

CITY OF CHARLESTON, ILLINOIS

FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

## TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT .....	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	6
 GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position .....	20
Statement of Activities.....	22
 FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds.....	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	25
Reconciliation of the Component Unit Balance Sheet to the Statement of Net Position.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Component Unit to the Statement of Activities .....	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund .....	32
Statement of Net Position – Proprietary Funds .....	36
Reconciliation of Enterprise Fund Net Position to the Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	39
Reconciliation of Enterprise Fund Change in Net Position to the Statement of Activities .....	40
Statement of Changes in Cash Flows – Proprietary Funds .....	41
Statement of Net Position – Fiduciary Funds.....	43
Statement of Changes in Net Position – Fiduciary Funds .....	44
Notes to Financial Statements .....	45
 REQUIRED SUPPLEMENTARY INFORMATION	
Required Supplementary Information – Schedules of Funding Progress.....	72

## COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

Combining Balance Sheet – Non-Major Governmental Funds .....	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds.....	74
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Employee Benefits Fund .....	75
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Motor Fuel Tax Fund .....	76
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Drug Traffic Prevention Fund.....	77
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Tax Increment Financing Fund .....	78
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Recreational Land Fund .....	79
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Playground and Recreation Fund .....	80
Combining Statement of Net Position – Non-Major Pension Trust Funds.....	81
Combining Statement of Changes in Net Position – Non-Major Pension Trust Funds.....	82
Combining Statement of Changes in Assets and Liabilities - Playground and Recreation Affiliate Funds.....	83

## ADDITIONAL INFORMATION

Schedule of Operating Revenues and Expenses of the Waste Water Treatment Plant.....	84
Schedule of Operating Revenues and Expenses of the Water Treatment Plant.....	85
Water and Sewer Fund – Water Bills, Water Pumped and Water Sales.....	86
Water and Sewer Fund – Combined Water and Sewerage Service Rates - Monthly .....	87
Legal Debt Margin .....	88
Assessed Valuation, Tax Rates, Taxes Extended and Collected .....	89

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners  
City of Charleston  
Charleston, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of April 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note A to the financial statements, in 2013 the City adopted new accounting guidance, Statements of Governmental Accounting Standards (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19 and the schedules of funding progress on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charleston, Illinois' basic financial statements. 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 basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 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* in considering City of Charleston, Illinois' internal control over financial reporting and compliance.

*Gilbert, Metzger & Madigan, LLP*

November 20, 2013

**GILBERT, METZGER & MADIGAN, LLP**  
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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Charleston, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Charleston, Illinois' basic financial statements and have issued our report thereon dated November 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Charleston, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Charleston, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Charleston, Illinois' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below:

2013-1 Cash Deposits – The City’s investment policy requires that all amounts deposited or invested with financial institutions in excess of any insurance limit be collateralized by securities held by the financial institution in the City’s name. At April 30, 2013, \$158,295.60 of cash deposits at First Neighbor Bank were not covered by federal depository insurance and there was an inadequate amount of collateral pledged. These bank balances would be exposed if the financial institution failed. The City should monitor cash balances at each financial institution and ensure the City’s assets are protected from custodial credit risk.

Management’s Response – We agree with the auditors’ comments and the following action will be taken immediately. Monthly reports on collateral pledged will be requested from all financial institutions with City deposits in excess of the insured threshold of \$250,000.

### **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 Findings**

City of Charleston, Illinois’ response to the findings identified in our audit is described above. City of Charleston, Illinois’ response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gilbert, Metzger & Madigan, LLP*

November 20, 2013

**City of Charleston, Illinois  
Management's Discussion and Analysis  
For the Fiscal Year Ended April 30, 2013**

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 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements which begin on page 20.

**Financial Highlights**

- At April 30, 2013, the City's total assets exceeded its liabilities by \$46 million. In accordance with governmental accounting standards, this includes all of the City's infrastructure assets (net of depreciation).
- Most of the City's net position consists of \$39.2 million in capital assets, net of related debt. Restricted net position of \$1.2 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining amount of \$5.6 million in unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- Revenues of \$19.8 million during the year exceeded expenses of \$19 million, increasing the City's total net position by \$870,235. The increase in net position consists of a \$432,133 increase in net position of the City's governmental activities and a \$438,102 increase in net position 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 \$10.6 million, a \$5 million increase from the prior year balances of \$5.6 million. The primary component of this increase was bond proceeds in the debt service fund.
- Approximately \$4.1 million (or 39%) of the total fund balance in governmental funds is available for spending at the government's discretion (unassigned). Unassigned fund balance increased \$187,170 from prior year. Of the restricted fund balances, 81% (\$5 million) is restricted for debt service, 11% (\$720,244) is restricted for urban development and housing and 6% (\$400,587) is restricted for highways and streets. Governmental funds have a committed or assigned fund balance of \$205,190 and nonspendable fund balance of \$50,279.
- The City had \$26.3 million in long-term debt at the end of the year, including bonded general obligation debt of \$11.6 million and bonded alternative revenue debt of \$5.67 million. Outstanding debt increased by \$4.9 million during the year due to crossover refinancing of the 2005 General Obligation Bond (\$5 million). The 2012 GO Refunding Bonds are scheduled to retire the debt of the 2005 General Obligation Bond as they become callable, reducing the interest rates of the debt.

## **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 6<sup>th</sup> 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 Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 20-22 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 nine 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, pensions tax levy, and debt service 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 23-35 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 36-42 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 including 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 43-44 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 45-71 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information in regards to the City of Charleston’s progress in funding obligation to provide pension and other post-employment benefits to its employees. Required supplemental information can be found on page 72 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 73-83 of this report.

## Government-Wide Financial Analysis

**Net Position-** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$46 million at year ended April 30, 2013. The following table reflects the condensed Statement of Net Position of the current year as compared to the previous year.

Table 1- Statement of Net Position as of April 30, 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current assets and other	\$ 15,992,165	\$ 10,812,611	\$ 3,790,345	\$ 2,721,650	\$ 19,782,510	\$ 13,534,261
Capital assets	22,489,718	22,264,033	36,844,144	37,527,534	59,333,862	59,791,567
Total assets	<u>38,481,883</u>	<u>33,076,644</u>	<u>40,634,489</u>	<u>40,249,184</u>	<u>79,116,372</u>	<u>73,325,828</u>
<b>Liabilities:</b>						
Current liabilities	4,947,033	4,764,347	502,290	644,655	5,449,323	5,409,002
Noncurrent liabilities	14,659,115	9,868,695	12,973,655	12,884,087	27,632,770	22,752,782
Total liabilities	<u>\$ 19,606,148</u>	<u>\$ 14,633,042</u>	<u>\$ 13,475,945</u>	<u>\$ 13,528,742</u>	<u>\$ 33,082,093</u>	<u>\$ 28,161,784</u>
<b>Net position:</b>						
Net investment in capital						
assets, net of related debt	15,098,549	14,463,374	24,146,748	24,735,335	39,245,297	39,198,709
Restricted	1,224,713	1,486,557	-	-	1,224,713	1,486,557
Unrestricted	2,552,473	2,493,671	3,011,796	1,985,107	5,564,269	4,478,778
Total net position	<u>\$ 18,875,735</u>	<u>\$ 18,443,602</u>	<u>\$ 27,158,544</u>	<u>\$ 26,720,442</u>	<u>\$ 46,034,279</u>	<u>\$ 45,164,044</u>

The largest portion of the City of Charleston's net position (\$39.2 million or 85 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 position 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 \$1.2 million (3 percent) of the City's net position represents resources that are subject to external restrictions on their use. The remaining \$5.6 million (12 percent) represents unrestricted net position 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 Position summary presentation.

- Net Results of Activities- These activities will impact (increase/decrease) current assets and unrestricted net position.
- 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 position 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 position 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 position of the governmental and business-type activities.

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

Table 2- Changes in Net Position For Fiscal Year Ended April 30, 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,371,192	\$ 2,917,255	\$ 5,490,731	\$ 5,328,527	\$ 7,861,923	\$ 8,245,782
Operating grants	958,913	1,138,743	25,255	76,846	984,168	1,215,589
Capital grants	273,851	499,786	-	251,748	273,851	751,534
General revenues:						
Property taxes	3,886,818	3,760,742	-	-	3,886,818	3,760,742
Income taxes	2,066,256	1,850,248	-	-	2,066,256	1,850,248
Sales taxes	3,079,261	3,032,903	-	-	3,079,261	3,032,903
Other general revenues	1,667,793	1,542,014	61,726	46,804	1,729,519	1,588,818
<b>Total Revenues</b>	<b>\$ 14,304,084</b>	<b>\$ 14,741,691</b>	<b>\$ 5,577,712</b>	<b>\$ 5,703,925</b>	<b>\$ 19,881,796</b>	<b>\$ 20,445,616</b>
<b>Expenses:</b>						
General government	4,994,764	5,352,577	-	-	4,994,764	5,352,577
Public safety	5,437,158	5,760,366	-	-	5,437,158	5,760,366
Highways and streets	1,732,540	1,734,559	-	-	1,732,540	1,734,559
Health and welfare	102,127	88,696	-	-	102,127	88,696
Culture and recreation	790,841	744,803	-	-	790,841	744,803
Urban redevelopment and housir	708,818	654,923	-	-	708,818	654,923
Economic development and assi	105,992	187,793	-	-	105,992	187,793
Interest expense	377,163	326,381	-	-	377,163	326,381
Water and sewer	-	-	4,762,158	4,294,839	4,762,158	4,294,839
<b>Total expenses</b>	<b>\$ 14,249,403</b>	<b>\$ 14,850,098</b>	<b>\$ 4,762,158</b>	<b>\$ 4,294,839</b>	<b>\$ 19,011,561</b>	<b>\$ 19,144,937</b>
Increase (Decrease) in net position before transfers	54,681	(108,407)	815,554	1,409,086	870,235	1,300,679
Transfers	377,452	480,895	(377,452)	(480,895)	-	-
Increase (Decrease) in net positior	432,133	372,488	438,102	928,191	870,235	1,300,679
Net position - beginning	18,443,602	18,071,114	26,720,442	25,792,251	45,164,044	43,863,365
<b>Net position- ending</b>	<b>\$ 18,875,735</b>	<b>\$ 18,443,602</b>	<b>\$ 27,158,544</b>	<b>\$ 26,720,442</b>	<b>\$ 46,034,279</b>	<b>\$ 45,164,044</b>

### **Current Year Impacts- Overall Government Financial Position**

As noted in the previous chart, the City of Charleston's total net position increased \$870,235 due to a \$432,133 increase in the net position of the City's governmental activities and a \$438,102 increase in net position of business-type activities.

Net investment in capital assets increased by \$46,588 to \$39.2 million due to capital asset additions and debt retirement. Restricted net position decreased by \$261,844, while unrestricted net position increased \$1 million.

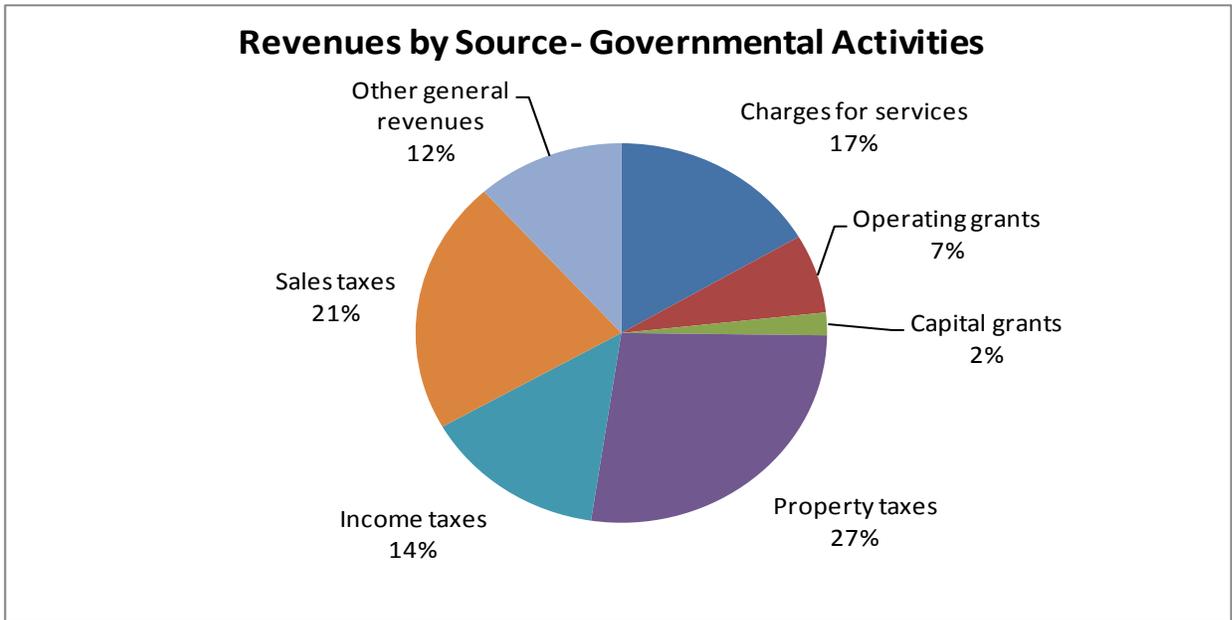
Total revenues decreased \$563,820 (3%). Expenses decreased \$133,376 (1%). Results for specific types of revenues and expenses are discussed below.

### **Governmental Activities- Revenues and Expenses**

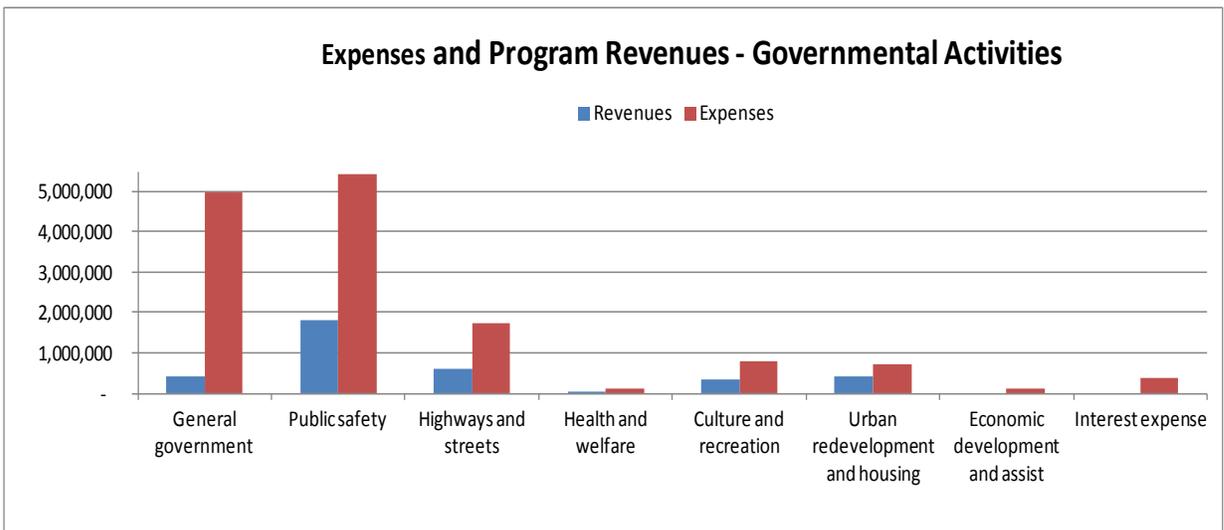
Revenues for governmental activities decreased by \$437,607 (3%) to \$14.3 million. A change in presentation of employee withholding revenue is responsible for the decrease. Charges for services for the year ending April 30, 2012 includes \$532,734 for employee withholdings. Beginning with the year ending April 30, 2013, charges for services do not include employee withholdings to better represent actual revenues. Without the change in presentation, revenues for governmental activities increased \$95,127 (1%) and charges for services decreased \$13,329. The largest increase from prior year was related to income taxes (\$216,008). Other revenue types seeing increases include property taxes (\$126,076), sales taxes (\$46,358), and other general revenues (\$125,779). The increases were offset by decreases in charges for services (\$546,063) as explained above, operating grants (\$179,830) and capital grants (\$225,935).

Total expenses for governmental activities decreased \$600,695 (4%) to \$14.25 million which is also affected by the change in presentation described in the revenue section. Beginning in the year ending April 30, 2013 employee withholdings are combined with their respective expenses to lower the government expenses by \$585,389. Without the change in presentation, expenses for governmental activities would have decreased \$15,306 (0.1%) and general government expenses increased \$227,576. Expenses in governmental activities are largely dependent on revenues. As revenues begin to recover from large declines, expenses are also being added back when necessary. Expenses increased within health and welfare (\$13,431), culture and recreation (\$46,038), urban redevelopment and housing (\$53,895), and interest expense (\$50,782). Decreases in expenses occurred within public safety (\$323,208), economic development (\$81,801), and highways and streets (\$2,019).

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 48 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**

Revenues for the City's business-type activities decreased by \$126,213 or 2%. Decreases in operating grants (\$51,591) and capital grants (\$251,748) from prior year caused the decrease. Charges for services increased \$162,204 and other general revenues increased \$14,922. In regards to charges for services, water and sewer gallons billed decreased by less than 1 percent and annual water and sewer rates increased 3.5 percent at the beginning of the year.

Expenses for the City's business-type activities increased \$467,319 from prior year. A large portion of the increase is the capital investment being made in replacement of water meters with automated meter reading devices. Approximately \$250,000 in meter supplies can be attributed to this project.

Overall, the City's net position from business-type activities increased by \$438,102. This largely resulted from a \$753,828 positive difference between program revenues and expenses of such activities. However, net transfers to other activities of \$377,452 reduced the total increase in net position from such activities to \$438,102 after interest income, gain on sale of assets, and miscellaneous income of \$61,726 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 51% 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**

At the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$10.65 million, a \$5 million (90%) increase from the prior year. More information on this and other significant changes in the balances of governmental funds is as follows:

- The Debt Service Fund increased \$5 million due to the issuance of general obligation refunding bonds. The bond proceeds were issued to refund the general obligation bonds, series 2005 which were originally for the library renovation. Refunding will begin in October 2015 and bond proceeds are held in escrow until that time.
- The General Fund ended with an increase in fund balance of \$184,365 or 3 percent. The General Fund is discussed further in the section below.
- The Employee Benefit Fund decreased \$84,361 because of a decrease in fund transfers from the General Fund and Water and Sewer Fund.
- The Tax Increment Financing Fund has decreased \$96,118 or 40% this fiscal year as several grants and planned project expenditures were paid.

Of the total fund balance for governmental funds, \$4.1 million is unassigned which indicates the funds are available to support the continued operations of the City. Unassigned fund balance increased \$187,170 from prior year. An additional \$205,190 is committed or assigned meaning the City has limited the use of funds to specific functions. Restricted fund balance of \$6.3 million is limited by legal restrictions from outside parties on how the funds may be spent. Unspendable fund balance in the amount of \$50,279 is not available for current expenditures as the funds are not in a spendable form such as inventory or loans receivable.

Additional information may be found within the Governmental Funds Balance Sheet presented on pages 23 and 24.

### **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.

Net position in the water and sewer fund increased by \$446,554 from prior year which will help offset debt service repayment.

The proprietary fund financial statements can be found on pages 36-42.

### 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 32-35 in the basic financial statements.

For the Fiscal Year Ended April 30, 2013			
General Fund	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 6,832,448	\$ 6,982,448	\$ 7,071,057
Licenses and permits	370,400	370,400	337,396
Intergovernmental revenue	601,375	853,375	784,635
Charges for services	1,520,150	1,520,150	1,422,317
Other	480,439	480,439	502,643
Total	\$ 9,804,812	\$ 10,206,812	\$ 10,118,048
Expenditures and transfers:			
Expenditures	9,238,203	9,640,203	9,460,134
Transfers	566,609	566,609	422,669
Total	\$ 9,804,812	\$ 10,206,812	\$ 9,882,803
Change in fund balance	\$ -	\$ -	\$ 235,245

The general fund actual revenues were \$88,764 less than the final budgeted amount. The actual revenue collected in the categories of taxes and other revenues were higher than the final budget by \$88,609 and \$22,204 respectively. Licenses and permits, intergovernmental revenue and charges for services finished under the final budgeted revenue amount by \$33,004, \$68,740 and \$97,833 respectively.

The general fund actual expenditures were \$324,009 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 (\$134,287), highways and streets (\$56,397), culture and recreation (\$6,754), urban and redevelopment and housing (\$95,580) and other financing sources (uses) (\$131,028). The functional areas finishing with actual expenditures greater than final budget include general government (\$16,576), health and welfare (\$18,362), and debt service (\$78,011).

### Capital Assets

As shown on the following chart, the City of Charleston had a \$59.3 million investment in capital assets of its governmental and business-type activities, net of accumulated depreciation as of April 30, 2013. A large portion (55%) of this investment represents infrastructure including roads, sidewalks, bridges, and sewers. Overall, the City's investment in capital assets decreased by 0.8% (\$457,705).

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
	Land	\$ 817,656	\$ 817,656	\$ 1,040,839	\$ 1,027,167	\$ 1,858,495
Buildings and Improvements	10,647,004	10,493,703	11,117,190	11,324,496	21,764,194	21,818,199
Vehicles, machinery and equipment	1,730,647	1,731,360	1,046,293	824,632	2,776,940	2,555,992
Infrastructure	9,040,895	8,398,482	23,588,095	24,351,239	32,628,990	32,749,721
Construction in Progress	253,516	822,832	51,727	-	305,243	822,832
	\$ 22,489,718	\$ 22,264,033	\$ 36,844,144	\$ 37,527,534	\$ 59,333,862	\$ 59,791,567

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

**Governmental activities:**

<b>Project Name</b>	<b>Additions</b>
Downtown streetscape improvements	\$ 678,268
Renovation of downtown building- 513 7th Street	299,588
Street and sidewalk improvements on Polk Avenue- 7th to 9th Street	203,605
2013 Elgin Pelican street sweeper	175,251
2013 Chevrolet G4500 Ambulance	169,850
Concession stand and restroom building at JFL Field	106,173
Creation of park downtown	80,646
E Street intersection reconstruction	78,830
Jackson Avenue sidewalk improvements	75,056
North Park parking lot resurfacing	52,749

**Business-type activities:**

<b>Project Name</b>	<b>Additions</b>
2013 Sewer Jet Vacuum Truck	\$ 252,065
Stoner Drive lift station project	83,321
Used International Dump Truck	74,232
Automated meter reading receivers, hardware and software	62,890

These additions to capital assets were offset by depreciation of \$2.5 million. Readers desiring more detailed information on capital assets activity should refer to the discussion in Note C to these financial statements on pages 55-56.

## Debt Management

The City of Charleston’s long term debt totaled \$13.5 million for governmental activities and \$12.9 million for business-type activities as of April 30, 2013.

Table 4- Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 706,397	\$ 648,305	\$ 6,872,666	\$ 6,307,172	\$ 7,579,063	\$ 6,955,477
General obligation bonds	11,545,000	6,790,000	-	-	11,545,000	6,790,000
Alternative revenue bonds	-	-	5,670,000	6,140,000	5,670,000	6,140,000
Compensated absences	1,217,099	1,221,544	315,638	327,450	1,532,737	1,548,994
	<u>\$ 13,468,496</u>	<u>\$ 8,659,849</u>	<u>\$ 12,858,304</u>	<u>\$ 12,774,622</u>	<u>\$ 26,326,800</u>	<u>\$ 21,434,471</u>

The increase in debt for governmental activities resulted from the issuance of general obligation refunding bonds. Crossover funding was used in order to take advantage of the low borrowing rates. The proceeds from the newly issued 2012 general obligation refunding bonds are being held in escrow in order to retire the 2005 general obligation bonds as soon as they are callable, beginning in 2015. Also, two new loans were issued to finance fleet purchases in the street and fire departments which increased notes payable by \$276,510. Business-type activities increased long-term debt by \$83,682. The City received funds from a note payable to finance the purchase of new equipment for the utility department (\$252,265) and automated meter reading supplies and equipment (\$745,000). No new bonded debt was issued for business-type activities.

Compensated absences represent the value of accumulated unpaid vacation of employees and an estimated value of the sick leave accumulated that may be payable upon retirement based on criteria in employment contracts and union agreements.

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.

Additional information on long term debt may be found in Note F in the Notes to the Financial Statements on pages 64-68.

## Economic Factors and Next Year’s Budget

The equalized assessed value (EAV) of taxable property in the City for the 2012 levy year grew 0.35% percent from prior year to \$186,668,104. The rate of development continues to be slower than in the past and the 2013 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, 2013 was slightly over \$560 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 1.5 percent or \$46,358 this fiscal year and sales tax revenues are expected to increase again in fiscal year 2013/2014.

The fiscal year 2013/2014 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 2013/2014 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](mailto:comptroller@co.coles.il.us)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
April 30, 2013

	Primary Government		Totals	Component Unit
	Governmental Activities	Business Type Activities		Library Fund
<b>ASSETS</b>				
Cash deposits	\$ 3,095,129	\$ 2,534,818	\$ 5,629,947	\$ 96,799
Investments	6,093,337	-	6,093,337	-
Receivables:				
Property taxes	3,881,524	-	3,881,524	369,981
Other taxes	90,056	-	90,056	-
Customers	463,444	544,189	1,007,633	-
Other	51,190	-	51,190	3,195
Interest	7,099	-	7,099	-
Due from other governmental agencies	1,588,026	-	1,588,026	26,146
Prepaid expenditures	201,677	8,844	210,521	9,475
Inventory	50,279	567,538	617,817	-
Due from component units	21,845	-	21,845	-
Internal balances	19,192	(19,192)	-	-
Restricted assets:				
Cash deposits	245,558	-	245,558	-
Grant loans receivable	23,616	-	23,616	-
Bond issuance costs, net of amortization	160,193	154,148	314,341	-
Capital assets, net of accumulated depreciation	<u>22,489,718</u>	<u>36,844,144</u>	<u>59,333,862</u>	<u>944,327</u>
Total assets	<u>38,481,883</u>	<u>40,634,489</u>	<u>79,116,372</u>	<u>1,449,923</u>
<b>LIABILITIES</b>				
Accounts payable	685,844	402,030	1,087,874	20,007
Claims payable	95,143	-	95,143	-
Accrued wages	158,079	46,784	204,863	6,133
Accrued interest	63,153	53,176	116,329	441
Deposits held for others	-	300	300	-
Due to primary government	-	-	-	21,845
Accrued compensated absences	13,269	-	13,269	-
Deferred miscellaneous revenue	50,021	-	50,021	-
Deferred property tax revenue	3,881,524	-	3,881,524	369,981
Long-term liabilities:				
Unamortized bond premium	184,823	134,790	319,613	-
Accrued compensated absences	1,217,098	315,638	1,532,736	15,098
Net pension obligation payable	741,306	-	741,306	-
Net OPEB obligation	279,271	37,532	316,803	5,179
Deferred amount on refunding, net of amortization	(14,780)	(56,971)	(71,751)	-

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
April 30, 2013

	<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	415,000	510,000	925,000	-
Due in more than one year	11,130,000	5,160,000	16,290,000	-
Capital lease payable:				
Due within one year	-	-	-	3,330
Due in more than one year	-	-	-	14,885
Notes payable:				
Due within one year	139,361	469,313	608,674	23,900
Due in more than one year	<u>567,036</u>	<u>6,403,353</u>	<u>6,970,389</u>	<u>306,033</u>
Total liabilities	<u>19,606,148</u>	<u>13,475,945</u>	<u>33,082,093</u>	<u>786,832</u>
NET POSITION				
Net investment in capital assets	15,098,549	24,146,748	39,245,297	596,179
Restricted for:				
Public safety	28,274	-	28,274	-
Highways and streets	400,587	-	400,587	-
Culture and recreation	75,608	-	75,608	179
Urban development and housing	720,244	-	720,244	-
Unrestricted	<u>2,552,473</u>	<u>3,011,796</u>	<u>5,564,269</u>	<u>66,733</u>
Total Net Position	<u>\$ 18,875,735</u>	<u>\$ 27,158,544</u>	<u>\$ 46,034,279</u>	<u>\$ 663,091</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, 2013

Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 4,994,764	\$ 276,090	\$ 40,030	\$ 83,500	\$ (4,595,144)	\$ -	\$ (4,595,144)	
Public safety	5,437,158	1,756,773	63,937	-	(3,616,448)	-	(3,616,448)	
Highways and streets	1,732,540	-	617,351	-	(1,115,189)	-	(1,115,189)	
Health and welfare	102,127	-	2,000	-	(100,127)	-	(100,127)	
Culture and recreation	790,841	279,632	44,575	30,911	(435,723)	-	(435,723)	
Urban redevelopment and housing	708,818	58,697	191,020	159,440	(299,661)	-	(299,661)	
Economic development and assistance	105,992	-	-	-	(105,992)	-	(105,992)	
Interest expense	377,163	-	-	-	(377,163)	-	(377,163)	
Total governmental activities	<u>14,249,403</u>	<u>2,371,192</u>	<u>958,913</u>	<u>273,851</u>	<u>(10,645,447)</u>	<u>-</u>	<u>(10,645,447)</u>	
Business type activities:								
Water and sewer	<u>4,762,158</u>	<u>5,490,731</u>	<u>25,255</u>	<u>-</u>	<u>-</u>	<u>753,828</u>	<u>753,828</u>	
Total primary government	<u>\$ 19,011,561</u>	<u>\$ 7,861,923</u>	<u>\$ 984,168</u>	<u>\$ 273,851</u>	<u>(10,645,447)</u>	<u>753,828</u>	<u>(9,891,619)</u>	
Component Unit: Library	<u>\$ 457,915</u>	<u>\$ 26,752</u>	<u>\$ 41,062</u>	<u>\$ -</u>				<u>\$ (390,101)</u>
General Revenues								
Taxes:								
Property taxes					3,886,818	-	3,886,818	350,790
Illinois income tax					2,066,256	-	2,066,256	-
Municipal retailers' occupation tax					3,079,261	-	3,079,261	-
Utility tax					881,705	-	881,705	-
Use tax					346,244	-	346,244	-
Replacement tax					214,497	-	214,497	18,485
Other taxes					68,782	-	68,782	-
Interest income					41,313	152	41,465	192
Gain (loss) on sale or disposal of assets					7,644	8,850	16,494	-
Net increase (decrease) in fair value of investments					9,684	-	9,684	1,270
Miscellaneous					97,924	52,724	150,648	20,716
Transfers					<u>377,452</u>	<u>(377,452)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>11,077,580</u>	<u>(315,726)</u>	<u>10,761,854</u>	<u>391,453</u>
Change in net position					432,133	438,102	870,235	1,352
Net position, beginning of year					<u>18,443,602</u>	<u>26,720,442</u>	<u>45,164,044</u>	<u>661,739</u>
Net Position, End of Year					<u>\$ 18,875,735</u>	<u>\$ 27,158,544</u>	<u>\$ 46,034,279</u>	<u>\$ 663,091</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, 2013

	<u>General Fund</u>	<u>Pensions Tax Levy Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit Library Fund</u>
<b>ASSETS</b>						
Cash deposits	\$ 2,854,490	\$ -	\$ 33,119	\$ 193,719	\$ 3,081,328	\$ 96,799
Investments	730,031	-	5,035,248	328,058	6,093,337	-
Receivables:						
Property taxes	1,410,103	1,242,668	546,210	682,543	3,881,524	369,981
Other taxes	90,056	-	-	-	90,056	-
Customers	462,942	-	-	-	462,942	-
Other	39,630	-	-	11,560	51,190	3,195
Interest	5,791	-	1,308	-	7,099	-
Due from other governmental agencies	1,328,799	27,853	-	50,532	1,407,184	26,146
Due from other funds	381,057	-	-	-	381,057	-
Restricted assets:						
Cash deposits	244,000	-	-	1,558	245,558	-
Grant loans receivable	23,616	-	-	-	23,616	-
Inventory	<u>10,994</u>	<u>-</u>	<u>-</u>	<u>39,285</u>	<u>50,279</u>	<u>-</u>
 Total Assets	 <u>\$ 7,581,509</u>	 <u>\$ 1,270,521</u>	 <u>\$ 5,615,885</u>	 <u>\$ 1,307,255</u>	 <u>\$ 15,775,170</u>	 <u>\$ 496,121</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 263,080	\$ 27,853	\$ -	\$ 394,912	\$ 685,845	\$ 20,007
Accrued wages	149,149	-	-	8,930	158,079	6,133
Accrued interest	-	-	617	-	617	-
Due to other funds	-	-	-	345,061	345,061	18,996
Accrued compensated absences	13,269	-	-	-	13,269	-
Deferred miscellaneous revenue	7,692	-	-	30,890	38,582	-
Deferred property tax revenue	<u>1,410,103</u>	<u>1,242,668</u>	<u>546,210</u>	<u>682,543</u>	<u>3,881,524</u>	<u>369,981</u>
Total liabilities	<u>1,843,293</u>	<u>1,270,521</u>	<u>546,827</u>	<u>1,462,336</u>	<u>5,122,977</u>	<u>415,117</u>

CITY OF CHARLESTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2013

	General Fund	Pensions Tax Levy Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
FUND BALANCE						
Nonspendable	10,994	-	-	39,285	50,279	-
Restricted for:						
Public safety	23,259	-	-	5,015	28,274	-
Highways and streets	244,000	-	-	156,587	400,587	-
Culture and recreation	61,645	-	-	13,963	75,608	179
Urban development and housing	720,244	-	-	-	720,244	-
Debt service	-	-	5,069,058	-	5,069,058	-
Committed for:						
Culture and recreation	-	-	-	37,661	37,661	-
Assigned for:						
Highways and streets	156,990	-	-	-	156,990	-
Culture and recreation	10,539	-	-	-	10,539	-
Unassigned (deficit)	<u>4,510,545</u>	<u>-</u>	<u>-</u>	<u>(407,592)</u>	<u>4,102,953</u>	<u>80,825</u>
Total fund balance	<u>5,738,216</u>	<u>-</u>	<u>5,069,058</u>	<u>(155,081)</u>	<u>10,652,193</u>	<u>81,004</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,581,509</u>	 <u>\$ 1,270,521</u>	 <u>\$ 5,615,885</u>	 <u>\$ 1,307,255</u>	 <u>\$ 15,775,170</u>	 <u>\$ 496,121</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 POSITION  
April 30, 2013

Total fund balance - total governmental funds		\$ 10,652,193
Amounts reported for governmental activities in the statement of net position 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 \$35,530,385 exceeded accumulated depreciation of \$13,040,667.		22,489,718
Certain prepaid expenses reported in the statement of net position are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.		188,576
Certain receivables reported in the statement of net position are not available as current financial resources and, therefore, are not reported as receivables in the governmental funds.		180,841
Bond issuance costs reported in the statement of net position are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.		160,193
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.		(62,536)
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 position:		
Current assets	\$ 49,447	
Current liabilities	<u>(123,582)</u>	(74,135)
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	\$ 184,823	
Accrued compensated absences	1,217,098	
Net pension obligation payable	741,306	
Net OPEB obligation	279,271	
Deferred amount on refunding	(14,780)	
Due within one year	554,361	
Due in more than one year	<u>11,697,036</u>	<u>(14,659,115)</u>
Net Position of Governmental Activities		<u>\$ 18,875,735</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 POSITION  
April 30, 2013

Total fund balance - component unit	\$	81,004																
<p>Amounts reported for the component unit activities in the statement of net position are different because:</p>																		
<p>Capital assets used in governmental activities are not current resources and, therefore, are not reported in the governmental funds balance sheet. This is the amount by which capital assets of \$1,295,280 exceeded accumulated depreciation of \$350,953.</p>		944,327																
<p>Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 60%;">Accrued compensated absences</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">15,098</td> <td style="width: 10%;"></td> </tr> <tr> <td>Net OPEB obligation</td> <td></td> <td style="text-align: right;">5,179</td> <td></td> </tr> <tr> <td>Due within one year</td> <td></td> <td style="text-align: right;">27,230</td> <td></td> </tr> <tr> <td>Due in more than one year</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">320,918</td> <td style="text-align: right; vertical-align: bottom;">(368,425)</td> </tr> </table>	Accrued compensated absences	\$	15,098		Net OPEB obligation		5,179		Due within one year		27,230		Due in more than one year		320,918	(368,425)		
Accrued compensated absences	\$	15,098																
Net OPEB obligation		5,179																
Due within one year		27,230																
Due in more than one year		320,918	(368,425)															
<p>Internal service funds are used by the primary government to charge the costs of various activities internally to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the primary government's statement of net position.</p>		(2,849)																
<p>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.</p>		(441)																
<p>Certain prepaid expenses reported in the statement of net position are not available as current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		9,475																
Net Position of Component Unit	\$	663,091																

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, 2013

	General Fund	Pensions Tax Levy Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Revenues:						
Property taxes	\$ 1,130,974	\$ 1,383,010	\$ 536,025	\$ 823,985	\$ 3,873,994	\$ 350,289
Mobile home privilege tax	1,437	1,983	767	941	5,128	501
Replacement income tax	17,937	141,180	-	55,380	214,497	18,485
Tourism tax	44,623	-	-	-	44,623	-
Utility tax	881,705	-	-	-	881,705	-
Fines, parking system fees, and charge for services	301,906	-	-	-	301,906	9,524
Municipal retailers' occupation tax	3,079,261	-	-	-	3,079,261	-
Illinois income tax	2,066,256	-	-	-	2,066,256	-
Use tax	346,244	-	-	-	346,244	-
Ambulance revenue	1,120,411	-	-	-	1,120,411	-
Other governmental agencies	784,635	-	-	611,862	1,396,497	-
Rental income	10,343	-	-	-	10,343	1,027
Licenses, permits and fees	337,396	-	-	279,282	616,678	6,682
Interest income	27,170	-	13,861	282	41,313	192
Private donations and contributions	124,193	-	-	50,272	174,465	14,357
Employer and employee contributions	-	-	-	10,011	10,011	-
Net increase (decrease) in fair value of investments	8,926	-	-	758	9,684	1,270
Miscellaneous income	<u>57,666</u>	<u>-</u>	<u>-</u>	<u>43,854</u>	<u>101,520</u>	<u>56,940</u>
Total revenues	<u>10,341,083</u>	<u>1,526,173</u>	<u>550,653</u>	<u>1,876,627</u>	<u>14,294,536</u>	<u>459,267</u>
Expenditures:						
General government	2,262,528	1,526,173	-	1,080,169	4,868,870	-
Public safety	5,430,947	-	-	1,000	5,431,947	-
Highways and streets	1,172,942	-	-	634,344	1,807,286	-
Health and welfare	102,127	-	-	-	102,127	-
Culture and recreation	98,546	-	-	543,882	642,428	495,952
Urban development and housing	877,326	-	-	-	877,326	-
Economic development and assistance	-	-	-	259,785	259,785	-
Debt service:						
Principal	218,418	-	390,000	-	608,418	16,869
Interest	17,303	-	328,980	2,847	349,130	14,071
Issuance costs	<u>-</u>	<u>-</u>	<u>69,153</u>	<u>-</u>	<u>69,153</u>	<u>-</u>
Total expenditures	<u>10,180,137</u>	<u>1,526,173</u>	<u>788,133</u>	<u>2,522,027</u>	<u>15,016,470</u>	<u>526,892</u>
Excess of revenues over (under) expenditures	<u>160,946</u>	<u>-</u>	<u>(237,480)</u>	<u>(645,400)</u>	<u>(721,934)</u>	<u>(67,625)</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended April 30, 2013

	General Fund	Pensions Tax Levy Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Component Unit Library Fund
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	8,578	-	-	-	8,578	-
Loan proceeds	276,510	-	-	-	276,510	-
Capital lease proceeds	-	-	-	-	-	18,750
Transfers in	121,494	-	132,163	466,000	719,657	-
Transfers out	(383,163)	-	-	-	(383,163)	-
Proceeds of refunding bonds	-	-	5,145,000	-	5,145,000	-
Total other financing sources (uses)	<u>23,419</u>	<u>-</u>	<u>5,277,163</u>	<u>466,000</u>	<u>5,766,582</u>	<u>18,750</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	184,365	-	5,039,683	(179,400)	5,044,648	(48,875)
Fund balance, beginning of year	<u>5,553,851</u>	<u>-</u>	<u>29,375</u>	<u>24,319</u>	<u>5,607,545</u>	<u>129,879</u>
Fund Balance, End of Year	<u>\$ 5,738,216</u>	<u>\$ -</u>	<u>\$ 5,069,058</u>	<u>\$ (155,081)</u>	<u>\$ 10,652,193</u>	<u>\$ 81,004</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, 2013

Net change in governmental fund balance \$ 5,044,648

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

Governmental funds report capital outlay as expenditures. However,  
in the government-wide statement of activities, the cost of those assets  
are allocated over their estimated useful lives as depreciation expense.  
This is the amount of capital assets recorded in the current period. 1,445,149

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. (1,249,442)

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net position.  
This is the amount by which contributions of capital assets of \$30,911  
exceeded disposals with a book value of \$933 in the current period. 29,978

The issuance of long-term debt provides current financial resources  
to governmental funds, but increases long-term liabilities in  
the statement of net position. (5,421,510)

Including additions to the net pension obligation payable. 87,985

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. (33,465)

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. (21,849)

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. 72,606

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. (27,377)

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, 2013

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.

Increase in accrued compensated absences expense	4,446
Increase in net OPEB obligation	(79,421)

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 position. This is the amount of principal payments.	608,418
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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>(28,033)</u>
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Change in Net Position of Governmental Activities	<u>\$ 432,133</u>
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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, 2013

Net change in component unit fund balance	\$	(48,875)
Amounts reported for the component unit activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		72,850
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(14,048)
A capital lease provides current financial resources to governmental funds, but increases long-term liabilities in the statement of position.		(18,750)
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 position on the statement of activities.		16,869
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.		
Increase in accrued compensated absences expense		(4,519)
Increase in net OPEB obligation		(356)
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.		624
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.		(1,551)
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>(892)</u>
Change in Net Position of Component Unit	\$	<u>1,352</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
General Fund:				
Revenues:				
Property taxes	\$ 634,071	\$ 634,071	\$ 634,305	\$ 234
Mobile home privilege tax	1,000	1,000	726	(274)
Replacement income tax	19,000	19,000	17,937	(1,063)
Tourism tax	38,000	38,000	44,623	6,623
Utility tax	960,000	960,000	881,705	(78,295)
Fines, parking system fees, and charges for services	357,250	357,250	301,906	(55,344)
Municipal retailers' occupation tax	3,083,928	3,083,928	3,079,261	(4,667)
Illinois income tax	1,751,408	1,901,408	2,066,256	164,848
Use tax	345,041	345,041	346,244	1,203
Ambulance revenue	1,162,900	1,162,900	1,120,411	(42,489)
Other governmental agencies	601,375	853,375	784,635	(68,740)
Rental income	10,339	10,339	10,343	4
Licenses, permits and fees	370,400	370,400	337,396	(33,004)
Interest income	43,000	43,000	27,088	(15,912)
Private donations and contributions	81,100	81,100	123,979	42,879
Net increase (decrease) in fair value of investments	-	-	8,926	8,926
Miscellaneous income	<u>48,000</u>	<u>48,000</u>	<u>47,219</u>	<u>(781)</u>
Total revenues	<u>9,506,812</u>	<u>9,908,812</u>	<u>9,832,960</u>	<u>(75,852)</u>
Expenditures:				
General Government:				
Administration, board of zoning appeals and planning, police and fire boards, and city manager	387,504	387,504	378,449	9,055
City clerk	86,396	86,396	81,619	4,777
Comptroller	128,150	128,150	127,851	299
City attorney's office	89,907	89,907	81,309	8,598
Information services	119,748	119,748	115,482	4,266
Engineering department	196,925	196,925	168,711	28,214
Contingencies	75,000	75,000	76,577	(1,577)
Parks and maintenance department	<u>443,935</u>	<u>443,935</u>	<u>514,143</u>	<u>(70,208)</u>
	<u>1,527,565</u>	<u>1,527,565</u>	<u>1,544,141</u>	<u>(16,576)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) <u>Final Budget</u>
Public Safety:				
Police protection	2,774,135	2,753,972	2,681,405	72,567
Fire protection	<u>2,811,262</u>	<u>2,811,262</u>	<u>2,749,542</u>	<u>61,720</u>
	<u>5,585,397</u>	<u>5,565,234</u>	<u>5,430,947</u>	<u>134,287</u>
Highways and Streets:				
Street department	993,053	993,053	952,829	40,224
City garage	99,286	99,286	98,808	478
Street lighting	<u>137,000</u>	<u>137,000</u>	<u>121,305</u>	<u>15,695</u>
	<u>1,229,339</u>	<u>1,229,339</u>	<u>1,172,942</u>	<u>56,397</u>
Health and Welfare:				
Public service	<u>83,765</u>	<u>83,765</u>	<u>102,127</u>	<u>(18,362)</u>
Culture and Recreation:				
Tourism	<u>103,684</u>	<u>103,684</u>	<u>96,930</u>	<u>6,754</u>
Urban Redevelopment and Housing:				
Department of commerce and economic development	417,751	417,751	379,264	38,487
Rehabilitation and community development assistance program	<u>132,992</u>	<u>555,155</u>	<u>498,062</u>	<u>57,093</u>
	<u>550,743</u>	<u>972,906</u>	<u>877,326</u>	<u>95,580</u>
Debt Service:				
Principal	132,863	132,863	218,418	(85,555)
Interest	<u>24,847</u>	<u>24,847</u>	<u>17,303</u>	<u>7,544</u>
	<u>157,710</u>	<u>157,710</u>	<u>235,721</u>	<u>(78,011)</u>
Total expenditures	<u>9,238,203</u>	<u>9,640,203</u>	<u>9,460,134</u>	<u>180,069</u>
Excess of revenues over (under) expenditures	<u>268,609</u>	<u>268,609</u>	<u>372,826</u>	<u>104,217</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets	30,000	30,000	8,578	(21,422)
Loan proceeds	268,000	268,000	276,510	8,510
Transfers in	30,000	30,000	40,994	10,994
Transfers out	<u>(596,609)</u>	<u>(596,609)</u>	<u>(463,663)</u>	<u>132,946</u>
Total other financing sources (uses)	<u>(268,609)</u>	<u>(268,609)</u>	<u>(137,581)</u>	<u>131,028</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>235,245</u>	<u>235,245</u>
<b>Judgment Fund:</b>				
<b>Revenues:</b>				
Property taxes	494,552	494,552	496,669	2,117
Mobile home privilege tax	1,000	1,000	711	(289)
Interest income	200	200	82	(118)
Miscellaneous income	<u>100</u>	<u>100</u>	<u>10,419</u>	<u>10,319</u>
Total revenues	<u>495,852</u>	<u>495,852</u>	<u>507,881</u>	<u>12,029</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Judgment	<u>739,200</u>	<u>739,200</u>	<u>718,387</u>	<u>20,813</u>
Excess of revenues over (under) expenditures	<u>(243,348)</u>	<u>(243,348)</u>	<u>(210,506)</u>	<u>32,842</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>242,690</u>	<u>242,690</u>	<u>161,000</u>	<u>(81,690)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(658)</u>	<u>(658)</u>	<u>(49,506)</u>	<u>(48,848)</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, 2013

	<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	214	(86)
Interest income	50	50	-	(50)
Miscellaneous income	<u>450</u>	<u>450</u>	<u>28</u>	<u>(422)</u>
Total revenues	<u>800</u>	<u>800</u>	<u>242</u>	<u>(558)</u>
Expenditures:				
Culture and Recreation:				
Commodities	700	700	30	670
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>1,586</u>	<u>(586)</u>
Total expenditures	<u>1,700</u>	<u>1,700</u>	<u>1,616</u>	<u>84</u>
Excess of revenues over (under) expenditures	<u>(900)</u>	<u>(900)</u>	<u>(1,374)</u>	<u>(474)</u>
Total excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (1,558)</u>	<u>\$ (1,558)</u>	184,365	<u>\$ 185,923</u>
Fund balance, beginning of year			<u>5,553,851</u>	
Fund Balance, End of Year			<u>\$ 5,738,216</u>	

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
April 30, 2013

	Water and Sewer Fund	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash deposits	\$ 2,534,818	\$ 13,802
Receivables:		
Customer	544,189	502
Prepaid expenditures	8,844	13,101
Inventory	<u>567,538</u>	<u>-</u>
Total current assets	<u>3,655,389</u>	<u>27,405</u>
Noncurrent assets:		
Bond issuance costs, net of accumulated amortization	154,148	-
Capital assets, net of accumulated depreciation	<u>36,844,144</u>	<u>-</u>
Total noncurrent assets	<u>36,998,292</u>	<u>-</u>
Total assets	<u>40,653,681</u>	<u>27,405</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	402,030	18,616
Claims payable	-	76,527
Accrued wages	46,784	-
Accrued interest	53,176	-
Deposits held for others	300	-
Due to other funds	-	17,000
Deferred revenue	-	11,439
Bonds payable	510,000	-
Notes payable	<u>469,313</u>	<u>-</u>
Total current liabilities	<u>1,481,603</u>	<u>123,582</u>
Noncurrent liabilities:		
Unamortized bond premium	134,790	-
Accrued compensated absences	315,638	-
Net OPEB obligation	37,532	-
Bonds payable	5,160,000	-
Deferred amount on refunding, net of amortization	(56,971)	-
Notes payable	<u>6,403,353</u>	<u>-</u>
Total noncurrent liabilities	<u>11,994,342</u>	<u>-</u>
Total liabilities	<u>13,475,945</u>	<u>123,582</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
April 30, 2013

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
NET POSITION		
Net investment in capital assets	24,146,748	-
Unrestricted (deficit)	<u>3,030,988</u>	<u>(96,177)</u>
 Total Net Position (Deficit)	 <u>\$ 27,177,736</u>	 <u>\$ (96,177)</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF ENTERPRISE FUND NET  
POSITION TO THE STATEMENT OF NET POSITION  
April 30, 2013

Total enterprise fund net position	\$ 27,177,736
Amounts reported for enterprise activities in the statement of net position 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 position.	<u>(19,192)</u>
Net Position of Business Type Activities	<u>\$ 27,158,544</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 POSITION  
PROPRIETARY FUNDS  
For the Year Ended April 30, 2013

	Water and Sewer Fund	Internal Service Fund
Operating Revenues:		
Water and sewer utility	\$ 5,477,358	\$ -
Charges for services	-	1,194,711
Other	<u>66,097</u>	<u>10,375</u>
Total operating revenues	<u>5,543,455</u>	<u>1,205,086</u>
Operating Expenses:		
Personnel services	1,743,159	-
Commodities	472,084	-
Contractual services	641,267	239,724
Capital outlay	502,328	-
Depreciation	1,231,087	-
Claims expenses	-	<u>1,008,832</u>
Total operating expenses	<u>4,589,925</u>	<u>1,248,556</u>
Net operating income (loss)	<u>953,530</u>	<u>(43,470)</u>
Non-Operating Revenues (Expenses):		
Grant income	25,255	-
Donations	1,597	-
Interest income	152	1
Gain on sale of assets	8,850	-
Transfer of capital asset	(42,555)	-
Interest expense	(157,709)	-
Amortization	<u>(6,072)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(170,482)</u>	<u>1</u>
Net income (loss) before other financing sources (uses)	<u>783,048</u>	<u>(43,469)</u>
Other Financing Sources (Uses):		
Transfers out	<u>(336,494)</u>	<u>-</u>
Change in net position	446,554	(43,469)
Net position (deficit), beginning of year	<u>26,731,182</u>	<u>(52,708)</u>
Net Position (Deficit), End of Year	<u>\$ 27,177,736</u>	<u>\$ (96,177)</u>

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

CITY OF CHARLESTON, ILLINOIS  
RECONCILIATION OF ENTERPRISE FUND CHANGE IN NET  
POSITION TO THE STATEMENT OF ACTIVITIES  
For the Year Ended April 30, 2013

Net change in net position in enterprise fund	\$ 446,554
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>(8,452)</u>
Change in Net Position of Business-Type Activities	<u>\$ 438,102</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, 2013

	Water and Sewer Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from customers	\$ 5,670,211	\$ 458,719
Interfund services provided	-	744,293
Payments to suppliers	(2,123,696)	(243,582)
Payments to employees	(1,745,249)	-
Payments to claimants	<u>-</u>	<u>(1,020,517)</u>
Net cash provided (used) by operating activities	<u>1,801,266</u>	<u>(61,087)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers in (out)	(336,494)	-
Loans from (to) other funds	<u>-</u>	<u>17,000</u>
Net cash provided (used) by noncapital financing activities	<u>(336,494)</u>	<u>17,000</u>
Cash Flows from Capital and Related Financing Activities:		
Contributions	1,597	-
Grant income	25,255	-
Proceeds from sale of capital assets	8,850	-
Purchases of capital assets	(590,253)	-
Proceeds from capital debt	997,265	-
Principal paid on capital debt	(901,771)	-
Interest paid on capital debt	<u>(192,462)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(651,519)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest income	<u>152</u>	<u>1</u>
Net increase (decrease) in cash and cash deposits	813,405	(44,086)
Cash and cash deposits, beginning of year	<u>1,721,413</u>	<u>57,888</u>
Cash and Cash Deposits, End of Year	<u>\$ 2,534,818</u>	<u>\$ 13,802</u>

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF CHANGES IN CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended April 30, 2013

	Water and Sewer Fund	Internal Service Fund
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 953,530	\$ (43,470)
Noncash items included in operating income:		
Depreciation	1,231,087	-
Net (increase) decrease in:		
Customer receivables	13,299	2,790
Other receivables	2,086	-
Due from other governmental agencies	111,671	-
Prepaid expenses	(2,481)	(3,858)
Inventory	(401,094)	-
Net increase (decrease) in:		
Accounts payable	(117,034)	-
Claims payable	-	(14,475)
Accrued wages	9,722	-
Deposits held for others	(300)	-
Deferred revenue	-	(2,074)
Accrued compensated absences	(11,812)	-
Net OPEB obligation	12,592	-
	<u>\$ 1,801,266</u>	<u>\$ (61,087)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,801,266</u>	<u>\$ (61,087)</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
April 30, 2013

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 458,294	\$ 173,068
Receivables:		
Interest	76,292	-
Due from other funds	<u>27,853</u>	<u>-</u>
Total receivables	<u>104,145</u>	<u>-</u>
Investments, at fair value:		
Federal government obligations	4,227,934	-
State and local obligations	320,009	-
Mutual funds	3,289,932	7,085
Common stock	9,819,122	-
Corporate bonds	4,676,058	-
Certificates of deposit	<u>1,841,706</u>	<u>-</u>
Total investments	<u>24,174,761</u>	<u>7,085</u>
 Total assets	 <u>24,737,200</u>	 <u>180,153</u>
<b>LIABILITIES</b>		
Accounts payable	20,135	-
Amount due to affiliate organizations	<u>-</u>	<u>180,153</u>
Total liabilities	<u>20,135</u>	<u>180,153</u>
<b>NET POSITION</b>		
Held in Trust for Pension Benefits	<u>\$ 24,717,065</u>	<u>\$ -</u>

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

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended April 30, 2013

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 1,526,173
Plan members	<u>331,008</u>
Total contributions	<u>1,857,181</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	1,995,899
Interest	317,019
Dividends and capital gain distributions	<u>255,680</u>
	2,568,598
Less investment expense	<u>(102,161)</u>
Net investment income	<u>2,466,437</u>
Other additions	<u>67</u>
Total additions	<u>4,323,685</u>
Deductions:	
Benefits	2,545,363
Refunds of contributions	33,313
Administration expenses	<u>70,854</u>
Total deductions	<u>2,649,530</u>
Change in net position	1,674,155
Net position, beginning of year	<u>23,042,910</u>
Net Position, End of Year	<u>\$ 24,717,065</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 6<sup>th</sup> 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 position 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 position, 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 position, 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.

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 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, 2013. The budget was amended April 16, 2013.
  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. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. The City had no capitalized interest for the year ended April 30, 2013. Total interest incurred by the City during the year ended April 30, 2013 was \$520,910. 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, 2013 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 121,494	\$ 383,163
Debt Service Fund	132,163	-
Other governmental funds	<u>466,000</u>	<u>-</u>
Total Governmental Activities	<u>\$ 719,657</u>	<u>\$ 383,163</u>
Business-Type Activities:		
Water and Sewer Fund	<u>\$ -</u>	<u>\$ 336,494</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, \$215,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy and \$132,163 to the Debt Service Fund for principal and interest payments on the Pool bonded debt.

The Water and Sewer Fund transferred \$40,994 to the General Fund for capital outlay, \$80,500 to the General Fund for a portion of the commercial insurance costs, and \$215,000 to the Employee Benefits Fund for benefit costs in excess of the property tax levy.

On the government-wide financial statements only, there were additional transfers related to capital assets as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities	\$ 42,555	\$ 1,597
Business-type activities	<u>1,597</u>	<u>42,555</u>
	<u>\$ 44,152</u>	<u>\$ 44,152</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Activities:		
General Fund	\$ 381,057	\$ -
Other governmental funds	<u>-</u>	<u>345,061</u>
Total Governmental Activities	<u>\$ 381,057</u>	<u>\$ 345,061</u>
Business-Type Activities:		
Internal Service Fund	<u>\$ -</u>	<u>\$ 17,000</u>
Component Unit:		
Carnegie Public Library	<u>\$ -</u>	<u>\$ 18,996</u>

The purposes of interfund receivables and payables are as follows:

The General Fund has loaned \$18,996 to the Carnegie Public Library for operating expenses from the pooled cash account, \$10,564 to the Employee Benefits Fund for operating expenses from the pooled cash account, \$17,000 to the Health Self-Insurance Fund for operating expenses, and \$334,497 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 \$19,193 to the Water and Sewer Fund and \$2,849 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 19, 2012.
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.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

- 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.
  
- 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 Position** – Net position on the government-wide and proprietary fund financial statements are divided into three components:
  1. **Net investment in capital assets** - consists 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 position** - consists of net position that is 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 positions are reported in this category.
  
- o) **Fund Balance** – 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.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

- 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.
- q) Recently Issued and Adopted Accounting Pronouncements – In 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. The adoption of GASB No. 62 does not have any impact on the City’s financial statements.

In 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government’s net assets that is applicable to a future reporting period. A deferred inflow represents the acquisition of net assets that is applicable to a future reporting period. Although the City does not have any elements that meet the definition of deferred outflow or deferred inflow of resources, the statement of net assets title has changed to statement of net position.

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, 2013, the City had the following investments:

	Fair Value	Weighted Average Maturity
Governmental Activities:		
Certificates of Deposit	\$ 709,913	2.52
Illinois Metropolitan Investment Fund	348,177	n/a
U.S. Government and Primary Obligation Agencies	5,035,248	1.40
Total Investments	\$ 6,093,338	
Fiduciary Pension Trust Funds:		
Firefighters’ Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 811,233	
U.S. Government Implied Obligation Agencies	1,934,589	
Subtotal, U.S. Government and its Agencies	2,745,822	16.94
State and Local Obligations	299,880	0.17
Mutual Funds	1,814,040	n/a
Common Stock	5,341,102	n/a
Corporate Bonds	2,700,339	6.09
Total Investments	\$ 12,901,183	

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

	Fair Value	Weighted Average Maturity
Police Pension Fund:		
U.S. Government and Primary Obligation Agencies	\$ 479,709	
U.S. Government Implied Obligation Agencies	1,002,403	
Subtotal, U.S. Government and its Agencies	1,482,112	13.86
State and Local Obligations	20,129	0.03
Mutual Funds	1,475,892	n/a
Common Stock	4,478,020	n/a
Corporate Bonds	1,975,719	8.34
Certificates of Deposit	1,841,706	3.84
 Total Investments	 \$ 11,273,578	
Agency Funds:		
Illinois Metropolitan Investment Fund	\$ 7,085	n/a

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, 2013, the City's investments consisted of negotiable certificates of deposit, the Illinois Metropolitan Investment Fund, and State and Local Government Series (SLUG) Treasury securities.

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, 2013, 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.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk:

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

It is the policy of the 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	43%	43%	68%
Lg/Mid. Cap Domestic Equities	26%	42%	45%
Sm. Cap Domestic Equities	2%	5%	7%
International Equities	2%	5%	7%
Real Estate	0%	3%	5%

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	0%	5%	7%
Real Estate	0%	3%	5%

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, 2013, of the City's total bank balances, \$1,616,063 was secured by federal depository insurance, \$4,246,061 was collateralized with securities held by the pledging financial institution's trust department in the City's name, and \$158,296 was uncollateralized.

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, 2013, all cash deposits were adequately insured.

Custodial Credit Risk for Investments:

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

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Foreign Currency Risk:

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

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2013</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 817,656	\$ -	\$ -	\$ 817,656
Construction in progress	<u>822,832</u>	<u>1,005,598</u>	<u>(1,574,914)</u>	<u>253,516</u>
Capital assets being depreciated:				
Building and improvements	12,532,915	405,760	-	12,938,675
Accumulated depreciation	<u>(2,039,212)</u>	<u>(252,459)</u>	<u>-</u>	<u>(2,291,671)</u>
Building and improvements, net	<u>10,493,703</u>	<u>153,301</u>	<u>-</u>	<u>10,647,004</u>
Vehicles, machinery and equipment	6,610,992	509,214	(409,147)	6,711,059
Accumulated depreciation	<u>(4,879,632)</u>	<u>(470,243)</u>	<u>369,463</u>	<u>(4,980,412)</u>
Vehicles, machinery and equipment, net	<u>1,731,360</u>	<u>38,971</u>	<u>(39,684)</u>	<u>1,730,647</u>
Infrastructure	13,640,324	1,169,155	-	14,809,479
Accumulated depreciation	<u>(5,241,842)</u>	<u>(526,742)</u>	<u>-</u>	<u>(5,768,584)</u>
Infrastructure, net	<u>8,398,482</u>	<u>642,413</u>	<u>-</u>	<u>9,040,895</u>
Total, Governmental Activities, Net Capital Assets	<u>\$ 22,264,033</u>	<u>\$ 1,840,283</u>	<u>\$(1,614,598)</u>	<u>\$ 22,489,718</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,027,167	\$ 13,672	\$ -	\$ 1,040,839
Construction in progress	<u>-</u>	<u>148,721</u>	<u>(96,994)</u>	<u>51,727</u>
Capital assets being depreciated:				
Building and improvements	14,520,441	83,321	-	14,603,762
Accumulated depreciation	<u>(3,195,945)</u>	<u>(290,627)</u>	<u>-</u>	<u>(3,486,572)</u>
Building and improvements, net	<u>11,324,496</u>	<u>(207,306)</u>	<u>-</u>	<u>11,117,190</u>
Vehicles, machinery and equipment	3,623,441	473,209	(192,993)	3,903,657
Accumulated depreciation	<u>(2,798,809)</u>	<u>(251,548)</u>	<u>192,993</u>	<u>(2,857,364)</u>
Vehicles, machinery and equipment, net	<u>824,632</u>	<u>221,661</u>	<u>-</u>	<u>1,046,293</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

	<u>Balance May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2013</u>
Infrastructure	37,827,012	-	-	37,827,012
Accumulated depreciation	<u>(13,475,773)</u>	<u>(763,144)</u>	-	<u>(14,238,917)</u>
Infrastructure, net	<u>24,351,239</u>	<u>(763,144)</u>	-	<u>23,588,095</u>
 Total, Business-Type Activities, Net Capital Assets	 <u>\$ 37,527,534</u>	 <u>\$ (586,396)</u>	 <u>\$ (96,994)</u>	 <u>\$ 36,844,144</u>
 Component Units:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 395,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,957</u>
Capital assets being depreciated:				
Building and improvements	750,397	54,100	-	804,497
Accumulated depreciation	<u>(260,829)</u>	<u>(13,579)</u>	-	<u>(274,408)</u>
Building and improvements, net	<u>489,568</u>	<u>40,521</u>	-	<u>530,089</u>
 Vehicles, machinery and equipment	 76,076	 18,750	 -	 94,826
Accumulated depreciation	<u>(76,076)</u>	<u>(469)</u>	-	<u>(76,545)</u>
Vehicles, machinery and equipment, net	<u>-</u>	<u>18,281</u>	-	<u>18,281</u>
 Total, Governmental Activities, Net Capital Assets	 <u>\$ 885,525</u>	 <u>\$ 58,802</u>	 <u>\$ -</u>	 <u>\$ 944,327</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 270,665
Public safety	298,199
Highways and streets	498,435
Culture and recreation	145,470
Urban development and housing	30,849
Economic development and assistance	<u>5,824</u>
 Total Depreciation Expense, Governmental Activities	 <u>\$1,249,442</u>
 Business-Type Activities	 <u>\$1,231,087</u>
 Component Unit - Library	 <u>\$ 14,048</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The City has the following construction in progress at April 30, 2013:

<u>Project</u>	<u>Expenses</u>	<u>Estimated Cost</u>	<u>Estimated Completion</u>
a) Reconstruction of the intersection of 9 <sup>th</sup> and Lincoln streets	\$ 52,520	\$ 915,000	Aug. 2014
b) Construction of bathroom and improvements to Ball Field at Lanman Field	131,749	150,000	Sept. 2013
c) Improvements to JFL Parking lot	3,650	50,000	May 2013
d) 9 <sup>th</sup> Street – Taylor to Lincoln	17,798	400,000	March 2014
e) E Street drainage and sidewalks	47,799	55,000	May 2013
f) 8 <sup>th</sup> Street Circle watermain	<u>51,727</u>	60,000	Sept. 2013
	<u>\$ 305,243</u>		

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](http://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 annual required contribution rate for calendar year 2012 was 14.27 percent. The employer annual required contribution rate for calendar year 2013 was 14.98 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, 2013, the City's required contribution was \$538,167.

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>
04/30/13	\$ 540,086	100%	\$ 91,636
04/30/12	541,530	97%	89,717
04/30/11	516,110	91%	70,646

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 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, 2012, the most recent actuarial valuation date, the regular plan was 68.47 percent funded. The actuarial accrued liability for benefits was \$12,480,766 and the actuarial value of assets was \$8,544,962, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,935,804. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$3,700,512 and the ratio of the UAAL to the covered payroll was 106 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](http://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 2012 used by the employer was 0.00 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.96 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, 2013, the City's required contribution was \$0.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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>
04/30/13	\$ -	100%	\$ -
04/30/12	-	100%	-
04/30/11	-	100%	-

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 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, 2012, the most recent actuarial valuation date, the SLEP plan was 235.73 percent funded. The actuarial accrued liability for benefits was \$16,972 and the actuarial value of assets was \$40,008, resulting in an overfunded actuarial accrued liability (UAAL) of \$23,036. The covered payroll for calendar year 2012 (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

Plan Description:

The City's Police Pension Trust 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, 2012, participation included:

Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	26
Terminated plan members entitled to but not yet receiving benefits	1
Current plan members:	
Vested	15
Non-vested	15
Total	57

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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.

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 Policy:

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City'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).

Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost and net pension obligation applicable to the Police Pension Plan at April 30, 2013 is as follows:

Annual required contribution	\$ 657,715
Interest on net pension obligation	35,975
Adjustment to annual required contribution	<u>(21,654)</u>
Annual pension cost	672,036
Contributions made	<u>739,670</u>
Increase (decrease) in net pension obligation	(67,634)
Net pension obligation, beginning of year	<u>479,671</u>
 Net Pension Obligation, End of Year	 <u>\$ 412,037</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The annual required contribution was determined as part of the May 1, 2013 actuarial valuation using the projected unit credit cost method (for years beginning before 2011, the entry age normal cost funding method was used). Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases due to inflation of 4.5% per year compounded annually, (c) projected salary increases due to promotion of 1.0% per year compounded annually, and (d) 3.0% per year post-retirement benefit increase. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at the May 1, 2013 actuarial valuation date was 28 years.

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

THREE-YEAR TREND INFORMATION

April 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 672,036	110.1%	\$ 412,037
2012	752,177	93.1%	479,671
2011	697,152	76.0%	427,511

At April 30, 2013, the City had \$11,502,914 reserved for police pension benefits.

Funding Status and Funding Progress:

As of May 1, 2012, the most recent actuarial valuation date, the Police Pension Plan was 51.7 percent funded. The actuarial accrued liability for benefits was \$20,460,002 and the actuarial value of assets was \$10,580,791, resulting in an underfunded actuarial accrued liability (UAAL) of \$9,879,211. The covered payroll of active employees covered by the plan was \$1,724,222 and the ratio of the UAAL to the covered payroll was 573.0 percent.

The schedule of funding progress presented as required supplementary information (RSI) immediately 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 AAL for benefits.

d) Firefighters' Pension Trust Fund

Plan Description:

The City's Firefighters' Pension Trust 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.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

At April 30, 2012 participation was:

Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	43
Terminated plan members entitled to but not yet receiving benefits	1
Current plan members:	
Vested	14
Non-vested	<u>16</u>
Total	<u>74</u>

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.

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 Policy:**

Covered 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. 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).

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost and net pension obligation applicable to the Firefighters' Pension Plan at April 30, 2013 is as follows:

Annual required contribution	\$ 701,620
Interest on net pension obligation	23,590
Adjustment to annual required contribution	<u>(14,199)</u>
Annual pension cost	711,011
Contribution made	<u>787,909</u>
Increase (decrease) in net pension obligation	(76,898)
Net pension obligation, beginning of year	<u>314,531</u>
 Net Pension Obligation, End of Year	 <u>\$ 237,633</u>

The annual required contribution was determined as part of the May 1, 2013 actuarial valuation using the projected unit credit cost method (for years beginning before 2011, the entry age normal cost funding method was used). Significant actuarial assumptions included (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 actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at the May 1, 2013 actuarial valuation date was 28 years.

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

THREE-YEAR TREND INFORMATION

April 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 711,011	110.8%	\$ 237,633
2012	809,031	99.7%	314,531
2011	803,309	75.1%	312,063

At April 30, 2013, the City had \$13,214,151 reserved for firefighters' pension benefits.

Funding Status and Funding Progress:

As of May 1, 2012, the most recent actuarial valuation date, the Firefighters' Pension Plan was 56.5 percent funded. The actuarial accrued liability for benefits was \$22,038,762 and the actuarial value of assets was \$12,462,119, resulting in an underfunded actuarial accrued liability (UAAL) of \$9,576,643. The covered payroll of active employees covered by the plan was \$1,721,457 and the ratio of the UAAL to the covered payroll was 556.3 percent.

The schedule of funding progress presented as required supplementary information (RSI) immediately 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 AAL for benefits.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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.

NOTE F - LONG-TERM DEBT

- a) The following is a summary of the City's debt as of April 30, 2013, and transactions for the year then ended:

	Balance May 1, <u>2012</u>	Additions	Retired	Balance April 30, <u>2013</u>	Amount Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 648,305	\$ 276,510	\$ 218,418	\$ 706,397	\$ 139,361
2005 General Obligation Bonds	5,840,000	-	285,000	5,555,000	305,000
2011B GO Refunding Bonds	950,000	-	105,000	845,000	110,000
2012 GO Refunding Bonds	-	5,145,000	-	5,145,000	-
Compensated absences	<u>1,221,544</u>	<u>-</u>	<u>4,445</u>	<u>1,217,099</u>	<u>-</u>
Total Governmental Activities, Long-Term Liabilities	<u>\$ 8,659,849</u>	<u>\$ 5,421,510</u>	<u>\$ 612,863</u>	<u>\$ 13,468,496</u>	<u>\$ 554,361</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 6,307,172	\$ 997,265	\$ 431,771	\$ 6,872,666	\$ 469,313
2011A Alternative Revenue Bonds	6,140,000	-	470,000	5,670,000	510,000
Compensated absences	<u>327,450</u>	<u>-</u>	<u>11,812</u>	<u>315,638</u>	<u>-</u>
Total Business-Type Activities, Long-Term Liabilities	<u>\$ 12,774,622</u>	<u>\$ 997,265</u>	<u>\$ 913,583</u>	<u>\$ 12,858,304</u>	<u>\$ 979,313</u>
<b>Component Unit:</b>					
Notes payable	\$ 346,267	\$ -	\$ 16,334	\$ 329,933	\$ 23,900
Capital lease payable	-	18,750	535	18,215	3,330
Compensated absences	<u>10,579</u>	<u>4,519</u>	<u>-</u>	<u>15,098</u>	<u>-</u>
Total Component Unit	<u>\$ 356,846</u>	<u>\$ 23,269</u>	<u>\$ 16,869</u>	<u>\$ 363,246</u>	<u>\$ 27,230</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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.	\$ 252,117
Illinois Finance Authority, dated December 8, 2004, due November 1, 2019, yearly payments of \$16,666.67 with no interest, secured by equipment.	116,667
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.	80,363
First Federal Savings and Loan, dated October 16, 2012, due October 16, 2017, monthly payments of \$2,130.28 including interest at 1.75%, secured by equipment.	110,497
First Mid-Illinois Bank and Trust, dated January 15, 2013, due January 15, 2018, monthly payments of \$2,684.73 including interest at 1.73%, secured by equipment.	<u>146,753</u>
Total Notes Payable of Governmental Activities	<u>\$ 706,397</u>

\$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. Bonds issued in 2012 are intended for refunding this issue. This old debt remains a primary obligation of the City until the crossover date of October 1, 2014.

\$ 5,555,000

\$950,000 general obligation refunding bonds, series 2011B. Bond proceeds were issued to refund the general obligation bonds, series 2004 which were originally for pool renovation. BNY Mellon 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.

845,000

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

\$5,145,000 general obligation refunding bonds, series 2012.  
Bond proceeds were issued to refund the general obligation bonds, series 2005 which were originally for the library renovation. BNY Mellon Trust Company is bond registrar and paying agent. Bonds are dated May 30, 2012, with final payment due December 15, 2024. Principal payments are due annually on December 15 and interest payments, varying from 0.80% to 2.50%, are due semiannually on June 15 and December 15. The economic gain, calculated on a present value basis, amounted to \$481,195.

5,145,000  
\$ 11,545,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2013, are as follows:

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 554,361	\$ 368,508	\$ 922,869
2015	627,135	351,070	978,205
2016	1,009,423	332,475	1,341,898
2017	1,057,148	309,660	1,366,808
2018	1,083,849	284,470	1,368,319
2019-2023	5,439,481	1,027,130	6,466,611
2024-2025	<u>2,480,000</u>	<u>117,490</u>	<u>2,597,490</u>
	<u>\$12,251,397</u>	<u>\$ 2,790,803</u>	<u>\$ 15,042,200</u>

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.	\$ 169,048
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.	1,655
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.	1,369
Prairie State Bank & Trust, dated July 21, 2009, due July 21, 2014, monthly payments of \$381.06 including interest at 3%, secured by equipment.	5,581
State of Illinois, dated October 9, 2009, due March 8, 2031, semi-annual payments with no interest, unsecured.	5,567,088
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.	19,393

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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. 150,205

First Mid-Illinois Bank and Trust, dated April 4, 2012, due August 4, 2021, monthly payments of \$30,276.00, interest only until May 4, 2016, including interest at 2.64%, secured by equipment. 742,870

First Federal Savings and Loan, dated August 8, 2012, due August 8, 2017, monthly payments of \$4,366.65 including interest at 1.50%, secured by equipment. 215,457

Total Notes Payable of Business-Type Activities \$ 6,872,666

\$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. \$ 5,670,000

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2013, are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 979,313	\$ 143,494	\$ 1,122,807
2015	986,568	129,573	1,116,141
2016	999,172	115,426	1,114,598
2017	1,057,726	119,508	1,177,234
2018	1,021,797	104,265	1,126,062
2019-2023	5,023,829	275,684	5,299,513
2024-2028	1,546,413	-	1,546,413
2029-2031	<u>927,848</u>	<u>-</u>	<u>927,848</u>
	<u>\$12,542,666</u>	<u>\$ 887,950</u>	<u>\$ 13,430,616</u>

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

d) Component Unit:

First Mid-Illinois Bank and Trust, dated February 5, 2010, refinanced February 5, 2013, monthly payments of \$2,510 including interest at 1.95%, balloon payment due February 5, 2016, secured by real estate and co-signed by City of Charleston.	\$ 329,933
Watts Copy Systems, Inc. dated January 24, 2013, due December 24, 2018, monthly payments of \$365 including interest at 6.287%, secured by equipment.	<u>18,215</u>
Total Long-Term Debt of Component Unit	<u>\$ 348,148</u>

The annual requirements to retire long-term debt (excluding compensated absences) as of April 30, 2013, are as follows:

Year Ending April 30	Principal	Interest	Total
2014	\$ 27,230	\$ 7,271	\$ 34,501
2015	27,915	6,586	34,501
2016	285,437	5,032	290,469
2017	4,019	361	4,380
2018	<u>3,547</u>	<u>103</u>	<u>3,650</u>
	<u>\$ 348,148</u>	<u>\$ 19,353</u>	<u>\$ 367,501</u>

NOTE G - ECONOMIC DEPENDENCY

Sixteen percent or \$870,990 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, 2013:

Employee Benefits Fund	\$ 73,189
Tax Increment Financing Fund	334,403
Internal Service Fund	96,177

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, 2013, the loan balance was \$23,616.

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, extended through December 31, 2013. As of April 30, 2013, 4,390 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, 2013 is as follows:

Claims payable, beginning of the year	\$ 92,560
Claims incurred and changes in accrual	1,008,832
Claims payments	<u>(1,024,865)</u>
Claims Payable, End of the Year	<u>\$ 76,527</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.

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.

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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, 2013, 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, 2013, retirees contributed \$148,881 the City contributed \$121,660. 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 year ended April 30, 2011. 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 years ended April 30, 2013 and 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 2013 was as follows:

<u>April 30</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 214,029	\$ 121,660	56.8%	\$ 321,982
2012	123,279	66,136	53.6%	229,613
2011	124,038	66,136	53.3%	172,470

CITY OF CHARLESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

The net OPEB obligation (NOPEBO) as of April 30, 2013 (latest information available), was calculated as follows:

Annual required contribution	\$ 212,498
Interest on net OPEB obligation	9,185
Adjustment to annual required contribution	<u>(7,654)</u>
Annual OPEB cost	214,029
Contribution made	<u>121,660</u>
Increase (decrease) in net OPEB obligation	92,369
Net OPEB obligation, beginning of year	<u>229,613</u>
 Net OPEB Obligation, End of Year	 <u>\$ 321,982</u>

Funded Status and Funding Progress:

The funded status of the plan as of April 30, 2013 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 advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2013, was 30 years.

NOTE M – COMMITMENTS

On February 5, 2013, the City entered into a construction contract with Quality Assured Industrial Coatings in the amount of \$293,100 for re-painting the water tower. As of April 30, 2013, the City had not spent any funds on this contract.

NOTE N - LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS  
 April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
<b>Illinois Municipal Retirement Fund:</b>						
12/31/2012	\$ 8,544,962	\$ 12,480,766	\$ 3,935,804	68.47%	\$ 3,700,512	106.36%
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%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$8,958,880. On a market basis, the funded ratio would be 71.78%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Charleston. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

<b>Illinois Municipal Retirement Fund - SLEP:</b>						
12/31/2012	\$ 40,008	\$ 16,972	\$ (23,036)	235.73%	\$ -	0.00%
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%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$40,822. On a market basis, the funded ratio would be 240.53%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Charleston. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

<b>Police Pension Fund:</b>						
4/30/2012	\$ 10,580,791	\$ 20,460,002	\$ 9,879,211	51.70%	\$ 1,724,222	573.00%
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%

<b>Firefighters' Pension Fund:</b>						
4/30/2012	\$ 12,462,119	\$ 22,038,762	\$ 9,576,643	56.50%	\$ 1,721,457	556.30%
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%

<b>Other Post-Employment Benefits Plan:</b>						
4/30/2013	\$ -	\$ 3,970,463	\$ 3,970,463	0.00%	\$ -	0.00%
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%

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF CHARLESTON, ILLINOIS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 April 30, 2013

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Playground and Recreation Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>							
Cash deposits	\$ -	\$ 106,382	\$ 5,015	\$ 94	\$ -	\$ 83,786	\$ 195,277
Investments	-	314,095	-	-	13,963	-	328,058
Receivables:							
Property taxes	515,808	-	-	-	-	166,735	682,543
Other	67	-	-	-	-	11,493	11,560
Due from other governmental agencies	11,536	38,996	-	-	-	-	50,532
Inventory	-	39,285	-	-	-	-	39,285
<b>Total Assets</b>	<b><u>\$ 527,411</u></b>	<b><u>\$ 498,758</u></b>	<b><u>\$ 5,015</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 13,963</u></b>	<b><u>\$ 262,014</u></b>	<b><u>\$ 1,307,255</u></b>
<b>LIABILITIES</b>							
Accounts payable	\$ 72,781	\$ 302,271	\$ -	\$ -	\$ -	\$ 19,860	\$ 394,912
Accrued wages	1,447	615	-	-	-	6,868	8,930
Due to other funds	10,564	-	-	334,497	-	-	345,061
Deferred miscellaneous revenue	-	-	-	-	-	30,890	30,890
Deferred property tax revenue	515,808	-	-	-	-	166,735	682,543
<b>Total liabilities</b>	<b><u>600,600</u></b>	<b><u>302,886</u></b>	<b><u>-</u></b>	<b><u>334,497</u></b>	<b><u>-</u></b>	<b><u>224,353</u></b>	<b><u>1,462,336</u></b>
<b>FUND BALANCE</b>							
Nonspendable	-	39,285	-	-	-	-	39,285
Restricted for:							
Public safety	-	-	5,015	-	-	-	5,015
Highways and streets	-	156,587	-	-	-	-	156,587
Culture and recreation	-	-	-	-	13,963	-	13,963
Committed for:							
Culture and recreation	-	-	-	-	-	37,661	37,661
Unassigned (deficit)	(73,189)	-	-	(334,403)	-	-	(407,592)
<b>Total fund balance (deficit)</b>	<b><u>(73,189)</u></b>	<b><u>195,872</u></b>	<b><u>5,015</u></b>	<b><u>(334,403)</u></b>	<b><u>13,963</u></b>	<b><u>37,661</u></b>	<b><u>(155,081)</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 527,411</u></b>	<b><u>\$ 498,758</u></b>	<b><u>\$ 5,015</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 13,963</u></b>	<b><u>\$ 262,014</u></b>	<b><u>\$ 1,307,255</u></b>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended April 30, 2013

	Employee Benefits Fund	Motor Fuel Tax Fund	Drug Traffic Prevention Fund	Tax Increment Financing Fund	Recreational Land Fund	Playground and Recreation Fund	Total Non-Major Governmental Funds
<b>Revenues:</b>							
Property taxes	\$ 499,531	\$ -	\$ -	\$ 166,483	\$ -	\$ 157,971	\$ 823,985
Mobile home privilege tax	715	-	-	-	-	226	941
Replacement income tax	55,380	-	-	-	-	-	55,380
Other governmental agencies	-	611,862	-	-	-	-	611,862
Licenses, permits and fees	-	-	-	-	-	279,282	279,282
Interest income	84	22	1	31	-	144	282
Private donations and contributions	-	-	-	-	-	50,272	50,272
Employer and employee contributions	10,011	-	-	-	-	-	10,011
Net increase (decrease) in fair value of investments	-	726	-	-	32	-	758
Miscellaneous income	87	17,193	3,597	-	-	22,977	43,854
<b>Total revenues</b>	<u>565,808</u>	<u>629,803</u>	<u>3,598</u>	<u>166,514</u>	<u>32</u>	<u>510,872</u>	<u>1,876,627</u>
<b>Expenditures:</b>							
General government	1,080,169	-	-	-	-	-	1,080,169
Public safety	-	-	1,000	-	-	-	1,000
Highways and streets	-	634,344	-	-	-	-	634,344
Culture and recreation	-	-	-	-	-	543,882	543,882
Economic development and assistance	-	-	-	259,785	-	-	259,785
Debt service:							
Interest	-	-	-	2,847	-	-	2,847
<b>Total expenditures</b>	<u>1,080,169</u>	<u>634,344</u>	<u>1,000</u>	<u>262,632</u>	<u>-</u>	<u>543,882</u>	<u>2,522,027</u>
Excess of revenues over (under) expenditures	<u>(514,361)</u>	<u>(4,541)</u>	<u>2,598</u>	<u>(96,118)</u>	<u>32</u>	<u>(33,010)</u>	<u>(645,400)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	<u>430,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>466,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(84,361)</u>	<u>(4,541)</u>	<u>2,598</u>	<u>(96,118)</u>	<u>32</u>	<u>2,990</u>	<u>(179,400)</u>
Fund balance (deficit), beginning of year	<u>11,172</u>	<u>200,413</u>	<u>2,417</u>	<u>(238,285)</u>	<u>13,931</u>	<u>34,671</u>	<u>24,319</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ (73,189)</u>	<u>\$ 195,872</u>	<u>\$ 5,015</u>	<u>\$ (334,403)</u>	<u>\$ 13,963</u>	<u>\$ 37,661</u>	<u>\$ (155,081)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 497,349	\$ 497,349	\$ 499,531	\$ 2,182
Mobile home taxes	1,000	1,000	715	(285)
Replacement income tax	49,616	49,616	55,380	5,764
<b>Employer contributions:</b>				
Group medical insurance	10,326	10,326	10,011	(315)
Interest income	200	200	84	(116)
Miscellaneous income	-	-	87	87
Total revenues	<u>558,491</u>	<u>558,491</u>	<u>565,808</u>	<u>7,317</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Human Resources:</b>				
Personnel services	64,078	64,078	60,885	3,193
Commodities	751	751	379	372
Contractual services	59,328	59,328	51,359	7,969
Capital outlay	<u>3,100</u>	<u>3,100</u>	<u>2,767</u>	<u>333</u>
	<u>127,257</u>	<u>127,257</u>	<u>115,390</u>	<u>11,867</u>
<b>Employee Benefits:</b>				
Personnel services	<u>1,016,830</u>	<u>1,016,830</u>	<u>964,779</u>	<u>52,051</u>
Total expenditures	<u>1,144,087</u>	<u>1,144,087</u>	<u>1,080,169</u>	<u>63,918</u>
Excess of revenues over (under) expenditures	<u>(585,596)</u>	<u>(585,596)</u>	<u>(514,361)</u>	<u>71,235</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>582,000</u>	<u>582,000</u>	<u>430,000</u>	<u>(152,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (3,596)</u>	<u>\$ (3,596)</u>	(84,361)	<u>\$ (80,765)</u>
Fund balance, beginning of year			<u>11,172</u>	
Fund Balance (Deficit), End of Year			<u>\$ (73,189)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
<b>Revenues:</b>				
Motor fuel tax allotments	\$ 618,139	\$ 618,139	\$ 611,862	\$ (6,277)
Interest income	250	250	22	(228)
Contingencies	-	15,753	17,193	1,440
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>726</u>	<u>726</u>
Total revenues	<u>618,389</u>	<u>634,142</u>	<u>629,803</u>	<u>(4,339)</u>
<b>Expenditures:</b>				
<b>Highways and Streets:</b>				
Personnel services	25,816	25,816	25,906	(90)
Commodities	168,000	183,753	190,090	(6,337)
Contractual services	81,000	81,000	45,568	35,432
Capital outlay	<u>370,000</u>	<u>405,000</u>	<u>372,780</u>	<u>32,220</u>
Total expenditures	<u>644,816</u>	<u>695,569</u>	<u>634,344</u>	<u>61,225</u>
Excess of revenues over (under) expenditures	<u>(26,427)</u>	<u>(61,427)</u>	<u>(4,541)</u>	<u>56,886</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (56,427)</u>	<u>\$ (91,427)</u>	<u>(4,541)</u>	<u>\$ 86,886</u>
Fund balance, beginning of year			<u>200,413</u>	
Fund Balance, End of Year			<u>\$ 195,872</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ -	\$ -	\$ 1	\$ 1
Offender payments	<u>1,500</u>	<u>1,500</u>	<u>3,597</u>	<u>2,097</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>3,598</u>	<u>2,098</u>
Expenditures:				
Public Safety:				
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ 500</u>	<u>\$ 500</u>	2,598	<u>\$ 2,098</u>
Fund balance, beginning of year			<u>2,417</u>	
Fund Balance, End of Year			<u>\$ 5,015</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Property taxes	\$ 168,000	\$ 168,000	\$ 166,483	\$ (1,517)
Interest income	<u>125</u>	<u>125</u>	<u>31</u>	<u>(94)</u>
Total revenues	<u>168,125</u>	<u>168,125</u>	<u>166,514</u>	<u>(1,611)</u>
Expenditures:				
Economic Development and Assistance:				
Contractual services:				
Audit and accounting services	700	700	700	-
Other consulting services	<u>375</u>	<u>375</u>	<u>375</u>	<u>-</u>
	<u>1,075</u>	<u>1,075</u>	<u>1,075</u>	<u>-</u>
Capital outlay:				
Rebate to taxing bodies	33,600	33,600	33,297	303
TIF grants	77,783	77,783	66,007	11,776
TIF public improvements	<u>215,826</u>	<u>215,826</u>	<u>159,406</u>	<u>56,420</u>
	<u>327,209</u>	<u>327,209</u>	<u>258,710</u>	<u>68,499</u>
Total economic development and assistance	<u>328,284</u>	<u>328,284</u>	<u>259,785</u>	<u>68,499</u>
Debt Service:				
Interest	<u>3,500</u>	<u>3,500</u>	<u>2,847</u>	<u>653</u>
Total expenditures	<u>331,784</u>	<u>331,784</u>	<u>262,632</u>	<u>69,152</u>
Excess of revenues over (under) expenditures	<u>\$ (163,659)</u>	<u>\$ (163,659)</u>	(96,118)	<u>\$ 67,541</u>
Fund balance, beginning of year			<u>(238,285)</u>	
Fund Balance, End of Year			<u>\$ (334,403)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Final Budget</u>
Revenues:				
Interest income	\$ 30	\$ 30	\$ -	\$ (30)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Total revenues	<u>30</u>	<u>30</u>	<u>32</u>	<u>2</u>
Expenditures:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ 30</u>	<u>\$ 30</u>	32	<u>\$ 2</u>
Fund balance, beginning of year			<u>13,931</u>	
Fund Balance, End of Year			<u>\$ 13,963</u>	

CITY OF CHARLESTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
PLAYGROUND AND RECREATION FUND  
For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Positive (Negative) Final Budget
<b>Revenues:</b>				
Property taxes	\$ 157,603	\$ 157,603	\$ 157,971	\$ 368
Mobile home taxes	-	-	226	226
Rentals	9,325	9,325	4,770	(4,555)
Recreation programs fees	170,062	170,062	171,453	1,391
Concessions	2,700	2,700	2,412	(288)
Brochure advertising	2,000	2,000	1,660	(340)
Interest income	1,000	1,000	144	(856)
Private donations and contributions	24,500	24,500	34,891	10,391
Program sponsors	-	10,000	15,381	5,381
Swimming pool	111,590	111,590	98,987	-
Miscellaneous income	<u>1,595</u>	<u>20,595</u>	<u>22,977</u>	<u>2,382</u>
Total revenues	<u>480,375</u>	<u>509,375</u>	<u>510,872</u>	<u>1,497</u>
<b>Expenditures:</b>				
<b>Culture and Recreation:</b>				
Recreation programs	342,579	361,379	358,166	3,213
Swimming pool	<u>173,796</u>	<u>183,996</u>	<u>185,716</u>	<u>(1,720)</u>
Total expenditures	<u>516,375</u>	<u>545,375</u>	<u>543,882</u>	<u>1,493</u>
Excess of revenues over (under) expenditures	<u>(36,000)</u>	<u>(36,000)</u>	<u>(33,010)</u>	<u>2,990</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	2,990	<u>\$ 2,990</u>
Fund balance, beginning of year			<u>34,671</u>	
Fund Balance, End of Year			<u>\$ 37,661</u>	

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

April 30, 2013

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total Non-Major Pension Trust Funds</u>
<b>ASSETS</b>			
Cash	\$ 274,382	\$ 183,912	\$ 458,294
Receivables:			
Interest	36,573	39,719	76,292
Due from other funds	<u>14,369</u>	<u>13,484</u>	<u>27,853</u>
Total receivables	<u>50,942</u>	<u>53,203</u>	<u>104,145</u>
Investments, at fair value:			
Federal government obligations	2,745,822	1,482,112	4,227,934
State and local obligations	299,880	20,129	320,009
Mutual funds	1,814,040	1,475,892	3,289,932
Common stock	5,341,102	4,478,020	9,819,122
Corporate bonds	2,700,339	1,975,719	4,676,058
Certificates of deposit	<u>-</u>	<u>1,841,706</u>	<u>1,841,706</u>
Total investments	<u>12,901,183</u>	<u>11,273,578</u>	<u>24,174,761</u>
Total assets	<u>13,226,507</u>	<u>11,510,693</u>	<u>24,737,200</u>
<b>LIABILITIES</b>			
Accounts payable	<u>12,356</u>	<u>7,779</u>	<u>20,135</u>
<b>NET POSITION</b>			
Held in Trust for Pension Benefits	<u>\$ 13,214,151</u>	<u>\$ 11,502,914</u>	<u>\$ 24,717,065</u>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF CHANGES IN  
 NET POSITION - NON-MAJOR PENSION TRUST FUNDS  
 For the Year Ended April 30, 2013

	Firefighters' Pension Fund	Police Pension Fund	Total Non-Major Pension Trust Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Additions:			
Contributions:			
Employer	\$ 791,765	\$ 734,408	\$ 1,526,173
Plan members	<u>152,997</u>	<u>178,011</u>	<u>331,008</u>
Total contributions	<u>944,762</u>	<u>912,419</u>	<u>1,857,181</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	1,018,306	977,593	1,995,899
Interest	175,245	141,774	317,019
Dividends and capital gain distributions	<u>142,024</u>	<u>113,656</u>	<u>255,680</u>
	1,335,575	1,233,023	2,568,598
Less investment expense	<u>(53,697)</u>	<u>(48,464)</u>	<u>(102,161)</u>
Net investment income	<u>1,281,878</u>	<u>1,184,559</u>	<u>2,466,437</u>
Other additions	<u>38</u>	<u>29</u>	<u>67</u>
Total additions	<u>2,226,678</u>	<u>2,097,007</u>	<u>4,323,685</u>
Deductions:			
Benefits	1,444,796	1,100,567	2,545,363
Refunds of contributions	683	32,630	33,313
Administration expenses	<u>29,167</u>	<u>41,687</u>	<u>70,854</u>
Total deductions	<u>1,474,646</u>	<u>1,174,884</u>	<u>2,649,530</u>
Change in net position	752,032	922,123	1,674,155
Net position, beginning of year	<u>12,462,119</u>	<u>10,580,791</u>	<u>23,042,910</u>
Net Position, End of Year	<u>\$ 13,214,151</u>	<u>\$ 11,502,914</u>	<u>\$ 24,717,065</u>

CITY OF CHARLESTON, ILLINOIS  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES - PLAYGROUND AND RECREATION AFFILIATE FUNDS  
 For the Year Ended April 30, 2013

	Balance 4/30/2012	Receipts	Disbursements	Balance 4/30/2013
<b>ASSETS</b>				
Cash	\$ 180,620	\$ 316,260	\$ 323,812	\$ 173,068
Investments	7,068	17	-	7,085
	<u>187,688</u>	<u>316,277</u>	<u>323,812</u>	<u>180,153</u>
<b>LIABILITIES</b>				
Amounts due to affiliate organizations:				
Girl's softball	\$ 6,799	\$ 10,000	\$ 6,743	\$ 10,056
Boy's baseball	17,823	28,981	27,890	18,914
Boy's baseball payroll	9,873	10,001	9,770	10,104
Penguins swim club	7,665	2,028	2,899	6,794
5th quarter	2,683	-	350	2,333
Wrestling club	3,774	869	1,199	3,444
Dog activity club	8,465	5,354	1,660	12,159
Boy's baseball concessions	4,662	30,032	26,226	8,468
Community band memorial fund	1,964	1,520	577	2,907
Charleston windrunners club	678	1	-	679
Officials payroll account	901	10,425	9,959	1,367
Weightlifting club	3,618	20,690	18,669	5,639
Team knock out volleyball	1,597	37,736	35,576	3,757
Junior football league	40,037	66,895	81,126	25,806
Red, white & blue days	57,098	48,879	50,457	55,520
Christmas in the heart of Charleston	1,208	3,580	4,085	703
Tree commission	830	455	164	1,121
Charleston youth soccer program	18,013	38,831	46,462	10,382
	<u>187,688</u>	<u>316,277</u>	<u>323,812</u>	<u>180,153</u>
Total Amount Due to Affiliate Organizations	<u>\$ 187,688</u>	<u>\$ 316,277</u>	<u>\$ 323,812</u>	<u>\$ 180,153</u>

## ADDITIONAL INFORMATION

CITY OF CHARLESTON, ILLINOIS  
SCHEDULE OF OPERATING REVENUES AND EXPENSES  
OF THE WASTE WATER TREATMENT PLANT  
For the Year Ended April 30, 2013

Operating Revenues:	
Sewer service charges	\$ 2,738,679
Sewer permits	5,832
Sewer dump fee	5,770
Miscellaneous	<u>21,167</u>
	<u>2,771,448</u>
Operating Expenses:	
Information technology	814
City garage	32,255
Utility department	580,144
Waste water treatment plant	755,846
Accounting	225,477
Depreciation	<u>615,544</u>
	<u>2,210,079</u>
Net Operating Income	<u>\$ 561,369</u>

CITY OF CHARLESTON, ILLINOIS  
SCHEDULE OF OPERATING REVENUES AND EXPENSES  
OF THE WATER TREATMENT PLANT  
For the Year Ended April 30, 2013

Operating Revenues:	
Water service charges	\$ 2,738,679
Water permits	5,832
Miscellaneous	<u>21,167</u>
	<u>2,765,678</u>
Operating Expenses:	
Information technology	814
City garage	32,255
Utility department	580,144
Water treatment plant	885,658
Accounting	225,477
Depreciation	<u>615,544</u>
	<u>2,339,891</u>
Net Operating Income	<u>\$ 425,787</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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
May	7,088	6,893	48,202	46,976	44,165	43,387	36,420	36,602	87,300	129,400
June	7,187	7,059	49,226	46,380	45,550	41,708	37,618	31,980	52,000	106,400
July	7,143	6,771	57,252	52,044	52,913	47,462	40,876	37,108	45,100	92,500
August	7,630	7,428	55,757	55,041	49,878	50,375	41,555	37,526	57,200	59,400
September	7,177	6,919	50,127	52,863	44,653	48,586	42,461	42,174	90,900	64,200
October	7,029	6,888	50,094	52,405	44,647	48,496	38,621	43,025	96,300	76,600
November	7,104	6,910	44,414	45,215	39,767	41,692	37,040	39,331	79,000	100,400
December	6,993	6,876	42,216	43,046	37,524	39,866	33,011	37,740	114,500	153,400
January	7,099	6,898	46,655	47,713	42,167	44,276	30,765	32,164	120,300	132,100
February	7,006	6,916	42,514	44,836	38,529	40,951	35,828	34,500	138,900	123,300
March	7,044	6,875	43,802	46,486	39,298	42,158	31,970	35,380	142,300	103,600
April	7,072	6,838	45,864	47,536	41,350	43,849	34,958	35,911	148,200	109,200
	<u>85,572</u>	<u>83,271</u>	<u>576,123</u>	<u>580,541</u>	<u>520,441</u>	<u>532,806</u>	<u>441,123</u>	<u>443,441</u>	<u>1,172,000</u>	<u>1,250,500</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, 2013

Rates Effective				
After 6-1-12	5-1-11 to 5-31-12	5-1-10 to 4-30-11	5-1-09 to 4-30-10	5-1-08 to 4-30-09

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

First	1,000 gallons	\$ 12.06		\$ 11.65		\$ 11.14		\$ 10.65		\$ 9.96
Next	9,000 gallons	12.06 Per M		11.65 Per M		11.14 Per M		10.65 Per M		9.96 Per M
Over	10,000 gallons	11.60 " "		11.21 " "		10.72 " "		10.25 " "		9.58 " "

WATER SERVICE ONLY - IN CORPORATE LIMITS

First	1,000 gallons	\$ 10.92		\$ 10.55		\$ 10.10		\$ 9.66		\$ 9.03
Next	9,000 gallons	10.92 Per M		10.55 Per M		10.10 Per M		9.66 Per M		9.03 Per M
Over	10,000 gallons	10.04 " "		9.70 " "		9.28 " "		8.87 " "		8.29 " "

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 5-1-08	9.58 Per M
Effective 5-1-09	10.25 " "
Effective 5-1-10	10.72 " "
Effective 5-1-11	11.21 " "
Effective 6-1-12	11.60 " "

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  
Rates effective 6-1-12 by ordinance 12-O-6

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, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assessed Valuation	<u>\$ 186,668,104</u>	<u>\$ 186,020,763</u>	<u>\$ 185,220,108</u>
Statutory debt limitation (8.625% of assessed valuation)	<u>\$ 16,100,124</u>	<u>\$ 16,044,291</u>	<u>\$ 15,975,234</u>
Total Debt:			
General obligation debt:			
Bonds	17,215,000	12,930,000	13,710,000
Less: Refunded bonds	(4,920,000)	-	-
Notes payable	<u>7,927,211</u>	<u>7,301,744</u>	<u>5,415,175</u>
	<u>20,222,211</u>	<u>20,231,744</u>	<u>19,125,175</u>
Less bonds exempt from debt limitation computation	<u>(5,670,000)</u>	<u>(6,140,000)</u>	<u>(6,550,000)</u>
	<u>14,552,211</u>	<u>14,091,744</u>	<u>12,575,175</u>
Legal Debt Margin	<u>\$ 1,547,913</u>	<u>\$ 1,952,547</u>	<u>\$ 3,400,059</u>

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

	Tax Levy Year		
	2012	2011	2010
Assessed Valuation	<u>\$ 186,668,104</u>	<u>\$ 186,020,763</u>	<u>\$ 185,220,108</u>
Tax Rates:			
General corporate	0.14605	0.02636	0.00054
IMRF	0.16325	0.15709	0.14553
Fire protection	0.10346	0.09773	0.09750
Firemen's pension	0.34507	0.38631	0.39883
Police protection	0.06632	0.05177	0.05094
Police pension	0.32361	0.35808	0.34493
Library	0.19895	0.18857	0.18702
Judgment	0.25995	0.26737	0.26488
Street lighting	0.04952	0.04913	0.04960
Playground and recreation	0.08966	0.08504	0.08409
Emergency services	0.00059	0.00056	0.00054
Social security	0.11362	0.11075	0.10887
Ambulance service	0.05041	0.04622	0.04609
Unemployment insurance	0.00054	0.00107	0.00108
General obligation bonds (Library series)	0.29261	0.28851	0.28405
Prior year adjustment	<u>(0.00728)</u>	<u>-</u>	<u>-</u>
 Total	 <u>2.20693</u>	 <u>2.11584</u>	 <u>2.06557</u>

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

	Tax Levy Year		
	2012	2011	2010
Taxes Extended:			
General corporate	\$ 272,629	\$ 49,898	\$ 1,000
Street and bridge *	131,869	127,435	126,263
IMRF	304,736	297,360	269,551
Fire protection	193,127	184,996	180,590
Firemen's pension	644,135	731,257	738,713
Police protection	123,798	97,997	94,351
Police pension	604,077	677,820	638,880
Library	371,376	356,949	346,399
Garbage	6,160	1,211	1,000
Audit	13,627	1,211	1,000
Judgment	485,244	506,112	490,611
Street lighting	92,438	93,000	91,869
Playground and recreation	167,367	160,975	155,752
Emergency services	1,101	1,060	1,000
Social security	212,092	209,642	201,649
Ambulance service	94,099	87,491	85,368
Unemployment insurance	1,008	2,025	2,000
General obligation bonds (Library series)	546,210	546,129	526,118
Prior year adjustment	(13,589)	-	-
<b>Total</b>	<b><u>\$ 4,251,504</u></b>	<b><u>\$ 4,132,568</u></b>	<b><u>\$ 3,952,114</u></b>
Net Taxes Collected:			
Municipal levy		\$ 3,930,714	\$ 3,797,507
City's share of township road and bridge		127,086	125,524
Tax increment finance		<u>166,483</u>	<u>168,464</u>
<b>Total</b>		<b><u>\$ 4,224,283</u></b>	<b><u>\$ 4,091,495</u></b>
Percent Collected		102.22%	103.53%

\* Includes City share of township road and bridge tax.