

CITY OF CHARLESTON, ILLINOIS

FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 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 20 and the schedules of funding progress on page 74 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

December 11, 2012

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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, 2012, which collectively comprise the City of Charleston, Illinois' basic financial statements and have issued our report thereon dated December 11, 2012. 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

Management of the City of Charleston, Illinois, is responsible for establishing and maintaining effective 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2012-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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*.

City of Charleston, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Charleston, Illinois' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert, Metzger & Madigan, LLP

December 11, 2012

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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, 2012. 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, 2012.

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 management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert, Metzger & Madigan, LLP

December 11, 2012

City of Charleston, Illinois
Management's Discussion and Analysis
For the Fiscal Year Ended April 30, 2012

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, 2012. 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, 2012, the City's total assets exceeded its liabilities by \$45.2 million. In accordance with governmental accounting standards, this includes all of the City's infrastructure assets (net of depreciation).
- Most of the City's assets consist of \$39.2 million in capital assets, net of related debt. Restricted net assets of \$1.5 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining amount of \$4.5 million in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- Revenues of \$20.4 million during the year exceeded expenses of \$19.1 million, increasing the City's total net assets by \$1.3 million. The increase in net assets consists of a \$372,488 increase in assets of the City's governmental activities and a \$928,191 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 \$5.61 million, a \$389,983 decrease from the prior year balances of \$6 million. The primary components of this decrease were due to planned large project expenditures in the Motor Fuel Tax Fund and Tax Increment Financing Fund.
- Approximately \$3.95 million (or 70%) of the total fund balance in governmental funds is available for spending at the government's discretion (unassigned and committed fund balances). Funds have been assigned for specific purposes totaling \$168,858. Of the restricted funds, 61% (\$867,386) is restricted for urban development and housing and 27% (\$391,248) is restricted for highways and streets. Governmental funds have a nonspendable fund balance of \$55,360.
- The City had \$19.9 million in long-term debt at the end of the year, including bonded general obligation debt of \$6.8 million and bonded alternative revenue debt of \$6.14 million. Outstanding debt increased by \$1.1 million during the year primarily due to loan proceeds received for the waste water treatment plant renovation (\$2.1 million). The City also completed refinancing of the 2004 General Obligation Bonds and 2003 Alternative Revenue Bonds at lower interest rates.

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 24-32 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 46-73 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 74 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 75-87 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 \$45.2 million at year ended April 30th, 2012. 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, 2012

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Current assets and other	\$ 10,812,611	\$ 10,941,339	\$ 2,721,650	\$ 1,936,866	\$ 13,534,261	\$ 12,878,205
Capital assets	22,264,033	21,685,538	37,527,534	36,311,485	59,791,567	57,997,023
Total assets	33,076,644	32,626,877	40,249,184	38,248,351	73,325,828	70,875,228
Liabilities:						
Current liabilities	4,764,347	4,966,669	644,655	2,054,438	5,409,002	7,021,107
Noncurrent liabilities	9,868,695	9,589,094	12,884,087	10,401,662	22,752,782	19,990,756
Total liabilities	\$ 14,633,042	\$ 14,555,763	\$ 13,528,742	\$ 12,456,100	\$ 28,161,784	\$ 27,011,863
Net assets:						
Invested in capital assets, net of related debt	14,463,374	13,649,617	24,735,335	24,692,562	39,198,709	38,342,179
Restricted	1,486,557	1,601,286	-	-	1,486,557	1,601,286
Unrestricted	2,493,671	2,820,211	1,985,107	1,099,689	4,478,778	3,919,900
Total net assets	\$ 18,443,602	\$ 18,071,114	\$ 26,720,442	\$ 25,792,251	\$ 45,164,044	\$ 43,863,365

The largest portion of the City of Charleston's net assets (\$39.2 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 \$1.5 million (3 percent) of the City's net assets represents resources that are subject to external restrictions on their use. The remaining \$4.5 million (10 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, 2012

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,917,255	\$ 3,001,071	\$ 5,328,527	\$ 5,015,564	\$ 8,245,782	\$ 8,016,635
Operating grants	1,138,743	886,490	76,846	44,917	1,215,589	931,407
Capital grants	499,786	258,403	251,748	2,256,104	751,534	2,514,507
General revenues:					-	-
Property taxes	3,760,742	3,590,922	-	-	3,760,742	3,590,922
Income taxes	1,850,248	1,636,658	-	-	1,850,248	1,636,658
Sales taxes	3,032,903	2,884,862	-	-	3,032,903	2,884,862
Other general revenues	1,542,014	1,684,979	46,804	33,483	1,588,818	1,718,462
Total Revenues	<u>\$ 14,741,691</u>	<u>\$ 13,943,385</u>	<u>\$ 5,703,925</u>	<u>\$ 7,350,068</u>	<u>\$ 20,445,616</u>	<u>\$ 21,293,453</u>
Expenses:						
General government	5,352,577	5,228,149	-	-	5,352,577	5,228,149
Public safety	5,760,366	5,712,300	-	-	5,760,366	5,712,300
Highways and streets	1,734,559	1,606,523	-	-	1,734,559	1,606,523
Health and welfare	88,696	82,236	-	-	88,696	82,236
Culture and recreation	744,803	743,056	-	-	744,803	743,056
Urban redevelopment and housing	654,923	342,932	-	-	654,923	342,932
Economic development and assist	187,793	116,326	-	-	187,793	116,326
Interest expense	326,381	348,071	-	-	326,381	348,071
Water and sewer	-	-	4,294,839	4,274,942	4,294,839	4,274,942
Total expenses	<u>\$ 14,850,098</u>	<u>\$ 14,179,593</u>	<u>\$ 4,294,839</u>	<u>\$ 4,274,942</u>	<u>\$ 19,144,937</u>	<u>\$ 18,454,535</u>
Increase (Decrease) in net assets before transfers	(108,407)	(236,208)	1,409,086	3,075,126	1,300,679	2,838,918
Transfers	480,895	320,851	(480,895)	(320,851)	-	-
Increase (Decrease) in net assets	372,488	84,643	928,191	2,754,275	1,300,679	2,838,918
Net assets - beginning, restated	18,071,114	17,959,190	25,792,251	23,037,976	43,863,365	40,997,166
Net assets- ending	<u>\$ 18,443,602</u>	<u>\$ 18,043,833</u>	<u>\$ 26,720,442</u>	<u>\$ 25,792,251</u>	<u>\$ 45,164,044</u>	<u>\$ 43,836,084</u>

Current Year Impacts- Overall Government Financial Position

As noted in the previous chart, the City of Charleston's total net assets increased \$1.3 million due to a \$372,488 increase in the net assets of the City's governmental activities and a \$928,191 increase in net assets of business-type activities.

Net assets invested in capital assets (net of debt) increased by \$856,530 to \$39.2 million due to capital asset additions and debt retirement. Restricted net assets decreased by \$87,448, while unrestricted net assets increased \$558,878.

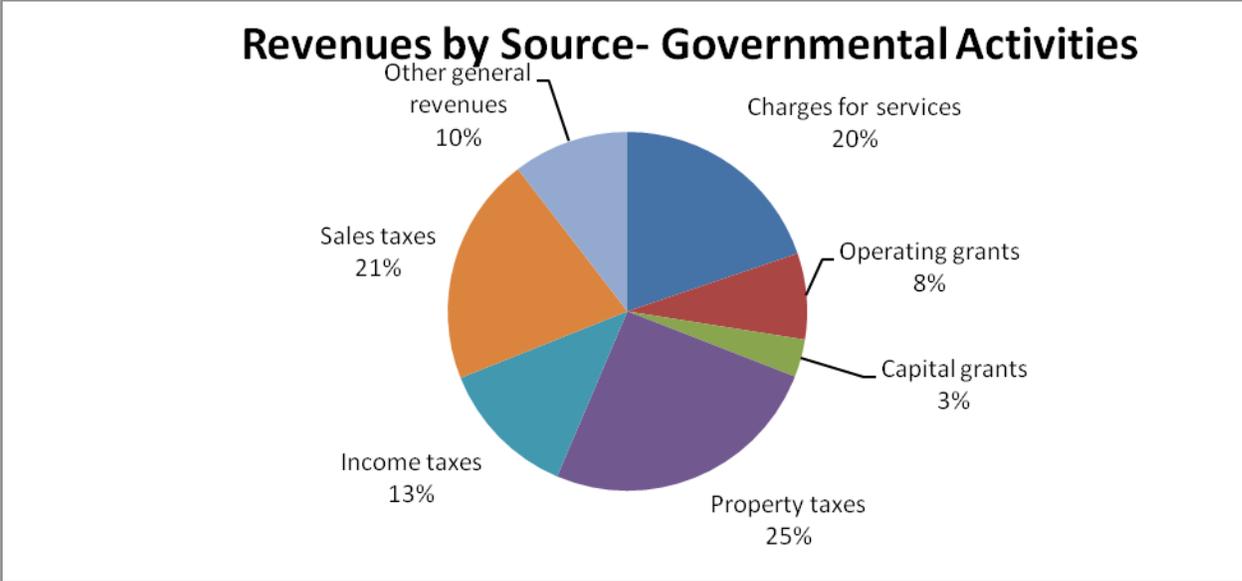
Total revenues decreased \$847,837 (4%). Expenses increased \$690,402 (4%). Results for specific types of revenues and expenses are discussed below.

Governmental Activities- Revenues and Expenses

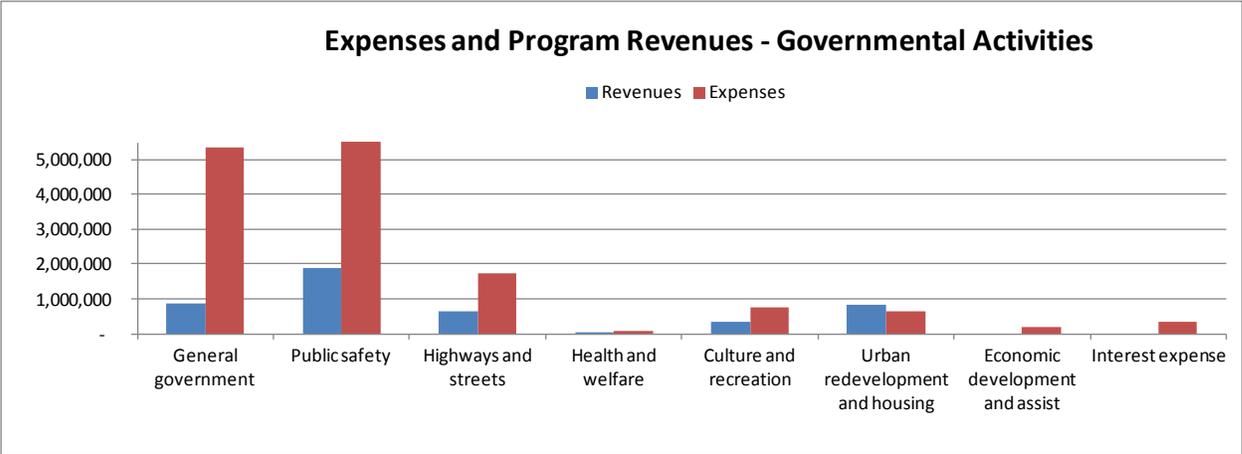
Revenues for governmental activities increased by \$798,306 (5.7%) to \$14.7 million. The largest increase from prior year was related to operating grants (\$252,253) which includes federal, state and local grants. Other revenue types seeing increases include capital grants (\$241,383), property taxes (\$169,820), income taxes (\$213,590) and sales taxes (\$148,041). The increases were offset by decreases in charges for services (\$83,816) and other general revenues (\$142,965).

Total expenses for governmental activities increased \$670,505 (5%) to \$14.85 million. Urban redevelopment and housing increased the most in dollar value (\$311,991 or 91%) since this year the City received funds from the U.S. Department of Housing and Urban Development for HOME Investment Partnership grants (\$323,718). Expenses also increased within general government (\$124,428), public safety (\$48,066), highways and streets (\$128,036), health and welfare (\$6,460), culture and recreation (\$1,747), and economic development and assistance (\$71,467). Interest expense decreased \$21,690. Expenses in governmental activities are largely dependent on revenues. The City is making a concerted effort to spend only on essential items needed to maintain core services for the City of Charleston. As revenues begin to recover from large declines, expenses are also being added back when necessary.

The chart below depicts the City's major revenue sources for governmental activities. It clearly shows the diversity of the City's revenue sources. While property taxes and sales taxes together account for 46 percent of revenues, charges for services also continue to fund governmental activities. The City has placed additional reliance upon user fees to lower the impact upon property taxes where possible. 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. 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 \$312,963 or 6 percent. Operating grants increased \$31,929 this fiscal year and capital grants decreased by \$2,004,356 from prior year since the prior year included debt forgiveness related to the waste water treatment plant renovation loan. Other general revenues increased \$13,321. In regards to charges for services, water and sewer gallons billed decreased this year by 1.72 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, 2011.

Expenses for the City's business-type activities have stayed almost unchanged from prior year (\$19,897 increase). Similar to the governmental activities, operational and capital expenses are being budgeted conservatively and directed to essential services.

Overall, the City's net assets from business-type activities increased by \$928,191. This largely resulted from a \$1,362,282 positive difference between program revenues and expenses of such activities. However, net transfers to other activities of \$480,895 reduced the total increase in net assets from such activities to \$928,191 after interest income, gain on sale of assets, and miscellaneous income of \$46,804 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 73% 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 \$5.6 million, a \$389,983 (7%) decrease 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 \$76,966 or 1 percent. The General Fund is discussed further in the section below.
- The Employee Benefit Fund increased \$16,160 and returned to a positive fund balance following interfund transfers.
- Motor Fuel Tax Fund had a decrease of \$236,170 or 54 percent due to planned project expenditures.
- The Tax Increment Financing Fund has decreased \$252,124 this fiscal year as several grants and planned project expenditures were paid.
- The Playground and Recreation Fund ended with an increase in fund balance of \$19,164.
- The Foreign Fire Tax Fund decreased by \$11,550 since funds were transferred to eliminate the balance from the City's custody.

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 \$258,811 (24.69%) 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 33-35 in the basic financial statements.

For the Fiscal Year Ended April 30, 2012			
General Fund	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 6,705,068	\$ 6,705,068	\$ 6,712,232
Licenses and permits	347,875	351,919	364,585
Intergovernmental revenue	1,414,858	1,398,235	1,162,479
Charges for services	1,426,900	1,514,099	1,393,207
Other	150,167	150,166	226,949
Total	\$ 10,044,868	\$ 10,119,487	\$ 9,859,452
Expenditures and transfers:			
Expenditures	9,438,187	9,562,806	9,474,068
Transfers	606,681	556,681	364,213
Total	\$ 10,044,868	\$ 10,119,487	\$ 9,838,281
Change in fund balance	\$ -	\$ -	\$ 21,171

The general fund actual revenues were \$260,035 less than the final budgeted amount. The actual revenue collected in the categories of taxes, licenses and permits, and other revenues were higher than the final budget. Intergovernmental revenue and charges for services finished under the final budgeted revenue amount by \$235,756 and \$120,892 respectively.

The general fund actual expenditures were \$281,206 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: public safety (\$96,438), culture and recreation (\$1,827), urban and redevelopment and housing (\$131,447) and transfers (\$192,468). The functional areas finishing with actual expenditures greater than final budget include general government (\$91,881), highways and streets (\$39,533), health and welfare (\$9,431), and debt service (\$129).

Capital Assets

As shown on the following chart, the City of Charleston had a \$59.8 million investment in capital assets of its governmental and business-type activities, net of accumulated depreciation as of April 30, 2012. A large portion (55%) of this investment represents infrastructure including roads, sidewalks, bridges, and sewers. Overall, the City's investment in capital assets increased by 3% (\$1.8 million).

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
	Land	\$ 817,656	\$ 817,656	\$ 1,027,167	\$ 1,017,933	\$ 1,844,823
Buildings and Improvements	10,493,703	10,539,502	11,324,496	2,403,390	21,818,199	12,942,892
Vehicles, machinery and equipment	1,731,360	1,864,949	824,632	576,414	2,555,992	2,441,363
Infrastructure	8,398,482	8,375,633	24,351,239	24,153,794	32,749,721	32,529,427
Construction in Progress	822,832	87,798	-	8,159,954	822,832	8,247,752
	\$ 22,264,033	\$ 21,685,538	\$ 37,527,534	\$ 36,311,485	\$ 59,791,567	\$ 57,997,023

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

Governmental activities:

Project Name	Additions
Downtown Streetscape project (in progress)	\$ 542,501
University Avenue resurfacing	208,992
4th Street and Decker Springs road resurfacing	172,470
McKinley Avenue resurfacing	104,476
Sister City Park concession stand/restrooms	89,896
Rehabilitation of 513 7th Street building (in progress)	77,304
Kiwanis Park pavilion	66,728
Junior Football League concession stand/restrooms (in progress)	66,341
Community Development software	60,250
Division Street sidewalks - Lincoln to Grant	59,734
Creation of park on downtown square (in progress)	56,490

Business-type activities:

Project Name	Additions
Final construction phase of waste water treatment plant upgrade	\$ 1,573,016
Office renovation at waste water treatment plant	152,025
Land and residence on McKinley Avenue	146,672
2012 International dump truck	107,651
2012 International dump truck	107,651
Sewer camera	59,250

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 56-57.

Debt Management

The City of Charleston’s long term debt totaled \$7.4 million for governmental activities and \$12.5 million for business-type activities as of April 30, 2012.

Table 4- Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 648,305	\$ 875,921	\$ 6,307,172	\$ 4,178,701	\$ 6,955,477	\$ 5,054,622
General obligation bonds	6,790,000	7,160,000	-	-	6,790,000	7,160,000
Alternative revenue bonds	-	-	6,140,000	6,550,000	6,140,000	6,550,000
	<u>\$ 7,438,305</u>	<u>\$ 8,035,921</u>	<u>\$ 12,447,172</u>	<u>\$ 10,728,701</u>	<u>\$ 19,885,477</u>	<u>\$ 18,764,622</u>

The reduction in debt for governmental activities resulted from repayment of principal. The City did not issue any non-bonded debt during the fiscal year ended April 30, 2012. New bonded debt was issued for \$950,000 in order to refund the 2004 general obligation bonds and reduce interest costs over the remaining life of the bonds. Business-type activities increased long-term debt by \$1.7 million. The City received funds from a note payable to cover the major upgrade at the waste water treatment plant (\$2,120,776) and two notes for vehicle and equipment purchases (\$244,434). New bonded debt was issued for \$6,140,000 in order to refund the 2003 alternative revenue bonds and reduce interest costs over the remaining life of the bonds.

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’s AA- rating was affirmed by Standard and Poor’s in September 2011 with mention of a “very strong” unassigned fund balance and “a diverse revenue stream”. The AA- rating was affirmed by Standard and Poor’s again in May 2012 when the 2005 general obligation bonds were restructured.

Additional information on long term debt may be found in Note F in the Notes to the Financial Statements on pages 66-69.

Economic Factors and Next Year’s Budget

The equalized assessed value (EAV) of taxable property in the City for the 2011 levy year grew 0.43% percent from prior year to \$186,020,763. The rate of development continues to be slower than in the past and the 2012 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, 2012 was close to \$558 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 \$148,041 this fiscal year and sales tax revenues are expected to increase again in fiscal year 2012/2013.

The fiscal year 2012/2013 budget is 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 2012/2013 as the City is committed to providing the same service levels and remaining fiscally responsible.

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, 2012

	Primary Government		Totals	Component Unit
	Governmental Activities	Business Type Activities		Library Fund
ASSETS				
Cash deposits	\$ 2,375,543	\$ 1,721,413	\$ 4,096,956	\$ 135,164
Investments	1,277,997	-	1,277,997	5,596
Receivables:				
Property taxes	3,712,558	-	3,712,558	350,779
Other taxes	92,722	-	92,722	-
Customers	418,709	557,488	976,197	-
Other	32,469	2,086	34,555	-
Interest	6,467	-	6,467	-
Due from other governmental agencies	1,842,780	111,671	1,954,451	24,986
Prepaid expenditures	221,863	6,363	228,226	10,367
Inventory	53,165	166,444	219,609	-
Due from component units	19,121	-	19,121	-
Internal balances	10,740	(10,740)	-	-
Restricted assets:				
Cash deposits	475,252	-	475,252	-
Grant loans receivable	175,976	-	175,976	-
Bond issuance costs, net of amortization	97,249	166,925	264,174	-
Capital assets, net of accumulated depreciation	<u>22,264,033</u>	<u>37,527,534</u>	<u>59,791,567</u>	<u>885,525</u>
Total assets	<u>33,076,644</u>	<u>40,249,184</u>	<u>73,325,828</u>	<u>1,412,417</u>
LIABILITIES				
Accounts payable	709,018	519,064	1,228,082	13,216
Claims payable	92,560	-	92,560	-
Accrued wages	133,614	37,062	170,676	4,828
Accrued interest	35,120	87,929	123,049	1,065
Deposits held for others	-	600	600	-
Due to primary government	-	-	-	19,121
Accrued compensated absences	26,539	-	26,539	-
Deferred miscellaneous revenue	54,938	-	54,938	-
Deferred property tax revenue	3,712,558	-	3,712,558	350,779
Long-term liabilities:				
Unamortized bond premium	196,568	145,963	342,531	-
Accrued compensated absences	1,221,544	327,450	1,548,994	10,579
Net pension obligation payable	829,291	-	829,291	-
Net OPEB obligation	199,850	24,940	224,790	4,823
Deferred amount on refunding, net of amortization	(16,863)	(61,438)	(78,301)	-

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2012

	<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	390,000	470,000	860,000	-
Due in more than one year	6,400,000	5,670,000	12,070,000	-
Notes payable:				
Due within one year	80,030	425,547	505,577	346,267
Due in more than one year	<u>568,275</u>	<u>5,881,625</u>	<u>6,449,900</u>	-
Total liabilities	<u>14,633,042</u>	<u>13,528,742</u>	<u>28,161,784</u>	<u>750,678</u>
 NET ASSETS				
Invested in capital assets, net of related debt	14,463,374	24,735,335	39,198,709	539,258
Restricted for:				
General government	11,172	-	11,172	-
Public safety	76,724	-	76,724	-
Highways and streets	444,413	-	444,413	-
Culture and recreation	57,487	-	57,487	647
Urban development and housing	867,386	-	867,386	-
Debt service	29,375	-	29,375	-
Unrestricted	<u>2,493,671</u>	<u>1,985,107</u>	<u>4,478,778</u>	<u>121,834</u>
 Total Net Assets	 <u>\$ 18,443,602</u>	 <u>\$ 26,720,442</u>	 <u>\$ 45,164,044</u>	 <u>\$ 661,739</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, 2012

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	\$ 5,352,577	\$ 792,262	\$ -	\$ 60,300	\$ (4,500,015)	\$ -	\$ (4,500,015)	
Public safety	5,760,366	1,717,895	134,689	32,930	(3,874,852)	-	(3,874,852)	
Highways and streets	1,734,559	-	628,280	-	(1,106,279)	-	(1,106,279)	
Health and welfare	88,696	-	2,000	-	(86,696)	-	(86,696)	
Culture and recreation	744,803	301,213	50,056	-	(393,534)	-	(393,534)	
Urban redevelopment and housing	654,923	105,885	323,718	406,556	181,236	-	181,236	
Economic development and assistance	187,793	-	-	-	(187,793)	-	(187,793)	
Interest expense	326,381	-	-	-	(326,381)	-	(326,381)	
Total governmental activities	<u>14,850,098</u>	<u>2,917,255</u>	<u>1,138,743</u>	<u>499,786</u>	<u>(10,294,314)</u>	<u>-</u>	<u>(10,294,314)</u>	
Business type activities:								
Water and sewer	4,294,839	5,328,527	76,846	251,748	-	1,362,282	1,362,282	
Total primary government	<u>\$ 19,144,937</u>	<u>\$ 8,245,782</u>	<u>\$ 1,215,589</u>	<u>\$ 751,534</u>	<u>(10,294,314)</u>	<u>1,362,282</u>	<u>(8,932,032)</u>	
Component Unit: Library	<u>\$ 444,658</u>	<u>\$ 25,216</u>	<u>\$ 57,899</u>	<u>\$ -</u>				<u>\$ (361,543)</u>
General Revenues								
Taxes:								
Property taxes					3,760,742	-	3,760,742	344,375
Illinois income tax					1,850,248	-	1,850,248	-
Municipal retailers' occupation tax					3,032,903	-	3,032,903	-
Utility tax					879,748	-	879,748	-
Use tax					318,727	-	318,727	-
Replacement tax					202,662	-	202,662	17,465
Other taxes					38,033	-	38,033	-
Interest income					29,481	262	29,743	476
Gain (loss) on sale or disposal of assets					1,500	20,000	21,500	-
Net increase (decrease) in fair value of investments					5,356	-	5,356	373
Miscellaneous					66,507	26,542	93,049	21,796
Transfers					480,895	(480,895)	-	-
Total general revenues and transfers					<u>10,666,802</u>	<u>(434,091)</u>	<u>10,232,711</u>	<u>384,485</u>
Change in net assets					<u>372,488</u>	<u>928,191</u>	<u>1,300,679</u>	<u>22,942</u>
Net assets, beginning of year					18,043,833	25,792,251	43,836,084	638,797
Prior period adjustment					27,281	-	27,281	-
Net assets, beginning of year, as restated					<u>18,071,114</u>	<u>25,792,251</u>	<u>43,863,365</u>	<u>638,797</u>
Net Assets, End of Year					<u>\$ 18,443,602</u>	<u>\$ 26,720,442</u>	<u>\$ 45,164,044</u>	<u>\$ 661,739</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, 2012

	<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	\$ 2,081,549	\$ -	\$ 236,106	\$ 2,317,655	\$ 135,164
Investments	920,705	-	357,292	1,277,997	5,596
Receivables:					
Property taxes	1,132,729	1,384,720	1,195,109	3,712,558	350,779
Other taxes	92,722	-	-	92,722	-
Customers	415,417	-	-	415,417	-
Other	32,426	-	43	32,469	-
Interest	6,467	-	-	6,467	-
Due from other governmental agencies	1,564,616	20,260	49,686	1,634,562	24,986
Prepaid expenditures	1,676	-	519	2,195	-
Due from other funds	222,823	-	-	222,823	-
Restricted assets:					
Cash deposits	475,252	-	-	475,252	-
Grant loans receivable	175,976	-	-	175,976	-
Inventory	-	-	53,165	53,165	-
Total Assets	<u>\$ 7,122,358</u>	<u>\$ 1,404,980</u>	<u>\$ 1,891,920</u>	<u>\$ 10,419,258</u>	<u>\$ 516,525</u>
LIABILITIES					
Accounts payable	\$ 270,547	\$ 20,260	\$ 401,153	\$ 691,960	\$ 13,216
Accrued wages	126,121	-	7,493	133,614	4,828
Accrued interest	-	-	617	617	-
Due to other funds	-	-	205,000	205,000	17,823
Accrued compensated absences	26,539	-	-	26,539	-
Deferred miscellaneous revenue	12,571	-	28,854	41,425	-
Deferred property tax revenue	1,132,729	1,384,720	1,195,109	3,712,558	350,779
Total liabilities	<u>1,568,507</u>	<u>1,404,980</u>	<u>1,838,226</u>	<u>4,811,713</u>	<u>386,646</u>

CITY OF CHARLESTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2012

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
FUND BALANCE					
Nonspendable	1,676	-	53,684	55,360	-
Restricted for:					
General government	-	-	11,172	11,172	-
Public safety	74,307	-	2,417	76,724	-
Highways and streets	244,000	-	147,248	391,248	-
Culture and recreation	43,556	-	13,931	57,487	647
Urban development and housing	867,386	-	-	867,386	-
Debt service	-	-	29,375	29,375	-
Committed for:					
Culture and recreation	-	-	34,152	34,152	-
Assigned for:					
Highways and streets	156,945	-	-	156,945	-
Culture and recreation	11,913	-	-	11,913	-
Unassigned (deficit)	4,154,068	-	(238,285)	3,915,783	129,232
Total fund balance	<u>5,553,851</u>	<u>-</u>	<u>53,694</u>	<u>5,607,545</u>	<u>129,879</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,122,358</u>	 <u>\$ 1,404,980</u>	 <u>\$ 1,891,920</u>	 <u>\$ 10,419,258</u>	 <u>\$ 516,525</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, 2012

Total fund balance - total governmental funds		\$ 5,607,545
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 \$34,424,719 exceeded accumulated depreciation of \$12,160,686.		22,264,033
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.		210,425
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.		208,218
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.		97,249
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.		(34,503)
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	\$ 82,461	
Current liabilities	<u>(123,131)</u>	(40,670)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Unamortized bond premium	\$ 196,568	
Accrued compensated absences	1,221,544	
Net pension obligation payable	829,291	
Net OPEB obligation	199,850	
Deferred amount on refunding	(16,863)	
Due within one year	470,030	
Due in more than one year	<u>6,968,275</u>	<u>(9,868,695)</u>
Net Assets of Governmental Activities		<u>\$ 18,443,602</u>

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, 2012

Total fund balance - component unit	\$	129,879
Amounts reported for the component unit 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 \$1,222,430 exceeded accumulated depreciation of \$336,905.		885,525
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Accrued compensated absences	\$ 10,579	
Net OPEB obligation	4,823	
Notes payable, due within one year	<u>346,267</u>	(361,669)
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.		(1,298)
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.		(1,065)
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.		<u>10,367</u>
Net Assets of Component Unit	\$	<u>661,739</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, 2012

	General Fund	Pensions Tax Levy Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Revenues:					
Property taxes	\$ 1,065,292	\$ 1,367,375	\$ 1,314,999	\$ 3,747,666	\$ 343,829
Mobile home privilege tax	2,104	1,528	1,786	5,418	546
Replacement income tax	16,947	137,380	48,335	202,662	17,465
Tourism tax	34,058	-	-	34,058	-
Utility tax	879,748	-	-	879,748	-
Fines, parking system fees, and charge for services	378,060	-	-	378,060	10,286
Municipal retailers' occupation tax	3,032,903	-	-	3,032,903	-
Illinois income tax	1,850,248	-	-	1,850,248	-
Use tax	318,727	-	-	318,727	-
Ambulance revenue	1,015,147	-	-	1,015,147	-
Other governmental agencies	1,162,479	-	638,280	1,800,759	-
Rental income	10,178	-	-	10,178	439
Licenses, permits and fees	364,585	-	296,650	661,235	7,965
Interest income	28,643	297	541	29,481	476
Private donations and contributions	142,728	-	24,869	167,597	11,938
Employer and employee contributions	-	-	543,903	543,903	-
Net increase (decrease) in fair value of investments	3,863	-	1,493	5,356	373
Miscellaneous income	51,172	-	22,058	73,230	54,260
Total revenues	<u>10,356,882</u>	<u>1,506,580</u>	<u>2,892,914</u>	<u>14,756,376</u>	<u>447,577</u>
Expenditures:					
General government	2,234,418	1,506,580	1,533,960	5,274,958	-
Public safety	5,238,277	-	22,550	5,260,827	-
Highways and streets	1,111,456	-	855,473	1,966,929	-
Health and welfare	88,696	-	-	88,696	-
Culture and recreation	96,124	-	498,765	594,889	389,319
Urban development and housing	1,106,909	-	-	1,106,909	-
Economic development and assistance	-	-	420,227	420,227	-
Principal	227,616	-	365,000	592,616	14,286
Interest	23,707	-	305,168	328,875	15,942
Issuance costs	-	-	23,696	23,696	-
Total expenditures	<u>10,127,203</u>	<u>1,506,580</u>	<u>4,024,839</u>	<u>15,658,622</u>	<u>419,547</u>
Excess of revenues over (under) expenditures	<u>229,679</u>	<u>-</u>	<u>(1,131,925)</u>	<u>(902,246)</u>	<u>28,030</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2012

	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	1,500	-	-	1,500	-
Transfers in	165,435	-	669,648	835,083	-
Transfers out	(319,648)	-	(34,540)	(354,188)	-
Proceeds of refunding bonds	-	-	950,000	950,000	-
Bond premium	-	-	34,868	34,868	-
Payment to refunded bond escrow agent	-	-	(955,000)	(955,000)	-
Total other financing sources (uses)	<u>(152,713)</u>	<u>-</u>	<u>664,976</u>	<u>512,263</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>76,966</u>	<u>-</u>	<u>(466,949)</u>	<u>(389,983)</u>	<u>28,030</u>
Fund balance, beginning of year	5,464,187	-	506,060	5,970,247	101,849
Prior period adjustment	-	-	27,281	27,281	-
Reclassification adjustment	12,698	-	(12,698)	-	-
Fund balance, beginning of year, as restated	<u>5,476,885</u>	<u>-</u>	<u>520,643</u>	<u>5,997,528</u>	<u>101,849</u>
Fund Balance, End of Year	<u>\$ 5,553,851</u>	<u>\$ -</u>	<u>\$ 53,694</u>	<u>\$ 5,607,545</u>	<u>\$ 129,879</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, 2012

Net change in governmental fund balance	\$	(389,983)
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 \$1,755,201 exceeded depreciation of \$1,176,706 in the current period.		578,495
The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets.		(950,000)
Including additions to the net pension obligation payable		(395,626)
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.		31,524
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.		(17,385)
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.		(9,256)
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.		(26,485)
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.		50,789

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, 2012

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.	(49,695)
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.	1,547,616
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>2,494</u>
Change in Net Assets of Governmental Activities	<u>\$ 372,488</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, 2012

Net change in component unit fund balance	\$	28,030
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.		(13,451)
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.		14,286
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		(5,597)
Increase in net OPEB obligation		(1,178)
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.		44
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.		1,435
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>(627)</u>
Change in Net Assets of Component Unit	\$	<u>22,942</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
(Includes General, Judgment, and Tourism and Special Events Funds)
For the Year Ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
General Fund:				
Revenues:				
Property taxes	\$ 575,789	\$ 575,789	\$ 578,320	\$ 2,531
Mobile home privilege tax	1,000	1,000	1,281	281
Replacement income tax	18,000	18,000	16,947	(1,053)
Tourism tax	41,500	41,500	34,058	(7,442)
Utility tax	975,000	975,000	879,748	(95,252)
Fines, parking system fees, and charges for services	476,900	476,900	378,060	(98,840)
Municipal retailers' occupation tax	2,982,680	2,982,680	3,032,903	50,223
Illinois income tax	1,805,470	1,805,470	1,850,248	44,778
Use tax	305,629	305,629	318,727	13,098
Ambulance revenue	950,000	1,037,199	1,015,147	(22,052)
Other governmental agencies	1,414,858	1,398,235	1,162,479	(235,756)
Rental income	10,167	10,167	10,178	11
Licenses, permits and fees	347,875	351,919	364,585	12,666
Interest income	45,000	45,000	28,533	(16,467)
Private donations and contributions	79,100	79,100	142,541	63,441
Net increase (decrease) in fair value of investments	-	-	3,863	3,863
Miscellaneous income	<u>15,900</u>	<u>15,900</u>	<u>40,334</u>	<u>24,434</u>
Total revenues	<u>10,044,868</u>	<u>10,119,487</u>	<u>9,857,952</u>	<u>(261,535)</u>
Expenditures:				
General Government:				
Adminstration, board of zoning appeals and planning, police and fire boards, and city manager	374,098	374,098	375,898	(1,800)
City clerk	80,960	80,960	79,222	1,738
Comptroller	115,573	115,573	114,042	1,531
City attorney's office	94,040	94,040	84,579	9,461
Information services	88,943	88,943	85,625	3,318
Engineering department	171,366	171,366	175,104	(3,738)
Contingencies	75,000	75,000	54,508	20,492
Parks and maintenance department	<u>502,977</u>	<u>491,251</u>	<u>614,134</u>	<u>(122,883)</u>
	<u>1,502,957</u>	<u>1,491,231</u>	<u>1,583,112</u>	<u>(91,881)</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
(Includes General, Judgment, and Tourism and Special Events Funds)
For the Year Ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) <u>Final Budget</u>
Public Safety:				
Police protection	2,726,728	2,722,437	2,646,818	75,619
Fire protection	<u>2,626,278</u>	<u>2,612,278</u>	<u>2,591,459</u>	<u>20,819</u>
	<u>5,353,006</u>	<u>5,334,715</u>	<u>5,238,277</u>	<u>96,438</u>
Highways and Streets:				
Street department	775,629	825,629	890,185	(64,556)
City garage	96,294	96,294	91,931	4,363
Street lighting	<u>150,000</u>	<u>150,000</u>	<u>129,340</u>	<u>20,660</u>
	<u>1,021,923</u>	<u>1,071,923</u>	<u>1,111,456</u>	<u>(39,533)</u>
Health and Welfare:				
Public service	<u>79,265</u>	<u>79,265</u>	<u>88,696</u>	<u>(9,431)</u>
Culture and Recreation:				
Tourism	<u>96,122</u>	<u>96,122</u>	<u>94,295</u>	<u>1,827</u>
Urban Redevelopment and Housing:				
Department of commerce and economic development	367,875	356,364	380,948	(24,584)
Rehabilitation and community development assistance program	<u>881,992</u>	<u>881,992</u>	<u>725,961</u>	<u>156,031</u>
	<u>1,249,867</u>	<u>1,238,356</u>	<u>1,106,909</u>	<u>131,447</u>
Debt Service:				
Principal	111,702	227,849	227,616	233
Interest	<u>23,345</u>	<u>23,345</u>	<u>23,707</u>	<u>(362)</u>
	<u>135,047</u>	<u>251,194</u>	<u>251,323</u>	<u>(129)</u>
Total expenditures	<u>9,438,187</u>	<u>9,562,806</u>	<u>9,474,068</u>	<u>88,738</u>
Excess of revenues over (under) expenditures	<u>606,681</u>	<u>556,681</u>	<u>383,884</u>	<u>(172,797)</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
(Includes General, Judgment, and Tourism and Special Events Funds)
For the Year Ended April 30, 2012

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	1,500	1,500
Transfers in	-	50,000	165,435	115,435
Transfers out	<u>(606,681)</u>	<u>(606,681)</u>	<u>(529,648)</u>	<u>77,033</u>
Total other financing sources (uses)	<u>(606,681)</u>	<u>(556,681)</u>	<u>(362,713)</u>	<u>193,968</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>21,171</u>	<u>21,171</u>
Judgment Fund:				
Revenues:				
Property taxes	487,027	487,027	486,972	(55)
Mobile home privilege tax	1,000	1,000	823	(177)
Interest income	200	200	108	(92)
Miscellaneous income	<u>100</u>	<u>100</u>	<u>9,983</u>	<u>9,883</u>
Total revenues	<u>488,327</u>	<u>488,327</u>	<u>497,886</u>	<u>9,559</u>
Expenditures:				
General Government:				
Judgment	<u>739,775</u>	<u>739,775</u>	<u>651,306</u>	<u>88,469</u>
Excess of revenues over (under) expenditures	<u>(251,448)</u>	<u>(251,448)</u>	<u>(153,420)</u>	<u>98,028</u>
Other Financing Sources (Uses):				
Transfers out	<u>251,633</u>	<u>251,633</u>	<u>210,000</u>	<u>(41,633)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>185</u>	<u>185</u>	<u>56,580</u>	<u>56,395</u>

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
(Includes General, Judgment, and Tourism and Special Events Funds)
For the Year Ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Tourism and Special Events Fund:				
Revenues:				
Donations and contributions	300	300	187	(113)
Interest income	50	50	2	(48)
Miscellaneous income	<u>450</u>	<u>450</u>	<u>855</u>	<u>405</u>
Total revenues	<u>800</u>	<u>800</u>	<u>1,044</u>	<u>244</u>
Expenditures:				
Culture and Recreation:				
Commodities	700	700	16	684
Contractual services	<u>1,000</u>	<u>2,000</u>	<u>1,813</u>	<u>187</u>
Total expenditures	<u>1,700</u>	<u>2,700</u>	<u>1,829</u>	<u>871</u>
Excess of revenues over (under) expenditures	<u>(900)</u>	<u>(1,900)</u>	<u>(785)</u>	<u>1,115</u>
Total excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (715)</u>	<u>\$ (1,715)</u>	<u>76,966</u>	<u>\$ 78,681</u>
Fund balance, beginning of year			5,464,187	
Reclassification adjustment			<u>12,698</u>	
Fund balance, beginning of year, as restated			<u>5,476,885</u>	
Fund Balance, End of Year			<u>\$ 5,553,851</u>	

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2012

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash deposits	\$ 1,721,413	\$ 57,888
Receivables:		
Customer	557,488	3,292
Other	2,086	-
Due from other governmental agencies	111,671	-
Prepaid expenditures	6,363	9,243
Inventory	166,444	-
Total current assets	2,565,465	70,423
Noncurrent assets:		
Bond issuance costs, net of accumulated amortization	166,925	-
Capital assets, net of accumulated depreciation	37,527,534	-
Total noncurrent assets	37,694,459	-
Total assets	40,259,924	70,423
LIABILITIES		
Current liabilities:		
Accounts payable	519,064	17,058
Claims payable	-	92,560
Accrued wages	37,062	-
Accrued interest	87,929	-
Deposits held for others	600	-
Deferred revenue	-	13,513
Bonds payable	470,000	-
Notes payable	425,547	-
Total current liabilities	1,540,202	123,131
Noncurrent liabilities:		
Unamortized bond premium	145,963	-
Accrued compensated absences	327,450	-
Net OPEB obligation	24,940	-
Bonds payable	5,670,000	-
Deferred amount on refunding, net of amortization	(61,438)	-
Notes payable	5,881,625	-
Total noncurrent liabilities	11,988,540	-
Total liabilities	13,528,742	123,131

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2012

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
NET ASSETS		
Invested in capital assets, net of related debt	24,735,335	-
Unrestricted (deficit)	<u>1,995,847</u>	<u>(52,708)</u>
 Total Net Assets (Deficit)	 <u>\$ 26,731,182</u>	 <u>\$ (52,708)</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, 2012

Total enterprise fund net assets	\$ 26,731,182
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>(10,740)</u>
Net Assets of Business Type Activities	<u>\$ 26,720,442</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, 2012

	Water and Sewer Fund	Internal Service Fund
	<u> </u>	<u> </u>
Operating Revenues:		
Water and sewer utility	\$ 5,320,149	\$ -
Charges for services	-	1,153,027
Other	<u>34,920</u>	<u>26,166</u>
Total operating revenues	<u>5,355,069</u>	<u>1,179,193</u>
Operating Expenses:		
Personnel services	1,768,568	-
Commodities	476,825	-
Contractual services	622,559	232,246
Capital outlay	111,943	-
Depreciation	1,067,932	-
Claims expenses	<u>-</u>	<u>989,935</u>
Total operating expenses	<u>4,047,827</u>	<u>1,222,181</u>
Net operating income (loss)	<u>1,307,242</u>	<u>(42,988)</u>
Non-Operating Revenues (Expenses):		
Interest income	262	-
Grant income	253,593	83,935
Donations	75,001	-
Gain on sale of assets	20,000	-
Interest expense	(250,683)	-
Amortization	<u>(4,317)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>93,856</u>	<u>83,935</u>
Net income (loss) before other financing sources (uses)	<u>1,401,098</u>	<u>40,947</u>
Other Financing Sources (Uses):		
Transfers in	3,331	-
Transfers out	<u>(484,226)</u>	<u>-</u>
Total other financing sources (uses):	<u>(480,895)</u>	<u>-</u>
Change in net assets	920,203	40,947
Net assets (deficit), beginning of year	<u>25,810,979</u>	<u>(93,655)</u>
Net Assets (Deficit), End of Year	<u>\$ 26,731,182</u>	<u>\$ (52,708)</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, 2012

Net change in net assets in enterprise fund	\$ 920,203
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>7,988</u>
Change in Net Assets of Business-Type Activities	<u>\$ 928,191</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, 2012

	Water and Sewer Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from customers	\$ 5,262,541	\$ 441,854
Interfund services provided	-	747,455
Payments to suppliers	(1,931,334)	(241,489)
Payments to employees	(1,784,109)	-
Payments to claimants	-	(964,072)
Net cash provided (used) by operating activities	1,547,098	(16,252)
Cash Flows from Noncapital Financing Activities:		
Transfers in (out)	(480,895)	-
Loans from (to) other funds	-	(80,000)
Net cash provided (used) by noncapital financing activities	(480,895)	(80,000)
Cash Flows from Capital and Related Financing Activities:		
Contributions	75,001	-
Grant income	253,593	138,636
Proceeds from sale of capital assets	20,000	-
Purchases of capital assets	(2,283,982)	-
Proceeds from capital debt	2,365,211	-
Proceeds of refunding bonds	6,140,000	-
Bond issuance costs	(166,925)	-
Bond premium	145,963	-
Payment to refunded bond escrow agent	(6,120,000)	-
Principal paid on capital debt	(666,740)	-
Interest paid on capital debt	(259,549)	-
Net cash provided (used) by financing activities	(497,428)	138,636
Cash Flows from Investing Activities:		
Interest income	263	-
Net increase (decrease) in cash and cash deposits	569,038	42,384
Cash and cash deposits, beginning of year	1,152,375	15,504
Cash and Cash Deposits, End of Year	\$ 1,721,413	\$ 57,888

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF CHANGES IN CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended April 30, 2012

	Water and Sewer Fund	Internal Service Fund
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,307,242	\$ (42,988)
Noncash items included in operating income:		
Depreciation	1,067,932	-
Net (increase) decrease in:		
Customer receivables	6,447	105
Other receivables	2,209	-
Due from other governmental agencies	(100,884)	-
Prepaid expenses	(6,363)	(9,243)
Inventory	(7,997)	-
Net increase (decrease) in:		
Accounts payable	(711,917)	-
Claims payable	-	25,758
Accrued wages	7,688	-
Deposits held for others	(300)	-
Deferred revenue	-	10,116
Accrued compensated absences	(23,229)	-
Net OPEB obligation	6,270	-
 Net Cash Provided (Used) by Operating Activities	 \$ 1,547,098	 \$ (16,252)

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

CITY OF CHARLESTON, ILLINOIS
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
April 30, 2012

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 944,099	\$ 180,620
Receivables:		
Interest	84,478	-
Members	976	-
Due from other funds	<u>20,260</u>	<u>-</u>
Total receivables	<u>105,714</u>	<u>-</u>
Investments, at fair value:		
Federal government obligations	6,698,010	-
State and local obligations	300,208	-
Mutual funds	2,874,131	7,068
Common stock	7,910,922	-
Corporate bonds	3,896,806	-
Certificates of deposit	<u>320,957</u>	<u>-</u>
Total investments	<u>22,001,034</u>	<u>7,068</u>
 Total assets	 <u>23,050,847</u>	 <u>187,688</u>
LIABILITIES		
Accounts payable	7,937	-
Amount due to affiliate organizations	<u>-</u>	<u>187,688</u>
Total liabilities	<u>7,937</u>	<u>187,688</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 23,042,910</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, 2012

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 1,506,580
Plan members	<u>325,894</u>
Total contributions	<u>1,832,474</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	394,555
Interest	308,007
Dividends	<u>244,044</u>
	946,606
Less investment expense	<u>(107,583)</u>
Net investment income	<u>839,023</u>
Other additions	<u>2,496</u>
Total additions	<u>2,673,993</u>
Deductions:	
Benefits	2,401,246
Refunds of contributions	66,087
Administration expenses	<u>50,745</u>
Total deductions	<u>2,518,078</u>
Net increase (decrease)	155,915
Net assets, beginning of year	<u>22,886,995</u>
Net Assets, End of Year	<u>\$ 23,042,910</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 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 balances, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The 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 not incorporated into the government-wide statements 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.

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity, within the governmental 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 function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds. 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).

General Fund is the main operating fund of the City. It is used to account for all financial resources 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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted or committed to expenditures for specified purposes. The purpose and substantial restricted resources for each major special revenue fund are listed below:

Pensions Tax Levy Fund is used to account for the annual property tax levy of the pension trust funds.

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

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

Debt Service Fund is used to account for the accumulation of resources and the payment of general long-term debt not financed by a specific source.

Proprietary Funds

Proprietary Funds are those funds through which the accounting objectives are determinations of operating income, change in net assets, financial position, and changes in cash flows. These funds are accounted for using the economic resources measurement focus which is 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 is used to account for the operations of the City's utility garage, utility department, water treatment plant, and waste water treatment plant.

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 is used 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 are used 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 are used 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.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. All assets and liabilities, including capital assets and long-term liabilities, are included. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. 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. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or within sixty days after year-end. Expenditures generally are recorded when a liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due and payable.

The proprietary fund financial statements are presented using the 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. Per GASB 20, the City's Enterprise Funds elected to comply with all the FASB's issued before November 30, 1989 for financial statement preparation.

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, 2012. The budget was amended April 3, 2012.

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 of revenues and other financing sources over (under) 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) Cash and Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.
- f) 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.
- g) Inventory - Inventory held by the City's governmental and proprietary fund types is priced at cost (first-in, first-out) which approximates market.
- h) Capital Assets and Depreciation - 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 proprietary 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. 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. The City reports all major general infrastructure assets constructed or acquired in fiscal years ending after April 30, 1980, or that received major renovations, restorations, or improvements during that period. The City has defined the following initial individual cost thresholds for when an asset should be capitalized and depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

<u>Assets</u>	<u>Years</u>	<u>Cost</u>
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

- i) 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. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances." 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 and proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Operating transfers between funds during the year ended April 30, 2012 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 165,435	\$ 319,648
Other governmental funds	<u>669,648</u>	<u>34,540</u>
Total Governmental Activities	<u>\$ 835,083</u>	<u>\$ 354,188</u>
Business Type Activities:		
Water and Sewer Fund	<u>\$ 3,331</u>	<u>\$ 484,226</u>

The purposes of interfund transfers are as follows:

The General Fund transferred \$36,000 to the Playground and Recreation Fund to supplement their tax levy, \$140,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy and \$143,648 to the Debt Service Fund for principal and interest payments on the Pool bonded debt.

Other Governmental Funds:

The Employee Benefits Fund transferred \$3,331 to the Water and Sewer Fund for internal labor on a capital project and the Motor Fuel Tax Fund transferred \$24,421 to the General Fund for park and maintenance expenses.

The Water and Sewer Fund transferred \$134,226 to the General Fund for internal labor and other cost on capital projects and \$350,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Activities:		
General Fund	\$ 234,861	\$ -
Other governmental funds	<u>-</u>	<u>205,000</u>
Total Governmental Activities	<u>\$ 234,861</u>	<u>\$ 205,000</u>
Business Type Activities:		
Water and Sewer Fund	<u>\$ -</u>	<u>\$ 10,740</u>
Component Unit:		
Carnegie Public Library	<u>\$ -</u>	<u>\$ 19,121</u>

The purposes of interfund receivables and payables are as follows:

The General Fund has loaned \$17,823 to the Carnegie Public Library for operating expenses from the pooled cash account and \$205,000 to the Tax Increment Financing Fund for TIF grants. 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 \$10,740 to the Water and Sewer Fund and \$1,298 to the Carnegie Public Library from the Self-Health Insurance Fund.

- j) 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 and filed with the county clerk on December 22, 2011.
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.

- k) Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund payables and accrued liabilities are reported as obligations of the funds once incurred and is expected to be paid in a timely manner and in full from current financial resources. 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. The face amount of debt issued is reported as other financing sources. Bond premiums received on debt issuances are reported as other financing sources while bond discounts on debt issuances are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- l) 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

- m) Operating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with proprietary funds' principal operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- n) 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.
- o) Fund Balance –The City previously 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.
 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.

- p) 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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 and Police Pension 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, 2012, the City had the following investments:

	Fair Value	Weighted Average Maturity
Governmental Activities:		
Certificates of Deposit	\$ 700,505	3.51
U.S. Government Implied Obligation Agencies	200,128	9.38
Illinois Metropolitan Investment Fund	347,372	n/a
Northern Institutional Funds Government Select	29,992	n/a
Total Investments	\$ 1,277,997	
Fiduciary Pension Trust Funds:		
Firefighters' Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 1,351,085	
U.S. Government Implied Obligation Agencies	2,237,982	
Subtotal, U.S. Government and its Agencies	3,589,067	19.40
State and Local Obligations	300,208	0.33
Mutual Funds	1,585,260	n/a
Common Stock	4,288,317	n/a
Corporate Bonds	2,095,830	6.44
Total Investments	\$ 11,858,682	
Police Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 1,046,527	
U.S. Government Implied Obligation Agencies	2,062,416	
Subtotal, U.S. Government and its Agencies	3,108,943	42.86
Mutual Funds	1,288,871	n/a
Common Stock	3,622,605	n/a
Corporate Bonds	1,800,976	10.80
Certificates of Deposit	320,957	
Total Investments	\$ 10,142,352	
Agency Funds:		
Mutual Funds	\$ 7,068	n/a
Component Unit:		
Stocks	\$ 5,596	n/a

At April 30, 2012, the Police Pension Fund had investments with a fair market value of \$292,759 which were prohibited by the Illinois Department of Insurance. The investments are designated as collateralized mortgage obligations, but are included with the Corporate Bonds in the table above. The investments were sold on June 22, 2012 when the violation was discovered.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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, 2012, 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. Credit quality ratings for obligations of the U.S. government or guaranteed by the U.S. government are not required to be disclosed. The City's negotiable certificates of deposit are not subject to credit risk rating.

At April 30, 2012, the City's investments were rated as follows by Standard and Poors:

Governmental Activities:

Illinois Metropolitan Investment Fund	AAf
Northern Institutional Funds Government Select	AAAm

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.

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 Firefighters' and Police 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 Firefighters' Pension Fund has adopted an asset allocation policy as follows:

	<u>Min</u>	<u>Target</u>	<u>Max</u>
Cash	2%	2%	5%
Fixed Income	35%	43%	78%
Lg/Mid. Cap Domestic Equities	18%	42%	81%
Sm. Cap Domestic Equities	2%	5%	7%
International Equities	2%	5%	7%
Real Estate	0%	3%	5%

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The Police Pension Funds has adopted an asset allocation policy as follows:

	<u>Min</u>	<u>Target</u>	<u>Max</u>
Cash	2%	2%	5%
Fixed Income	38%	43%	75%
Lg/Mid. Cap Domestic Equities	18%	42%	81%
Sm. Cap Domestic Equities	2%	5%	7%
International Equities	2%	5%	7%
Real Estate	0%	3%	5%

At April 30, 2012, 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>
Federal National Mortgage Association	13.9%	10.5%
United States Treasury	10.6%	-

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, 2012, all cash deposits were adequately insured or collateralized with securities held by the pledging financial institution.

Deposits for the Firefighters' and Police 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, 2012, 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.

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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2012</u>
Primary Government:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 817,656	\$ -	\$ -	\$ 817,656
Construction in progress	<u>87,798</u>	<u>1,484,381</u>	<u>(749,347)</u>	<u>822,832</u>
Capital assets being depreciated:				
Building and improvements	12,328,339	204,576	-	12,532,915
Accumulated depreciation	<u>(1,788,837)</u>	<u>(250,375)</u>	<u>-</u>	<u>(2,039,212)</u>
Building and improvements, net	<u>10,539,502</u>	<u>(45,799)</u>	<u>-</u>	<u>10,493,703</u>
Vehicles, machinery and equipment	6,433,400	279,672	(102,080)	6,610,992
Accumulated depreciation	<u>(4,568,451)</u>	<u>(404,411)</u>	<u>93,230</u>	<u>(4,879,632)</u>
Vehicles, machinery and equipment, net	<u>1,864,949</u>	<u>(124,739)</u>	<u>(8,850)</u>	<u>1,731,360</u>
Infrastructure	13,095,555	544,769	-	13,640,324
Accumulated depreciation	<u>(4,719,922)</u>	<u>(521,920)</u>	<u>-</u>	<u>(5,241,842)</u>
Infrastructure, net	<u>8,375,633</u>	<u>22,849</u>	<u>-</u>	<u>8,398,482</u>
Total, Governmental Activities, Net Capital Assets	<u>\$ 21,685,538</u>	<u>\$ 1,336,692</u>	<u>\$ (758,197)</u>	<u>\$ 22,264,033</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,933	\$ 9,234	\$ -	\$ 1,027,167
Construction in progress	<u>8,159,954</u>	<u>1,745,589</u>	<u>(9,905,543)</u>	<u>-</u>
Capital assets being depreciated:				
Building and improvements	5,431,689	9,088,752	-	14,520,441
Accumulated depreciation	<u>(3,028,299)</u>	<u>(167,646)</u>	<u>-</u>	<u>(3,195,945)</u>
Building and improvements, net	<u>2,403,390</u>	<u>8,921,106</u>	<u>-</u>	<u>11,324,496</u>
Vehicles, machinery and equipment	3,231,719	391,722	-	3,623,441
Accumulated depreciation	<u>(2,655,305)</u>	<u>(143,504)</u>	<u>-</u>	<u>(2,798,809)</u>
Vehicles, machinery and equipment, net	<u>576,414</u>	<u>248,218</u>	<u>-</u>	<u>824,632</u>
Infrastructure	36,872,785	954,227	-	37,827,012
Accumulated depreciation	<u>(12,718,991)</u>	<u>(756,782)</u>	<u>-</u>	<u>(13,475,773)</u>
Infrastructure, net	<u>24,153,794</u>	<u>197,445</u>	<u>-</u>	<u>24,351,239</u>
Total, Business-Type Activities, Net Capital Assets	<u>\$ 36,311,485</u>	<u>\$ 11,121,592</u>	<u>\$ (9,905,543)</u>	<u>\$ 37,527,534</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

	Balance May 1, 2011	Additions	Deletions	Balance April 30, 2012
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>(247,431)</u>	<u>(13,398)</u>	<u>-</u>	<u>(260,829)</u>
Building and improvements, net	<u>502,966</u>	<u>(13,398)</u>	<u>-</u>	<u>489,568</u>
Vehicles, machinery and equipment	76,076	-	-	76,076
Accumulated depreciation	<u>(76,023)</u>	<u>(53)</u>	<u>-</u>	<u>(76,076)</u>
Vehicles, machinery and equipment, net	<u>53</u>	<u>(53)</u>	<u>-</u>	<u>-</u>
Total, Governmental Activities, Net Capital Assets	<u>\$ 898,976</u>	<u>\$ (13,451)</u>	<u>\$ -</u>	<u>\$ 885,525</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 271,634
Public safety	289,466
Highways and streets	451,649
Culture and recreation	149,423
Urban development and housing	8,710
Economic development and assistance	<u>5,824</u>
Total Depreciation Expense, Governmental Activities	<u>\$1,176,706</u>
Business-Type Activities	<u>\$1,067,932</u>
Component Unit - Library	<u>\$ 13,451</u>

The City has the following construction in progress at April 30, 2012:

Project	Expenses	Estimated Cost	Estimated Completion
a) Rehabilitation of a downtown building located at 513 7 th Street	\$ 117,153	\$ 242,500	Dec. 2012
b) New concession and restroom building adjacent to the Junior Football League Complex	66,341	81,746	Aug. 2012
c) Downtown streetscape project	542,501	669,565	Aug. 2012
d) Creation of a park on a vacant downtown lot	56,490	76,036	Aug. 2012
e) Road and sidewalk construction on Polk Avenue from 7 th to 9 th streets	24,651	191,201	Sept. 2012
f) Reconstruction of the intersection of 9 th and Lincoln streets	<u>15,696</u>	915,000	Aug. 2014
	<u>\$ 822,832</u>		

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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 Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the City'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 2011 was 13.50 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 14.19 percent. The employer annual required contribution rate for calendar year 2012 was 14.27 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.

Annual Pension Cost

For the fiscal year ending April 30, 2012, the City's actual contributions for pension cost for regular employees was \$522,459. Its required contribution for the fiscal year ending April 30, 2012 was \$540,019.

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>
04/30/12	\$ 541,530	97%	\$ 89,717
04/30/11	516,110	91%	70,646
04/30/10	450,309	95%	20,623

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the regular plan was 61.40 percent funded. The actuarial accrued liability for benefits was \$11,796,254 and the actuarial value of assets was \$7,242,366, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,553,888. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$3,815,231 and the ratio of the UAAL to the covered payroll was 119 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 Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the City'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 2011 used by the employer was 0.00 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 12.88 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.

Annual Pension Cost

For fiscal year ending April 30, 2012, the City's actual contributions for pension cost for SLEP were \$0. Its required contribution for the fiscal year ending April 30, 2012 was \$0.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
04/30/12	\$ -	100%	\$ -
04/30/11	-	100%	-
04/30/10	1,506	100%	-

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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, 2009 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, 2011, the most recent actuarial valuation date, the SLEP plan was 231.28 percent funded. The actuarial accrued liability for benefits was \$16,021 and the actuarial value of assets was \$37,053, resulting in an overfunded actuarial accrued liability (UAAL) of \$21,032. The covered payroll for calendar year 2011 (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.

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, 2011, participation included:

Retirees, disabled participants and beneficiaries of	
deceased retirees currently receiving benefits	26
Terminated plan members entitled to but not yet	
receiving benefits	-
Current plan members:	
Vested	16
Non-vested	<u>16</u>
Total	<u><u>58</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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service; early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6% per year; the employee's accrued benefit is based on the employee's final 8-year average salary not to exceed \$106,800 (as indexed); cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; surviving spouse's benefits are 66 2/3% of the employee's benefit at the time of death.

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, 2011. 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The net pension obligation applicable to this plan at April 30, 2011 is as follows:

Net pension obligation:

Annual required contribution	\$ 691,702
Interest on net pension obligation	19,509
Adjustment to annual required contribution	<u>(14,059)</u>
Annual pension cost	697,152
Contributions made	<u>529,766</u>
Increase (decrease) in net pension obligation	167,386
Net pension obligation, beginning of year	<u>260,125</u>
 Net Pension Obligation, End of Year	 <u>\$ 427,511</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 amortization of the excess (if any) of 90% of the unfunded accrued liability as a level percentage of payroll over a 30 year period which commenced in 2011 (prior to 2011, the amortization of the unfunded actuarial liability as a level percentage of payroll over a 40 year period which commenced in 1993).

The actuarially determined contributions (computed through an actuarial valuation performed as of May 1, 2011 and using the projected unit credit cost method) of \$691,702 consisted of \$232,556 normal cost and \$439,637 amortization of the excess (if any) of 90% of the unfunded accrued liability (amortized over 30 years), plus an adjustment for interest of \$19,509.

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 projected unit credit cost method (prior to 2011, the entry age normal cost method was used) while the pension benefit obligation is based on the credited projected benefits method.

At April 30, 2012, the City had \$10,580,791 reserved for police pension benefits.

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 74. 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>
2011	\$ 697,152	76.0%	\$ 427,511
2010	525,538	81.2%	260,125
2009	463,594	91.5%	161,400

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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, 2011 participation was:

Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	41
Terminated plan members entitled to but not yet receiving benefits	2
Current plan members:	
Vested	15
Non-vested	<u>16</u>
 Total	 <u><u>74</u></u>

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.

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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

For employees hired after January 1, 2011, the annual retirement benefit is 2.5% of final average salary for each year of service up to 30 years, to a maximum of 75% of such salary, the normal retirement age is attainment of age 55 and completion of 10 years of service; early retirement age is attainment of age 50, completion of 10 years of service and early retirement factor is 6% per year; the employee's accrued benefit is based on the employee's final 8-year average salary not to exceed \$106,800 (as indexed); cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; surviving spouse's benefits are 66 2/3% of the employee's benefit at the time of death.

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, 2011. 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.

The net pension obligation applicable to this plan at April 30, 2011 is as follows:

Net pension obligation:

Annual required contribution	\$ 800,970
Interest on net pension obligation	8,374
Adjustment to annual required contribution	<u>(6,035)</u>
Annual pension cost	803,309
Contribution made	<u>602,905</u>
Increase (decrease) in net pension obligation	200,404
Net pension obligation, beginning of year	<u>111,659</u>
 Net Pension Obligation, End of Year	 <u>\$ 312,063</u>

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 amortization of the excess (if any) of 90% of the unfunded accrued liability as a level percentage of payroll over a 30 year period which commenced in 2011 (prior to 2011, the amortization of the unfunded actuarial liability as a level percentage of payroll over a 40 year period which commenced in 1993).

The actuarially determined contributions (computed through an actuarial valuation performed as of May 1, 2011 and using the projected unit credit cost method) of \$800,970 consisted of \$227,356 normal cost and \$565,240 amortization of the excess (if any) of 90% of the unfunded accrued liability (amortized over 30 years), plus an adjustment for interest of \$8,374.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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 projected unit credit cost method (prior to 2011, the entry age normal cost method was used) while the pension benefit obligation is based on the credited projected benefits method.

At April 30, 2012, the City had \$12,462,119 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 74.

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>
2011	\$ 803,309	75.1%	\$ 312,063
2010	598,047	78.6%	111,659
2009	504,270	86.4%	(16,131)

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.
- 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT

a) The following is a summary of the City's debt as of April 30, 2012, and transactions for the year then ended:

	Balance May 1, 2011	Additions	Retired	Balance April 30, 2012	Amount Due Within One Year
Governmental Activities:					
Notes payable	\$ 875,921	\$ -	\$ 227,616	\$ 648,305	\$ 80,030
2004 General Obligation Bonds	1,055,000	-	1,055,000	-	-
2005 General Obligation Bonds	6,105,000	-	265,000	5,840,000	285,000
2011B General Obligation Bonds	-	950,000	-	950,000	105,000
Compensated absences	<u>1,272,333</u>	<u>-</u>	<u>50,789</u>	<u>1,221,544</u>	<u>-</u>
Total Governmental Activities, Long-Term Liabilities	<u>\$ 9,308,254</u>	<u>\$ 950,000</u>	<u>\$ 1,598,405</u>	<u>\$ 8,659,849</u>	<u>\$ 470,030</u>
Business-Type Activities:					
Notes payable	\$ 4,178,701	\$ 2,365,210	\$ 236,739	\$ 6,307,172	\$ 425,547
2003 Alternative Revenue Bonds	6,550,000	-	6,550,000	-	-
2011A Alternative Revenue Bonds	-	6,140,000	-	6,140,000	470,000
Compensated absences	<u>350,679</u>	<u>-</u>	<u>23,229</u>	<u>327,450</u>	<u>-</u>
Total Business-Type Activities, Long-Term Liabilities	<u>\$ 11,079,380</u>	<u>\$ 8,505,210</u>	<u>\$ 6,809,968</u>	<u>\$ 12,774,622</u>	<u>\$ 895,547</u>
Component Unit:					
Notes payable	\$ 360,553	\$ -	\$ 14,286	\$ 346,267	\$ 346,267
Compensated absences	<u>4,982</u>	<u>5,597</u>	<u>-</u>	<u>10,579</u>	<u>-</u>
Total Component Unit	<u>\$ 365,535</u>	<u>\$ 5,597</u>	<u>\$ 14,286</u>	<u>\$ 356,846</u>	<u>\$ 346,267</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.	\$ 292,083
Illinois Finance Authority, dated December 8, 2004, due November 1, 2019, yearly payments of \$16,666.67 with no interest, secured by equipment.	133,334
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.	<u>222,888</u>
Total Notes Payable of Governmental Activities	<u>\$ 648,305</u>

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

\$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.

\$ 5,840,000

\$950,000 general obligation refunding bonds, series 2011A. Bond proceeds were issued to refund the general obligation bonds, series 2004 which were originally for pool renovation. BNY Midwest Trust Company is bond registrar and paying agent. Bonds are dated October 1, 2011, with final payment due December 15, 2019. Principal payments are due annually on December 15 and interest payments, varying from 2.00% to 3.00%, are due semiannually on June 15 and December 15. The bonds were issued with a premium of \$20,979 which will be amortized over the life of the bonds. The economic gain, calculated on a present value basis, amounted to \$74,543. City pays debt service expenditures from general revenues and abates associated property tax levies.

950,000

\$ 6,790,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2012, are as follows:

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 470,030	\$ 295,440	\$ 765,470
2014	499,763	276,463	776,226
2015	669,636	257,587	927,223
2016	528,791	238,727	767,518
2017	560,538	220,715	781,253
2018-2022	2,859,547	775,036	3,634,583
2023-2025	<u>1,850,000</u>	<u>151,000</u>	<u>2,001,000</u>
	<u>\$ 7,438,305</u>	<u>\$ 2,214,968</u>	<u>\$ 9,653,273</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.	\$ 222,320
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.	11,380
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.	9,408
Prairie State Bank & Trust, dated July 21, 2009, due July 21, 2014, monthly payments of \$381.06 including interest at 3%, secured by equipment.	9,916
State of Illinois, dated October 9, 2009, due March 8, 2031, semi-annual payments with no interest, unsecured.	5,837,468
First Mid-Illinois Bank and Trust, dated July 12, 2011, due August 1, 2016, monthly payments of \$520.68 including interest at 2.72%, secured by software.	25,031
First Mid-Illinois Bank and Trust, dated September 23, 2011, due October 1, 2016, monthly payments of \$3,844.54 including interest at 2.72%, secured by equipment.	<u>191,649</u>
Total Notes Payable of Business-Type Activities	<u>\$ 6,307,172</u>

\$6,140,000 general obligation waterworks and sewerage refunding bonds (alternative revenue source), series 2011A. Bond proceeds were issued to refund the general obligation waterworks and sewerage bonds (alternative revenue source), series 2003 which were originally for water treatment plant upgrade.

BNY Midwest Trust Company is bond registrar and paying agent.

Bonds are dated October 1, 2011, with final payment due December 15, 2022. Principal payments are due annually on December 15 and interest payments, varying from 2.00% to 3.00%, are due semiannually on June 15 and December 15.

The bonds were issued with a premium of \$21,409 which will be amortized over the life of the bonds. The economic gain, calculated on a present value basis, amounted to \$497,326.

City pays debt service expenditures from water and sewer revenues and abates the associated property tax levies.

\$ 6,140,000

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2012, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 895,547	\$ 182,092	\$ 1,077,639
2014	927,761	140,599	1,068,360
2015	934,268	127,425	1,061,693
2016	946,113	114,038	1,060,151
2017	867,191	100,969	968,160
2018-2022	4,466,176	327,525	4,793,701
2023-2027	2,181,176	19,350	2,200,526
2028-2031	<u>1,228,940</u>	<u>-</u>	<u>1,228,940</u>
	<u>\$12,447,172</u>	<u>\$ 1,011,998</u>	<u>\$ 13,459,170</u>

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. \$ 346,267

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2012, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 346,267</u>	<u>\$ 12,918</u>	<u>\$ 359,185</u>

NOTE G - ECONOMIC DEPENDENCY

Fifteen percent or \$949,628 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, 2012:

Tax Increment Financing Fund	\$ 238,285
Internal Service Fund	52,708

NOTE I - 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, 2012, the balance was \$175,976.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE J - 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, 2012, 4,171 tuition credit hours had been used.

NOTE K - 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 through December 31, 2011. Beginning January 1, 2012, self-insurance is in effect up to a stop loss of \$60,000 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, 2012 is as follows:

Claims payable, beginning of the year	\$ 83,860
Claims incurred and changes in accrual	989,935
Claims payments	<u>(981,235)</u>
Claims Payable, End of the Year	<u>\$ 92,560</u>

NOTE L - 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.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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, 2012, membership consisted of:

Retirees and beneficiaries of employees currently receiving benefits	19
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	78
Active nonvested plan members	<u>61</u>
Total	<u>158</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, 2012, retirees contributed \$161,867 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 and 2010. The City had an actuarial valuation performed for the plan as of April 30, 2012 to determine the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2012. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012 was as follows:

April 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 123,279	\$ 66,136	53.6%	\$ 229,613
2011	124,038	66,136	53.3%	172,470
2010	123,090	66,136	53.7%	114,568

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

The net OPEB obligation (NOPEBO) as of April 30, 2012 (latest information available), was calculated as follows:

Annual required contribution	\$ 122,129
Interest on net OPEB obligation	6,899
Adjustment to annual required contribution	<u>(5,749)</u>
Annual OPEB cost	123,279
Contribution made	<u>66,136</u>
Increase (decrease) in net OPEB obligation	57,143
Net OPEB obligation, beginning of year	<u>172,470</u>
 Net OPEB Obligation, End of Year	 <u>\$ 229,613</u>

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 3,970,463
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	3,970,463
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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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 advance 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, 2012, was 30 years.

NOTE M - LITIGATION

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable.

CITY OF CHARLESTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE N - LINE OF CREDIT

On April 4, 2012, the City established a \$1,700,000 line of credit with First Mid-Illinois Bank and Trust for the purpose of purchasing an automated meter reading system. As of April 30, 2012, no funds had been advanced. The terms include 48 monthly interest only payment beginning May 4, 2012, 59 monthly principal and interest payments of \$30,276 beginning May 4, 2016 with a final payment on the maturity date of April 4, 2021.

NOTE O - SUBSEQUENT EVENTS

On May 30, 2012, the City issued \$5,145,000 General Obligation Refunding Bonds, Series 2012. The bonds were issued to refund the general obligation bonds, series 2005 which were originally for library expansion and renovation.

NOTE P - RECLASSIFICATION AND PRIOR PERIOD ADJUSTMENTS

The City has reported a reclassification adjustment to restate beginning net assets and fund balances as of May 1, 2011 to correct the presentation of funds in accordance with GASB No. 54. As a result, the Tourism and Special Events Fund has been combined with the General Fund for reporting purposes.

The City has also reported a prior period adjustment to restate beginning net assets and fund balances as of May 1, 2011 to correct inventory for governmental funds. The beginning net assets were restated as follows for the accounting change and prior period adjustment:

	<u>Governmental Activities</u>		<u>Other Governmental</u>
Net assets, beginning of year	\$ 18,043,833		
Prior period adjustment	<u>27,281</u>		
Net Assets, Beginning of Year, Restated	<u>\$ 18,071,114</u>		
	<u>General</u>		<u>Other Governmental</u>
Fund balance, beginning of year	\$ 5,464,187	\$	506,060
Prior period adjustment	-		27,281
Reclassification adjustment	<u>12,698</u>	<u></u>	<u>(12,698)</u>
Fund Balance, Beginning of Year, Restated	<u>\$ 5,476,885</u>	<u>\$</u>	<u>520,643</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 April 30, 2012

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:						
12/31/2011	\$ 7,242,366	\$ 11,796,254	\$ 4,553,888	61.40%	\$ 3,815,231	119.36%
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%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$6,685,922. On a market basis, the funded ratio would be 56.68%.

Illinois Municipal Retirement Fund - SLEP:						
12/31/2011	\$ 37,053	\$ 16,021	\$ (21,032)	231.28%	\$ -	0.00%
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%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$35,987. On a market basis, the funded ratio would be 224.62%.

Police Pension Fund:						
4/30/2011	\$ 10,423,609	\$ 19,973,077	\$ 9,549,468	52.20%	\$ 1,756,393	543.70%
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%

Firefighters' Pension Fund:						
4/30/2011	\$ 12,463,387	\$ 21,287,394	\$ 8,824,007	58.50%	\$ 1,753,789	503.10%
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%

Other Post-Employment Benefits Plan:						
4/30/2012	\$ -	\$ 3,970,463	\$ 3,970,463	0.00%	\$ -	0.00%
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%

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF CHARLESTON, ILLINOIS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 April 30, 2012

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Playground and Recreation Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash deposits	\$ 13,043	\$ 96,220	\$ 2,417	\$ 50,974	\$ -	\$ 73,452	\$ -	\$ 236,106
Investments	-	313,369	-	-	13,931	-	29,992	357,292
Receivables:								
Property taxes	500,228	-	-	-	-	158,192	536,689	1,195,109
Other	43	-	-	-	-	-	-	43
Due from other governmental agencies	7,290	42,396	-	-	-	-	-	49,686
Prepaid expenditures	-	-	-	-	-	519	-	519
Inventory	-	53,165	-	-	-	-	-	53,165
Total Assets	\$ 520,604	\$ 505,150	\$ 2,417	\$ 50,974	\$ 13,931	\$ 232,163	\$ 566,681	\$ 1,891,920
LIABILITIES								
Accounts payable	\$ 7,988	\$ 304,220	\$ -	\$ 84,259	\$ -	\$ 4,686	\$ -	\$ 401,153
Accrued wages	1,216	517	-	-	-	5,760	-	7,493
Accrued interest	-	-	-	-	-	-	617	617
Due to other funds	-	-	-	205,000	-	-	-	205,000
Deferred miscellaneous revenue	-	-	-	-	-	28,854	-	28,854
Deferred property tax revenue	500,228	-	-	-	-	158,192	536,689	1,195,109
Total liabilities	509,432	304,737	-	289,259	-	197,492	537,306	1,838,226
FUND BALANCE								
Nonspendable	-	53,165	-	-	-	519	-	53,684
Restricted for:								
General government	11,172	-	-	-	-	-	-	11,172
Public safety	-	-	2,417	-	-	-	-	2,417
Highways and streets	-	147,248	-	-	-	-	-	147,248
Culture and recreation	-	-	-	-	13,931	-	-	13,931
Debt service	-	-	-	-	-	-	29,375	29,375
Committed for:								
Culture and recreation	-	-	-	-	-	34,152	-	34,152
Unassigned (deficit)	-	-	-	(238,285)	-	-	-	(238,285)
Total fund balance (deficit)	11,172	200,413	2,417	(238,285)	13,931	34,671	29,375	53,694
Total Liabilities and Fund Balance	\$ 520,604	\$ 505,150	\$ 2,417	\$ 50,974	\$ 13,931	\$ 232,163	\$ 566,681	\$ 1,891,920

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended April 30, 2012

	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	\$ 469,690	\$ -	\$ -	\$ 168,464	\$ -	\$ -	\$ -	\$ 154,630	\$ 522,215	\$ 1,314,999
Mobile home privilege tax	721	-	-	-	-	-	-	245	820	1,786
Replacement income tax	48,335	-	-	-	-	-	-	-	-	48,335
Other governmental agencies	-	628,280	10,000	-	-	-	-	-	-	638,280
Licenses, permits and fees	-	-	-	-	-	-	-	296,650	-	296,650
Interest income	106	77	-	48	2	-	-	180	128	541
Private donations and contributions	-	-	-	-	-	-	-	24,869	-	24,869
Employer and employee contributions	543,903	-	-	-	-	-	-	-	-	543,903
Net increase (decrease) in fair value of investments	-	1,520	-	-	(27)	-	-	-	-	1,493
Miscellaneous income	696	13,847	2,160	-	-	-	-	5,355	-	22,058
Total revenues	<u>1,063,451</u>	<u>643,724</u>	<u>12,160</u>	<u>168,512</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>481,929</u>	<u>523,163</u>	<u>2,892,914</u>
Expenditures:										
General government	1,533,960	-	-	-	-	-	-	-	-	1,533,960
Public safety	-	-	11,000	-	-	-	11,550	-	-	22,550
Highways and streets	-	855,473	-	-	-	-	-	-	-	855,473
Culture and recreation	-	-	-	-	-	-	-	498,765	-	498,765
Economic development and assistance	-	-	-	420,227	-	-	-	-	-	420,227
Principal	-	-	-	-	-	-	-	-	365,000	365,000
Interest	-	-	-	409	-	-	-	-	304,759	305,168
Issuance costs	-	-	-	-	-	-	-	-	23,696	23,696
Total expenditures	<u>1,533,960</u>	<u>855,473</u>	<u>11,000</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>11,550</u>	<u>498,765</u>	<u>693,455</u>	<u>4,024,839</u>
Excess of revenues over (under) expenditures	<u>(470,509)</u>	<u>(211,749)</u>	<u>1,160</u>	<u>(252,124)</u>	<u>(25)</u>	<u>-</u>	<u>(11,550)</u>	<u>(16,836)</u>	<u>(170,292)</u>	<u>(1,131,925)</u>
Other Financing Sources (Uses):										
Transfers in	490,000	-	-	-	-	-	-	36,000	143,648	669,648
Transfers out	(3,331)	(24,421)	-	-	-	-	-	-	(6,788)	(34,540)
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	950,000	950,000
Bond premium	-	-	-	-	-	-	-	-	34,868	34,868
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(955,000)	(955,000)
Total other financing sources (uses)	<u>486,669</u>	<u>(24,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>166,728</u>	<u>664,976</u>

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended April 30, 2012

	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
Excess of revenues and other financing sources over (under) expenditures and other financing uses	16,160	(236,170)	1,160	(252,124)	(25)	-	(11,550)	19,164	(3,564)	(466,949)
Fund balance (deficit), beginning of year	(4,988)	409,302	1,257	13,839	13,956	12,698	11,550	15,507	32,939	506,060
Prior period adjustment	-	27,281	-	-	-	-	-	-	-	27,281
Reclassification adjustment	-	-	-	-	-	(12,698)	-	-	-	(12,698)
Fund balance (deficit), beginning of year, as restated	(4,988)	436,583	1,257	13,839	13,956	-	11,550	15,507	32,939	520,643
Fund Balance (Deficit), End of Year	\$ 11,172	\$ 200,413	\$ 2,417	\$ (238,285)	\$ 13,931	\$ -	\$ -	\$ 34,671	\$ 29,375	\$ 53,694

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, 2012

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
Revenues:				
Property taxes	\$ 469,734	\$ 469,734	\$ 469,690	\$ (44)
Mobile home taxes	1,000	1,000	721	(279)
Replacement income tax	52,673	52,673	48,335	(4,338)
Employee contributions:				
Illinois municipal retirement	178,734	178,734	170,935	(7,799)
Group medical insurance	87,015	87,015	93,191	6,176
Social security	359,497	359,497	268,608	(90,889)
Employer contributions:				
Group medical insurance	11,983	11,983	11,169	(814)
Interest income	200	200	106	(94)
Miscellaneous income	500	500	696	196
Total revenues	<u>1,161,336</u>	<u>1,161,336</u>	<u>1,063,451</u>	<u>(97,885)</u>
Expenditures:				
General Government:				
Human Resources:				
Personnel services	62,776	62,776	62,975	(199)
Commodities	850	850	583	267
Contractual services	41,234	41,234	40,190	1,044
Capital outlay	1,900	1,900	1,912	(12)
	<u>106,760</u>	<u>106,760</u>	<u>105,660</u>	<u>1,100</u>
Employee Benefits:				
Personnel services	<u>1,631,601</u>	<u>1,631,601</u>	<u>1,428,300</u>	<u>203,301</u>
Total expenditures	<u>1,738,361</u>	<u>1,738,361</u>	<u>1,533,960</u>	<u>204,401</u>
Excess of revenues over (under) expenditures	<u>(577,025)</u>	<u>(577,025)</u>	<u>(470,509)</u>	<u>106,516</u>
Other Financing Sources (Uses):				
Transfers in	578,000	578,000	490,000	(88,000)
Transfers out	-	-	(3,331)	(3,331)
Total other financing sources (uses)	<u>578,000</u>	<u>578,000</u>	<u>486,669</u>	<u>(91,331)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 975	\$ 975	16,160	\$ 15,185
Fund balance (deficit), beginning of year			<u>(4,988)</u>	
Fund Balance, End of Year			<u>\$ 11,172</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Motor fuel tax allotments	\$ 550,086	\$ 634,442	\$ 628,280	\$ (6,162)
Interest income	500	500	77	(423)
Contingencies	-	16,500	13,847	(2,653)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>1,520</u>	<u>1,520</u>
Total revenues	<u>550,586</u>	<u>651,442</u>	<u>643,724</u>	<u>(7,718)</u>
Expenditures:				
Highways and Streets:				
Personnel services	29,776	29,776	25,379	4,397
Commodities	156,000	156,000	172,764	(16,764)
Contractual services	83,000	83,000	13,373	69,627
Capital outlay	<u>475,000</u>	<u>728,000</u>	<u>643,957</u>	<u>84,043</u>
Total expenditures	<u>743,776</u>	<u>996,776</u>	<u>855,473</u>	<u>141,303</u>
Excess of revenues over (under) expenditures	<u>(193,190)</u>	<u>(345,334)</u>	<u>(211,749)</u>	<u>133,585</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(24,421)</u>	<u>25,579</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (193,190)</u>	<u>\$ (395,334)</u>	<u>(236,170)</u>	<u>\$ 159,164</u>
Fund balance, beginning of year			409,302	
Prior period adjustment			<u>27,281</u>	
Fund balance, beginning of year, as restated			<u>436,583</u>	
Fund Balance, End of Year			<u>\$ 200,413</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 1	\$ 1	\$ -	\$ (1)
Offender payments	1,300	1,300	2,160	860
Other state grants	-	-	10,000	10,000
Miscellaneous income	<u>4,138</u>	<u>4,138</u>	<u>-</u>	<u>(4,138)</u>
Total revenues	<u>5,439</u>	<u>5,439</u>	<u>12,160</u>	<u>6,721</u>
Expenditures:				
Public Safety:				
Personnel services	4,138	4,138	-	4,138
Contractual services	1,000	11,000	1,000	10,000
Capital outlay	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total expenditures	<u>5,138</u>	<u>15,138</u>	<u>11,000</u>	<u>4,138</u>
Excess of revenues over (under) expenditures	<u>\$ 301</u>	<u>\$ (9,699)</u>	1,160	<u>\$ 10,859</u>
Fund balance, beginning of year			<u>1,257</u>	
Fund Balance, End of Year			<u>\$ 2,417</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Property taxes	\$ 150,000	\$ 168,500	\$ 168,464	\$ (36)
Interest income	<u>125</u>	<u>125</u>	<u>48</u>	<u>(77)</u>
Total revenues	<u>150,125</u>	<u>168,625</u>	<u>168,512</u>	<u>(113)</u>
Expenditures:				
Economic Development and Assistance:				
Contractual services:				
Audit and accounting services	750	750	700	50
Other consulting services	<u>2,500</u>	<u>2,500</u>	<u>2,341</u>	<u>159</u>
	<u>3,250</u>	<u>3,250</u>	<u>3,041</u>	<u>209</u>
Capital outlay:				
Rebate to taxing bodies	30,000	30,000	33,693	(3,693)
TIF grants	86,875	116,875	109,533	7,342
TIF public improvements	<u>30,000</u>	<u>440,000</u>	<u>273,960</u>	<u>166,040</u>
	<u>146,875</u>	<u>586,875</u>	<u>417,186</u>	<u>169,689</u>
Total economic development and assistance	<u>150,125</u>	<u>590,125</u>	<u>420,227</u>	<u>169,898</u>
Debt Service:				
Interest	<u>-</u>	<u>-</u>	<u>409</u>	<u>(409)</u>
Total expenditures	<u>150,125</u>	<u>590,125</u>	<u>420,636</u>	<u>169,489</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (421,500)</u>	<u>(252,124)</u>	<u>\$ 169,376</u>
Fund balance, beginning of year			<u>13,839</u>	
Fund Balance, End of Year			<u>\$ (238,285)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 30	\$ 30	\$ 2	\$ (28)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>(27)</u>
Total revenues	<u>30</u>	<u>30</u>	<u>(25)</u>	<u>(55)</u>
Expenditures:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ 30</u>	<u>\$ 30</u>	(25)	<u>\$ (55)</u>
Fund balance, beginning of year			<u>13,956</u>	
Fund Balance, End of Year			<u>\$ 13,931</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative) Final Budget</u>
RECEIPTS				
Revenues:				
Property taxes	\$ 154,596	\$ 154,596	\$ 154,630	\$ 34
Mobile home taxes	-	-	245	245
Ogden Brainard Trust contribution	8,000	8,000	8,869	869
Charleston Township Park District contribution	7,500	7,500	7,500	-
Charleston Township contribution	8,500	8,500	8,500	-
Interest income	1,000	1,000	180	(820)
Concessions	100	100	-	(100)
Rentals	350	350	1,000	650
Brochure advertising	2,000	2,000	1,285	(715)
Recreation programs fees	168,465	168,465	187,148	18,683
Putt-N-Swing	9,900	9,900	-	-
Swimming pool	126,450	126,450	115,686	-
Miscellaneous income	<u>1,100</u>	<u>1,100</u>	<u>792</u>	<u>(308)</u>
Total revenues	<u>487,961</u>	<u>487,961</u>	<u>485,835</u>	<u>(2,126)</u>
Non-Revenue Receipts:				
Transfer from general fund	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Total receipts	<u>523,961</u>	<u>523,961</u>	<u>521,835</u>	<u>(2,126)</u>
DISBURSEMENTS				
Culture and Recreation:				
Administration	342,028	342,028	211,044	130,984
Recreation programs fees	-	-	118,859	(118,859)
Swimming pool	172,033	172,033	173,846	(1,813)
Putt-N-Swing	<u>9,900</u>	<u>9,900</u>	<u>683</u>	<u>9,217</u>
Total disbursements	<u>523,961</u>	<u>523,961</u>	<u>504,432</u>	<u>19,529</u>
Non-Expense Disbursements:				
Loan repayment to general fund	<u>-</u>	<u>-</u>	<u>452</u>	<u>(452)</u>
Excess of Receipts (Disbursements)	<u>\$ -</u>	<u>\$ -</u>	<u>16,951</u>	<u>\$ 16,951</u>
Cash and investments, beginning of year			<u>56,501</u>	
Cash and Investments, End of Year			<u>\$ 73,452</u>	

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

April 30, 2012

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total Non-Major Pension Trust Funds</u>
ASSETS			
Cash	\$ 552,724	\$ 391,375	\$ 944,099
Receivables:			
Interest	45,802	38,676	84,478
Members	-	976	976
Due from other funds	<u>10,514</u>	<u>9,746</u>	<u>20,260</u>
Total receivables	<u>56,316</u>	<u>49,398</u>	<u>105,714</u>
Investments, at fair value:			
Federal government obligations	3,589,067	3,108,943	6,698,010
State and local obligations	300,208	-	300,208
Mutual funds	1,585,260	1,288,871	2,874,131
Common stock	4,288,317	3,622,605	7,910,922
Corporate bonds	2,095,830	1,800,976	3,896,806
Certificates of deposit	<u>-</u>	<u>320,957</u>	<u>320,957</u>
Total investments	<u>11,858,682</u>	<u>10,142,352</u>	<u>22,001,034</u>
Total assets	<u>12,467,722</u>	<u>10,583,125</u>	<u>23,050,847</u>
LIABILITIES			
Accounts payable	<u>5,603</u>	<u>2,334</u>	<u>7,937</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$ 12,462,119</u>	<u>\$ 10,580,791</u>	<u>\$ 23,042,910</u>

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN
 NET ASSETS - NON-MAJOR PENSION TRUST FUNDS
 For the Year Ended April 30, 2012

	Firefighters' Pension Fund	Police Pension Fund	Total Non-Major Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 806,563	\$ 700,017	\$ 1,506,580
Plan members	<u>147,607</u>	<u>178,287</u>	<u>325,894</u>
Total contributions	<u>954,170</u>	<u>878,304</u>	<u>1,832,474</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	158,781	235,774	394,555
Interest	170,627	137,381	308,008
Dividends	<u>130,882</u>	<u>113,162</u>	<u>244,044</u>
	460,290	486,317	946,607
Less investment expense	<u>(54,930)</u>	<u>(52,654)</u>	<u>(107,584)</u>
Net investment income	<u>405,360</u>	<u>433,663</u>	<u>839,023</u>
Other additions	<u>1,319</u>	<u>1,177</u>	<u>2,496</u>
Total additions	<u>1,360,849</u>	<u>1,313,144</u>	<u>2,673,993</u>
Deductions:			
Benefits	1,305,458	1,095,788	2,401,246
Refunds of contributions	35,436	30,651	66,087
Administration expenses	<u>21,222</u>	<u>29,523</u>	<u>50,745</u>
Total deductions	<u>1,362,116</u>	<u>1,155,962</u>	<u>2,518,078</u>
Net increase (decrease)	(1,267)	157,182	155,915
Net assets, beginning of year	<u>12,463,386</u>	<u>10,423,609</u>	<u>22,886,995</u>
Net Assets, End of Year	<u>\$ 12,462,119</u>	<u>\$ 10,580,791</u>	<u>\$ 23,042,910</u>

CITY OF CHARLESTON, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES - PLAYGROUND AND RECREATION AFFILIATE FUNDS
 For the Year Ended April 30, 2012

	Balance 4/30/2011	Receipts	Disbursements	Balance 4/30/2012
ASSETS				
Cash	\$ 132,095	\$ 337,961	\$ 289,436	\$ 180,620
Investments	-	7,068	-	7,068
 Total Assets	 \$ 132,095	 \$ 345,029	 \$ 289,436	 \$ 187,688
LIABILITIES				
Amounts due to affiliate organizations:				
Girl's softball	\$ 4,996	\$ 10,887	\$ 9,084	\$ 6,799
Boy's baseball	20,453	17,388	20,018	17,823
Boy's baseball payroll	132	19,501	9,760	9,873
Penguins swim club	4,539	10,185	7,059	7,665
5th quarter	2,999	2	318	2,683
Wrestling club	1,568	4,742	2,536	3,774
Dog activity club	6,834	3,337	1,706	8,465
Boy's baseball concessions	3,340	34,734	33,412	4,662
Community band memorial fund	1,175	1,566	777	1,964
Charleston windrunners running	678	-	-	678
Officials payroll account	739	7,220	7,058	901
Weightlifting club	1,791	3,831	2,004	3,618
Team knock out volleyball	1,845	25,688	25,936	1,597
Junior football league	24,177	59,674	43,814	40,037
Red, white & blue days	55,233	53,115	51,250	57,098
Christmas in the heart of Charleston	952	3,274	3,018	1,208
Tree commission	644	500	314	830
Charleston youth soccer program	-	89,385	71,372	18,013
 Total Amount Due to Affiliate Organizations	 \$ 132,095	 \$ 345,029	 \$ 289,436	 \$ 187,688

ADDITIONAL INFORMATION

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF OPERATING REVENUES AND EXPENSES
OF THE WASTE WATER TREATMENT PLANT
For the Year Ended April 30, 2012

Operating Revenues:	
Sewer service charges	\$ 2,660,075
Sewer permits	3,099
Sewer dump fee	7,425
Miscellaneous	<u>7,075</u>
	<u>2,677,674</u>
Operating Expenses:	
Information technology	2,396
City garage	33,133
Utility department	426,049
Waste water treatment plant	777,351
Accounting	222,040
Depreciation	<u>533,966</u>
	<u>1,994,934</u>
Net Operating Income	<u>\$ 682,740</u>

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF OPERATING REVENUES AND EXPENSES
OF THE WATER TREATMENT PLANT
For the Year Ended April 30, 2012

Operating Revenues:	
Water service charges	\$ 2,660,075
Water permits	3,099
Miscellaneous	<u>7,075</u>
	<u>2,670,249</u>
Operating Expenses:	
Information technology	2,396
City garage	33,133
Utility department	426,049
Water treatment plant	817,869
Accounting	222,040
Depreciation	<u>533,966</u>
	<u>2,035,452</u>
Net Operating Income	<u>\$ 634,797</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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
May	6,893	7,071	46,976	47,322	43,387	42,563	34,136	35,560	129,400	83,300
June	7,059	7,016	46,380	44,185	41,708	39,773	32,306	33,942	106,400	117,000
July	6,771	6,960	52,044	47,262	47,462	42,458	39,285	33,030	92,500	107,200
August	7,428	7,220	55,041	56,500	50,375	51,643	38,698	37,962	59,400	74,900
September	6,919	6,990	52,863	54,140	48,586	49,466	41,509	43,344	64,200	59,700
October	6,888	6,936	52,405	54,299	48,496	50,296	37,504	42,485	76,600	58,500
November	6,910	6,898	45,215	45,445	41,692	41,475	36,492	37,437	100,400	71,300
December	6,876	6,921	43,046	46,197	39,866	42,525	36,042	33,497	153,400	78,600
January	6,898	6,894	47,713	47,198	44,276	43,846	34,531	35,612	132,100	44,800
February	6,916	6,885	44,836	47,560	40,951	43,826	33,974	36,050	123,300	106,200
March	6,875	6,888	46,486	45,087	42,158	41,405	31,489	31,313	103,600	150,200
April	6,838	6,883	47,536	49,440	43,849	45,734	34,070	37,330	109,200	141,600
	<u>83,271</u>	<u>83,562</u>	<u>580,541</u>	<u>584,635</u>	<u>532,806</u>	<u>535,010</u>	<u>430,036</u>	<u>437,562</u>	<u>1,250,500</u>	<u>1,093,300</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, 2012

Rates Effective				
After 5-1-11	5-1-10 to 4-30-11	5-1-09 to 4-30-10	5-1-08 to 4-30-09	5-1-07 to 4-30-08

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

First	1,000 gallons	\$ 11.65		\$ 11.14		\$ 10.65		\$ 9.96		\$ 9.14
Next	9,000 gallons	11.65 Per M		11.14 Per M		10.65 Per M		9.96 Per M		9.14 Per M
Over	10,000 gallons	11.21 " "		10.72 " "		10.25 " "		9.58 " "		8.79 " "

WATER SERVICE ONLY - IN CORPORATE LIMITS

First	1,000 gallons	\$ 10.55		\$ 10.10		\$ 9.66		\$ 9.03		\$ 8.28
Next	9,000 gallons	10.55 Per M		10.10 Per M		9.66 Per M		9.03 Per M		8.28 Per M
Over	10,000 gallons	9.70 " "		9.28 " "		8.87 " "		8.29 " "		7.61 " "

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 5-1-07	8.79 Per M
Effective 5-1-08	9.58 " "
Effective 5-1-09	10.25 " "
Effective 5-1-10	10.72 " "
Effective 5-1-11	11.21 " "

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

Rates effective 5-1-11 by ordinance 11-O-10

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, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Valuation	<u>\$ 186,020,763</u>	<u>\$ 185,220,108</u>	<u>\$ 181,660,338</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>\$ 16,044,291</u>	<u>\$ 15,975,234</u>	<u>\$ 15,668,204</u>
Total Debt:			
General obligation debt:			
Bonds	12,930,000	13,710,000	14,470,000
Notes payable	<u>7,301,744</u>	<u>5,415,175</u>	<u>2,692,687</u>
	<u>20,231,744</u>	<u>19,125,175</u>	<u>17,162,687</u>
Less bonds exempt from debt limitation computation	<u>(6,140,000)</u>	<u>(6,550,000)</u>	<u>(6,965,000)</u>
	<u>14,091,744</u>	<u>12,575,175</u>	<u>10,197,687</u>
Legal Debt Margin	<u>\$ 1,952,547</u>	<u>\$ 3,400,059</u>	<u>\$ 5,470,517</u>

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

	Tax Levy Year		
	2011	2010	2009
Assessed Valuation	<u>\$ 186,020,763</u>	<u>\$ 185,220,108</u>	<u>\$ 181,660,338</u>
Tax Rates:			
General corporate	0.02636	0.00054	0.09331
IMRF	0.15709	0.14553	0.13329
Fire protection	0.09773	0.09750	0.10717
Firemen's pension	0.38631	0.39883	0.28790
Police protection	0.05177	0.05094	0.05599
Police pension	0.35808	0.34493	0.25325
Library	0.18857	0.18702	0.19034
Garbage	0.00064	0.00054	0.01494
Judgment	0.26737	0.26488	0.28630
Street lighting	0.04913	0.04960	0.04799
Playground and recreation	0.08504	0.08409	0.08531
Emergency services	0.00056	0.00054	0.00111
Social security	0.11075	0.10887	0.11730
Ambulance service	0.04622	0.04609	0.05066
Unemployment insurance	0.00107	0.00108	0.00108
General obligation bonds - 2005 series	<u>0.28851</u>	<u>0.28405</u>	<u>0.28601</u>
 Total	 <u>2.11584</u>	 <u>2.06557</u>	 <u>2.01889</u>

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

	Tax Levy Year		
	2011	2010	2009
Taxes Extended:			
General corporate	\$ 49,898	\$ 1,000	\$ 169,507
Street and bridge *	127,435	126,263	121,005
IMRF	297,360	269,551	242,135
Fire protection	184,996	180,590	194,685
Firemen's pension	731,257	738,713	523,000
Police protection	97,997	94,351	101,712
Police pension	677,820	638,880	460,055
Library	356,949	346,399	345,772
Garbage	1,211	1,000	27,140
Audit	1,211	1,000	12,607
Judgment	506,112	490,611	520,093
Street lighting	93,000	91,869	87,178
Playground and recreation	160,975	155,752	154,974
Emergency services	1,060	1,000	2,016
Social security	209,642	201,649	213,087
Ambulance service	87,491	85,368	92,029
Unemployment insurance	2,025	2,000	1,962
General obligation bonds - 2005 series	<u>546,129</u>	<u>526,118</u>	<u>519,566</u>
 Total	 <u>\$ 4,132,568</u>	 <u>\$ 3,952,114</u>	 <u>\$ 3,788,523</u>
Net Taxes Collected:			
Municipal levy		\$ 3,797,507	\$ 3,660,020
City's share of township road and bridge		125,524	120,781
Tax increment finance		<u>168,464</u>	<u>150,015</u>
 Total		 <u>\$ 4,091,495</u>	 <u>\$ 3,930,816</u>
 Percent Collected		 103.53%	 103.76%

* Includes City share of township road and bridge tax.

FEDERAL FINANCIAL COMPLIANCE SECTION

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2012

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	10-240002	14.228	<u>\$ 406,556</u>
U.S. Department of Housing and Urban Development pass through Illinois Housing Development Authority	HOME Investments Partnerships Program	HO-50215	14.239	<u>323,718</u>
U.S. Department of Justice	Bulletproof Vest Partnership Program	n/a	16.607	<u>3,359</u>
U.S. Department of Transportation pass through Illinois Department of Transportation	Alcohol Impaired Driving Countermeasures Incentive Grants	AL1-1010-247 AL2-1010-189	20.601 20.601	<u>6,473</u> <u>5,062</u> <u>11,535</u>
Environmental Protection Agency pass through Illinois Environmental Protection Agency	Nonpoint Source Implementation Grant	3190815	66.460	<u>1,845</u>
U.S. Department of Energy pass through Illinois Department of Commerce and Economic Opportunity pass through Illinois Association of Regional Councils	ARRA-Energy Efficiency and Conservation Block Grant	09-451001	81.128	<u>140,077</u>
U.S. Department of Health and Human Services	Early Retiree Reinsurance Program	n/a	93.546	<u>83,935</u>
U.S. Department of Homeland Security	Assistance to Firefighters Grant	EMW-2009-FO-00179	97.044	<u>17,010</u>
U.S. Department of Homeland Security pass through Illinois Emergency Management Agency	Interoperable Communications and Training Project	n/a	97.124	<u>486</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>18,714</u> <u>\$ 1,007,235</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. For the fiscal year ending April 30, 2012, \$323,718 had been spent.

NOTE C - FEMA GRANTS

Grant EMW-2009-FO-00179 of \$17,010 was awarded for the period December 18, 2011 to December 17, 2012 for the purchase of equipment. For the fiscal year ending April 30, 2012, \$17,010 had been spent.

NOTE D - COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM

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. For the fiscal year ending April 30, 2011, \$9,000 had been spent. For the fiscal year ending April 30, 2012, \$406,556 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. For the fiscal year ending April 30, 2012, \$83,935 was received and spent.

NOTE F - ENERGY

Grant #09-451001 of \$140,077 was awarded for the period June 1, 2011 to May 31, 2012 for energy improvements. For the fiscal year ending April 30, 2012, \$140,077 had been spent.

NOTE G – SUBRECIPIENTS

No amount was provided to subrecipients by the City.

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

NOTE H - INSURANCE COVERAGE

The City had the following insurance policies in force at April 30, 2012 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

Blanket limit, all risk	\$ 54,362,239
City 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
Time element coverage	\$ 1,000,000
Business income coverage	\$ 100,000
Deductible per occurrence	\$ 1,000

General Liability

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

Crime

Employee dishonesty limit	\$ 50,000
Forgery or alterations	\$ 50,000
Computer fraud coverage	\$ 10,000
Deductible per occurrence	\$ 500
Theft, disappearance, and destruction	\$ 50,000 inside
	\$ 50,000 outside
Deductible per occurrence	\$ 500

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

Boiler and Machinery	
Per accident	\$ 54,362,239
Deductible per occurrence	\$ 5,000
Extra expense	\$ 500,000
Inland Marine	
Computer hardware, software, related equipment	\$ 250,000
Media expense	Included
Extra expense	Included
Camera's, projectors, film & related equipment	Included
Property in transit	\$ 2,500
Property at any unnamed premises	\$ 100,000
Accounts receivable coverage	\$ 250,000
Valuable papers and records coverage	\$ 250,000
Volunteer emergency services portable equipment	\$ 355,306
Contractor's equipment coverage	\$ 2,884,173
Miscellaneous property coverage	\$ 229,897
Builder's risk limit – vocational trades	\$ 1,000,000
Signs – inside/outside	\$ 10,000
Fine arts	\$ 25,000
Deductible per occurrence	\$ 100
Commercial Auto	
Bodily injury and property damage liability	\$ 1,000,000
Medical payments	\$ 5,000
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
SIR	\$ 10,000
General liability	\$ 1,000,000
Automotive liability	\$ 1,000,000
Public officials liability	\$ 1,000,000
Police professional liability	\$ 1,000,000
Employee benefits liability	Included
Sexual misconduct and molestation	Included
Public Officials Liability	
Aggregate limit	\$ 1,000,000
Each occurrence limit	\$ 1,000,000
Deductible per occurrence	\$ 10,000
ELPI deductible	\$ 10,000
Police Professional Liability	
Aggregate limit	\$ 1,000,000
Each occurrence limit	\$ 1,000,000
Deductible per occurrence	\$ 10,000

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2012

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Charleston, Illinois.
2. One significant deficiency was 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 programs tested as major programs were Community Development Block Grants, CFDA #14.228 and HOME Investments Partnerships Program, CFDA #14.239.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Charleston, Illinois, was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

2012-1 Condition: Restatement of previously issued financial statements was needed to correct a material misstatement of inventory.

Criteria: Financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

Cause: City did not reflect the correct inventory balances at prior year-end.

Effect: The City's internal control did not detect the error; and, therefore, the inventory was materially misstated.

Recommendation: The error was corrected by restating the previously issued financial statements and the City's reporting of inventory is now correct.

Management Response: We agree with the auditors' comments and have corrected our inventory records.

CITY OF CHARLESTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2012

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR AUDIT FINDINGS

None