

CITY OF CHARLESTON, ILLINOIS

FINANCIAL STATEMENTS
For the Year Ended April 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Charleston
Charleston, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Charleston, Illinois' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of the City of Charleston, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 19 and the schedules of funding progress on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charleston, Illinois' financial statements as a whole. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Gilbert, Metzger & Madigan, LLP

November 21, 2011

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

Honorable Mayor and City Commissioners
City of Charleston
Charleston, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the City of Charleston, Illinois' basic financial statements and have issued our report thereon dated November 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Charleston, Illinois' internal control over financial reporting as a basis for designing our auditing procedures 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 Charleston, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Charleston, Illinois' internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the City Council, management, others within the organization, and federal and state granting agencies and is not intended to be and should not be used by anyone other than those specified parties.

Gilbert, Metzger & Madigan, LLP

November 21, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Commissioners
City of Charleston
Charleston, Illinois 61920

Compliance

We have audited City of Charleston, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Charleston, Illinois' major federal programs for the year ended April 30, 2011. City of Charleston, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Charleston, Illinois' management. Our responsibility is to express an opinion on City of Charleston, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Charleston, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Charleston, Illinois' compliance with those requirements.

In our opinion, the City of Charleston, Illinois complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011.

Internal Control Over Compliance

Management of City of Charleston, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Charleston, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Charleston, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, others within the organization and federal and state granting agencies and is not intended to be and should not be used by anyone other than those specified parties.

Gilbert, Metzger & Madigan, LLP

November 21, 2011

**City of Charleston, Illinois
Management's Discussion and Analysis
For the Fiscal Year Ended April 30, 2011**

As the management of the City of Charleston, we offer the readers of the City's financial statements this narrative analysis and overview of the financial activities of the City for the fiscal year ended April 30th, 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements which begin on page 21.

Financial Highlights

- At April 30, 2011, the City's total assets exceeded its liabilities by \$43.8 million. In accordance with recent governmental accounting standards, this includes all of the City's infrastructure assets (net of depreciation).
- Most of the City's assets consist of \$38.3 million in capital assets, net of related debt. Restricted net assets of \$1.6 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining amount of \$3.9 million in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- Revenues of \$21.3 million during the year exceeded expenses of \$18.5 million, increasing the City's total net assets by \$2.8 million. The increase in net assets consists of an \$84,643 increase in assets of the City's governmental activities and a \$2.7 increase in assets related to the City's business-type activities.
- At the end of the fiscal year, the City's total fund balances in its governmental funds were \$5.97 million, a \$432,374 increase from the prior year balances of \$5.5 million.
- Approximately \$4 million (or 67%) of the total fund balance in governmental funds is available for spending at the government's discretion (unassigned fund balance). Funds have been assigned for specific purposes totaling \$204,131. Of the restricted funds, 45% (\$706,463) is restricted for urban development and housing and 41.5% (\$653,302) is restricted for highways and streets. The General Fund has a nonspendable fund balance of \$160,047.
- The City had \$18.8 million in long-term debt at the end of the year, including bonded general obligation debt of \$7.2 million. Outstanding debt increased by \$2 million during the year due to the loan proceeds received for the waste water treatment plant renovation. The City made principal repayments of \$3.3 million and received proceeds from capital debt of \$5.3 million. The City issued no bonded debt during the fiscal year.

Overview of the Financial Statements

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements, and
- Required supplementary information.

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

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

Government-wide financial statements:

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

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

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

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

The government-wide financial statements may be found on pages 21-23 of this report.

Fund Financial Statements:

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

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

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

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

The City adopts an annual budget for its governmental funds. This report includes a budgetary comparison statement for the major funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 24-36 of this report.

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

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

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

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

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

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

Notes to the financial statements:

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

The notes to the financial statements can be found on pages 46-71 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information in regards to the City of Charleston’s progress in funding obligation to provide pension and other post-employment benefits to its employees. Required supplemental information can be found on page 73 of this report. The combining statements referred to earlier in connection with the non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 74-87 of this report.

Government-Wide Financial Analysis

Net Assets- As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$43.8 million at year ended April 30th, 2011. The following table reflects the condensed Statement of Net Assets of the current year as compared to the previous year.

Table 1- Statement of Net Assets as of April 30, 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets and other	\$ 10,914,058	\$ 10,260,223	\$ 1,936,866	\$ 515,101	\$ 12,850,924	\$ 10,775,324
Capital assets	21,685,538	22,166,532	36,311,485	32,513,598	57,997,023	54,680,130
Total assets	32,599,596	32,426,755	38,248,351	33,028,699	70,847,947	65,455,454
Liabilities:						
Current liabilities	4,966,669	4,771,104	2,054,438	2,010,113	7,021,107	6,781,217
Noncurrent liabilities	9,589,094	9,696,461	10,401,662	7,980,610	19,990,756	17,677,071
Total liabilities	\$ 14,555,763	\$ 14,467,565	\$ 12,456,100	\$ 9,990,723	\$ 27,011,863	\$ 24,458,288
Net assets:						
Invested in capital assets, net of related debt	13,649,617	13,541,158	24,692,562	22,766,830	38,342,179	36,307,988
Restricted	1,574,005	1,127,202	-	-	1,574,005	1,127,202
Unrestricted	2,820,211	3,290,830	1,099,689	271,146	3,919,900	3,561,976
Total net assets	\$ 18,043,833	\$ 17,959,190	\$ 25,792,251	\$ 23,037,976	\$ 43,836,084	\$ 40,997,166

The largest portion of the City of Charleston's net assets (\$38.3 million or 87 percent) is the investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related debt still outstanding that was used to acquire those assets. The City of Charleston uses these capital resources to provide services to citizens. Thus, these resources are not available for future spending. Although the City's investment in capital assets is reported net of related debt in the net assets section, the reader must bear in mind the resources to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$1.6 million (4 percent) of the City's net assets represents resources that are subject to external restrictions on their use. The remaining \$3.9 million (9 percent) represents unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

Normal Impacts-

There are six basic (normal) transactions that affect the comparability of the Statement of Net Assets summary presentation.

- Net Results of Activities- These activities will impact (increase/decrease) current assets and unrestricted net assets.
- Borrowing for Capital- Borrowing for capital will increase current assets and long-term debt.
- Spending Borrowed Proceeds on New Capital- Spending borrowed proceeds on new capital will reduce current assets and increase capital assets. A second impact will be an increase in the "invested in capital assets" and an increase of "invested in capital assets, net of debt".

- Spending of Non-borrowed Current Assets on New Capital- Spending of non-borrowed current assets on new capital will reduce current assets and increase capital assets plus reduce unrestricted net assets and increase invested in capital assets, net of debt.
- Principal Payment on Debt- A principal payment of debt will reduce current assets and long-term debt plus reduce unrestricted net assets and increase invested in capital assets, net of debt.
- Reduction of Capital Assets through Depreciation- Reducing capital assets through depreciation will reduce capital assets and invested in capital assets, net of debt.

The subsequent table will spotlight the changes in net assets of the governmental and business-type activities.

Changes in Net Assets - See the table below to compare revenues and expenditures for the current and previous fiscal year.

Table 2- Changes in Net Assets For Fiscal Year Ended April 30, 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 3,001,071	\$ 2,865,462	\$ 5,015,564	\$ 4,969,644	\$ 8,016,635	\$ 7,835,106
Operating grants	886,490	912,357	44,917	30,583	931,407	942,940
Capital grants	258,403	87,592	2,256,104	84,782	2,514,507	172,374
General revenues:						
Property taxes	3,590,922	3,535,379	-	-	3,590,922	3,535,379
Income taxes	1,636,658	1,631,155	-	-	1,636,658	1,631,155
Sales taxes	2,884,862	2,740,176	-	-	2,884,862	2,740,176
Other general revenues	1,684,979	1,550,644	33,483	21,417	1,718,462	1,572,061
Total Revenues	\$ 13,943,385	\$ 13,322,765	\$ 7,350,068	\$ 5,106,426	\$ 21,293,453	\$ 18,429,191
Expenses:						
General government	5,228,149	4,661,795	-	-	5,228,149	4,661,795
Public safety	5,712,300	5,421,845	-	-	5,712,300	5,421,845
Highways and streets	1,606,523	1,763,134	-	-	1,606,523	1,763,134
Health and welfare	82,236	42,243	-	-	82,236	42,243
Culture and recreation	743,056	693,216	-	-	743,056	693,216
Urban redevelopment and housing	342,932	529,321	-	-	342,932	529,321
Economic development and assist	116,326	144,407	-	-	116,326	144,407
Interest expense	348,071	359,645	-	-	348,071	359,645
Water and sewer	-	-	4,274,942	4,288,284	4,274,942	4,288,284
Total expenses	\$ 14,179,593	\$ 13,615,606	\$ 4,274,942	\$ 4,288,284	\$ 18,454,535	\$ 17,903,890
Increase (Decrease) in net assets before transfers	(236,208)	(292,841)	3,075,126	818,142	2,838,918	525,301
Transfers	320,851	206,702	(320,851)	(206,702)	-	-
Increase (Decrease) in net assets	84,643	(86,139)	2,754,275	611,440	2,838,918	525,301
Net assets - beginning	17,959,190	18,045,329	23,037,976	22,426,536	40,997,166	40,471,865
Net assets- ending	\$ 18,043,833	\$ 17,959,190	\$ 25,792,251	\$ 23,037,976	\$ 43,836,084	\$ 40,997,166

Current Year Impacts- Overall Government Financial Position

As noted in the previous chart, the City of Charleston's total net assets increased \$2.8 million due to an \$84,643 increase in the net assets of the City's governmental activities and a \$2.7 increase in net assets of business-type activities.

Net assets invested in capital assets (net of debt) increased by \$2 million to \$38.3 million due to capital asset additions and debt retirement. Restricted net assets increased by \$446,803, while unrestricted net assets increased \$357,924.

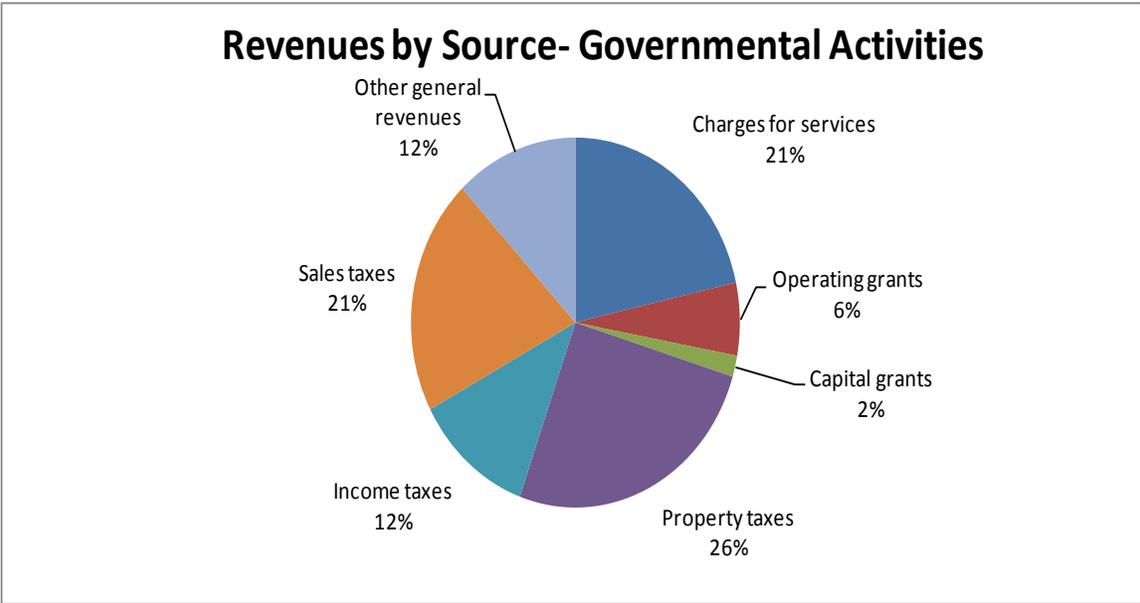
Total revenues increased \$2.9 million (15.5%). Expenses increased \$550,645 million (3.08%). Results for specific types of revenues and expenses are discussed below.

Governmental Activities- Revenues and Expenses

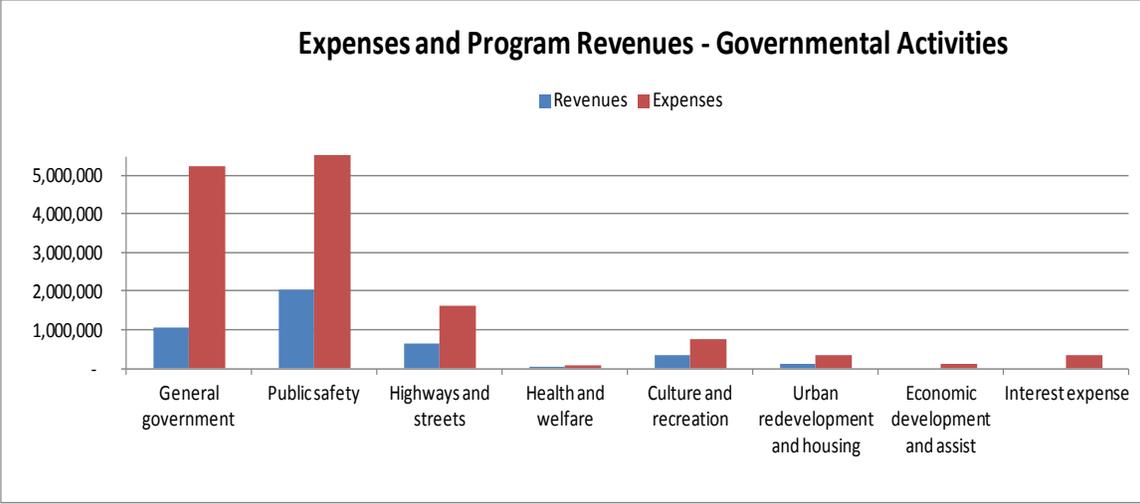
Revenues for governmental activities increased by \$620,620 (4.66%) to \$13.9 million. The largest increase from prior year was Capital Grants (\$170,811) which includes additional charitable donations and federal and state grants for capital projects. Other revenue types seeing increases include charges for services (\$135,609), property taxes (\$55,543), income taxes (\$5,503) sales taxes (\$144,686), and other general revenues (\$134,335). The increases were offset by a decrease of \$25,867 in operating grants.

Total expenses for governmental activities increased \$563,987 (4%) to \$14.2 million. General government increased the most in dollar value (\$566,354 or 12%) which includes the large increase in police and fire pension costs of the City (\$235,601). Expenses also increased within public safety (\$290,455), health and welfare (\$39,993), and culture and recreation (\$49,840). Highways and streets, urban development and housing, economic development, and interest each experienced a decrease in expenses. Expenses in governmental activities are largely dependent revenues. Since revenues have decreased in recent years during this time of economic uncertainty, expenses have been redirected and only increased when and where absolutely necessary. The City is making a concerted effort to spend only on essential items needed to maintain core services for the City of Charleston.

The chart below depicts the City's major revenue sources for governmental activities. It clearly shows the City's reliance on charges for services to fund governmental activities. The City has placed additional reliance upon user fees to lower the impact upon property taxes so this concentration should continue in future years. Charges for services is made up of various licenses, housing permits, fines and parking system fees, franchise fees, rental income, intergovernmental service fees, employee and employer benefit contributions, and ambulance revenues.



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



Business-Type Activities- Revenues and Expenses

Charges for services increased by \$45,920 or less than 1 percent. Operating grants increased \$14,334 this fiscal year and capital grants increased by \$2,171,322 from prior year since it includes debt forgiveness related to the waste water treatment plant renovation loan. In regards to charges for services, water and sewer gallons billed decreased this year by 3 percent. The only reason this decrease in consumption did not result in a decrease in revenue was the increase in water and sewer rates. The annual water and sewer rate increase of 4.6 percent was effective May 1, 2010.

Expenses for the City's business-type activities have stayed almost unchanged from prior year (\$13,342 decrease). Similar to the governmental activities, operational and capital expenses are being budgeted conservatively and directed to essential services.

Overall, the City's assets from business-type activities increased by \$2,754,275. This largely resulted from a \$3,041,643 positive difference between program revenues and expenses of such activities. However, net transfers to other activities of \$320,851 reduced the total increase in net assets from such activities to \$2,754,275 after interest and miscellaneous income of \$33,483 is added as well.

Financial Analysis of the City's Funds

Normal Impacts

There are eight basic factors that can impact revenues and expenses. These factors are described below:

Revenues:

- Economic Condition- This can reflect a declining, stable or growing economic environment and has a substantial impact on State income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.
- Increase/Decrease in City approved rates- While certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (water/sewer, parking, fees, utility taxes, etc)
- Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)- Certain recurring revenues (State shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.
- Market Impacts on Investment Income- The City's investment portfolio is managed using a short term average maturity and the market condition may cause investment income to fluctuate less than alternative longer-term options.
- Introduction of New Programs- Within the functional expense categories (General Government, Public Safety, Highways and Streets, etc) individual programs may be added or deleted to meet changing community needs or unfunded mandates from other governmental levels.
- Increasing Authorized Personnel- Changes in service demand may cause the City Council to increase/decrease authorized staffing levels; staffing costs (salary and related benefits) represent approximately 63% of the City's General Fund operating costs.
- Salary Increases (annual adjustments and merit)- The ability to attract and retain human and intellectual resources requires the City to strive for a competitive salary range position in the marketplace. In addition, the City has 4 separate bargaining units representing and negotiating for various segments of the employee population.

- Inflation- While overall inflation appears to be reasonably low; the City is a major consumer of certain commodities such as supplies, fuel, and parts. Some specific areas may experience unusually high price increases.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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 governmental funds reported combined ending fund balances of \$6 million, a \$432,374 (8%) increase from the prior year. More information on this and other significant changes in the balances of governmental funds is as follows:

- The General Fund ended with an increase in fund balance of \$216,693 or 4 percent. The General Fund is discussed further in the section below.
- The Employee Benefit Fund increased \$27,029 and will require transfers from other funds to bring the fund balance back to zero.
- Motor Fuel Tax Fund had an increase of \$161,746 or 65 percent since the fund balance is being rebuilt for future capital projects.
- The Tax Increment Financing Fund was coming to an end until a recent extension was approved so the fund balance was being depleted. The fund balance has increased \$4,694 this fiscal year which will fund future grants and public improvements.
- The Playground and Recreation Fund ended with an increase in fund balance of \$22,350 which brought the fund balance back to a positive balance.
- The Drug Traffic Prevention Fund and Recreational Land Fund each showed increases in fund balance from prior year while the Special Events and Tourism, Foreign Fire Tax Fund, and Debt Service fund all showed a slight decrease in its fund balance.

Additional information may be found within the Governmental Funds Balance Sheet presented on pages 24 and 25.

Proprietary Funds

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

Operating income grew \$35,751 (3.5%) from prior year which will help offset the interest expense costs and debt service repayment.

General Fund Budgetary Highlights

Below is a table which reflects the original budget plus the actual revenues and expenditures for the General Fund. This corresponds to pages 34-36 in the basic financial statements.

For the Fiscal Year Ended April 30, 2011			
General Fund	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 6,965,049	\$ 7,165,831	\$ 7,128,299
Licenses and permits	334,750	349,750	389,434
Intergovernmental revenue	654,705	585,660	611,064
Charges for services	1,471,211	1,469,311	1,456,467
Other	247,025	463,060	555,545
Total	<u>\$ 9,672,740</u>	<u>\$ 10,033,612</u>	<u>\$ 10,140,809</u>
Expenditures and transfers:			
Expenditures	9,355,624	9,774,934	9,650,945
Transfers	287,428	287,428	273,171
Total	<u>\$ 9,643,052</u>	<u>\$ 10,062,362</u>	<u>\$ 9,924,116</u>
Change in fund balance	<u>\$ 29,688</u>	<u>\$ (28,750)</u>	<u>\$ 216,693</u>

The general fund actual revenues were \$107,197 more than the final budgeted amount. The actual revenue collected in the categories of licenses and permits, intergovernmental revenue, and other revenues were higher than the final budget. Private donations and contributions was the largest difference after ending \$100,892 over the final budgeted amount. Taxes and charges for services finished slightly under the final budgeted amount for a combined shortfall between the two of \$50,376.

The general fund actual expenditures were \$138,246 less than the final budget amount. Most functional areas completed the year with actual expenditures being less than the final budget. The detail by function includes: general government (\$130,916), public safety (\$39,210), highways and streets (\$16,353), urban and redevelopment and housing (\$625) and transfers (\$14,257). The functional areas finishing with actual expenditures greater than final budget include health and welfare (\$14,271), culture and recreation (\$39,773), and debt service (\$9,071).

Capital Assets

As shown on the following chart, the City of Charleston had a \$58 million investment in capital assets of its governmental and business-type activities, net of accumulated depreciation as of April 30, 2011. A large portion (56%) of this investment represents infrastructure including roads, sidewalks, bridges, and sewers. Overall, the City's investment in capital assets increased by 6.1% (\$3.3 million).

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
	Land	\$ 817,656	\$ 817,656	\$ 1,017,933	\$ 624,274	\$ 1,835,589
Buildings and Improvements	10,539,502	10,794,151	2,403,390	2,817,765	12,942,892	13,611,916
Vehicles, machinery and equipment	1,864,949	1,908,301	576,414	645,811	2,441,363	2,554,112
Infrastructure	8,375,633	8,634,884	24,153,794	24,897,853	32,529,427	33,532,737
Construction in Progress	87,798	11,540	8,159,954	3,527,895	8,247,752	3,539,435
	\$ 21,685,538	\$22,166,532	\$ 36,311,485	\$ 32,513,598	\$ 57,997,023	\$ 54,680,130

This year's major additions to capital assets include the following:

Governmental activities:

Project Name	Additions
Self contained breathing apparatus	\$ 129,549
2010 Chevrolet Medtec ambulance	123,454
Harrison Street- 11th to 9th resurface	93,500
Reynolds Drive storm sewer construction	168,669

Business-type activities:

Project Name	Additions
Demolition costs of the former water treatment plant	\$ 385,778
Replacement pump for influent lift station- waste water treatment plant	27,250

These additions to capital assets were offset by depreciation of \$2.2 million. Readers desiring more detailed information on capital assets activity should refer to the discussion in Note C to these financial statements on pages 55-57.

Debt Management

The City of Charleston's long term debt totaled \$8 million for governmental activities and \$10.7 million for business-type activities as of April 30, 2011.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
	Notes payable	\$ 875,921	\$ 1,120,374	\$ 4,178,701	\$ 1,173,220	\$ 5,054,622
General obligation bonds	7,160,000	7,505,000	-	-	7,160,000	7,505,000
Alternative revenue bonds	-	-	6,550,000	6,965,000	6,550,000	6,965,000
	\$ 8,035,921	\$ 8,625,374	\$ 10,728,701	\$ 8,138,220	\$ 18,764,622	\$ 16,763,594

The reduction in debt for governmental activities resulted from repayment of principal. The City did not issue any new bonded debt during the fiscal year ended April 30, 2011, and issued a very small amount of non-bonded debt for vehicle and equipment purchases. Business-type activities increased long-term debt by \$2.6 million. The City did not issue any new bonded debt but did receive funds from a note payable to cover the major upgrade at the waste water treatment plant (\$5,088,903).

Illinois statute restricts municipality general obligation debt to less than 8.625 percent of equalized property value. The City of Charleston is well below the statutory limit. The City of Charleston received a higher rating from Standard and Poor's in February 2009. The rating was raised from A to AA- with mention of a "very strong" unassigned fund balance and "belief that (City of Charleston) is strong enough to withstand the potential pressures". Additional information on long term debt may be found in Note F in the Notes to the Financial Statements on pages 65-68.

Economic Factors and Next Year's Budget

The equalized assessed value (EAV) of taxable property in the City for the 2010 levy year grew 1.96 percent from prior year to \$185,220,108. The rate of development continues to be slower than in the past and the 2011 levy is expected to have a very minimal increase as well. Under tax law applicable to the City of Charleston, the EAV of taxable property should represent one-third market value, so the taxable value of property in the City as of January 1, 2011 was close to 556 million.

The presence of Eastern Illinois University provides a great deal of stability to the area's economy. This stability helps make Charleston's sales tax revenues more stable than many other cities'. The City's sales tax revenues increased 5 percent or \$144,686 this fiscal year and sales tax revenues are expected to increase again in fiscal year 2011/2012.

The fiscal year 2011/2012 budget shows an increase of 9.5 percent in general fund revenues from the previous budget year and a 9.5 percent increase in expenses for a balanced budget. Due to the quick response to the declining revenues and tight control on spending over the past years, the budget appears to be scaled down as needed and in a position to slightly increase spending as revenue trends continue to gradually increase. Similar to other municipalities, the City of Charleston continues to face multiple challenges including but not limited to sluggish tax collections, significant pension costs and increasing operating costs all of which are accounted for in the budget.

As the economy continues to recover at a slow pace, the City has aggressively been seeking ways boost revenues, control spending, and closely monitor the budget. This process will continue into the fiscal year 2011/2012 as the City continues to try to provide the same service levels in the face of declines in revenue and an increased cost of operations.

Requests for Information

This financial report is designed to provide the City's citizens, customers, investors, and creditors an overview of the City's finances, and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to:

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	Primary Government		Totals	Component Unit
	Governmental Activities	Business Type Activities		Library Fund
ASSETS				
Cash deposits	\$ 2,874,644	\$ 1,152,375	\$ 4,027,019	\$ 190,646
Investments	1,091,248	-	1,091,248	5,223
Receivables:				
Property taxes	3,605,715	-	3,605,715	346,399
Other taxes	77,775	-	77,775	-
Customers	462,079	563,935	1,026,014	-
Other	58,010	4,295	62,305	2,960
Interest	13,153	-	13,153	-
Due from other governmental agencies	1,587,646	10,787	1,598,433	24,289
Prepaid expenditures	231,166	-	231,166	10,994
Inventory	-	158,447	158,447	-
Due from component units	17,749	-	17,749	-
Internal balances	18,728	(18,728)	-	-
Restricted assets:				
Cash deposits	459,578	-	459,578	-
Grant loans receivable	320,730	-	320,730	-
Bond issuance costs, net of amortization	95,837	65,755	161,592	-
Capital assets, net of accumulated depreciation	<u>21,685,538</u>	<u>36,311,485</u>	<u>57,997,023</u>	<u>898,976</u>
Total assets	<u>32,599,596</u>	<u>38,248,351</u>	<u>70,847,947</u>	<u>1,479,487</u>
LIABILITIES				
Accounts payable	613,513	1,230,981	1,844,494	102,599
Claims payable	83,860	-	83,860	-
Accrued wages	114,173	29,374	143,547	3,654
Accrued interest	36,997	96,795	133,792	1,109
Deposits held for others	-	900	900	-
Due to primary government	-	-	-	17,749
Deferred miscellaneous revenue	40,394	-	40,394	-
Deferred property tax revenue	3,605,715	-	3,605,715	346,399
Long-term liabilities:				
Unamortized bond premium	169,037	-	169,037	-
Accrued compensated absences	1,272,333	350,679	1,623,012	4,982
Net pension obligation payable	433,665	-	433,665	-
Net OPEB obligation	150,155	18,670	168,825	3,645

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	<u>Primary Government</u>		<u>Totals</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>		<u>Library Fund</u>
Bonds payable:				
Due within one year	365,000	430,000	795,000	-
Due in more than one year	6,795,000	6,120,000	12,915,000	-
Notes payable:				
Due within one year	107,017	266,388	373,405	14,218
Due in more than one year	<u>768,904</u>	<u>3,912,313</u>	<u>4,681,217</u>	<u>346,335</u>
Total liabilities	<u>14,555,763</u>	<u>12,456,100</u>	<u>27,011,863</u>	<u>840,690</u>
 NET ASSETS				
Invested in capital assets, net of related debt	13,649,617	24,692,562	38,342,179	538,423
Restricted for:				
General government	65,946	-	65,946	-
Public safety	66,414	-	66,414	-
Highways and streets	653,302	-	653,302	-
Culture and recreation	35,102	-	35,102	-
Economic development and assistance	13,839	-	13,839	-
Urban development and housing	706,463	-	706,463	-
Debt service	32,939	-	32,939	-
Unrestricted	<u>2,820,211</u>	<u>1,099,689</u>	<u>3,919,900</u>	<u>100,374</u>
 Total Net Assets	 <u>\$ 18,043,833</u>	 <u>\$ 25,792,251</u>	 <u>\$ 43,836,084</u>	 <u>\$ 638,797</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 5,228,149	\$ 880,512	\$ 39,541	\$ 127,637	\$ (4,180,459)	\$ -	\$ (4,180,459)	
Public safety	5,712,300	1,768,327	133,123	121,766	(3,689,084)	-	(3,689,084)	
Highways and streets	1,606,523	-	628,081	-	(978,442)	-	(978,442)	
Health and welfare	82,236	-	2,000	-	(80,236)	-	(80,236)	
Culture and recreation	743,056	252,313	83,745	-	(406,998)	-	(406,998)	
Urban redevelopment and housing	342,932	99,919	-	9,000	(234,013)	-	(234,013)	
Economic development and assistance	116,326	-	-	-	(116,326)	-	(116,326)	
Interest expense	348,071	-	-	-	(348,071)	-	(348,071)	
Total governmental activities	<u>14,179,593</u>	<u>3,001,071</u>	<u>886,490</u>	<u>258,403</u>	<u>(10,033,629)</u>	<u>-</u>	<u>(10,033,629)</u>	
Business type activities:								
Water and sewer	<u>4,274,942</u>	<u>5,015,564</u>	<u>44,917</u>	<u>2,256,104</u>	<u>-</u>	<u>3,041,643</u>	<u>3,041,643</u>	
Total primary government	<u>\$ 18,454,535</u>	<u>\$ 8,016,635</u>	<u>\$ 931,407</u>	<u>\$ 2,514,507</u>	<u>(10,033,629)</u>	<u>3,041,643</u>	<u>(6,991,986)</u>	
Component Unit: Library	<u>\$ 364,228</u>	<u>\$ 29,310</u>	<u>\$ 70,542</u>	<u>\$ -</u>				<u>\$ (264,376)</u>
General Revenues								
Taxes:								
Property taxes					3,590,922	-	3,590,922	\$ 345,582
Illinois income tax					1,636,658	-	1,636,658	-
Municipal retailers' occupation tax					2,884,862	-	2,884,862	-
Utility tax					919,369	-	919,369	-
Use tax					302,261	-	302,261	-
Replacement tax					229,783	-	229,783	19,803
Other taxes					58,566	-	58,566	-
Interest income					46,477	1,024	47,501	560
Gain (loss) on sale or disposal of assets					12,121	900	13,021	-
Net increase (decrease) in fair value of investments					(2,532)	-	(2,532)	(317)
Miscellaneous					118,934	31,559	150,493	3,586
Transfers					<u>320,851</u>	<u>(320,851)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>10,118,272</u>	<u>(287,368)</u>	<u>9,830,904</u>	<u>369,214</u>
Change in net assets					84,643	2,754,275	2,838,918	104,838
Net assets, beginning of year					<u>17,959,190</u>	<u>23,037,976</u>	<u>40,997,166</u>	<u>533,959</u>
Net Assets, End of Year					<u>\$ 18,043,833</u>	<u>\$ 25,792,251</u>	<u>\$ 43,836,084</u>	<u>\$ 638,797</u>

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

FUND FINANCIAL STATEMENTS

CITY OF CHARLESTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2011

	<u>General Fund</u>	<u>Pensions Tax Levy Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit Library Fund</u>
ASSETS					
Cash deposits	\$ 2,459,452	\$ -	\$ 399,688	\$ 2,859,140	\$ 195,869
Investments	627,242	-	464,006	1,091,248	-
Receivables:					
Property taxes	1,073,052	1,377,593	1,155,070	3,605,715	346,399
Other taxes	77,775	-	-	77,775	-
Customers	458,682	-	-	458,682	-
Other	57,714	-	296	58,010	2,960
Interest	13,153	-	-	13,153	-
Due from other governmental agencies	1,226,279	20,976	50,987	1,298,242	24,289
Prepaid expenditures	3,356	-	-	3,356	-
Due from other funds	95,551	-	-	95,551	-
Restricted assets:					
Cash deposits	459,578	-	-	459,578	-
Grant loans receivable	<u>320,730</u>	<u>-</u>	<u>-</u>	<u>320,730</u>	<u>-</u>
 Total Assets	 <u>\$ 6,872,564</u>	 <u>\$ 1,398,569</u>	 <u>\$ 2,070,047</u>	 <u>\$ 10,341,180</u>	 <u>\$ 569,517</u>
LIABILITIES					
Accounts payable	\$ 214,578	\$ 20,976	\$ 377,959	\$ 613,513	\$ 102,599
Accrued wages	108,698	-	5,475	114,173	3,654
Due to other funds	-	-	535	535	15,016
Deferred miscellaneous revenue	12,049	-	24,948	36,997	-
Deferred property tax revenue	<u>1,073,052</u>	<u>1,377,593</u>	<u>1,155,070</u>	<u>3,605,715</u>	<u>346,399</u>
Total liabilities	<u>1,408,377</u>	<u>1,398,569</u>	<u>1,563,987</u>	<u>4,370,933</u>	<u>467,668</u>

CITY OF CHARLESTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2011

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
FUND BALANCE					
Nonspendable	160,047	-	-	160,047	-
Restricted for:					
General government	65,946	-	-	65,946	-
Public safety	65,157	-	1,257	66,414	-
Highways and streets	244,000	-	409,302	653,302	-
Culture and recreation	35,102	-	-	35,102	-
Economic development and assistance	-	-	13,839	13,839	-
Urban development and housing	706,463	-	-	706,463	-
Debt service	-	-	32,939	32,939	-
Assigned for:					
Public safety	-	-	11,550	11,550	-
Highways and streets	150,420	-	-	150,420	-
Culture and recreation	-	-	42,161	42,161	-
Unassigned (deficit)	<u>4,037,052</u>	<u>-</u>	<u>(4,988)</u>	<u>4,032,064</u>	<u>101,849</u>
Total fund balance	<u>5,464,187</u>	<u>-</u>	<u>506,060</u>	<u>5,970,247</u>	<u>101,849</u>
 Total Liabilities and Fund Balance	 <u>\$ 6,872,564</u>	 <u>\$ 1,398,569</u>	 <u>\$ 2,070,047</u>	 <u>\$ 10,341,180</u>	 <u>\$ 569,517</u>

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

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
April 30, 2011

Total fund balance - total governmental funds		\$ 5,970,247
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current resources and, therefore, are not reported in the governmental funds balance sheet. This is the amount by which capital assets of \$32,762,748 exceeded accumulated depreciation of \$11,077,210.		21,685,538
Certain prepaid expenses reported in the statement of net assets are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.		227,810
Certain receivables reported in the statement of net assets are not available as current financial resources and, therefore, are not reported as receivables in the governmental funds.		234,703
Bond issuance costs reported in the statement of net assets are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.		95,837
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(36,997)
Unamortized bond premium is reported as another financing source in the governmental funds, but these are capitalized and amortized in the statement of activities.		(169,037)
The OPEB obligation resulting from annual required contributions in excess of contributions are not due and payable in the current period and, therefore, are not reported in the funds.		(150,155)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets:		
Current assets	\$ 95,063	
Current liabilities	<u>(167,257)</u>	(72,194)

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
April 30, 2011

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

Net pension obligation payable	\$ 433,665	
Accrued compensated absences	1,272,333	
Due within one year	472,017	
Due in more than one year	<u>7,563,904</u>	<u>(9,741,919)</u>

Net Assets of Governmental Activities	<u>\$ 18,043,833</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE COMPONENT UNIT BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
April 30, 2011

Total fund balance - component unit		\$ 101,849
<p>Amounts reported for the component unit activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not current resources and, therefore, are not reported in the governmental funds balance sheet. This is the amount by which capital assets of \$1,222,431 exceeded accumulated depreciation of \$323,455.</p>		898,976
<p>Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.</p>		
Accrued compensated absences	\$ 4,982	
Net OPEB obligation	3,645	
Notes payable, due within one year	14,218	
Notes payable, due in more than one year	<u>346,335</u>	(369,180)
<p>Internal service funds are used by the primary government to charge the costs of various activities internally to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the primary government's statement of net assets.</p>		(2,733)
<p>Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.</p>		(1,109)
<p>Certain prepaid expenses reported in the statement of net assets are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		<u>10,994</u>
Net Assets of Component Unit		<u>\$ 638,797</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2011

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Revenues:					
Property taxes	\$ 1,325,270	\$ 981,035	\$ 1,279,449	\$ 3,585,754	\$ 345,062
Mobile home privilege tax	1,991	1,477	1,701	5,169	520
Replacement income tax	19,215	149,940	60,628	229,783	19,803
Tourism tax	38,673	-	-	38,673	-
Utility tax	919,369	-	-	919,369	-
Fines, parking system fees, and charge for services	501,564	-	-	501,564	12,649
Municipal retailers' occupation tax	2,884,862	-	-	2,884,862	-
Illinois income tax	1,636,658	-	-	1,636,658	-
Use tax	302,261	-	-	302,261	-
Ambulance revenue	954,903	-	-	954,903	-
Other governmental agencies	611,064	-	627,878	1,238,942	-
Rental income	10,167	-	-	10,167	655
Licenses, permits and fees	389,434	-	247,554	636,988	6,578
Interest income	45,393	219	864	46,476	561
Private donations and contributions	227,452	-	26,245	253,697	48,900
Employer and employee contributions	-	-	589,618	589,618	-
Net increase (decrease) in fair value of investments	(9,178)	-	6,646	(2,532)	(317)
Miscellaneous income	<u>106,064</u>	<u>-</u>	<u>18,618</u>	<u>124,682</u>	<u>34,656</u>
Total revenues	<u>9,965,162</u>	<u>1,132,671</u>	<u>2,859,201</u>	<u>13,957,034</u>	<u>469,067</u>
Expenditures:					
General government	2,339,900	1,132,671	1,488,168	4,960,739	-
Public safety	5,361,776	-	17,526	5,379,302	-
Highways and streets	935,280	-	465,786	1,401,066	-
Health and welfare	82,236	-	-	82,236	-
Culture and recreation	132,119	-	456,504	588,623	332,924
Urban development and housing	360,064	-	-	360,064	-
Economic development and assistance	-	-	145,421	145,421	-
Principal	405,577	-	347,403	752,980	38,540
Interest	<u>33,993</u>	<u>-</u>	<u>316,734</u>	<u>350,727</u>	<u>16,688</u>
Total expenditures	<u>9,650,945</u>	<u>1,132,671</u>	<u>3,237,542</u>	<u>14,021,158</u>	<u>388,152</u>
Excess of revenues over (under) expenditures	<u>314,217</u>	<u>-</u>	<u>(378,341)</u>	<u>(64,124)</u>	<u>80,915</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2011

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	12,121	-	-	12,121	-
Loan proceeds	163,526	-	-	163,526	-
Transfers in	125,000	-	601,171	726,171	-
Transfers out	(398,171)	-	(7,149)	(405,320)	-
Total other financing sources (uses)	<u>(97,524)</u>	<u>-</u>	<u>594,022</u>	<u>496,498</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	216,693	-	215,681	432,374	80,915
Fund balance, beginning of year	<u>5,247,494</u>	<u>-</u>	<u>290,379</u>	<u>5,537,873</u>	<u>20,934</u>
Fund Balance, End of Year	<u>\$ 5,464,187</u>	<u>\$ -</u>	<u>\$ 506,060</u>	<u>\$ 5,970,247</u>	<u>\$ 101,849</u>

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

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

Net change in governmental fund balance \$ 432,374

Amounts reported for the 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 of \$740,907 exceeded depreciation of \$1,221,902
in the current period. (480,995)

The utilization of the net pension asset to reduce current year
pension contributions consumes financial resources. (16,131)

The issuance of long-term debt provides current financial resources
to governmental funds, but increases long-term liabilities in
the statement of net assets. (163,526)

Including additions to the net pension obligation payable (272,265)

Internal service funds are used by management to charge the costs of various
activities internally to individual funds. The net revenue of certain activities
of internal service funds is reported with governmental activities. (3,807)

Certain prepaid expenses reported in the statement of activities do not
require the use of current financial resources and, therefore, are
not reported as expenditures in the governmental funds. 13,413

Some expenses, such as certain compensated absences, 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. (105,719)

Bond issuance costs and bond premium are reported as expenditures and
income, respectively, in the governmental funds, but these are capitalized
and amortized in the statement of activities. 1,789

Certain revenues reported in the statement of activities are not
available as current financial resources and, therefore, are
not reported as revenues in the governmental funds. (25,770)

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

The increase in OPEB obligation resulting from annual required contributions in excess of the contributions do not require the use of current financial resources and, therefore, is not reported as expenditures in the funds.	(50,356)
Principal paid on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal payments.	752,980
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	<u>2,656</u>
Change in Net Assets of Governmental Activities	<u>\$ 84,643</u>

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

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

Net change in component unit fund balance	\$	80,915
Amounts reported for the component unit activities in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(14,495)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the repayment has no effect on change in net assets on the statement of activities.		38,540
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.		
Decrease in accrued compensated absences expense		993
Increase in net OPEB obligation		(1,193)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		118
Internal service funds are used by the primary government to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with the discretely presented component unit.		(136)
Certain prepaid expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>96</u>
Change in Net Assets of Component Unit	\$	<u>104,838</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
Revenues:				
Property taxes	\$ 1,324,310	\$ 1,324,310	\$ 1,325,270	\$ 960
Mobile home privilege tax	1,000	1,782	1,991	209
Replacement income tax	18,000	18,000	19,215	1,215
Tourism tax	42,000	42,000	38,673	(3,327)
Utility tax	970,000	970,000	919,369	(50,631)
Fines, parking system fees, and charges for services	387,600	517,700	501,564	(16,136)
Municipal retailers' occupation tax	2,727,478	2,877,478	2,884,862	7,384
Illinois income tax	1,628,473	1,628,473	1,636,658	8,185
Use tax	253,788	303,788	302,261	(1,527)
Ambulance revenue	1,083,611	951,611	954,903	3,292
Other governmental agencies	654,705	585,660	611,064	25,404
Rental income	9,167	9,167	10,167	1,000
Licenses, permits and fees	334,750	349,750	389,434	39,684
Interest income	45,500	45,500	45,393	(107)
Private donations and contributions	23,500	126,560	227,452	100,892
Net increase (decrease) in fair value of investments	-	-	(9,178)	(9,178)
Miscellaneous income	16,858	114,278	106,064	(8,214)
Total revenues	<u>9,520,740</u>	<u>9,866,057</u>	<u>9,965,162</u>	<u>99,105</u>
Expenditures:				
General Government:				
Adminstration, board of zoning appeals and planning, police and fire boards, and city manager	368,290	368,290	363,220	5,070
City clerk	90,244	90,244	83,279	6,965
Comptroller	114,001	114,001	108,654	5,347
City attorney's office	101,374	84,374	82,191	2,183
Information services	98,188	107,894	114,492	(6,598)
Engineering department	158,596	158,596	149,887	8,709
Contingencies	103,451	198,698	110,869	87,829
Parks and maintenance department	416,080	532,706	505,677	27,029
Judgment	740,013	816,013	821,631	(5,618)
	<u>2,190,237</u>	<u>2,470,816</u>	<u>2,339,900</u>	<u>130,916</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
Public Safety:				
Police protection	2,662,664	2,634,879	2,613,655	21,224
Fire protection	<u>2,629,951</u>	<u>2,766,107</u>	<u>2,748,121</u>	<u>17,986</u>
	<u>5,292,615</u>	<u>5,400,986</u>	<u>5,361,776</u>	<u>39,210</u>
Highways and Streets:				
Street department	720,174	720,174	706,734	13,440
City garage	95,459	95,459	94,598	861
Street lighting	<u>152,000</u>	<u>136,000</u>	<u>133,948</u>	<u>2,052</u>
	<u>967,633</u>	<u>951,633</u>	<u>935,280</u>	<u>16,353</u>
Health and Welfare:				
Public service	<u>67,965</u>	<u>67,965</u>	<u>82,236</u>	<u>(14,271)</u>
Culture and Recreation:				
Tourism	<u>92,346</u>	<u>92,346</u>	<u>132,119</u>	<u>(39,773)</u>
Urban Redevelopment and Housing:				
Department of commerce and economic development	324,079	355,189	347,564	7,625
Rehabilitation and community development assistance program	<u>174,000</u>	<u>5,500</u>	<u>12,500</u>	<u>(7,000)</u>
	<u>498,079</u>	<u>360,689</u>	<u>360,064</u>	<u>625</u>
Debt Service:				
Principal	209,394	397,644	405,577	(7,933)
Interest	<u>37,355</u>	<u>32,855</u>	<u>33,993</u>	<u>(1,138)</u>
	<u>246,749</u>	<u>430,499</u>	<u>439,570</u>	<u>(9,071)</u>
Total expenditures	<u>9,355,624</u>	<u>9,774,934</u>	<u>9,650,945</u>	<u>123,989</u>
Excess of revenues over (under) expenditures	<u>165,116</u>	<u>91,123</u>	<u>314,217</u>	<u>223,094</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	12,121	12,121
Loan proceeds	152,000	167,555	163,526	(4,029)
Transfers in	250,000	250,000	125,000	(125,000)
Transfers out	<u>(537,428)</u>	<u>(537,428)</u>	<u>(398,171)</u>	<u>139,257</u>
Total other financing sources (uses)	<u>(135,428)</u>	<u>(119,873)</u>	<u>(97,524)</u>	<u>22,349</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ 29,688</u>	 <u>\$ (28,750)</u>	 216,693	 <u>\$ 245,443</u>
 Fund balance, beginning of year			 <u>5,247,494</u>	
 Fund Balance, End of Year			 <u>\$ 5,464,187</u>	

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash deposits	\$ 1,152,375	\$ 15,504
Receivables:		
Customer	563,935	3,397
Other	4,295	-
Due from other governmental agencies	10,787	54,701
Inventory	<u>158,447</u>	<u>-</u>
Total current assets	<u>1,889,839</u>	<u>73,602</u>
Noncurrent assets:		
Bond issuance costs, net of accumulated amortization	65,755	-
Capital assets, net of accumulated depreciation	<u>36,311,485</u>	<u>-</u>
Total noncurrent assets	<u>36,377,240</u>	<u>-</u>
 Total assets	 <u>38,267,079</u>	 <u>73,602</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,230,981	-
Claims payable	-	83,860
Accrued wages	29,374	-
Accrued interest	96,795	-
Deposits held for others	900	-
Due to other funds	-	80,000
Deferred revenue	-	3,397
Bonds payable	430,000	-
Notes payable	<u>266,388</u>	<u>-</u>
Total current liabilities	<u>2,054,438</u>	<u>167,257</u>
Noncurrent liabilities:		
Accrued compensated absences	350,679	-
Net OPEB obligation	18,670	-
Bonds payable	6,120,000	-
Notes payable	<u>3,912,313</u>	<u>-</u>
Total noncurrent liabilities	<u>10,401,662</u>	<u>-</u>
 Total liabilities	 <u>12,456,100</u>	 <u>167,257</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
NET ASSETS		
Invested in capital assets, net of related debt	24,692,562	-
Unrestricted (deficit)	<u>1,118,417</u>	<u>(93,655)</u>
 Total Net Assets (Deficit)	 <u>\$ 25,810,979</u>	 <u>\$ (93,655)</u>

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

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF ENTERPRISE FUND NET
ASSETS TO THE STATEMENT OF NET ASSETS
April 30, 2011

Total enterprise fund net assets	\$ 25,810,979
Amounts reported for enterprise activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(18,728)</u>
Net Assets of Business Type Activities	<u>\$ 25,792,251</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended April 30, 2011

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Water and sewer utility	\$ 5,015,564	\$ -
Charges for services	-	1,133,162
Other	<u>31,559</u>	<u>6,137</u>
Total operating revenues	<u>5,047,123</u>	<u>1,139,299</u>
Operating Expenses:		
Personnel services	1,710,482	-
Commodities	398,371	-
Contractual services	800,850	252,015
Capital outlay	99,084	-
Depreciation	989,905	-
Claims expenses	<u>-</u>	<u>973,889</u>
Total operating expenses	<u>3,998,692</u>	<u>1,225,904</u>
Net operating income (loss)	<u>1,048,431</u>	<u>(86,605)</u>
Non-Operating Revenues (Expenses):		
Interest income	1,024	1
Grant income	2,301,021	81,700
Interest expense	(271,123)	-
Amortization	(4,166)	-
Gain on sale of assets	<u>900</u>	<u>-</u>
	<u>2,027,656</u>	<u>81,701</u>
Net income (loss) before other financing sources (uses)	<u>3,076,087</u>	<u>(4,904)</u>
Other Financing Sources (Uses):		
Transfers in	7,149	-
Transfers out	<u>(328,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>(320,851)</u>	<u>-</u>
Net income (loss)	2,755,236	(4,904)
Net assets (deficit), beginning of year	<u>23,055,743</u>	<u>(88,751)</u>
Net Assets (Deficit), End of Year	<u>\$ 25,810,979</u>	<u>\$ (93,655)</u>

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

CITY OF CHARLESTON, ILLINOIS
RECONCILIATION OF ENTERPRISE FUND CHANGE IN NET
ASSETS TO THE STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

Net change in net assets in enterprise fund	\$ 2,755,236
Amounts reported for enterprise activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.	<u>(961)</u>
Change in Net Assets of Business-Type Activities	<u>\$ 2,754,275</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CHANGES IN CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended April 30, 2011

	Water and Sewer Fund	Internal Service Fund
Receipts from customers	\$ 5,174,626	\$ 409,006
Interfund services provided	-	721,256
Payments to suppliers	(1,435,098)	(252,015)
Payments to employees	(1,695,199)	-
Payments to claimants	-	(1,023,135)
Net cash provided (used) by operating activities	2,044,329	(144,888)
 Cash Flows from Noncapital Financing Activities:		
Transfers in (out)	(320,851)	-
Loans from (to) other funds	(1,036,122)	80,000
Net cash provided (used) by noncapital financing activities	(1,356,973)	80,000
 Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt	5,088,903	-
Proceeds from sale of capital assets	900	-
Grant income	2,301,021	26,999
Purchases of capital assets	(4,787,792)	-
Principal paid on capital debt	(2,498,422)	-
Interest paid on capital debt	(277,062)	-
Net cash provided (used) by financing activities	(172,452)	26,999
 Cash Flows from Investing Activities:		
Interest income	1,024	1
Net increase (decrease) in cash and cash deposits	515,928	(37,888)
Cash and cash deposits, beginning of year	636,447	53,392
Cash and Cash Deposits, End of Year	\$ 1,152,375	\$ 15,504

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CHANGES IN CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended April 30, 2011

	Water and Sewer Fund	Internal Service Fund
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,048,431	\$ (86,605)
Noncash items included in operating income:		
Depreciation	989,905	-
Net (increase) decrease in:		
Customer receivables	17,779	(853)
Other receivables	5,446	-
Due from other governmental agencies	104,578	-
Inventory	(2,645)	-
Net increase (decrease) in:		
Accounts payable	(140,501)	-
Claims payable	-	(48,393)
Accrued wages	1,866	-
Deposits held for others	(300)	-
Deferred revenue	-	(9,037)
Accrued compensated absences	13,417	-
Net OPEB obligation	6,353	-
	<u>\$ 2,044,329</u>	<u>\$ (144,888)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,044,329</u>	<u>\$ (144,888)</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 393,106	\$ 132,095
Receivables:		
Interest	106,265	-
Members	14,486	-
Due from other funds	<u>20,976</u>	<u>-</u>
Total receivables	<u>141,727</u>	<u>-</u>
Investments, at fair value:		
Federal government obligations	8,808,656	-
State and local obligations	1,019,749	-
Mutual funds	4,400,869	-
Common stock	<u>8,140,107</u>	<u>-</u>
Total investments	<u>22,369,381</u>	<u>-</u>
Total assets	<u>22,904,214</u>	<u>132,095</u>
LIABILITIES		
Accounts payable	17,219	-
Amount due to affiliate organizations	<u>-</u>	<u>132,095</u>
Total liabilities	<u>17,219</u>	<u>132,095</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 22,886,995</u>	<u>\$ -</u>

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended April 30, 2011

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 1,132,671
Plan members	<u>359,066</u>
Total contributions	<u>1,491,737</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	2,146,497
Interest	264,892
Dividends	<u>162,688</u>
	2,574,077
Less investment expense	<u>(107,387)</u>
Net investment income	<u>2,466,690</u>
Other additions	<u>5,681</u>
Total additions	<u>3,964,108</u>
Deductions:	
Benefits	2,161,048
Refunds of contributions	43,238
Administration expenses	<u>65,580</u>
Total deductions	<u>2,269,866</u>
Net increase (decrease)	1,694,242
Net assets, beginning of year	<u>21,192,753</u>
Net Assets, End of Year	<u>\$ 22,886,995</u>

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

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of the more significant policies:

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

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

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

- b) Basis of Presentation - The City's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general, special revenue, capital projects and internal service funds are classified as governmental activities while the City's enterprise funds are classified as business type activities.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Separate statements are presented for governmental and proprietary activities. 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Governmental Funds

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

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

Employee Benefits Fund: To account for employee payroll withholdings and expenditures related to payroll taxes and retirement contributions.

Pensions Tax Levy Fund: To account for the annual property tax levy of the pension trust funds.

The City has other government funds which are considered to be nonmajor. The nonmajor funds include the following:

Capital Projects Fund: To account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund: To account for the servicing of the general long-term debt not financed by a specific source.

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than certain capital projects that are legally restricted to expenditures for specific projects).

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and changes in cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

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

Water and Sewer Fund: To account for the operations of the City's utility department, water treatment plant and disposal plant and lift station.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Internal Service Funds

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

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

Fiduciary Funds

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

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

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

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

Government-wide financial statements - On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. The basis of accounting used on the government-wide financial statements is the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund financial statements - All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Proprietary funds utilize an economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used on the government-wide financial statements.

All private-sector standards of accounting and financial reporting (including those issued after December 1, 1989) are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

- d) Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:
1. A proposed operating budget is submitted to the city council for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
 2. Public meetings are conducted to obtain taxpayer comments.
 3. The tax levy ordinance is adopted and filed with the county clerk on or before the last Tuesday in December.
 4. Formal budgetary integration is employed as a management control device during the year for all funds.
 5. The budgets for the governmental funds, except for the Playground and Recreation Fund, are adopted substantially on a modified accrual basis of accounting which is consistent with U.S. generally accepted accounting principles (GAAP). All budget comparisons presented in this report are on a GAAP budgetary basis and are compared with actual revenues and expenditures at April 30, 2011. The budget was amended April 20, 2011.
- The budget for the Playground and Recreation Fund is adopted on a cash basis which is inconsistent with U.S. generally accepted accounting principles (GAAP) which requires accrual basis reporting. This budget comparison is presented on a non-GAAP budgetary basis and is compared with actual cash receipts and disbursements. A reconciliation of the timing differences in excess (deficiency) of revenue and other financing sources over expenditures and other financing uses for the Playground and Recreation Fund is not presented because it is a nonmajor governmental fund.
6. Unused appropriations for all of the annually budgeted funds lapse at the end of each year.
- e) Investments – Investments, including those reported in pension trust funds, are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note B.
- f) Inventory - Inventory held by the Water and Sewer Fund is priced at cost (first-in, first-out).
- g) Interfund Receivables and Payables - Any residual balances outstanding between the governmental and business type activities are reported in the government-wide financial statements as “internal balances.”
- h) Property Taxes - Property taxes are deferred in the fiscal year for which they are levied and are recorded as revenue in the fiscal year in which they are received. Taxes levied and uncollected are carried as an asset of the appropriate fund.

The City's property tax calendar is as follows:

1. Property is assessed on January 1 each year.
2. The tax levy ordinance was adopted on December 27, 2010 and filed with the county clerk.
3. Property taxes are due to be collected on July 1 (first installment) and September 1 (second installment) in the year following the levy year.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

- i) Capital Assets, Depreciation and Amortization - Capital assets, which includes property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements and in the fund financial statements for business-type funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their fair market value on the date donated. Business type and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. Estimated useful lives, in years, and capitalized costs for depreciable assets are as follows:

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

- j) Cash and Cash Equivalents - For purposes of the statement of cash flows, cash deposits and investments of \$1,152,375 in the business type funds are considered to be cash equivalents. Cash deposits (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.
- k) Interfund Activity - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 125,000	\$ 398,171
Other governmental funds	<u>601,171</u>	<u>7,149</u>
Total Governmental Activities	<u>\$ 726,171</u>	<u>\$ 405,320</u>
Business Type Activities:		
Water and Sewer Fund	<u>\$ 7,149</u>	<u>\$ 328,000</u>

The purposes of interfund transfers are as follows:

The General Fund transferred \$15,970 to the Foreign Fire Tax Fund for equipment and clothing expenses for the firefighters, \$37,361 to the Playground and Recreation Fund to supplement their tax levy, \$203,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy and \$141,840 to the Debt Service Fund for principal and interest payments on the Pool bonded debt.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Other Governmental Funds:

The Motor Fuel Tax Fund transferred \$7,149 to the Water and Sewer Fund for internal labor on a capital project.

The Water and Sewer Fund transferred \$125,000 to the General Fund and \$203,000 to the Employee Benefits Fund for a portion of the workers' compensation and commercial insurance costs.

- l) Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds, capital leases and long-term notes that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

- m) Compensated Absences - The City permits employees to accumulate unpaid vacation, sick pay and other employee benefit amounts. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, these accumulations which are payable from available financial resources are recorded as a liability in the fund financial statements. These accumulations which will not be liquidated with expendable available financial resources are recorded as long-term liabilities in the government-wide financial statements only.
- n) Operating Revenues and Expenses - The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's proprietary funds consist of charges for services (including tap fees) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
- o) Net Assets - Government-wide and proprietary fund net assets are divided into three components:
1. Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
 2. Restricted net assets - consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by both federal and state grantors and by other contributors.
 3. Unrestricted - all other net assets are reported in this category.
- p) Fund Balance – In 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. The statement also makes the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the constraints placed on the purposes for which resources can be used:
1. Nonspendable fund balance – consist of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
 2. Restricted fund balance – consist of amounts that are subject to outside restrictions, such as those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Committed fund balance – consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (the City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.
4. Assigned fund balance – consist of amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. The intent can be expressed by the City Council or by an official or body which the Council delegates authority.
5. Unassigned Fund Balance - consist of amounts available for any purpose and positive amounts are reported only in the General Fund.

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

- q) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH DEPOSITS AND INVESTMENTS

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

At April 30, 2011, the City had the following investments:

	Fair Value	Weighted Average Maturity
Governmental Activities:		
Certificates of Deposit	\$ 207,225	0.30
U.S. Government Implied Obligation Agencies	400,000	5.59
Illinois Metropolitan Investment Fund	451,866	n/a
Northern Institutional Funds Government Select	32,157	n/a
Total Investments	\$ 1,091,248	
Fiduciary Pension Trust Funds:		
Firefighters’ Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 3,815,923	
U.S. Government Implied Obligation Agencies	959,685	
Subtotal, U.S. Government and its Agencies	4,775,608	7.48
State and Local Obligations	555,754	2.72
Stock Equity Mutual Funds	2,464,470	n/a
Stocks	4,403,910	n/a
Total Investments	\$ 12,199,742	

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

	Fair Value	Weighted Average Maturity
Police Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 3,123,314	
U.S. Government Implied Obligation Agencies	909,734	
Subtotal, U.S. Government and its Agencies	4,033,048	7.30
State and Local Obligations	463,995	2.73
Stock Equity Mutual Funds	1,936,399	n/a
Stocks	3,736,197	n/a
 Total Investments	 \$ 10,169,639	
 Component Unit:		
Stocks	\$ 5,223	

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. For investments in all funds except fiduciary funds, the City minimizes its exposure to interest rate risk structuring investments to mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity. At April 30, 2011, the City's investments consisted of negotiable certificates of deposit and the Illinois Metropolitan Investment Fund.

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

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's cash and investments held with local financial institutions and negotiable certificates of deposit are not subject to credit risk rating. The Illinois Metropolitan Investment Fund has a rating of AAF.

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

Credit quality ratings for obligations of the U.S. government or guaranteed by the U.S. government are not required to be disclosed. The Pension Funds investments in money market funds, stock equity mutual funds and stocks are not rated.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk:

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

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

	<u>Min</u>	<u>Target</u>	<u>Max</u>
Cash	2%	2%	5%
Fixed Income	53%	53%	75%
Lg/Mid. Cap Domestic Equities	21%	32%	45%
Sm. Cap Domestic Equities	0%	5%	7%
International Equities	0%	5%	7%
Real Estate	0%	3%	5%

At April 30, 2011, more than 5 percent of the investments of the Firefighters' and Police Pension Funds were in securities of the following issuers:

	<u>Firefighters'</u> <u>Pension</u>	<u>Police</u> <u>Pension</u>
Europacific Growth Fund	5.3%	-
JP Morgan Small Cap Equity	5.7%	-
Lord Abbett Small Cap Value	5.2%	5.2%
United States Treasury	31.3%	30.7%

Custodial Credit Risk for Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits in federally insured banks and savings and loans are insured up to \$250,000 for demand deposits and \$250,000 for time deposits. The City's policy requires that all deposits with financial institutions in excess of any insurance limit will be secured by the institution pledging securities with a third party institution in fair value amounts at least to cover uninsured amounts. As of April 30, 2011, all cash deposits were adequately insured or collateralized with securities held by the pledging financial institution.

Deposits for the Firefighters' and Policemen's Pension Funds are insured in an amount equal to \$250,000 for the fund plus an amount for each member's beneficial interest in the deposits, limited to an amount equal to \$250,000 divided by the largest beneficial interest percentage of a member. As of April 30, 2011, all cash deposits were adequately insured.

Custodial Credit Risk for Investments:

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

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Foreign Currency Risk:

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

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2011</u>
Primary Government: Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 817,656	\$ -	\$ -	\$ 817,656
Construction in progress	11,540	82,868	(6,610)	87,798
Capital assets being depreciated:				
Building and improvements	12,328,339	-	-	12,328,339
Accumulated depreciation	<u>(1,534,188)</u>	<u>(254,649)</u>	<u>-</u>	<u>(1,788,837)</u>
Building and improvements net	<u>10,794,151</u>	<u>(254,649)</u>	<u>-</u>	<u>10,539,502</u>
Vehicles, machinery and equipment	6,170,387	402,481	(139,468)	6,433,400
Accumulated depreciation	<u>(4,262,086)</u>	<u>(445,833)</u>	<u>139,468</u>	<u>(4,568,451)</u>
Vehicles, machinery and equipment net	<u>1,908,301</u>	<u>(43,352)</u>	<u>-</u>	<u>1,864,949</u>
Infrastructure	12,833,386	262,169	-	13,095,555
Accumulated depreciation	<u>(4,198,502)</u>	<u>(521,420)</u>	<u>-</u>	<u>(4,719,922)</u>
Infrastructure net	<u>8,634,884</u>	<u>(259,251)</u>	<u>-</u>	<u>8,375,633</u>
Total, Governmental Activities, Net Capital Assets	<u>\$ 22,166,532</u>	<u>\$ (474,384)</u>	<u>\$ (6,610)</u>	<u>\$ 21,685,538</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>May 1,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30,</u> <u>2011</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 624,274	\$ 393,659	\$ -	\$ 1,017,933
Construction in progress	<u>3,527,895</u>	<u>4,632,059</u>	<u>-</u>	<u>8,159,954</u>
Capital assets being depreciated:				
Building and improvements	7,417,089	-	(1,985,400)	5,431,689
Accumulated depreciation	<u>(4,599,324)</u>	<u>(108,297)</u>	<u>1,679,322</u>	<u>(3,028,299)</u>
Building and improvements, net	<u>2,817,765</u>	<u>(108,297)</u>	<u>(306,078)</u>	<u>2,403,390</u>
Vehicles, machinery and equipment	3,176,551	68,153	(12,985)	3,231,719
Accumulated depreciation	<u>(2,530,740)</u>	<u>(137,550)</u>	<u>12,985</u>	<u>(2,655,305)</u>
Vehicles, machinery and equipment, net	<u>645,811</u>	<u>(69,397)</u>	<u>-</u>	<u>576,414</u>
Infrastructure	36,872,785	-	-	36,872,785
Accumulated depreciation	<u>(11,974,932)</u>	<u>(744,059)</u>	<u>-</u>	<u>(12,718,991)</u>
Infrastructure, net	<u>24,897,853</u>	<u>(744,059)</u>	<u>-</u>	<u>24,153,794</u>
Total, Business-Type Activities, Net Capital Assets	<u>\$ 32,513,598</u>	<u>\$ 4,103,965</u>	<u>\$ (306,078)</u>	<u>\$ 36,311,485</u>
Component Units:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 395,957	\$ -	\$ -	\$ 395,957
Capital assets being depreciated:				
Building and improvements	750,397	-	-	750,397
Accumulated depreciation	<u>(234,032)</u>	<u>(13,399)</u>	<u>-</u>	<u>(247,431)</u>
Building and improvements, net	<u>516,365</u>	<u>(13,399)</u>	<u>-</u>	<u>502,966</u>
Vehicles, machinery and equipment	76,076	-	-	76,076
Accumulated depreciation	<u>(74,927)</u>	<u>(1,096)</u>	<u>-</u>	<u>(76,023)</u>
Vehicles, machinery and equipment, net	<u>1,149</u>	<u>(1,096)</u>	<u>-</u>	<u>53</u>
Total, Governmental Activities, Net Capital Assets	<u>\$ 913,471</u>	<u>\$ (14,495)</u>	<u>\$ -</u>	<u>\$ 898,976</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 280,657
Public Safety	322,854
Highways and Streets	451,004
Culture and Recreation	155,175
Urban Development and Housing	6,388
Economic Development and Assistance	<u>5,824</u>
Total Depreciation Expense, Governmental Activities	<u>\$1,221,902</u>
Business-Type Activities	<u>\$ 989,905</u>
Component Unit - Library	<u>\$ 14,495</u>

The City has the following construction in progress at April 30, 2011:

The City has spent \$39,849 for rehabilitation of 513 7th Street and \$47,950 for the Kiwanis Park Pavilion.

The Water & Sewer Fund has spent \$7,226,273 for the Wastewater Treatment Plant upgrade. The estimated cost is \$7,963,545. The project will be financed through a zero percent loan through the Illinois Environmental Protection Agency. Construction began in November 2009 and is expected to be completed November 2011.

The Water and Sewer Fund has spent \$933,681 for the 20th Street water main which is being partially funded through a CDAP grant. The estimated cost is \$978,500 and is expected to be completed August 2011.

NOTE D - DEFINED BENEFIT PENSION PLANS

a) Illinois Municipal Retirement Fund

Plan Description

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

Funding Policy

As set by statute, the City's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 12.27 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 13.97 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Annual Pension Cost

For the fiscal year ending April 30, 2011, the City's actual contributions for pension cost for regular employees was \$466,087. Its required contribution for the fiscal year ending April 30, 2011 was \$506,904.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
04/30/11	\$ 507,345	92%	\$ 61,881
04/30/10	451,815	95%	20,623
04/30/09	423,042	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 64.91 percent funded. The actuarial accrued liability for benefits was \$11,656,147 and the actuarial value of assets was \$7,566,537, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,089,610. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$3,614,111 and the ratio of the UAAL to the covered payroll was 113 percent.

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

b) Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel

Plan Description

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

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Funding Policy

As set by statute, the City's SLEP plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 used by the employer was 10.65 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For fiscal year ending April 30, 2011, the City's actual contributions for pension cost for SLEP were \$0. Its required contribution for the fiscal year ending April 30, 2011 was \$0.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
04/30/11	\$ -	100%	\$ -
04/30/10	1,506	100%	-
04/30/09	6,758	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's SLEP plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The SLEP plan's overfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the SLEP plan was 255.39 percent funded. The actuarial accrued liability for benefits was \$14,735 and the actuarial value of assets was \$37,631, resulting in an overfunded actuarial accrued liability (UAAL) of \$22,896. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$0. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

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

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

c) Police Pension Trust Fund

The City's Police Pension Fund (the "Fund") is a single-employer defined benefit pension plan established by state statute and administered by the City and the Board of Trustees of the Fund. The Fund provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. All eligible City police officers are participants in the Fund. At April 30, 2010, participation included:

Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	25
Terminated plan members entitled to but not yet receiving benefits	-
Current plan members:	
Vested	17
Non-vested	<u>15</u>
 Total	 <u><u>57</u></u>

Summary of Significant Accounting Policies:

The statement of plan assets is prepared on the accrual basis of accounting. Purchases and sales of investments are recorded on a trade-date basis. Plan investments, whether equity or debt securities, real estate or other investments (excluding insurance contracts), are reported at their fair value at the reporting date. Fair value is measured by the market price if there is an active market for the investment. If there is not an active market for an investment but there is an active market for similar investments, selling prices in that market are used to estimate fair value.

Pension 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 2.5% of final salary for each year of service up to 30 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 of 2.5% of final salary for each year of service.

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

Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the originally granted pension. Beginning with increases granted on July 1, 1993, the second and subsequent automatic increases shall be calculated as 3% of the amount of the pension payable at the time of the increase.

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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Funding Status and Progress:

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

The pension benefit obligation was computed as part of an actuarial valuation performed as of May 1, 2010. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases due to inflation of 4.5% per year compounded annually, (c) projected salary increases due to promotion of 1.0% per year compounded annually, and (d) 3.0% per year post-retirement benefit increase.

The net pension obligation applicable to this plan at April 30, 2010 is as follows:

Net pension obligation:

Annual required contribution	\$ 521,866
Interest on net pension obligation	12,105
Adjustment to annual required contribution	<u>(8,433)</u>
Annual pension cost	525,538
Contributions made	<u>426,813</u>
Increase (decrease) in net pension obligation	98,725
Net pension obligation (overfunding) at beginning of year	<u>161,400</u>
 Net Pension Obligation (Overfunding) at End of Year	 <u>\$ 260,125</u>

Contributions and Reserves:

Employee contribution rates are established by state statute at 9.91% (8.5% prior to January 1, 1987) of salary. The City’s contributions are provided from property tax levies in amounts which when added to the participant contributions are designed to be sufficient to (1) meet actual actuarial requirements of the plan and (2) provide for the amortization of the unfunded actuarial liability over a period of 40 years from July 1, 1993 as a level percent of payroll.

The actuarially determined contributions (computed through an actuarial valuation performed as of May 1, 2010 and using the entry age normal funding method) of \$521,866 consisted of \$218,767 normal cost and \$290,994 amortization of the unfunded accrued liability (amortized over 23 years), plus an adjustment for interest of \$12,105.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized pension obligation discussed above, with the exception of the actuarial cost method. Contribution requirements are based on entry age normal cost while the pension benefit obligation is based on the credited projected benefits method.

At April 30, 2011, the City had \$10,423,609 reserved for police pension benefits.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Effects on the Pension Benefit Obligation of Current Year Changes:

There is no change in current year assumptions from prior year valuation.

Trend Information:

Historical trend information designed to provide information about the progress made in accumulating sufficient assets to pay benefits due is presented on page 72. Three-year trend information is as follows:

April 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 525,538	81.2%	\$ 260,125
2009	463,594	91.5%	161,400
2008	440,272	90.4%	121,830

d) Firefighters' Pension Trust Fund

The City's Firefighters' Pension Fund (the "Fund") is a single-employer defined benefit pension plan established by Illinois State Statutes and administered by the City and the Board of Trustees of the Fund. The Fund provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. All eligible City fire and ambulance personnel are participants in the Fund. At April 30, 2010 participation was:

Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	38
Terminated plan members entitled to but not yet receiving benefits	3
Current plan members:	
Vested	12
Non-vested	19
Total	72

Summary of Significant Accounting Policies:

The statement of plan net assets is prepared on the accrual basis of accounting. Purchases and sales of investments are recorded on a trade-date basis. Plan investments, whether equity or debt securities, real estate or other investments (excluding insurance contracts), are reported at their fair value at the reporting date. Fair value is measured by the market price if there is an active market for the investment. If there is not an active market for an investment but there is an active market for similar investments, selling prices in that market are used to estimate fair value.

Pension 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. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such monthly salary.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Employees with at least 10 years, but less than 20 years, of credited service may retire at or after age 60 and receive a reduced benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service.

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

Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the amount of the pension payable at the time of the increase.

Employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Funding Status and Progress:

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

The pension benefit obligation was computed as part of an actuarial valuation performed as of May 1, 2010. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases due to inflation of 4.5% a year compounded annually, (c) projected salary increases due to promotion of 1% per year compounded annually, and (d) 3% per year post-retirement benefit increase. Total net pension obligation applicable to this plan at April 30, 2010 as follows:

Net pension obligation:

Annual required contribution	\$ 598,414
Interest on net pension obligation	(1,210)
Adjustment to annual required contribution	<u>843</u>
Annual pension cost	598,047
Contribution made	<u>470,257</u>
Increase (decrease) in net pension obligation	127,790
Net pension obligation (overfunding) at beginning of year	<u>(16,131)</u>
 Net Pension Obligation at End of Year	 <u>\$ 111,659</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Contributions and Reserves:

Employee contribution rates are established by statute at 8.25% (7.75% prior to January 1, 1987) of salary. The City's contributions are provided from property tax levies in amounts which when added to the participant contributions are designed to be sufficient to (1) meet actual actuarial requirements of the plan, and (2) provide for the amortization of the unfunded actuarial liability over a period of 40 years from July 1, 1993 as a level percent of payroll.

The actuarially determined contributions (computed through an actuarial valuation performed as of May 1, 2010 and using the entry age normal funding method) of \$598,414 consisted of \$284,906 normal cost and \$314,718 amortization of the unfunded actuarially accrued liability (amortized over 23 years), less an adjustment for interest of \$1,210.

Significant actuarial assumption used to compute contribution requirements are the same as those used to compute the standardized benefit obligation discussed above, with the exception of the actuarial cost method. Contribution requirements are based on entry age normal cost while the pension benefit obligation is based on the credited projected benefits method.

At April 30, 2011, the City had \$12,463,386 reserved for firefighters' pension benefits.

Effects on the Pension Benefit Obligation of Current Year Changes:

There is no change in current year assumption from prior year valuation.

Trend Information:

Historical trend information designed to provide information about the progress made in accumulating sufficient assets to pay benefits due is presented on page 72.

Three-year trend information is as follows:

<u>April 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 598,047	78.6%	\$ 111,659
2009	504,270	86.4%	(16,131)
2008	444,818	94.1%	(84,815)

NOTE E - DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS

- a) The City maintains for its employees a deferred compensation plan under provisions of Internal Revenue Code Section 457. The plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The City has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for this plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these plan assets are not reported as a part of these financial statements.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

- b) The City participates in a Section 401 qualified plan. The City has agreed to provide additional compensation to the City Manager through the Illinois City Managers Association Retirement Fund. The City's agreement states it will make mandatory contributions to the Illinois City Managers Association Retirement Fund in an amount equal to 7.5% of the employee's salary.

NOTE F - LONG-TERM DEBT

- a) The following is a summary of long-term debt transactions for the year ended April 30, 2011:

	Balance May 1, 2010	Additions	Retired	Balance April 30, 2011	Amount Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,120,374	\$ 163,526	\$ 407,979	\$ 875,921	\$ 107,017
2004 General Obligation Bonds	1,150,000	-	95,000	1,055,000	100,000
2005 General Obligation Bonds	6,355,000	-	250,000	6,105,000	265,000
Compensated absences	<u>1,166,614</u>	<u>105,719</u>	<u>-</u>	<u>1,272,333</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 9,791,988</u>	<u>\$ 269,245</u>	<u>\$ 752,979</u>	<u>\$ 9,308,254</u>	<u>\$ 472,017</u>
Business Type Activities:					
Notes payable	\$ 1,173,220	\$ 5,088,903	\$ 2,083,422	\$ 4,178,701	\$ 266,388
2003 Alternative Revenue Bonds	6,965,000	-	415,000	6,550,000	430,000
Compensated absences	<u>337,262</u>	<u>13,417</u>	<u>-</u>	<u>350,679</u>	<u>-</u>
Total Business Type Activities Long-Term Liabilities	<u>\$ 8,475,482</u>	<u>\$ 5,102,320</u>	<u>\$ 2,498,422</u>	<u>\$ 11,079,380</u>	<u>\$ 696,388</u>
Component Unit:					
Notes payable	\$ 399,093	\$ -	\$ 38,540	\$ 360,553	\$ 14,218
Compensated absences	<u>5,975</u>	<u>-</u>	<u>993</u>	<u>4,982</u>	<u>-</u>
Total Component Unit	<u>\$ 405,068</u>	<u>\$ -</u>	<u>\$ 39,533</u>	<u>\$ 365,535</u>	<u>\$ 14,218</u>

- b) Governmental Activities:

First Mid-Illinois Bank and Trust, dated June 23, 2004, due March 23, 2019, monthly payments of \$4,040.75 including interest at 4.07%, secured by equipment.	\$ 327,923
Illinois Finance Authority, dated December 8, 2004, due November 1, 2019, yearly payments of \$16,666.67 with no interest, secured by equipment.	150,000
First Mid-Illinois Bank and Trust, dated October 1, 2009, due October 1, 2014, monthly payments of \$2,896.93 including interest at 3%, interest only until June 1, 2010, unsecured.	250,470

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Peoples Bank and Trust, dated December 1, 2010,
due December 1, 2015, monthly payments of \$2,206.80 including
interest at 2.75%, secured by equipment. 113,715

First Neighbor Bank, dated June 14, 2010,
due June 14, 2015, monthly payments of \$723.11 including
interest at 3.125%, secured by equipment. 33,813

Total Notes Payable of Governmental Activities \$ 875,921

\$1,500,000 general obligation bonds, series 2004. Bond proceeds
were for pool renovation. City pays debt service expenditures
from general revenues and abates associated property tax levies.
BNY Midwest Trust Company is bond registrar and paying agent.
Bonds are dated July 15, 2004, with final payment due
December 30, 2019. Principal payments are due annually on
December 30 and interest payments, varying from 2.15% to 4.50%,
are due semiannually on June 30 and December 30. \$ 1,055,000

\$7,000,000 general obligations bonds, series 2005. Bond proceeds
were for the library expansion and renovation.
First Mid-Illinois Bank & Trust is bond registrar and paying agent.
Bonds are dated June 1, 2005, with final payment due
April 1, 2025. Principal payments are due annually on
October 1 and interest payments, varying from 2.9% to 5.0%,
are due semiannually on October 1 and April 1. 6,105,000

\$ 7,160,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2011, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 472,017	\$ 327,316	\$ 799,333
2013	504,547	311,913	816,460
2014	527,894	294,204	822,098
2015	698,730	272,520	971,250
2016	547,648	250,686	798,334
2017-2021	2,900,085	913,412	3,813,497
2022-2025	<u>2,385,000</u>	<u>256,875</u>	<u>2,641,875</u>
	<u>\$ 8,035,921</u>	<u>\$ 2,626,926</u>	<u>\$ 10,662,847</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

c) Business Type Activities:

State of Illinois, dated May 20, 1995, due December 1, 2015, semi-annual payments of \$29,578.85 including interest at 2.8150%, unsecured.	\$ 274,123
Wells Fargo, dated May 31, 2006, due April 30, 2011, monthly payments of \$1,420.96 including interest at 6%, secured by equipment.	1,414
Banc of America Public Capital, dated June 16, 2008, due July 16, 2013, monthly payments of \$831.19 including interest at 3.59%, secured by equipment.	19,993
Banc of America Public Capital, dated June 30, 2008, due July 30, 2013, monthly payments of \$698.95 including interest at 3.59%, secured by equipment.	17,165
Prairie State Bank & Trust, dated July 21, 2009, due July 21, 2014, monthly payments of \$381.06 including interest at 3%, secured by equipment.	14,123
State of Illinois, dated October 9, 2009, due March 8, 2031, semi-annual payments with no interest, unsecured.	<u>3,851,883</u>
Total Notes Payable of Business Type Activities	<u>\$ 4,178,701</u>

\$9,155,000 general obligation waterworks and sewerage bonds, series 2003. Bond proceeds were for water treatment plant upgrade. City pays debt service expenditures from water and sewer revenues and abates the associated property tax levies. BNY Midwest Trust Company is bond registrar and paying agent. Bonds are dated October 1, 2003, with final payment due December 15, 2022. Principal payments are due annually on December 15 and interest payments, varying from 2.30% to 4.30%, are due semiannually on June 15 and December 15.

\$ 6,550,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2011, are as follows:

Year Ending April 30	Principal	Interest	Total
2012	\$ 696,388	\$ 259,181	\$ 955,569
2013	712,965	242,609	955,574
2014	719,866	225,617	945,483
2015	735,044	207,929	942,973
2016	755,526	189,087	944,613
2017-2021	3,837,971	638,525	4,476,496
2022-2026	2,307,971	86,850	2,394,821
2027-2031	<u>962,970</u>	<u>-</u>	<u>962,970</u>
	<u>\$10,728,701</u>	<u>\$ 1,849,798</u>	<u>\$ 12,578,499</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

d) Component Unit:

First Mid-Illinois Bank and Trust, dated February 5, 2010, due February 5, 2013, monthly payments of \$2,519 including interest at 4.49%, secured by real estate and co-signed by City of Charleston. \$ 360,553

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2011, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 14,218	\$ 16,010	\$ 30,228
2013	<u>346,335</u>	<u>12,851</u>	<u>359,186</u>
	<u>\$ 360,553</u>	<u>\$ 28,861</u>	<u>\$ 389,414</u>

NOTE G - ECONOMIC DEPENDENCY

Fifteen percent or \$758,628 of Water and Sewer Fund revenues were derived from sales to one customer, Eastern Illinois University.

NOTE H - DEFICIT FUND BALANCES

The following funds had deficit fund balances as of April 30, 2011:

Employee Benefits Fund	\$ 4,988
Internal Service Fund	93,655

NOTE I - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at April 30, 2011, are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities:		
General Fund	\$ -	\$ 15,551
Other governmental funds	<u>535</u>	<u>21,461</u>
Total Governmental Activities	<u>\$ 535</u>	<u>\$ 37,012</u>
Business-Type Activities:		
Water and Sewer Fund	<u>\$ 18,728</u>	<u>\$ -</u>
Component Unit:		
Carnegie Public Library	<u>\$ 17,749</u>	<u>\$ -</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The General Fund has loaned \$83 to Motor Fuel Tax Fund, \$452 to the Playground and Recreation Fund, and \$15,016 to the Carnegie Public Library for operating expenses from the pooled cash account. All loans are expected to be repaid within one year. The internal service fund net assets have been charged to various activities resulting in a loan of \$18,728 to the Water and Sewer Fund and \$2,733 to the Carnegie Public Library from the Self-Health Insurance Fund.

NOTE J - COMMUNITY DEVELOPMENT BLOCK GRANT LOANS

As a part of the Community Development Block Grant program, loans at an interest rate of 3-5% were made available to the property owners and local businesses. Principal and interest collected on these loans is considered to be program income and must be spent in the same area as the original grant. At April 30, 2011, the balance was \$320,730.

NOTE K - CHARLESTON CITY ROADS SCHOLARSHIPS

On December 23, 2002, the City entered into an agreement with Eastern Illinois University to close and transfer a portion of Seventh Street between Lincoln Avenue south to Hayes Avenue. In exchange, the University will provide the City undergraduate and graduate credit hours via tuition waivers of 4,440 hours worth \$480,000. The tuition credit hours are to be utilized by the City at any time between January 1, 2003 and December 31, 2012. As of April 30, 2011, 3,871 tuition credit hours had been used.

NOTE L - RISK MANAGEMENT AND SELF INSURANCE

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

Beginning January 1, 2009, the City maintains an internal service fund for its self-insured employees' health insurance claims. Each participating fund makes payments to the self-insurance fund for amounts which are determined based on historical claims experience. Such payments are displayed on the fund financial statements as revenues and expenditures/expenses.

For medical claims, self-insurance is in effect up to a stop loss of \$50,000 per covered person. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. An independent claims administrator performs all claim handling procedures.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The change in the aggregate liability for claims for the year ended April 30, 2011 is as follows:

Claims payable, beginning of the year	\$ 126,624
Claims incurred and changes in accrual	977,983
Claims payments	<u>1,020,747</u>
Claims Payable, End of the Year	<u>\$ 83,860</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE M - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

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

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

Membership

At April 30, 2011, membership consisted of:

Retirees and beneficiaries of employees currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	73
Active nonvested plan members	<u>71</u>
Total	<u>164</u>
Participating employers	1

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the blended premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2011, retirees contributed \$137,143 and the City contributed \$66,136. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The City had an actuarial valuation performed for the plan as of April 30, 2009 to determine the employer's annual required contribution (ARC) for the fiscal years ended April 30, 2011, 2010 and 2009. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011 was as follows:

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

<u>April 30</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 124,038	\$ 66,136	53.3%	\$ 172,470
2010	123,090	66,136	53.7%	114,568
2009	123,750	66,136	53.4%	57,614

The net OPEB obligation (NOPEBO) as of April 30, 2011 (latest information available), was calculated as follows:

Annual required contribution	\$ 122,129
Interest on net OPEB obligation	5,728
Adjustment to annual required contribution	<u>(3,819)</u>
Annual OPEB cost	124,038
Contribution made	<u>66,136</u>
Increase (decrease) in net OPEB obligation	57,902
Net OPEB obligation, beginning of year	<u>114,568</u>
 Net OPEB Obligation, End of Year	 <u>\$ 172,470</u>

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 2,460,610
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,460,610
Funded ratio (actuarial value of plan assets/AAL)	0%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the April 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.00% initially, reduced by decrements to an ultimate rate of 6.00%. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2009, was 30 years.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE N - LITIGATION

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. There is the potential that the exposure to one claim might exceed the City's total policy coverage.

NOTE O - SUBSEQUENT EVENTS

On September 21, 2011, the City authorized the issuance of \$6,140,000 General Obligation Waterworks and Sewerage Refunding Bonds (Alternative Revenue Source), Series 2011A and \$950,000 General Obligation Refunding Bonds, Series 2011B

NOTE P - EXPENDITURES OVER APPROPRIATIONS (BUDGET) IN INDIVIDUAL FUNDS

Expenditures exceeded appropriations in the following funds:

	<u>Expenditure</u>	<u>Appropriation</u>
Tax Increment Financing Fund	\$ 145,421	\$ 139,357
Library Fund	519,070	438,330

The Tax Increment Financing Fund's budget exceeded appropriations as a result of bad debt of \$25,794.

The Library Fund's budget for the year ending April 30, 2011 was in transition from the cash basis to the modified accrual basis. The budget is considered to be for thirteen months consisting of all cash transactions for the period May 1, 2010 to April 30, 2011 plus modified accrual items at April 30, 2011. The transition is the cause of expenditures exceeding appropriation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Illinois Municipal Retirement Fund:						
12/31/2010	\$ 7,566,537	\$ 11,656,147	\$ 4,089,610	64.91%	\$ 3,614,111	113.16%
12/31/2009	7,049,187	11,000,425	3,951,238	64.08%	3,663,962	107.84%
12/31/2008	6,883,413	10,718,093	3,834,680	64.22%	3,652,144	105.00%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$8,322,469. On a market basis, the funded ratio would be 71.40%.

Illinois Municipal Retirement Fund - SLEP:						
12/31/2010	\$ 37,631	\$ 14,735	\$ (22,896)	255.39%	\$ -	0.00%
12/31/2009	35,204	9,642	(25,562)	365.11%	36,047	0.00%
12/31/2008	27,280	(12,151)	(39,431)	-224.51%	49,545	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$39,184. On a market basis, the funded ratio would be 265.92%.

Police Pension Fund:						
4/30/2010	\$ 9,608,295	\$ 19,414,836	\$ 9,806,541	49.50%	\$ 1,695,983	578.20%
4/30/2009	8,561,537	18,017,812	9,456,275	47.50%	1,661,494	569.10%
4/30/2008	10,274,020	16,877,932	6,603,912	60.90%	1,638,920	402.90%

Firefighters' Pension Fund:						
4/30/2010	\$ 11,584,458	\$ 21,283,383	\$ 9,698,925	54.40%	\$ 1,687,275	574.80%
4/30/2009	10,446,848	20,496,289	10,049,441	51.00%	1,693,921	593.30%
4/30/2008	12,920,203	19,628,947	6,708,744	65.80%	1,572,029	426.80%

Other Post-Employment Benefits Plan:						
4/30/2011	\$ -	\$ 2,460,610	\$ 2,460,610	0.00%	\$ -	0.00%
4/30/2010	-	2,460,610	2,460,610	0.00%	-	0.00%
4/30/2009	-	2,460,610	2,460,610	0.00%	-	0.00%

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF CHARLESTON, ILLINOIS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 April 30, 2011

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Tourism and Special Events Fund	Foreign Fire Tax Fund	Playground and Recreation Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS										
Cash deposits	\$ 87,168	\$ 202,099	\$ 1,094	\$ 13,839	\$ 13,956	\$ 12,699	\$ 11,550	\$ 56,501	\$ 782	\$ 399,688
Investments	-	431,849	-	-	-	-	-	-	32,157	464,006
Receivables:										
Property taxes	473,200	-	-	-	-	-	-	155,752	526,118	1,155,070
Other	296	-	-	-	-	-	-	-	-	296
Due from other governmental agencies	7,174	43,650	163	-	-	-	-	-	-	50,987
Total Assets	\$ 567,838	\$ 677,598	\$ 1,257	\$ 13,839	\$ 13,956	\$ 12,699	\$ 11,550	\$ 212,253	\$ 559,057	\$ 2,070,047
LIABILITIES										
Accounts payable	\$ 98,632	\$ 267,790	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 11,536	\$ -	\$ 377,959
Accrued wages	994	423	-	-	-	-	-	4,058	-	5,475
Due to other funds	-	83	-	-	-	-	-	452	-	535
Deferred miscellaneous revenue	-	-	-	-	-	-	-	24,948	-	24,948
Deferred property tax revenue	473,200	-	-	-	-	-	-	155,752	526,118	1,155,070
Total liabilities	572,826	268,296	-	-	-	1	-	196,746	526,118	1,563,987
FUND BALANCE										
Restricted for:										
Public safety	-	-	1,257	-	-	-	-	-	-	1,257
Highways and streets	-	409,302	-	-	-	-	-	-	-	409,302
Economic development and assistance	-	-	-	13,839	-	-	-	-	-	13,839
Debt service	-	-	-	-	-	-	-	-	32,939	32,939
Assigned for:										
Public safety	-	-	-	-	-	-	11,550	-	-	11,550
Culture and recreation	-	-	-	-	13,956	12,698	-	15,507	-	42,161
Unassigned (deficit)	(4,988)	-	-	-	-	-	-	-	-	(4,988)
Total fund balance (deficit)	(4,988)	409,302	1,257	13,839	13,956	12,698	11,550	15,507	32,939	506,060
Total Liabilities and Fund Balance	\$ 567,838	\$ 677,598	\$ 1,257	\$ 13,839	\$ 13,956	\$ 12,699	\$ 11,550	\$ 212,253	\$ 559,057	\$ 2,070,047

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended April 30, 2011

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Tourism and Special Events Fund	Foreign Fire Tax Fund	Playground and Recreation Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:										
Property taxes	\$ 456,245	\$ -	\$ -	\$ 150,015	\$ -	\$ -	\$ -	\$ 154,690	\$ 518,499	\$ 1,279,449
Mobile home privilege tax	687	-	-	-	-	-	-	233	781	1,701
Replacement income tax	60,628	-	-	-	-	-	-	-	-	60,628
Other governmental agencies	-	627,878	-	-	-	-	-	-	-	627,878
Licenses, permits and fees	-	-	-	-	-	-	-	247,554	-	247,554
Interest income	122	157	-	100	19	19	34	266	147	864
Private donations and contributions	-	-	-	-	-	224	-	26,021	-	26,245
Employer and employee contributions	589,618	-	-	-	-	-	-	-	-	589,618
Net increase (decrease) in fair value of investments	-	6,646	-	-	-	-	-	-	-	6,646
Miscellaneous income	1,897	-	2,000	-	-	51	-	14,670	-	18,618
Total revenues	<u>1,109,197</u>	<u>634,681</u>	<u>2,000</u>	<u>150,115</u>	<u>19</u>	<u>294</u>	<u>34</u>	<u>443,434</u>	<u>519,427</u>	<u>2,859,201</u>
Expenditures:										
General government	1,488,168	-	-	-	-	-	-	-	-	1,488,168
Public safety	-	-	1,391	-	-	-	16,135	-	-	17,526
Highways and streets	-	465,786	-	-	-	-	-	-	-	465,786
Culture and recreation	-	-	-	-	-	806	-	455,698	-	456,504
Economic development and assistance	-	-	-	145,421	-	-	-	-	-	145,421
Debt service:										
Principal	-	-	-	-	-	-	-	2,403	345,000	347,403
Interest	-	-	-	-	-	-	-	344	316,390	316,734
Total expenditures	<u>1,488,168</u>	<u>465,786</u>	<u>1,391</u>	<u>145,421</u>	<u>-</u>	<u>806</u>	<u>16,135</u>	<u>458,445</u>	<u>661,390</u>	<u>3,237,542</u>
Excess of revenues over (under) expenditures	<u>(378,971)</u>	<u>168,895</u>	<u>609</u>	<u>4,694</u>	<u>19</u>	<u>(512)</u>	<u>(16,101)</u>	<u>(15,011)</u>	<u>(141,963)</u>	<u>(378,341)</u>
Other Financing Sources (Uses):										
Transfers in	406,000	-	-	-	-	-	15,970	37,361	141,840	601,171
Transfers out	-	(7,149)	-	-	-	-	-	-	-	(7,149)
Total other financing sources (uses)	<u>406,000</u>	<u>(7,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,970</u>	<u>37,361</u>	<u>141,840</u>	<u>594,022</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	27,029	161,746	609	4,694	19	(512)	(131)	22,350	(123)	215,681
Fund balance (deficit), beginning of year	<u>(32,017)</u>	<u>247,556</u>	<u>648</u>	<u>9,145</u>	<u>13,937</u>	<u>13,210</u>	<u>11,681</u>	<u>(6,843)</u>	<u>33,062</u>	<u>290,379</u>
Fund Balance (Deficit), End of Year	<u>\$ (4,988)</u>	<u>\$ 409,302</u>	<u>\$ 1,257</u>	<u>\$ 13,839</u>	<u>\$ 13,956</u>	<u>\$ 12,698</u>	<u>\$ 11,550</u>	<u>\$ 15,507</u>	<u>\$ 32,939</u>	<u>\$ 506,060</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
EMPLOYEE BENEFITS FUND
For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
Revenues:				
Property taxes	\$ 456,188	\$ 456,188	\$ 456,245	\$ 57
Mobile home taxes	1,000	1,000	687	(313)
Replacement income tax	60,359	60,359	60,628	269
Employee contributions:				
Illinois municipal retirement	171,654	171,654	165,207	(6,447)
Group medical insurance	100,074	100,074	106,294	6,220
Social security	339,538	339,538	306,285	(33,253)
Employer contributions:				
Group medical insurance	11,865	11,865	11,832	(33)
Interest income	300	300	122	(178)
Miscellaneous income	500	500	1,897	1,397
Total revenues	<u>1,141,478</u>	<u>1,141,478</u>	<u>1,109,197</u>	<u>(32,281)</u>
Expenditures:				
General Government:				
Human Resources:				
Personnel services	60,804	60,804	60,042	762
Commodities	925	925	691	234
Contractual services	41,323	41,323	40,979	344
Capital outlay	1,800	1,800	1,537	263
	<u>104,852</u>	<u>104,852</u>	<u>103,249</u>	<u>1,603</u>
Employee Benefits:				
Personnel services	<u>1,466,959</u>	<u>1,466,959</u>	<u>1,384,919</u>	<u>82,040</u>
Total expenditures	<u>1,571,811</u>	<u>1,571,811</u>	<u>1,488,168</u>	<u>83,643</u>
Excess of revenues over (under) expenditures	<u>(430,333)</u>	<u>(430,333)</u>	<u>(378,971)</u>	<u>51,362</u>
Other Financing Sources:				
Transfers in	<u>425,000</u>	<u>425,000</u>	<u>406,000</u>	<u>(19,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (5,333)</u>	<u>\$ (5,333)</u>	27,029	<u>\$ 32,362</u>
Fund balance (deficit), beginning of year			<u>(32,017)</u>	
Fund Balance (Deficit), End of Year			<u>\$ (4,988)</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
MOTOR FUEL TAX FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Motor fuel tax allotments	\$ 541,414	\$ 630,414	\$ 626,875	\$ (3,539)
State grants	-	-	1,003	1,003
Interest income	600	600	157	(443)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>6,646</u>	<u>6,646</u>
Total revenues	<u>542,014</u>	<u>631,014</u>	<u>634,681</u>	<u>3,667</u>
Expenditures:				
Highways and Streets:				
Personnel services	25,399	25,399	36,023	(10,624)
Commodities	168,500	168,500	130,790	37,710
Contractual services	10,000	57,000	37,030	19,970
Capital outlay	<u>310,000</u>	<u>352,000</u>	<u>261,943</u>	<u>90,057</u>
Total expenditures	<u>513,899</u>	<u>602,899</u>	<u>465,786</u>	<u>137,113</u>
Excess of revenues over (under) expenditures	<u>28,115</u>	<u>28,115</u>	<u>168,895</u>	<u>140,780</u>
Other Financing Uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(7,149)</u>	<u>(7,149)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 28,115</u>	<u>\$ 28,115</u>	161,746	<u>\$ 133,631</u>
Fund balance, beginning of year			<u>247,556</u>	
Fund Balance, End of Year			<u>\$ 409,302</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
DRUG TRAFFIC PREVENTION FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 5	\$ 5	\$ -	\$ (5)
Offender payments	1,000	1,000	989	(11)
Miscellaneous income	<u>10,000</u>	<u>10,000</u>	<u>1,011</u>	<u>(8,989)</u>
Total revenues	<u>11,005</u>	<u>11,005</u>	<u>2,000</u>	<u>(9,005)</u>
Expenditures:				
Public Safety:				
Personnel services	10,000	10,000	391	9,609
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>1,391</u>	<u>9,609</u>
Excess of revenues over (under) expenditures	<u>\$ 5</u>	<u>\$ 5</u>	609	<u>\$ 604</u>
Fund balance, beginning of year			<u>648</u>	
Fund Balance, End of Year			<u>\$ 1,257</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
TAX INCREMENT FINANCING FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Property taxes	\$ 152,826	\$ 152,826	\$ 150,015	\$ (2,811)
Interest income	<u>90</u>	<u>90</u>	<u>100</u>	<u>10</u>
Total revenues	<u>152,916</u>	<u>152,916</u>	<u>150,115</u>	<u>(2,801)</u>
Expenditures:				
Economic Development and Assistance:				
Contractual services:				
Audit and accounting services	750	750	700	50
Other consulting services	<u>5,000</u>	<u>5,000</u>	<u>4,631</u>	<u>369</u>
	<u>5,750</u>	<u>5,750</u>	<u>5,331</u>	<u>419</u>
Capital outlay:				
Bad debt	-	-	25,794	(25,794)
TIF grants	133,607	94,137	79,377	14,760
TIF public improvements	<u>-</u>	<u>39,470</u>	<u>34,919</u>	<u>4,551</u>
	<u>133,607</u>	<u>133,607</u>	<u>140,090</u>	<u>(6,483)</u>
Total expenditures	<u>139,357</u>	<u>139,357</u>	<u>145,421</u>	<u>(6,064)</u>
Excess of revenues over (under) expenditures	<u>\$ 13,559</u>	<u>\$ 13,559</u>	4,694	<u>\$ (8,865)</u>
Fund balance, beginning of year			<u>9,145</u>	
Fund Balance, End of Year			<u>\$ 13,839</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
RECREATIONAL LAND FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 30	\$ 30	\$ 19	\$ (11)
Expenditures:				
None	-	-	-	-
Excess of revenues over (under) expenditures	<u>\$ 30</u>	<u>\$ 30</u>	19	<u>\$ (11)</u>
Fund balance, beginning of year			<u>13,937</u>	
Fund Balance, End of Year			<u>\$ 13,956</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
TOURISM AND SPECIAL EVENTS FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Donations and contributions	\$ 500	\$ 500	\$ 224	\$ (276)
Interest income	180	180	19	(161)
Miscellaneous income	<u>650</u>	<u>650</u>	<u>51</u>	<u>(599)</u>
Total revenues	<u>1,330</u>	<u>1,330</u>	<u>294</u>	<u>(1,036)</u>
Expenditures:				
Culture and Recreation:				
Commodities	1,200	1,200	67	1,133
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>739</u>	<u>261</u>
Total expenditures	<u>2,200</u>	<u>2,200</u>	<u>806</u>	<u>1,394</u>
Excess of revenues over (under) expenditures	<u>\$ (870)</u>	<u>\$ (870)</u>	(512)	<u>\$ 358</u>
Fund balance, beginning of year			<u>13,210</u>	
Fund Balance, End of Year			<u>\$ 12,698</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOREIGN FIRE TAX FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 50	\$ 50	\$ 34	\$ (16)
Expenditures:				
Public Safety:				
Commodities	10,504	10,504	11,432	(928)
Contractual services	3,095	3,095	1,473	1,622
Capital outlay	<u>16,250</u>	<u>16,250</u>	<u>3,230</u>	<u>13,020</u>
Total expenditures	<u>29,849</u>	<u>29,849</u>	<u>16,135</u>	<u>13,714</u>
Excess of revenues over (under) expenditures	<u>(29,799)</u>	<u>(29,799)</u>	<u>(16,101)</u>	<u>13,698</u>
Other Financing Sources:				
Transfers in	<u>17,500</u>	<u>17,500</u>	<u>15,970</u>	<u>(1,530)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (12,299)</u>	<u>\$ (12,299)</u>	(131)	<u>\$ 12,168</u>
Fund balance, beginning of year			<u>11,681</u>	
Fund Balance, End of Year			<u>\$ 11,550</u>	

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND COMPARISON TO BUDGET
PLAYGROUND AND RECREATION FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative) Final Budget</u>
RECEIPTS				
Revenues:				
Property taxes	\$ 155,520.00	\$ 155,520.00	\$ 154,690.48	\$ (829.52)
Mobile home taxes	-	-	232.92	232.92
Ogden Brainard Trust contribution	8,000.00	8,000.00	10,021.02	2,021.02
Charleston Township Park District contribution	7,500.00	7,500.00	7,500.00	-
Charleston Township contribution	4,000.00	4,000.00	8,500.00	4,500.00
Interest income	1,000.00	1,000.00	268.36	(731.64)
Concessions	100.00	100.00	-	(100.00)
Rentals	350.00	350.00	98.49	(251.51)
Brochure advertising	2,000.00	2,000.00	1,285.00	(715.00)
Recreation programs fees	159,237.00	159,237.00	144,269.16	(14,967.84)
Putt-N-Swing	9,900.00	9,900.00	2,314.66	-
Swimming pool	135,485.00	135,485.00	100,844.88	-
Miscellaneous income	<u>1,100.00</u>	<u>1,100.00</u>	<u>9,910.91</u>	<u>8,810.91</u>
Total revenues	<u>484,192.00</u>	<u>484,192.00</u>	<u>439,935.88</u>	<u>(44,256.12)</u>
Non-Revenue Receipts:				
Transfer from general fund	<u>40,000.00</u>	<u>40,000.00</u>	<u>37,361.07</u>	<u>(2,638.93)</u>
Total receipts	<u>524,192.00</u>	<u>524,192.00</u>	<u>477,296.95</u>	<u>(46,895.05)</u>
DISBURSEMENTS				
Culture and Recreation:				
Administration	218,022.00	218,022.00	187,427.31	30,594.69
Recreation programs fees	114,273.00	114,273.00	90,668.13	23,604.87
Swimming pool	178,997.00	178,997.00	166,436.95	12,560.05
Putt-N-Swing	<u>9,900.00</u>	<u>9,900.00</u>	<u>5,763.96</u>	<u>4,136.04</u>
	<u>521,192.00</u>	<u>521,192.00</u>	<u>450,296.35</u>	<u>70,895.65</u>
Debt service	<u>3,000.00</u>	<u>3,000.00</u>	<u>2,746.92</u>	<u>253.08</u>
Total disbursements	<u>524,192.00</u>	<u>524,192.00</u>	<u>453,043.27</u>	<u>71,148.73</u>
Non-Expense Disbursements:				
Loan repayment to general fund	<u>-</u>	<u>-</u>	<u>(202.20)</u>	<u>202.20</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND COMPARISON TO BUDGET
PLAYGROUND AND RECREATION FUND
For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative) Final Budget</u>
Excess of Receipts (Disbursements)	<u>\$ -</u>	<u>\$ -</u>	24,455.88	<u>\$ 24,455.88</u>
Cash and investments, beginning of year			<u>29,945.58</u>	
Cash and Investments, End of Year			<u>\$ 54,401.46</u>	

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

April 30, 2011

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total Non-Major Pension Trust Funds</u>
ASSETS			
Cash	\$ 197,220	\$ 195,886	\$ 393,106
Receivables:			
Interest	57,470	48,795	106,265
Members	5,636	8,850	14,486
Due from other funds	<u>11,248</u>	<u>9,728</u>	<u>20,976</u>
Total receivables	<u>74,354</u>	<u>67,373</u>	<u>141,727</u>
Investments, at fair value:			
Federal government obligations	4,775,608	4,033,048	8,808,656
State and local obligations	555,754	463,995	1,019,749
Mutual funds	2,464,470	1,936,399	4,400,869
Common stock	<u>4,403,910</u>	<u>3,736,197</u>	<u>8,140,107</u>
Total investments	<u>12,199,742</u>	<u>10,169,639</u>	<u>22,369,381</u>
Total assets	<u>12,471,316</u>	<u>10,432,898</u>	<u>22,904,214</u>
LIABILITIES			
Accounts payable	<u>7,930</u>	<u>9,289</u>	<u>17,219</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$ 12,463,386</u>	<u>\$ 10,423,609</u>	<u>\$ 22,886,995</u>

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN
 NET ASSETS - NON-MAJOR PENSION TRUST FUNDS
 For the Year Ended April 30, 2011

	Firefighters' Pension Fund	Police Pension Fund	Total Non-Major Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 602,905	\$ 529,766	\$ 1,132,671
Plan members	<u>149,025</u>	<u>210,041</u>	<u>359,066</u>
Total contributions	<u>751,930</u>	<u>739,807</u>	<u>1,491,737</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	1,171,269	975,228	2,146,497
Interest	144,473	120,419	264,892
Dividends	<u>91,784</u>	<u>70,904</u>	<u>162,688</u>
	1,407,526	1,166,551	2,574,077
Less investment expense	<u>(58,134)</u>	<u>(49,253)</u>	<u>(107,387)</u>
Net investment income	<u>1,349,392</u>	<u>1,117,298</u>	<u>2,466,690</u>
Other additions	<u>5,578</u>	<u>103</u>	<u>5,681</u>
Total additions	<u>2,106,900</u>	<u>1,857,208</u>	<u>3,964,108</u>
Deductions:			
Benefits	1,191,218	969,830	2,161,048
Refunds of contributions	-	43,238	43,238
Administration expenses	<u>36,754</u>	<u>28,826</u>	<u>65,580</u>
Total deductions	<u>1,227,972</u>	<u>1,041,894</u>	<u>2,269,866</u>
Net increase (decrease)	878,928	815,314	1,694,242
Net assets, beginning of year	<u>11,584,458</u>	<u>9,608,295</u>	<u>21,192,753</u>
Net Assets, End of Year	<u>\$ 12,463,386</u>	<u>\$ 10,423,609</u>	<u>\$ 22,886,995</u>

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES - PLAYGROUND AND RECREATION AFFILIATE FUNDS
 For the Year Ended April 30, 2011

	Balance 4/30/10	Receipts	Disbursements	Balance 4/30/11
ASSETS				
Cash	\$ 113,667	\$ 199,767	\$ 181,339	\$ 132,095
LIABILITIES				
Amounts due to affiliate organizations:				
Girl's softball	\$ 4,738	\$ 6,396	\$ 6,138	\$ 4,996
Boy's baseball	17,414	29,030	25,991	20,453
Boy's baseball payroll	125	7,002	6,995	132
Penguins swim club	3,287	3,211	1,959	4,539
5th quarter	3,046	3	50	2,999
Wrestling club	1,031	4,479	3,942	1,568
Dog activity club	6,426	5,021	4,613	6,834
Boy's baseball concessions	2,799	21,793	21,252	3,340
Community band memorial fund	110	1,065	-	1,175
Charleston windrunners running	677	1	-	678
Officials payroll account	243	7,854	7,358	739
Weightlifting club	1,654	3,237	3,100	1,791
Volleyball club	1,733	17,724	17,612	1,845
Junior football league	15,607	39,917	31,347	24,177
4th of July committee	52,954	51,282	49,003	55,233
Christmas in the heart of Charleston	323	1,301	672	952
Tree commission	1,500	451	1,307	644
 Total Affiliate Funds	 \$ 113,667	 \$ 199,767	 \$ 181,339	 \$ 132,095

ADDITIONAL INFORMATION

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF OPERATING REVENUES AND EXPENSES
OF THE SEWERAGE SYSTEM
For the Year Ended April 30, 2011

Operating Revenues:	
Sewer service charges	\$ 2,499,919
Sewer permits	6,102
Miscellaneous	<u>14,238</u>
	<u>2,520,259</u>
Operating Expenses:	
City garage	32,169
Sewage collection	357,069
Disposal plant and lift station	842,585
Accounting	217,383
Depreciation	<u>494,953</u>
	<u>1,944,159</u>
Net Operating Income	<u>\$ 576,101</u>

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

	No. of Bills Rendered Customers Year Ended April 30		Raw Water Pumped For Processing (1,000 Gallons) Year Ended April 30		Treated Water Pumped to City (1,000 Gallons) Year Ended April 30		Water Sales Billed to Customers (1,000 Gallons) Year Ended April 30		1,000 Gallons Received at the Wastewater Plant Year Ended April 30	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	May	7,071	7,091	47,322	51,675	42,563	47,492	35,560	38,870	83,300
June	7,016	7,125	44,185	45,526	39,773	41,916	33,942	37,597	117,000	107,300
July	6,960	7,056	47,262	46,380	42,458	43,078	33,030	34,075	107,200	75,000
August	7,220	7,497	56,500	53,248	51,643	49,217	37,962	39,284	74,900	62,100
September	6,990	7,109	54,140	55,246	49,466	51,047	43,344	42,945	59,700	71,100
October	6,936	7,089	54,299	52,846	50,296	48,509	42,485	43,004	58,500	110,900
November	6,898	7,090	45,445	46,451	41,475	41,922	37,437	39,584	71,300	120,100
December	6,921	7,098	46,197	44,578	42,525	40,311	33,497	34,030	78,600	138,300
January	6,894	7,044	47,198	47,691	43,846	43,689	35,612	36,359	44,800	112,900
February	6,885	7,004	47,560	45,047	43,826	40,974	36,050	36,039	106,200	102,700
March	6,888	7,023	45,087	47,442	41,405	42,533	31,313	32,280	150,200	125,300
April	<u>6,883</u>	<u>7,050</u>	<u>49,440</u>	<u>50,746</u>	<u>45,734</u>	<u>45,948</u>	<u>37,330</u>	<u>36,487</u>	<u>141,600</u>	<u>103,300</u>
	<u>83,562</u>	<u>85,276</u>	<u>584,635</u>	<u>586,876</u>	<u>535,010</u>	<u>536,636</u>	<u>437,562</u>	<u>450,554</u>	<u>1,093,300</u>	<u>1,278,100</u>

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

CITY OF CHARLESTON, ILLINOIS
 WATER AND SEWER FUND
 COMBINED WATER AND SEWERAGE SERVICE RATES - MONTHLY
 April 30, 2011

Rates Effective				
After 5-1-10	5-1-09 to 4-30-10	5-1-08 to 4-30-09	5-1-07 to 4-30-08	5-1-06 to 4-30-07

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

First	1,000 gallons	\$ 11.14		\$ 10.65		\$ 9.96		\$ 9.14		\$ 8.23
Next	9,000 gallons	11.14 Per M		10.65 Per M		9.96 Per M		9.14 Per M		8.23 Per M
Over	10,000 gallons	10.72 " "		10.25 " "		9.58 " "		8.79 " "		7.92 " "

WATER SERVICE ONLY - IN CORPORATE LIMITS

First	1,000 gallons	\$ 10.10		\$ 9.66		\$ 9.03		\$ 8.28		\$ 7.46
Next	9,000 gallons	10.10 Per M		9.66 Per M		9.03 Per M		8.28 Per M		7.46 Per M
Over	10,000 gallons	9.28 " "		8.87 " "		8.29 " "		7.61 " "		6.86 " "

WATER SERVICE ONLY - OUTSIDE

First	1,000 gallons	\$ 13.32		\$ 13.32		\$ 13.32		\$ 13.32		\$ 13.32
Next	9,000 gallons	13.32 Per M		13.32 Per M						
Over	10,000 gallons	12.24 " "		12.24 " "		12.24 " "		12.24 " "		12.24 " "

WATER AND SEWER SERVICE - EASTERN ILLINOIS UNIVERSITY

Effective 5-1-06	7.92 Per M
Effective 5-1-07	8.79 " "
Effective 5-1-08	9.58 " "
Effective 5-1-09	10.25 " "
Effective 5-1-10	10.72 " "

Rates effective 5-1-06 by ordinance 06-O-16

Rates effective 5-1-07 by ordinance 07-O-20

Rates effective 5-1-08 by ordinance 08-O-12

Rates effective 5-1-09 by ordinance 09-O-33

Rates effective 5-1-10 by ordinance 10-O-12

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

CITY OF CHARLESTON, ILLINOIS
 LEGAL DEBT MARGIN
 April 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assessed Valuation	<u>\$ 185,220,108</u>	<u>\$ 181,660,338</u>	<u>\$ 180,147,165</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>\$ 15,975,234</u>	<u>\$ 15,668,204</u>	<u>\$ 15,537,693</u>
Total Debt:			
General obligation debt:			
Bonds	13,710,000	14,470,000	15,195,000
Notes payable	<u>5,415,175</u>	<u>2,692,687</u>	<u>1,654,444</u>
	<u>19,125,175</u>	<u>17,162,687</u>	<u>16,849,444</u>
Less bonds exempt from debt limitation computation	<u>(6,550,000)</u>	<u>(6,965,000)</u>	<u>(7,370,000)</u>
	<u>12,575,175</u>	<u>10,197,687</u>	<u>9,479,444</u>
Legal Debt Margin	<u>\$ 3,400,059</u>	<u>\$ 5,470,517</u>	<u>\$ 6,058,249</u>

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

	Tax Levy Year		
	2010	2009	2008
Assessed Valuation	<u>\$ 185,220,108</u>	<u>\$ 181,660,338</u>	<u>\$ 180,147,165</u>
Tax Rates:			
General corporate	0.00054	0.09331	0.09123
IMRF	0.14553	0.13329	0.18083
Fire protection	0.09750	0.10717	0.10478
Firemen's pension	0.39883	0.28790	0.22936
Police protection	0.05094	0.05599	0.05474
Police pension	0.34493	0.25325	0.20866
Library	0.18702	0.19034	0.18610
Garbage	0.00054	0.01494	0.01721
Audit	0.00054	0.00694	0.00705
Judgment	0.26488	0.28630	0.31276
Street lighting	0.04960	0.04799	0.04692
Playground and recreation	0.08409	0.08531	0.08341
Emergency services	0.00054	0.00111	0.00108
Social security	0.10887	0.11730	0.14348
Ambulance service	0.04609	0.05066	0.04953
Unemployment insurance	0.00108	0.00108	0.00106
General obligation bonds - 2005 series	<u>0.28405</u>	<u>0.28601</u>	<u>0.28147</u>
Total	<u>2.06557</u>	<u>2.01889</u>	<u>1.99967</u>

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

	Tax Levy Year		
	2010	2009	2008
Taxes Extended:			
General corporate	\$ 1,000	\$ 169,507	\$ 164,348
Street and bridge *	126,263	121,005	118,697
IMRF	269,551	242,135	325,760
Fire protection	180,590	194,685	188,758
Firemen's pension	738,713	523,000	413,186
Police protection	94,351	101,712	98,613
Police pension	638,880	460,055	375,895
Library	346,399	345,772	335,254
Garbage	1,000	27,140	31,003
Audit	1,000	12,607	12,700
Judgment	490,611	520,093	563,428
Street lighting	91,869	87,178	84,525
Playground and recreation	155,752	154,974	150,261
Emergency services	1,000	2,016	1,946
Social security	201,649	213,087	258,475
Ambulance service	85,368	92,029	89,227
Unemployment insurance	2,000	1,962	1,910
General obligation bonds - 2005 series	<u>526,118</u>	<u>519,566</u>	<u>507,060</u>
 Total	 <u>\$ 3,952,114</u>	 <u>\$ 3,788,523</u>	 <u>\$ 3,721,046</u>
 Net Taxes Collected:			
Municipal levy		\$ 3,660,020	\$ 3,595,179
City's share of township road and bridge		120,781	118,549
Tax increment finance		<u>150,015</u>	<u>151,313</u>
 Total		 <u>\$ 3,930,816</u>	 <u>\$ 3,865,041</u>
 Percent Collected		 103.76%	 103.87%

* Includes City share of township road and bridge tax of \$120,781 for 2010, \$118,549 for 2009, and \$113,171 for 2008.

FEDERAL FINANCIAL COMPLIANCE SECTION

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2011

Federal Grantor/Pass-Through Grantor	Federal Program Title	Pass-Through Grantor Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development pass through Illinois Department of Commerce and Economic Opportunity	Community Development Block Grants	08-242032	14.228	\$ 265,218
		10-240002	14.228	<u>9,000</u>
				<u>274,218</u>
U.S. Department of the Interior/National Park Service pass through Illinois Historic Preservation Agency	Historic Preservation Fund Grants-in-Aid	CL20090160	15.904	<u>6,868</u>
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Program	n/a	16.738	<u>1,164</u>
U.S. Department of Transportation pass through Illinois Department of Transportation	State and Community Highway Safety	ALO-1010-249	20.600	8,636
		AL1-1010-247	20.600	<u>7,298</u>
				<u>15,934</u>
Environmental Protection Agency pass through Illinois Environmental Protection Agency	ARRA-Capitalization Grants for Clean Water State Revolving Funds	L17-2719	66.458	<u>1,560,837</u>
Environmental Protection Agency pass through Illinois Environmental Protection Agency	Nonpoint Source Implementation Grant	3190815	66.460	<u>44,917</u>
U.S. Department of Health and Human Services	Early Retiree Reinsurance Program	n/a	93.546	<u>81,700</u>
U.S. Department of Homeland Security	Assistance to Firefighters Grant	EMW-2009-FO-00179	97.044	116,595
		EMW-2010-FO-00334	97.044	<u>5,171</u>
				<u>121,766</u>
U.S. Department of Homeland Security pass through Illinois Emergency Management Agency pass through Mutual Aid Box Alarm System	Homeland Security Grant Program	n/a	97.067	<u>49,021</u>
				<u>\$ 2,156,425</u>

The accompanying notes to the schedule of expenditures of federal awards
are an integral part of these financial statements.

CITY OF CHARLESTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE B - HOME INVESTMENT PARTNERSHIP PROGRAM

The City was awarded a grant in the amount of \$337,000 for the period May 1, 2010 to April 30, 2012 for the rehabilitation of eight single family homes. No grant funds were received or spent in the year ending April 30, 2011.

NOTE C - FEMA GRANTS

Grant EMW-2009-FO-00179 of \$116,595 was awarded for the period April 2, 2010 to April 1, 2011 for the purchase of equipment. For the fiscal year ending April 30, 2011, \$116,595 was received and spent.

Grant EMW-2010-FO-00334 of \$5,171 was awarded for the period February 18, 2011 to February 17, 2012 for the purchase of equipment. For the fiscal year ending April 30, 2011, \$5,171 was received and spent.

NOTE D - COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM

Grant #08-242032 of \$350,000 was awarded for the period July 1, 2009 to August 31, 2011 for the 20th Street Water main project. All grant funds had been received and spent by April 30, 2011.

Grant #10-240002 of \$575,000 was awarded for the period October 1, 2010 to October 31, 2012 for building repairs and rehabilitation of property, streetscape improvements, and vacant lot beautification. As of April 30, 2011, \$9,000 of this grant had been spent.

NOTE E - EARLY RETIREE REINSURANCE PROGRAM

The City was awarded a grant from the U.S. Department of Health and Human Services for the Early Retiree Reinsurance Program. The grant helps to offset claims expenses incurred in the City's Self-Insurance Fund. As of April 30, 2011, \$81,700 was received and spent.

NOTE F - FEDERAL LOANS

The City was awarded a wastewater treatment works loan through the Illinois Environmental Protection Agency for the wastewater treatment plant upgrade. The zero percent loan is dated October 14, 2009 with approval up to \$7,963,545. \$3,981,773 of eligible costs are being funded under the American Recovery and Reinvestment Act of 2009 (ARRA). One-half of the ARRA Funds, or \$1,990,886, will be required to be repaid. \$3,981,772 of eligible costs are being funded from the Water Pollution Control Loan Program (WPCLP), all of which will be required to be repaid. As of April 30, 2011, the City had received \$5,842,769 from the loan program, \$1,990,886 of the loan had been forgiven, and \$6,494,659 had been expended.

CITY OF CHARLESTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE G - INSURANCE COVERAGE

The City had the following insurance policies in force at April 30, 2011 for the period 12/1/11 – 12/1/12:

HCC:

Worker's Compensation

Bodily injury by accident	\$ 2,500,000 each accident
Bodily injury by disease	\$ 2,500,000 each employee
Bodily injury by disease	\$ 2,500,000 policy limit
Deductible	\$ 50,000

Property

Overall blanket limit	\$ 49,637,295
Business personal property	Included
Coinsurance 100%	
Earthquake coverage limit	\$ 10,000,000
Earthquake deductible	\$ 50,000
Flood coverage limit	\$ 10,000,000
Flood deductible	\$ 50,000
Ordinance or law coverage:	
Coverage A	\$ 250,000
Coverage B	\$ 250,000
Coverage C	10% of reported values
Extra expense	\$ 1,000,000
Deductible per occurrence	\$ 1,000

General Liability

General aggregate limit	\$ 3,000,000
Each occurrence limit	\$ 1,000,000
Products-completed operations	Included
Personal & advertising injury limit	Included
Damages to premises rented to you	\$ 100,000
Fire damage limit	\$ 100,000
Medical expense limit	\$ 10,000
Deductible per occurrence	\$ 2,500
Employee benefits liability	\$ 3,000,000 annual aggregate
	\$ 1,000,000 each claim
	\$ 1,000 deductible per occurrence
Sexual misconduct or sexual molestation	Included

Crime

Employee theft - blanket limit	\$ 50,000
Forgery or alteration	\$ 50,000
Computer fraud	\$ 10,000
Deductible per occurrence	\$ 500
Theft, disappearance, & destruction	\$ 50,000 inside
	\$ 50,000 outside
Deductible per occurrence	\$ 500

CITY OF CHARLESTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Inland Marine	
Computer hardware, software, related equipment	\$ 250,000
Camera's, audio/visual, related equipment	Included
Property in transit	\$ 25,000
Property at any unnamed premises	\$ 250,000
Accounts receivable coverage	\$ 250,000
Valuable papers and records storage	\$ 250,000
Volunteer emergency services portable equipment	\$ 355,306
Contractor's equipment coverage	\$ 2,184,035
Miscellaneous property coverage	\$ 229,897
Animal mortality	\$ 10,000
Fine arts	\$ 25,000
Deductible per occurrence	\$ 100
Commercial Auto	
Bodily injury and property damage liability	\$ 1,000,000
Uninsured motorist	\$ 1,000,000
Underinsured motorists	\$ 1,000,000
Deductible per occurrence	\$ 1,000 comprehensive
	\$ 1,000 collision
Umbrella	
Aggregate limit	\$ 10,000,000
Occurrence limit	\$ 10,000,000
SIR	\$ 10,000
General liability	Included
Employee benefits liability	Included
Automotive liability	Included
Law enforcement liability	Included
Sexual abuse & molestation	Included
Public officials liability	Included
Public Officials Liability	
Aggregate limit	\$ 1,000,000
Occurrence limit	\$ 1,000,000
Deductible per occurrence	\$ 10,000
Law Enforcement Liability	
Aggregate limit	\$ 1,000,000
Each occurrence limit	\$ 1,000,000
Medical expense limit	\$ 10,000
Deductible per occurrence	\$ 10,000

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Charleston, Illinois.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Charleston, Illinois were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for City of Charleston, Illinois expresses an unqualified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was ARRA-Capitalization Grants for Clean Water State Revolving Funds, CFDA #66.458.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Charleston, Illinois, was determined not to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR AUDIT FINDINGS

None