as follows:

	Governmental Funds	Component Units	Percentage of Total
Investments			
Certificates of Deposit	\$ 1,026,022	\$ -	3.71%
Government obligations	265,628	4,923,864	18.79%
Municipal bonds	253,608	-	0.92%
Corporate bonds	-	4,195,046	15.18%
Annuity contracts	-	209,169	0.76%
Mutual funds	-	16,749,774	60.64%
Total	\$ 1,545,258	\$ 26,077,853	100.00%

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

4. RECEIVABLES

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
Property taxes	\$ 5,859,000	\$ -	\$ 5,859,000	\$ 921,000
Utility taxes	53,898	-	53,898	-
Income taxes	169,079	-	169,079	-
Sales taxes	1,919,501	-	1,919,501	-
Personal property replacement taxes	44,153	-	44,153	-
Motor fuel taxes	28,222	-	28,222	-
Cable franchise taxes	16,000	-	16,000	-
Hotel/Motel taxes	110,002	-	110,002	-
Interest	11,949	-	11,949	-
Grants	87,814	-	87,814	-
Customer receivables	-	919,277	919,277	-
Other receivables	46,321	-	46,321	-
<b>Totals</b>	<b>\$ 8,345,939</b>	<b>\$ 919,277</b>	<b>\$ 9,265,216</b>	<b>\$ 921,000</b>

Receivable balances as of April 30, 2018, for fiduciary funds were as follows:

	Police Pension Fund	Firefighter's Pension Fund
Property taxes	\$ 820,000	\$ 733,000
Interest	50,822	26,241
<b>Totals</b>	<b>\$ 870,822</b>	<b>\$ 759,241</b>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY

Payables and receivables between funds consisted of the following at April 30, 2018:

<u>Due To</u>	<u>Due From</u>						<u>Total</u>
	<u>General Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
Governmental activities:							
Nonmajor Governmental Funds							
Expense							
reimbursement	\$ 172,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,373
General fund							
Expense							
reimbursement	-	-	23,952	-	-	-	23,952
Capital Projects Fund							
Capital outlay	-	117,868	-	-	92,187	95,142	305,197
Sewer fund							
Capital outlay	69,507	-	-	-	-	-	69,507
Water fund							
Capital outlay	-	-	-	13,062	-	-	13,062
Total	<u>\$ 241,880</u>	<u>\$ 117,868</u>	<u>\$ 23,952</u>	<u>\$ 13,062</u>	<u>\$ 92,187</u>	<u>\$ 95,142</u>	<u>\$ 584,091</u>

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

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018 was as follows:

Primary Government

	<u>Balance</u> <u>April 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,490,417	\$ -	\$ -	\$ 5,490,417
Construction in progress	<u>4,777,112</u>	<u>5,001,653</u>	<u>4,862,364</u>	<u>4,916,401</u>
Total capital assets, not being depreciated	<u>10,267,529</u>	<u>5,001,653</u>	<u>4,862,364</u>	<u>10,406,818</u>
Capital assets, being depreciated:				
Buildings	10,076,156	-	-	10,076,156
Infrastructure	68,647,909	5,142,697	36,342	73,754,264
Improvements	3,587,858	-	-	3,587,858
Machinery and equipment	3,163,472	217,197	-	3,380,669
Vehicles	1,663,985	177,752	-	1,841,737
Fire trucks	2,286,974	419,256	-	2,706,230
Office Equipment	513,835	3,326	-	517,161
Software	<u>79,518</u>	<u>41,442</u>	<u>-</u>	<u>120,960</u>
Total capital assets, being depreciated	<u>90,019,707</u>	<u>6,001,670</u>	<u>36,342</u>	<u>95,985,035</u>
Less accumulated depreciation for:				
Buildings	2,859,008	200,942	-	3,059,950
Infrastructure	42,776,083	2,344,081	36,342	45,083,822
Improvements	2,485,417	109,817	-	2,595,234
Machinery and equipment	2,531,901	272,546	-	2,804,447
Vehicles	1,082,737	164,102	-	1,246,839
Fire trucks	1,662,692	84,812	-	1,747,504
Office Equipment	501,147	6,531	-	507,678
Software	<u>78,686</u>	<u>2,215</u>	<u>-</u>	<u>80,901</u>
Total accumulated depreciation	<u>53,977,671</u>	<u>3,185,046</u>	<u>36,342</u>	<u>57,126,375</u>
Total capital assets, being depreciated, net	<u>36,042,036</u>	<u>2,816,624</u>	<u>-</u>	<u>38,858,660</u>
Governmental activities capital assets, net	<u>\$ 46,309,565</u>	<u>\$ 7,818,277</u>	<u>\$ 4,862,364</u>	<u>\$ 49,265,478</u>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Balance April 30, 2017	Additions	Deletions/ Adjustments	Balance April 30, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 138,222	\$ -	\$ -	\$ 138,222
Construction in progress	286,080	185,713	219,192	252,601
Total capital assets, not being depreciated	424,302	185,713	219,192	390,823
Capital assets being depreciated:				
Buildings	2,337,809	-	-	2,337,809
Water and sewer systems	63,924,103	248,168	-	64,172,271
Improvements	836,087	864,076	-	1,700,163
Machinery and equipment	1,732,694	253,219	37,415	1,948,498
Vehicles	1,160,739	21,719	11,592	1,170,866
Office equipment	177,329	34,282	-	211,611
Total capital assets, being depreciated	70,168,761	1,421,464	49,007	71,541,218
Less accumulated depreciation for:				
Buildings	1,348,368	45,436	-	1,393,804
Water and sewer systems	34,282,016	1,392,317	-	35,674,333
Improvements	414,317	53,977	-	468,294
Machinery and equipment	1,500,878	128,776	37,415	1,592,239
Vehicles	731,679	124,709	11,592	844,796
Office equipment	165,221	4,460	-	169,681
Total accumulated depreciation	38,442,479	1,749,675	49,007	40,143,147
Total capital assets, being depreciated, net	31,726,282	(328,211)	-	31,398,071
Business-type activities capital assets, net	\$ 32,150,584	\$ (142,498)	\$ 219,192	\$ 31,788,894

**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	\$ 28,453
Public safety	383,402
Public works	2,636,048
Culture and recreation	132,815
Economic development	<u>4,328</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,185,046</u></u>
Business-type activities:	
Water	\$ 970,408
Sewer	<u>779,267</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,749,675</u></u>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

6. CAPITAL ASSETS (Continued)

Component Unit

	Balance April 30, 2017	Additions	Deletions	Balance April 30, 2018
Capital assets, being depreciated:				
Buildings	\$ 7,413,132	\$ -	\$ -	\$ 7,413,132
Improvements	120,965	23,720	-	144,685
Machinery and equipment	115,300	19,836	-	135,136
Office equipment	43,514	-	-	43,514
Computer software	13,185	-	-	13,185
	<u>7,706,096</u>	<u>43,556</u>	<u>-</u>	<u>7,749,652</u>
Total capital assets being depreciated				
	<u>7,706,096</u>	<u>43,556</u>	<u>-</u>	<u>7,749,652</u>
Less accumulated depreciation for:				
Buildings	550,670	148,262	-	698,932
Improvements	61,469	6,344	-	67,813
Machinery and equipment	115,300	-	-	115,300
Office equipment	43,514	-	-	43,514
Computer software	13,185	-	-	13,185
	<u>784,138</u>	<u>154,606</u>	<u>-</u>	<u>938,744</u>
Total accumulated depreciation				
	<u>784,138</u>	<u>154,606</u>	<u>-</u>	<u>938,744</u>
Total capital assets, being depreciated, net	<u>6,921,958</u>	<u>(111,050)</u>	<u>-</u>	<u>6,810,908</u>
Total capital assets, net	<u>\$ 6,921,958</u>	<u>\$ (111,050)</u>	<u>\$ -</u>	<u>\$ 6,810,908</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, 2018 are as follows:

Primary Government

	Balance <u>April 30, 2017</u>	Additions	Completion/ Adjustment	Balance <u>April 30, 2018</u>	Estimated Completion Costs
Governmental activities:					
Pike Avenue Improvements	\$ 2,515,443	\$ 13,024	\$ (2,528,467)	\$ -	\$ -
Luther Street	45,055	361,156	(406,211)	-	-
3rd Street Reconstructin	258,809	315,413	(574,222)	-	-
Truck Access Road	86,662	620,573	(707,235)	-	-
Midtowne Blvd Ext.	60,164	-	-	60,164	1,439,836
St. Anthony/Rollin Hills Alingment	187,955	-	-	187,955	312,045
Downtown Enhancement	807,164	430	-	807,594	392,406
Clinton/Mulberry Storm Sewer	10,460	-	-	10,460	89,540
Rickelman Box Culvert	46,750	39,605	-	86,355	1,513,683
East Evergreen Box Culvert	22,476	-	-	22,476	482,524
Haney Street (Oakridge - RR)	3,638	133,055	-	136,693	421,308
OBW North	76,383	1,537	-	77,920	1,029,080
Vulcan Drive	19,049	3,505	-	22,554	357,446
North Henrietta Reconstruction	-	60,735	-	60,735	574,266
Calico Trail	233,427	87,406	(320,833)	-	-
Hopkins Trail	1,900	323,496	(325,396)	-	-
Police Station	401,777	3,041,718	-	3,443,495	4,096,505
	<u>401,777</u>	<u>3,041,718</u>	<u>-</u>	<u>3,443,495</u>	<u>4,096,505</u>
Total governmental activities	<u>\$ 4,777,112</u>	<u>\$ 5,001,653</u>	<u>\$ (4,862,364)</u>	<u>\$ 4,916,401</u>	<u>\$10,708,639</u>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

7. CONSTRUCTION IN PROGRESS (Continued)

Primary Government (Continued)

	Balance April 30, 2017	Additions	Completion/ Adjustment	Balance April 30, 2018	Estimated Completion Costs
Business-type activities:					
2018 8" Water Main					
Replacement	\$ -	\$ 12,169	\$ -	\$ 12,169	\$ 119,832
East Route 40 Water Main	40,830	90,822	-	131,652	368,347
West Wernsing Lift Station	185,555	3,937	(189,492)	-	-
Veteran's Force Main	29,995	14,565	-	44,560	365,441
South Banker St. Water Main	-	44,986	-	44,986	560,014
Jefferson St. Water Main					
Replacement	-	16,740	-	16,740	978,260
CDAP Water Main Replacement	-	2,494	-	2,494	597,506
Wabash Avenue RR WM Bore	29,700	-	(29,700)	-	-
Total business-type activities	<u>\$ 286,080</u>	<u>\$ 185,713</u>	<u>\$ (219,192)</u>	<u>\$ 252,601</u>	<u>\$ 2,989,400</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 \$255,235 for social security, \$130,360 for IMRF, and \$5,145 for a medical trust. The fund also has restricted public safety assets, which includes \$73,248 for fire protection and \$27,210 for police safety. The TIF fund has restricted cash for the retirement of Series 2010A debt in the amount of \$576,005. The Debt Service fund has restricted cash for retirement of debt in the amount of \$167,021. The Water Fund has restricted cash of \$76,617 for customer deposits and \$757,926 for the retirement of debt. The Sewer fund has \$603,831 of restricted cash for the retirement of debt. The library has restricted general government assets, which includes \$9,437 for audit, \$127,729 for liability insurance, \$14,953 for workman's compensation, \$78,961 for unemployment insurance, \$75,762 for IMRF, and \$204,690 for social security. The library also had restricted assets for construction and repairs in the amount of \$235,988.

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

9. LONG-TERM DEBT

Bonds

The City issued Series 2010A general obligation (GO) bonds to provide funds for the acquisition and construction of a 1,000,000 gallon clearwell and the rehabilitation of the existing approximate 1,000,000 gallon clearwell. The City pledged future water and sewer fund net revenues.

The City issued 2012A general obligation (GO) bonds to provide funds for water system improvements. The City pledges net revenues of the waterworks system and income taxes.

The City issued 2012B general obligation (GO) bonds to partially refund its Illinois Environmental Protection Agency (IEPA) loan for interest cost savings. The City pledges net revenues of the sewerage system.

The City issued 2012C general obligation (GO) bonds to advance refund 2006 general obligation debt certificates, originally used to construct water lines. The City pledges net revenues of the waterworks system and income taxes.

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%	\$ 1,680,000
Series 2017, due December 1, 2036	2.0 - 4.0%	<u>9,000,000</u>
Total governmental activities		<u><u>\$ 10,680,000</u></u>
Business-type activities:		
Series 2012A, due February 1, 2022	2.5 - 4.0%	\$ 610,000
Business-type activities - refunding:		
Series 2012B, due February 1, 2021	2.5 - 4.0%	1,335,000
Business-type activities - advanced refunding:		
Series 2012C, due December 1, 2025	2.0 - 2.3%	<u>3,205,000</u>
Total business-type activities		<u><u>\$ 5,150,000</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>
2019	\$ 765,000	\$ 340,611	\$ 945,000	\$ 131,195
2020	785,000	323,053	975,000	103,740
2021	800,000	304,469	1,000,000	82,645
2022	825,000	281,064	560,000	50,345
2023	400,000	256,205	405,000	35,945
2024 - 2028	2,185,000	1,093,978	1,265,000	56,865
2029 - 2033	2,535,000	740,030	-	-
2034 - 2038	2,385,000	238,705	-	-
	<u>\$ 10,680,000</u>	<u>\$ 3,578,115</u>	<u>\$ 5,150,000</u>	<u>\$ 460,735</u>

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

<u>Notes and Contracts Payable</u>	<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>\$ 2,023,577</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>166,667</u>
Component unit:		
Washington Savings Bank note, serviced by the Library, proceeds used to renovate new building, due February 1, 2036	2.65%	<u>1,177,534</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>
2019	\$ 198,457	\$ 31,422	\$ 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	223,723	36,156	-	-	67,660	30,405
2024 - 2028	969,205	74,540	-	-	366,488	123,840
2029 - 2033	-	-	-	-	418,435	71,893
2033 - 2037	-	-	-	-	71,640	15,129
	<u>\$ 2,023,577</u>	<u>\$ 289,563</u>	<u>\$ 166,667</u>	<u>\$ -</u>	<u>\$ 1,177,533</u>	<u>\$ 380,220</u>

Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt services payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On April 30, 2018, \$3,205,000 of bonds outstanding are considered defeased.

**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, 2018 was as follows:

	Balance April 30, 2017	Additions	Reductions	Balance April 30, 2018	Due Within One Year
<b><u>Primary Government:</u></b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 11,495,000	\$ -	\$ 815,000	\$ 10,680,000	\$ 765,000
Notes payable	2,212,851	-	189,274	2,023,577	198,457
Add amounts for					
issuance premiums	217,488	-	11,058	206,430	N/A
Compensated absences	1,392,741	-	61,810	1,330,931	443,732
Post employment health-care benefits	688,148	81,206	-	769,354	N/A
IMRF net pension liability	3,046,002	-	2,378,931	667,071	N/A
Police pension net pension liability	5,864,350	-	154,125	5,710,225	N/A
Fire pension net pension liability	5,659,712	-	3,281	5,656,431	N/A
	<u>\$ 30,576,292</u>	<u>\$ 81,206</u>	<u>\$ 3,613,479</u>	<u>\$ 27,044,019</u>	<u>\$ 1,407,189</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 750,000	\$ -	\$ 140,000	\$ 610,000	\$ 145,000
Refunding bonds	1,750,000	-	415,000	1,335,000	430,000
Advanced refunding bonds	3,570,000	-	365,000	3,205,000	370,000
Add amounts for					
issuance premiums	206,533	-	48,039	158,494	N/A
Notes payable	250,000	-	83,333	166,667	83,333
Compensated absences	306,928	27,460	-	334,388	111,485
Post employment health-care benefits	122,613	-	29,630	92,983	N/A
IMRF net pension liability	1,285,032	-	1,003,612	281,420	N/A
	<u>\$ 8,241,106</u>	<u>\$ 27,460</u>	<u>\$ 2,084,614</u>	<u>\$ 6,183,952</u>	<u>\$ 1,139,818</u>
<b>Discretely presented component unit:</b>					
Compensated absences	\$ 21,859	\$ -	\$ 1,606	\$ 20,253	\$ -
IMRF net pension liability	428,344	-	334,537	93,807	N/A
Notes payable	1,340,925	-	163,391	1,177,534	60,854
	<u>\$ 1,791,128</u>	<u>\$ -</u>	<u>\$ 499,534</u>	<u>\$ 1,291,594</u>	<u>\$ 60,854</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, 2018 were as follows:

	<u>General Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 2,191,905	\$ 4,001,942	\$ -	\$ 6,193,847
Sales taxes	7,146,213	-	653,377	7,799,590
Income taxes	1,287,006	-	-	1,287,006
Motor fuel taxes	-	-	314,771	314,771
Hotel/motel taxes	-	-	1,024,669	1,024,669
Utility taxes	441,160	-	-	441,160
Other taxes	937,738	-	71,007	1,008,745
 Total taxes	 <u>\$ 12,004,022</u>	 <u>\$ 4,001,942</u>	 <u>\$ 2,063,824</u>	 <u>\$ 18,069,788</u>

Component Units

Fiduciary Activities

	<u>Effingham Public Library</u>	<u>Police Pension Fund</u>	<u>Firefighters Pension Fund</u>
Property taxes	\$ 920,276	\$ 815,914	\$ 657,726
Other taxes:			
Replacement taxes	25,504	14,915	6,558
Miscellaneous taxes	-	1,969	1,587
 Total taxes	 <u>\$ 945,780</u>	 <u>\$ 832,798</u>	 <u>\$ 665,871</u>

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

12. INTERGOVERNMENTAL GRANTS

Intergovernmental grants during the year ended April 30, 2018 were as follows:

	General Fund	Capital Projects Fund	Other Governmental Fund	Total	Water Fund	Sewer Fund
Federal capital grants	\$ -	\$ 59,018	\$ -	\$ 59,018	\$ -	\$ -
Federal operating grants	5,509	-	-	5,509	-	-
State capital grants	-	268,890	-	268,890	6,535	3,440
State operating grants	-	-	116,066	116,066	-	-
Other grants and contributions	40,153	-	-	40,153	1,036,928	94,835
<b>Total</b>	<b>\$ 45,662</b>	<b>\$ 327,908</b>	<b>\$ 116,066</b>	<b>\$ 489,636</b>	<b>\$ 1,043,463</b>	<b>\$ 98,275</b>

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

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

	For Tax Levy Year		
	2017	2016	2015
Equalized assessed valuation (EAV):			
City and library	\$ 272,752,494	\$ 264,991,406	\$ 256,949,308
Rate per \$100:			
City	1.30	1.33	1.37
Library	0.34	0.35	0.35
Taxes extended:			
City	\$ 3,541,037	\$ 3,524,598	\$ 3,525,036
Library	921,676	918,460	892,719
Tax Increment Financing District	4,052,184	4,021,522	3,593,293
City's share of road and bridge taxes extended	178,791	170,385	163,085
Total taxes extended	\$ 8,693,688	\$ 8,634,965	\$ 8,174,133
Taxes available to City after abatements and losses in collection (2017 estimated)	\$ 8,689,000	\$ 8,587,764	\$ 8,115,418
Percentage of extension available to City (2017 estimated)	99.95%	99.45%	99.28%

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

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

	For Tax Levy Year		
	2017	2016	2015
Distribution of taxes available (2017 estimated):			
Primary Government:			
General fund:			
General government	\$ 700,000	\$ 684,327	\$ 644,912
Illinois municipal retirement	398,000	431,424	420,183
Fire protection	55,000	64,465	48,673
Police protection	55,000	64,465	187,747
Audit	12,000	11,616	12,913
Liability insurance	101,000	94,638	90,862
Street lighting	125,000	123,994	121,692
Social security tax	200,000	257,805	319,913
School crossing guard	21,000	19,841	20,088
Workers' compensation	270,000	208,723	193,031
Medicare	50,000	60,559	39,779
Road and bridge	178,000	170,049	163,127
Tax increment financing fund	4,050,000	4,001,942	3,557,799
Total primary government	\$ 6,215,000	\$ 6,193,848	\$ 5,820,719
Component Units:			
Effingham Public Library fund	\$ 921,000	\$ 920,276	\$ 892,752
Police pension fund	820,000	815,914	775,810
Firefighter's pension fund	733,000	657,726	626,137
Total component units	\$ 2,474,000	\$ 2,393,916	\$ 2,294,699
Total reporting entity	\$ 8,689,000	\$ 8,587,764	\$ 8,115,418

**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, 2018 are as follows:

	Transfers In			
	Capital Projects	Debt Service	Water	Totals
<u>Transfers out:</u>				
General fund	\$ 750,000	\$ 817,659	\$ 2,000	\$ 1,569,659
Tax increment financing	2,157,546	-	-	2,157,546
Debt sevice fund	2,243,124	-	-	2,243,124
Non-major governmental	54,474	-	-	54,474
Total	\$ 5,205,144	\$ 817,659	\$ 2,000	\$ 6,024,803

Major transfers from the general fund, debt services fund, and TIF fund to the Capital Projects fund provide funds for capital improvements, redevelopment projects, and the police station construction. The motor fuel tax fund transferred money to the capital projects to fund projects. The general fund transfers monies to the debt services fund to service the Series 2017 General Obligation Bond.

15. EMPLOYEE RETIREMENT SYSTEMS

IMRF

Plan Description

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

Benefits Provided

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

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Benefits Provided (Continued)

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

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

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

Employees Covered by Benefit Plans

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	102
Inactive plan members entitled to but not yet receiving benefits	66
Active plan members	85
	<hr/>
	253
	<hr/> <hr/>

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 2017 was 14.42%. For the calendar year ended 2017, the City of Effingham contributed \$600,825 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, 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 December 31, 2017:

- The Actuarial Cost Method used was Aggregate Entry Age Normal.
- The Asset Valuation Method used was the Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, 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 2017 valuation pursuant to an experience study of the period 2014-2016.
- For Non-Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). 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-2017 (base year 2015). 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, 2017:

**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	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	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 3.31%, 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, 2016	\$ 34,336,267	\$29,576,889	\$ 4,759,378
Changes for the year:			
Service cost	413,088	-	413,088
Interest of the total pension liability	2,533,396	-	2,533,396
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(392,695)	-	(392,695)
Changes in assumptions	(1,009,434)	-	(1,009,434)
Contributions - employer	-	600,825	(600,825)
Contributions - employees	-	295,149	(295,149)
Net investment income	-	4,389,482	(4,389,482)
Benefit payments, including refunds of employee contributions	(1,658,457)	(1,658,457)	-
Other (net transfer)	-	(24,021)	24,021
Net changes	<u>(114,102)</u>	<u>3,602,978</u>	<u>(3,717,080)</u>
Balances at December 31, 2017	<u>\$ 34,222,165</u>	<u>\$33,179,867</u>	<u>\$ 1,042,298</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 (asset)	\$ 5,294,848	\$ 1,042,298	\$ (2,469,609)

**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, 2018, the City of Effingham recognized pension income of \$145,380. At April 30, 2018, 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	\$ 99,731	\$ 461,971
Changes of assumptions	9,367	793,392
Net difference between projected and actual earnings on pension plan investments	692,489	1,968,977
Total deferred amounts to be recognized in pension expense in future periods	801,587	3,224,340
Pension contributions subsequent to the measurement date	216,241	-
Total deferred amounts related to pensions	\$ 1,017,828	\$ 3,224,340

\$216,241 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, 2019. 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/(Inflows) of Resources
2018	\$ (684,907)
2019	(522,512)
2020	(761,158)
2021	(454,176)
Total	\$ (2,422,753)

**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, 2018, Police Pension Plan membership consisted of:

Active members	26
Retirees and beneficiaries	24
Inactive, non-retired members	<u>2</u>
Total	<u><u>52</u></u>

## 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, 2018, the City contributed \$832,798 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.

For the year ended April 30, 2018, the annual money weighted rate of return is 8.45%. 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, 2018. 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, 2018:

- 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 aged based rates developed upon analysis of Downstate Police and Fire Pension funds.

**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. 2068 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 3.89% (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 03-31-2018); 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, 2018
Total pension liability:	
Service cost	\$ 460,855
Interest on the total pension liability	1,409,589
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	301,630
Changes of assumptions	-
Benefit payments	(1,078,136)
Net change in total pension liability	1,093,938
Total pension liability - beginning of period	21,376,950
Total pension liability - end of period	\$ 22,470,888
Plan fiduciary net position:	
Employer contributions	\$ 832,798
Member contributions	168,119
Net investment income	1,321,164
Benefit payments	(1,078,136)
Other - admin expenses	(23,653)
Net change in plan fiduciary net position	1,220,292
Plan fiduciary net position - beginning of year	15,540,371
Plan fiduciary net position - end of year	\$ 16,760,663
Net pension liability	\$ 5,710,225
Plan fiduciary net position as a percentage of total pension liability	74.59%
Covered valuation payroll	\$ 1,759,716
Net pension liability as a percentage of covered valuation payroll	324.50%

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police Pension Fund (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease <u>5.75%</u>	Current Single Discount Rate Assumption <u>6.75%</u>	1% Increase <u>7.75%</u>
Total pension liability	\$ 25,409,257	\$ 22,470,888	\$ 20,046,577
Plan fiduciary net position	<u>16,760,663</u>	<u>16,760,663</u>	<u>16,760,663</u>
Net pension liability	<u>\$ 8,648,594</u>	<u>\$ 5,710,225</u>	<u>\$ 3,285,914</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2018, the City of Effingham recognized pension expense of \$872,200. At April 30, 2018, 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 experience	\$ 388,576	\$ 280,377
Change of assumptions	724,078	303,904
Differences between projected and actual earning on pension plan investments	<u>381,343</u>	<u>489,631</u>
Total deferred amounts related to pensions	<u>\$ 1,493,997</u>	<u>\$ 1,073,912</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
2019	\$ 185,791
2020	189,777
2021	(895)
2022	17,877
2023	4,679
Thereafter	22,856
Total	\$ 420,085

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, 2018, 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, 2018, the City contributed \$665,871 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.

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters Pension Fund (Continued)

For the year ended April 30, 2018, the annual money weighted rate of return is 6.98%. 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, 2018. 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, 2018:

- 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 aged based rates developed upon analysis of Downstate Police and Fire Pension funds. 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. 2068 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 3.89% 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 03-31-2018, 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, 2018</u>
Total pension liability:	
Service cost	\$ 373,345
Interest on the total pension liability	993,224
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	47,709
Changes of assumptions	-
Benefit payments	(794,468)
Net change in total pension liability	619,810
Total pension liability - beginning of period	15,078,560
Total pension liability - end of period	\$ 15,698,370
Plan fiduciary net position:	
Employer contributions	\$ 665,871
Member contributions	118,790
Net investment income	658,566
Benefit payments	(794,468)
Other - admin expenses	(25,668)
Net change in plan fiduciary net position	623,091
Plan fiduciary net position - beginning of year	9,418,848
Plan fiduciary net position - end of year	\$ 10,041,939
Net pension liability	\$ 5,656,431
Plan fiduciary net position as a percentage of total pension liability	63.97%
Covered valuation payroll	\$ 1,275,215
Net pension liability as a percentage of covered valuation payroll	443.57%

**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	\$ 17,675,164	\$ 15,698,370	\$ 14,049,433
Plan fiduciary net position	<u>10,041,939</u>	<u>10,041,939</u>	<u>10,041,939</u>
Net pension liability	<u>\$ 7,633,225</u>	<u>\$ 5,656,431</u>	<u>\$ 4,007,494</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2018, the City of Effingham recognized pension expense of \$930,494. At April 30, 2018, 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 experience	\$ 225,767	\$ 111,955
Change of assumptions	545,541	-
Differences between projected and actual earning on pension plan investments	<u>274,536</u>	<u>42,318</u>
Total deferred amounts related to pensions	<u>\$ 1,045,844</u>	<u>\$ 154,273</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
2019	\$ 271,322
2020	255,685
2021	126,240
2022	128,532
2023	69,277
Thereafter	40,515
Total	\$ 891,571

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 2018, the City contributed \$215,774 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 \$871 and \$676; retiree/spouse-\$1,707 and \$1,334; retiree/child-\$1,630 and \$1,264; and family-\$2,466 and \$1,922, respectively. The Medicare primary monthly cost of the health plan for a retiree is \$494 and a retiree/spouse is \$988.

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	\$ 272,397
Adjustment to annual required contribution	<u>(5,047)</u>
Annual OPEB cost (expense)	267,350
Contributions made	<u>(215,774)</u>
Increase in net OPEB obligation	51,576
Net OPEB obligation - May 1, 2017	<u>810,761</u>
Net OPEB obligation - April 30, 2018	<u><u>\$ 862,337</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended April 30, 2018 was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2018	\$ 267,350	80.71%	\$ 862,337
4/30/2017	260,594	78.90%	810,761
4/30/2016	188,724	99.40%	755,765

Funded Status and Funding Progress

As of May 1, 2017, 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 \$2,818,864. The covered payroll (annual payroll of active employees covered by the plan) was \$6,549,056 and the ratio of the UAAL to the covered payroll was 43.04%. 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, 2017 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, 2018. 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 2032.

For the fiscal year ended April 30, 2018, the City abated property taxes totaling \$230,758.

The Effingham Public Library abides by the property tax abatement mentioned above. For the fiscal year ended April 30, 2018, the Effingham Public Library abated property taxes totaling \$60,063.

**CITY OF EFFINGHAM, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

19. DEFICIT FUND BALANCE

The Ford Avenue Business District fund and the Bank Street Business District fund carried \$38,962 and \$39,588 deficit balances, respectively, as of April 30, 2018. The City plans to reduce the deficit when funds become available in the future.

**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,	2017	2016	2015
Total pension liability:			
Service cost	\$ 413,088	\$ 431,756	\$ 435,326
Interest on the total pension liability	2,533,396	2,425,348	2,389,526
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(392,695)	210,449	(759,622)
Changes of assumptions	(1,009,434)	(124,392)	40,372
Benefit payments, including refunds of employee contributio	(1,658,457)	(1,649,189)	(1,577,877)
Net change in total pension liability	(114,102)	1,293,972	527,725
Total pension liability - beginning	34,336,267	33,042,295	32,514,570
Total pension liability - ending (A)	\$34,222,165	\$34,336,267	\$33,042,295
Plan fiduciary net position:			
Contributions - employer	\$ 600,825	\$ 646,931	\$ 628,925
Contributions - employee	295,149	256,413	245,039
Net investment income	4,389,482	2,315,779	359,391
Benefit payments, including refunds of employee contributio	(1,658,457)	(1,649,189)	(1,577,877)
Other (net transfers)	(24,021)	(31,012)	(50,573)
Net change in plan fiduciary net position	3,602,978	1,538,922	(395,095)
Plan fiduciary net position - beginning	29,576,889	28,037,967	28,433,062
Plan fiduciary net position - ending (B)	\$33,179,867	\$29,576,889	\$28,037,967
Net pension liability - ending (A) - (B)	\$ 1,042,298	\$ 4,759,378	\$ 5,004,328
Plan fiduciary net position as a percentage of total pension liability	96.95%	86.14%	84.85%
Covered valuation payroll	\$ 4,166,610	\$ 4,028,212	\$ 3,955,654
Net pension liability as a percentage of covered valuation payroll	25.02%	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>
2017	\$ 600,825	\$ 600,825	\$ -	\$4,166,610	14.42%
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 2017 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 2017 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): 26-year closed 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 21 years for most employers (two employers were financed over 30 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, 2015, actuarial valuation.

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 460,855	\$ 463,641	\$ 412,725	\$ 407,508
Interest on the total pension liability	1,409,589	1,378,840	1,311,744	1,199,772
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience of the total pension liability	301,630	(360,569)	201,440	(651,652)
Changes of assumptions	-	-	-	1,552,606
Benefit payments	<u>(1,078,136)</u>	<u>(982,566)</u>	<u>(888,995)</u>	<u>(815,909)</u>
Net change in total pension liability	1,093,938	499,346	1,036,914	1,692,325
Total pension liability - beginning of period	<u>21,376,950</u>	<u>20,877,604</u>	<u>19,840,690</u>	<u>18,148,365</u>
Total pension liability - end of period	<u>\$ 22,470,888</u>	<u>\$ 21,376,950</u>	<u>\$ 20,877,604</u>	<u>\$ 19,840,690</u>
Plan fiduciary net position:				
Member contributions	\$ 168,119	\$ 148,675	\$ 146,396	\$ 142,384
Employer contributions	832,798	792,618	618,018	472,239
Net investment income	1,321,164	1,327,878	12,453	973,618
Benefit payments	(1,078,136)	(982,566)	(888,995)	(815,909)
Other - admin expenses	<u>(23,653)</u>	<u>(22,033)</u>	<u>(20,884)</u>	<u>(15,418)</u>
Net change in plan fiduciary net position	1,220,292	1,264,572	(133,012)	756,914
Plan fiduciary net position - beginning of year	<u>15,540,371</u>	<u>14,248,028</u>	<u>14,381,040</u>	<u>13,624,126</u>
Plan fiduciary net position - end of year	<u>\$ 16,760,663</u>	<u>\$ 15,512,600</u>	<u>\$ 14,248,028</u>	<u>\$ 14,381,040</u>
Net pension liability	\$ 5,710,225	\$ 5,864,350	\$ 6,629,576	\$ 5,459,650
Plan fiduciary net position as a percentage of total pension liability	74.59%	72.57%	68.25%	72.48%
Covered valuation payroll	\$ 1,759,716	\$ 1,732,734	\$ 1,435,206	\$ 1,408,610
Net pension liability as a percentage of covered valuation payroll	324.50%	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,

2018	8.45%
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>
2018	\$ 832,870	\$ 832,798	\$ 72	\$1,759,716	47.33%
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**

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Dollar
<b>Amortization Period</b>	Ends in fiscal year 2041
<b>Asset Valuation Method</b>	5-year smoothed market, no corridor
<b>Salary Increases</b>	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
<b>Payroll Growth</b>	3.50% per year
<b>Investment Rate of Return</b>	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 373,345	\$ 367,656	\$ 330,995	\$ 322,646
Interest on the total pension liability	993,224	940,955	908,974	821,050
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience of the total pension liability	47,709	245,864	(26,429)	(183,627)
Changes of assumptions	-	-	-	1,048,345
Benefit payments	<u>(794,468)</u>	<u>(767,991)</u>	<u>(715,839)</u>	<u>(697,361)</u>
Net change in total pension liability	619,810	786,484	497,701	1,311,053
Total pension liability - beginning of period	<u>15,078,560</u>	<u>14,292,076</u>	<u>13,794,375</u>	<u>12,483,322</u>
Total pension liability - end of period	<u>\$ 15,698,370</u>	<u>\$ 15,078,560</u>	<u>\$ 14,292,076</u>	<u>\$ 13,794,375</u>
Plan fiduciary net position:				
Member contributions	\$ 118,790	\$ 110,561	\$ 107,469	\$ 100,923
Employer contributions	665,871	634,222	550,492	553,371
Net investment income	658,566	590,766	(53,366)	496,134
Benefit payments	(794,468)	(767,991)	(715,839)	(697,361)
Other - admin expenses	<u>(25,668)</u>	<u>(15,707)</u>	<u>(19,636)</u>	<u>(13,123)</u>
Net change in plan fiduciary net position	623,091	551,851	(130,880)	439,944
Plan fiduciary net position - beginning of year	<u>9,418,848</u>	<u>8,866,997</u>	<u>8,997,877</u>	<u>8,557,933</u>
Plan fiduciary net position - end of year	<u>\$ 10,041,939</u>	<u>\$ 9,418,848</u>	<u>\$ 8,866,997</u>	<u>\$ 8,997,877</u>
Net pension liability	\$ 5,656,431	\$ 5,659,712	\$ 5,425,079	\$ 4,796,498
Plan fiduciary net position as a percentage of total pension liability	63.97%	62.47%	62.04%	65.23%
Covered valuation payroll	\$ 1,275,215	\$ 1,221,698	\$ 1,087,290	\$ 1,060,692
Net pension liability as a percentage of covered valuation payroll	443.57%	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,

2018	6.98%
2017	5.26%
2016	-0.59%
2015	5.81%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FY Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2018	\$ 768,518	\$ 665,871	\$ 102,647	\$1,275,215	52.22%
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**

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Dollar
<b>Amortization Period</b>	Ends in fiscal year 2041
<b>Asset Valuation Method</b>	5-year smoothed market, no corridor
<b>Salary Increases</b>	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
<b>Payroll Growth</b>	3.50% per year
<b>Investment Rate of Return</b>	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)				
05/01/17	\$ -	\$ 2,818,864	\$ 2,818,864	0.00%	\$ 6,549,056	43.04%	
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, 2018**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 11,905,955	\$ 12,004,022	\$ 98,067
Licenses and permits	166,600	145,091	(21,509)
Intergovernmental grants	770,500	45,662	(724,838)
Charges for services	276,790	124,741	(152,049)
Fines and forfeitures	136,778	133,432	(3,346)
Investment income	20,300	26,645	6,345
Contributions and miscellaneous revenues	134,980	169,011	34,031
Total revenues	<u>13,411,903</u>	<u>12,648,604</u>	<u>(763,299)</u>
Expenditures:			
Current:			
General government	2,183,985	2,031,435	152,550
Public safety	6,500,058	6,458,776	41,282
Public works	1,560,980	1,555,361	5,619
Health and welfare	-	1,045	(1,045)
Economic development	794,075	131,374	662,701
Capital outlay	1,198,920	858,804	340,116
Debt service:			
Interest and fiscal charges	-	750	(750)
Total expenditures	<u>12,238,018</u>	<u>11,037,545</u>	<u>1,200,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,173,885</u>	<u>1,611,059</u>	<u>437,174</u>
Other financing sources (uses):			
Operating transfers in	76,120	-	(76,120)
Operating transfers out	(827,000)	(1,569,659)	(742,659)
Sale of property	85,000	123,777	38,777
Total other financing sources (uses)	<u>(665,880)</u>	<u>(1,445,882)</u>	<u>(780,002)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 508,005</u>	165,177	<u>\$ (342,828)</u>
Fund balances, beginning of year		<u>7,229,927</u>	
Fund balances, end of year		<u>\$ 7,395,104</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, 2018**

	Original and Final Budget	Actual	Variance from Budget - Positive (Negative)
Revenues:			
Taxes	\$ 3,486,500	\$ 4,001,942	\$ 515,442
Investment income	15,000	24,676	9,676
Contributions and miscellaneous revenues	-	330	330
	<u>3,501,500</u>	<u>4,026,948</u>	<u>525,448</u>
Total revenues			
Expenditures:			
Current:			
Economic development	2,797,951	2,504,799	293,152
Capital outlay	154,000	34,837	119,163
Debt service:			
Principal	400,000	400,000	-
Interest and fiscal charges	49,334	59,658	(10,324)
	<u>3,401,285</u>	<u>2,999,294</u>	<u>401,991</u>
Total expenditures			
Excess of revenues over expenditures	<u>100,215</u>	<u>1,027,654</u>	<u>927,439</u>
Other financing sources (uses):			
Operating transfers in	1,291,305	-	(1,291,305)
Operating transfers out	(4,699,520)	(2,157,546)	2,541,974
	<u>(3,408,215)</u>	<u>(2,157,546)</u>	<u>1,250,669</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (3,308,000)</u>	<u>(1,129,892)</u>	<u>\$ 2,178,108</u>
Fund balances, beginning of year		<u>3,875,695</u>	
Fund balances, end of year		<u>\$ 2,745,803</u>	

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**April 30, 2018**

	<u>Motor Fuel Tax Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Ford Avenue Business District Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 408,964	\$ 921,686	\$ 122,142
Investments	-	253,608	-
Receivables (net of allowance for uncollectibles)	28,222	135,935	32,318
Prepaid expenditures	-	15,391	-
Due from other funds	<u>23,952</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 461,138</u>	 <u>\$ 1,326,620</u>	 <u>\$ 154,460</u>
 <b>Liabilities, deferred inflows of resources and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 38,914	\$ 79,781
Compensated absences	-	1,846	-
Due to other funds	<u>4,450</u>	<u>-</u>	<u>113,641</u>
 Total liabilities	 <u>4,450</u>	 <u>40,760</u>	 <u>193,422</u>
 <b>Deferred inflow of resources:</b>			
Property taxes and unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances:</b>			
Nonspendable - prepaid expenditures	-	15,391	-
Restricted for:			
Culture and recreation	-	1,270,469	-
Economic development	-	-	-
Highways and streets	456,688	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(38,962)</u>
 Total fund balances (deficits)	 <u>456,688</u>	 <u>1,285,860</u>	 <u>(38,962)</u>
 Total liabilities, deferred inflows of resources and fund balances (deficits)	 <u>\$ 461,138</u>	 <u>\$ 1,326,620</u>	 <u>\$ 154,460</u>

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING BALANCE SHEET (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
April 30, 2018**

	Northwest Business District Fund	Triangle Business District Fund	Banker Street Business District Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 203,620	\$ 347,526	\$ -
Investments	-	-	-
Receivables (net of allowance for uncollectibles)	28,554	91,961	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 232,174</u>	<u>\$ 439,487</u>	<u>\$ -</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Compensated absences	-	-	-
Due to other funds	11,645	3,050	39,588
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>11,645</u>	<u>3,050</u>	<u>39,588</u>
Deferred inflow of resources:			
Property taxes and unavailable revenue	5,914	29,036	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balances:			
Nonspendable - prepaid expenditures	-	-	-
Restricted for:			
Culture and recreation	-	-	-
Economic development	214,615	407,401	-
Highways and streets	-	-	-
Unassigned	-	-	(39,588)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances (defcits)	<u>214,615</u>	<u>407,401</u>	<u>(39,588)</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 232,174</u>	<u>\$ 439,487</u>	<u>\$ -</u>

**CITY OF EFFINGHAM, ILLINOIS**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**April 30, 2018**

	<u>Total Nonmajor Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 2,003,938
Investments	253,608
Receivables (net of allowance for uncollectibles)	316,990
Prepaid expenditures	15,391
Due from other funds	<u>23,952</u>
Total assets	<u><u>\$ 2,613,879</u></u>
 <b>Liabilities, deferred inflows of resources and fund balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 118,695
Compensated absences	1,846
Due to other funds	<u>172,374</u>
Total liabilities	<u>292,915</u>
 <b>Deferred inflow of resources:</b>	
Property taxes and unavailable revenue	<u>34,950</u>
 <b>Fund balances:</b>	
Nonspendable - prepaid expenditures	15,391
<b>Restricted for:</b>	
Culture and recreation	1,270,469
Economic development	622,016
Highways and streets	456,688
Unassigned	<u>(78,550)</u>
Total fund balances (deficits)	<u>2,286,014</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u><u>\$ 2,613,879</u></u>

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended April 30, 2018**

	Motor Fuel Fund	Hotel/Motel Tax Fund	Ford Avenue Business District Fund
<b>Revenues:</b>			
Taxes	\$ 314,771	\$ 1,095,677	\$ 145,154
Intergovernmental grants	-	116,066	-
Investment income	1,993	10,600	280
Miscellaneous income	2,424	68,128	-
Total revenues	319,188	1,290,471	145,434
<b>Expenditures:</b>			
Current:			
Public works	22,400	-	-
Culture and recreation	-	702,883	-
Economic development	-	-	184,396
Capital outlay	-	44,076	-
Debt service:			
Principal	-	189,274	-
Interest and fiscal charges	-	52,606	-
Total expenditures	22,400	988,839	184,396
Excess (deficiency) of revenues over (under) expenditures	296,788	301,632	(38,962)
<b>Other financing (uses):</b>			
Operating transfers (out)	(54,474)	-	-
Net change in fund balances	242,314	301,632	(38,962)
Fund balances, beginning of year	214,374	984,228	-
Fund balances (deficits), end of year	\$ 456,688	\$ 1,285,860	\$ (38,962)

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended April 30, 2018**

	<u>Northwest Business District Fund</u>	<u>Triangle Business District Fund</u>	<u>Banker Street Business District Fund</u>
Revenues:			
Taxes	\$ 127,016	\$ 381,206	\$ -
Intergovernmental grants	-	-	-
Investment income	291	429	-
Miscellaneous income	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	127,307	381,635	
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public works	-	-	-
Culture and recreation	-	-	-
Economic development	11,645	-	39,588
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	11,645	-	39,588
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	115,662	381,635	(39,588)
	<hr/>	<hr/>	<hr/>
Other financing (uses):			
Operating transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	115,662	381,635	(39,588)
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	98,953	25,766	-
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ 214,615	\$ 407,401	\$ (39,588)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF EFFINGHAM, ILLINOIS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended April 30, 2018**

	<u>Total Nonmajor Funds</u>
Revenues:	
Taxes	\$ 2,063,824
Intergovernmental grants	116,066
Investment income	13,593
Miscellaneous income	<u>70,552</u>
Total revenues	<u>2,264,035</u>
Expenditures:	
Current:	
Public works	22,400
Culture and recreation	702,883
Economic development	235,629
Capital outlay	44,076
Debt service:	
Principal	189,274
Interest and fiscal charges	<u>52,606</u>
Total expenditures	<u>1,246,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,017,167</u>
Other financing (uses):	
Operating transfers (out)	<u>(54,474)</u>
Net change in fund balances	962,693
Fund balances, beginning of year	<u>1,323,321</u>
Fund balances (deficits), end of year	<u><u>\$ 2,286,014</u></u>

## **STATISTICAL DATA**

**CITY OF EFFINGHAM, ILLINOIS**

**SCHEDULE OF INSURANCE COVERAGE  
(UNAUDITED)  
April 30, 2018**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Illinois Public Risk Fund (Arthur Gallagher)	1/1/2019	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)	12/31/2018	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)	12/31/2018	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)	12/31/2018	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)	12/31/2018	Building and Contents Coverage	
		As scheduled in policy, current total values	49,514,084
		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, 2018**

Insurance Company	Expiration Date	Coverage	Amount of Coverage
Lloyds of London (Arthur Gallagher)	12/31/2018	Equipment Floaters (Inland Marine)	
		As scheduled in policy, current total values	\$ 2,962,602
		Deductible	1,000
Lloyds of London (Arthur Gallagher)	12/31/2018	Automobile Liability and Automobile Physical Damage	
		As scheduled in policy, current total values	7,315,629
		Limit of liability, per occurrence per member	1,000,000
		Deductible	1,000
		Automobile liability, including:	
		Bodily injury and property damage	
		Owned and non-owned vehicles	
		Uninsured/underinsured motorist, each accident	250,000/250,000
		Medical payments, each person	10,000
		Automobile physical damage	
		Collision	Cash Value
		Deductible	1,000
Comprehensive	Cash Value		
Deductible	1,000		
Firefighting equipment	Replacement Cost		
Additional coverage under Umbrella Coverage			
Citizens Insurance Co. (Arthur Gallagher)	12/31/2018	Crime Coverage	
		Limit of liability, any one occurrence	500,000
		Deductible	2,500
		Includes:	
		Forgery or alteration	100,000
		Theft, disappearance and destruction (inside/outside)	100,000
Computer fraud	100,000		
XL Catlin (Arthur Gallagher)	12/31/2018	Boiler & Machinery Coverage	
		Policy limit	50,000,000
		Deductible	2,500
		Sub-limits:	
		Spoilage	Included
		Expediting expenses	Included
		Pollution clean up and removal	2,500,000
		Data and media	2,500,000
		Other: business income	Included
		Other: extra expense	Included

**CITY OF EFFINGHAM, ILLINOIS**

**SCHEDULE OF INSURANCE COVERAGE (Continued)  
(UNAUDITED)  
April 30, 2018**

<u>Insurance Company</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Co. (Weis Insurance Agency)	11/21/2018	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)	12/31/2018	Umbrella Coverage	
		Each occurrence limit	7,000,000
		General aggregate limit	7,000,000
BCS Insurance Co. (Arthur Gallagher)	12/31/2018	Cyber Liability Coverage	
		Limit of liability, per claim	1,000,000
		General aggregate limit	1,000,000
		Deductible	10,000
Citizens Insurance Co. (Arthur Gallagher)	12/31/2018	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, 2018**

Assessed valuation, 2017 levy		\$ 272,752,494
Statutory debt limitation, 8.625% of assessed valuation		\$ 23,524,903
Total debt:		
General obligation bond	(11,290,000)	
Refunding bond	(1,335,000)	
Advanced refunding bond	(3,205,000)	
Notes payable	<u>(2,190,244)</u>	
Total debt		(18,020,244)
Less debt exempt from statutory debt limitation computation:		
General obligation bond	11,290,000	
Refunding bond	1,335,000	
Advanced refunding bond	<u>3,205,000</u>	
Total debt exempt from statutory debt limitation		<u>15,830,000</u>
Legal debt margin		<u><u>\$ 21,334,659</u></u>

**CITY OF EFFINGHAM, ILLINOIS**

**MISCELLANEOUS STATISTICS  
(UNAUDITED)  
April 30, 2018**

	<u>Water</u>
Number of metered customers, April 30, 2018	5,289
Number of unmetered customers, April 30, 2018	<u>-</u>
Total customers, April 30, 2018	<u><u>5,289</u></u>
Gallons of water pumped	621,650,000
Less amount used to wash filter	<u>(16,501,000)</u>
Gallons of water available	<u><u>605,149,000</u></u>
	<u>Sewer</u>
Number of metered customers, April 30, 2018	4,967
Number of unmetered customers, April 30, 2018	<u>-</u>
Total customers, April 30, 2018	<u><u>4,967</u></u>
Gallons of water billed	<u><u>540,874,151</u></u>
Gallons received at wastewater plant	<u><u>748,626,000</u></u>
Number of customers discharging non-domestic wastes	<u><u>145</u></u>
Gallons of non-domestic wastes discharged	<u><u>112,793,760</u></u>