

CITY OF ALTON, ILLINOIS

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2016

CITY OF ALTON, ILLINOIS

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON  
September 30, 2016

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the  
City Council  
City of Alton, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Illinois, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Alton'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 from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Illinois, as of March 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress, and related notes to the required supplementary information on pages 7 through 14 and 64 through 83, respectively, 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 Alton's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the City of Alton's 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 the City of Alton's internal control over financial reporting and compliance.

  
Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

September 30, 2016

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 Members of the  
City Council  
City of Alton, 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, each major fund, and the aggregate remaining fund information of the City of Alton, Illinois, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Alton's basic financial statements and have issued our report thereon dated September 30, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-1 and 2016-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-3 and 2016-4.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding Number 2016-5. Additional matters were communicated to management in a separate letter.

### **The City of Alton's Response to Findings**

The City of Alton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Alton's 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.

  
Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

September 30, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members of the  
City Council  
City of Alton, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the City of Alton, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Alton's major federal programs for the year ended March 31, 2016. The City of Alton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Alton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Alton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Alton's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Alton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

### **Report on Internal Control over Compliance**

Management of the City of Alton, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Alton's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Alton's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Alton, Illinois

CITY OF ALTON, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

## **INTRODUCTION**

The City of Alton, Illinois' Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Alton, Illinois (the City) for the fiscal year ended March 31, 2016. The MD&A is designed to:

- Assist in focusing on significant financial issues; and
- Provide an overview of the City's financial activities; and

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements.

- The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances.
- For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.
- The Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Statement of Agency Net Position provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting the City as a Whole-**

#### **The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Reporting the City's Most Significant Funds-**

#### **Fund Financial Statements**

Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Sewer Fund Projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City's three types of activities (governmental, business-type, and fiduciary) use different accounting approaches:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of these governmental funds and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations within Exhibits "D" and "F".
- Business-type funds – Services for which the City charges customers for the full cost of the services it provides are generally reported in business-type funds. Business-type funds, like the government-wide statements, provide both long-term and short-term financial information. Business-type funds are reported on the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

- Fiduciary funds – The City has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. We exclude these funds from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table (in millions) reflects the condensed Statement of Net Position for fiscal years ending March 31, 2016 and March 31, 2015.

**Summary of Net Position**  
**(in millions of dollars)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>Restated</u> <u>2015</u>	<u>2016</u>	<u>Restated</u> <u>2015</u>	<u>2016</u>	<u>Restated</u> <u>2015</u>
Current Assets	\$ 33.4	\$ 31.0	\$ 7.0	\$ 7.9	\$ 40.4	\$ 38.9
Fixed Assets	87.8	88.6	15.8	15.9	103.6	104.5
Other Noncurrent Assets	2.0	2.1			2.0	2.1
Total Assets	<u>\$ 123.2</u>	<u>\$ 121.7</u>	<u>\$ 22.8</u>	<u>\$ 23.8</u>	<u>\$ 146.0</u>	<u>\$ 145.5</u>
Deferred Outflows of Resources	<u>\$ 27.3</u>	<u>\$ 0</u>	<u>\$ 0.3</u>	<u>\$ 0</u>	<u>\$ 27.6</u>	<u>\$ 0</u>
Current Liabilities	\$ 3.3	\$ 4.2	\$ 0.9	\$ 0.8	\$ 4.2	\$ 5.0
Long-Term Liabilities	193.1	113.1	6.9	7.1	200.0	120.2
Total Liabilities	<u>\$ 196.4</u>	<u>\$ 117.3</u>	<u>\$ 7.8</u>	<u>\$ 7.9</u>	<u>\$ 204.2</u>	<u>\$ 125.2</u>
Deferred Inflows of Resources	<u>\$ 9.9</u>	<u>\$ 9.4</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 10.1</u>	<u>\$ 9.6</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 76.8	\$ 76.4	\$ 12.2	\$ 11.6	\$ 89.0	\$ 88.0
Restricted	12.6	12.5	1.4	2.0	14.0	14.5
Unrestricted	(145.2)	(140.2)	1.5	2.0	(143.7)	(138.2)
Total Net Position	<u>\$ (55.8)</u>	<u>\$ (51.3)</u>	<u>\$ 15.1</u>	<u>\$ 15.6</u>	<u>\$ (40.7)</u>	<u>\$ (35.7)</u>

Shown within the long-term liabilities section on the Statement of Net Position is the year-end balance of compensated absences for vacation and sick time for the year ended March 31, 2016 of \$2.7 million. This is comprised of \$2.5 million for governmental activities and \$0.2 million for business-type activities. Compared to the year ended March 31, 2015, \$2.8 million was reported for compensated absences, which included \$2.6 million for governmental activities and \$0.2 million for business-type activities.

During the current fiscal year, the City adopted Statement No. 67 and 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. These statements require the City to change the accounting for the pension costs related to the City's participation in the Illinois Municipal Retirement Fund (IMRF), the City's Police Pension Fund, and the City's Fire Pension Fund. A prior period adjustment of \$46,369,709 and \$113,400 was recorded to governmental activities and business-type activities, respectively, to reflect the activity that had occurred as of March 31, 2015.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

The following table (in millions) is a summary of the Statement of Activities for fiscal years ending March 31, 2016 and March 31, 2015.

**Statement of Activities**  
**(in millions of dollars)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 4.0	\$ 4.3	\$ 4.6	\$ 4.5	\$ 8.6	\$ 8.8
Operating Grants and Contributions	0.8	1.2			0.8	1.2
Capital Grants and Contributions	2.4	1.2			2.4	1.2
General Revenues						
Property Taxes, Levied for General Purpose	8.9	8.5			8.9	8.5
Property Taxes, Levied for Debt Service	0.4	0.4			0.4	0.4
Sales, Franchise, Utility and Other Taxes	12.7	12.0			12.7	12.0
Intergovernmental	8.3	8.3			8.3	8.3
Miscellaneous	4.5	3.2	0.1	0.1	4.6	3.3
Total Revenues	<u>\$42.0</u>	<u>\$39.1</u>	<u>\$ 4.7</u>	<u>\$ 4.6</u>	<u>\$46.7</u>	<u>\$43.7</u>
Expenditures						
General Government	\$ 3.3	\$ 2.7			\$ 3.3	\$ 2.7
Public Safety	27.5	22.3			27.5	22.3
Highways and Streets	6.4	7.3			6.4	7.3
Sanitation	2.2	2.3			2.2	2.3
Health	1.4	1.3			1.4	1.3
Culture and Recreation	3.1	2.9			3.1	2.9
Development	1.7	0.7			1.7	0.7
Capital Projects	0.2	0.6			0.2	0.6
Miscellaneous	0.2	0.1			0.2	0.1
Interest on Long-Term Debt	0.4	0.4			0.4	0.4
Sewer			\$ 4.2	\$ 3.5	4.2	3.5
Marina			1.1	1.1	1.1	1.1
Total Expenditures	<u>\$46.4</u>	<u>\$40.6</u>	<u>\$ 5.3</u>	<u>\$ 4.6</u>	<u>\$51.7</u>	<u>\$45.2</u>
Net Transfers	<u>(0.1)</u>	<u>(0.2)</u>	<u>0.1</u>	<u>0.2</u>		
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>\$(4.5)</u>	<u>\$(1.7)</u>	<u>\$(0.5)</u>	<u>\$ 0.2</u>	<u>\$(5.0)</u>	<u>\$(1.5)</u>

This Statement above reflects a required current period adjustment to record additional pension expense of \$7,371,525 and \$27,648 to governmental activities and business-type activities, respectively, due to the implementation of Statement No. 67 and 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

**Governmental Activities**

Revenues for the City's governmental activities increased by 7.4% over the prior fiscal year and total expenses increased by 14.3% during the same period. The increase in total revenues is primarily due to additional grant monies received for the Multimodal Tiger Grant as well as monies received from the U.S. Corps of Engineers for a federal cost sharing agreement related to projects that stemmed back to 2005. The increase in expenses is primarily attributable to pension expense recorded for IMRF, the Policemen's Pension, and the Firefighters' Pension in the current year due to implementation of GASB state No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*.

**Business-type Activities**

Revenues of the City's business type activities remained relatively the same over the prior fiscal year while total expenses increased by 15.2% during the same period. The increase in expenses is primarily attributable to an increase in contractual services related to sewer repair and maintenance costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budget amendments require passage of an ordinance by City Council. Over the course of the year, the City Council revised the City budget to transfer funds from certain line items within certain departments. Budgeted revenues for the general fund were \$30.9 million including the amendments. Actual revenues for the general fund were \$32.8 million. The initial budgeted expenditures for the year ended March 31, 2016 were \$32.0 million. The final budgeted expenditures were \$32.1 million including amendments. Actual expenditures for the general fund were \$31.8 million. All amounts budgeted and reported for the general fund were prepared on the modified-accrual basis.

**STATUS OF CITY RESERVES**

The governmental funds reported a combined fund balance of \$23.2 million at March 31, 2016, a 14.3% increase from a balance of \$20.3 million at March 31, 2015. The following is a listing of the City's governmental funds reserves reported on the modified-accrual basis of accounting under GASB 34 rules.

**City of Alton  
Statement of Governmental Funds**

<u>Fund Balance Category</u>	<u>Fiscal Year Ending March 31, 2016</u>
Nonspendable	\$ 2,936,631
Restricted	9,715,137
Committed	500,000
Assigned	2,329,090
Unassigned	<u>7,745,407</u>
Total Fund Balances	<u>\$ 23,226,265</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At March 31, 2016, the City had \$103.6 million (net of depreciation) invested in a broad range of capital assets that include building and improvements, sewer system, machinery and equipment, vehicles and infrastructure. The Finance Department has established an implementation policy for capital and fixed assets. A threshold for capitalization of \$5,000, based on a per piece basis, was established. Infrastructure is valued based on the composite cost. Depreciation is calculated based on the straight-line method, and salvage value is estimated to be zero in all cases.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**City of Alton Capital Assets**  
**(net depreciation in millions of dollars)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$24.0	\$24.0			\$ 24.0	\$ 24.0
Construction in Progress	5.0	2.2	0.1	\$ 0.3	5.1	2.5
Buildings and Improvements	19.6	20.3	14.8	14.7	34.4	35.0
Furniture and Equipment	0.9	0.9	0.3	0.3	1.2	1.2
Vehicles	1.0	1.5	0.6	0.6	1.6	2.1
Infrastructure	37.3	39.7			37.3	39.7
Totals	<u>\$87.8</u>	<u>\$88.6</u>	<u>\$15.8</u>	<u>\$15.9</u>	<u>\$103.6</u>	<u>\$104.5</u>

**Debt**

The City of Alton continues to maintain responsible and manageable debts. Total long-term outstanding debt, including compensated absences and the net pension liability, increased by 66.5%. At the end of the current fiscal year, the City had \$193.1 million in total long-term debt for the governmental activities and \$6.9 million in sewer related debt compared to \$113.0 million in total long-term debt for governmental activities and \$7.1 million in sewer related debt at the prior year end. The increase is primarily attributable to the increase in the total net pension liability of \$81 million due to the implementation of GASB state No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* in the current year. The City is a Home Rule Unit of Government and therefore, has no legal debt limitation.

**CURRENT ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City of Alton had many factors to consider when establishing the fiscal year 2016 budget. The budgeted expenditures for the general, special revenue and capital projects funds for the upcoming year was established by City ordinance at \$60 million.

There is a strong retail and tourist base in Alton. The top five employers in Alton provide over 4,102 jobs to the area residents. Significant fields of employment include gaming, healthcare, sales, and education. As of the end of fiscal year 2016, the City of Alton had 208 full time employees and 2 regular part-time employees.

Alton is in the process of experiencing quite a bit of residential, industrial and commercial growth.

**Residential Development**

**In-fill Housing Development:**

The City continues to champion the success of recent in-fill housing developments. The Landings at Belle Meadows, a sixty (60) unit low-income housing tax credit project (LIHTC) is currently in construction. This rehabilitation project includes the gut renovation of the former Belle Manor apartments and will include new tenant amenities including a technology center, enhanced lighting/security, playgrounds and on-site management.

**Market-Rate Housing Development:**

The City of Alton continues to encourage the development of market-rate housing. The City has contributed financial and/or regulatory assistance to the development of several market-rate subdivisions including: Lincoln School Estates, Leverett Place, Northridge Estates, Homes of Virden Woods, Greenleaf Estates and Heritage Woods. The City of Alton will continue the use of annexations and infrastructure improvements to induce future development.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

**CURRENT ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)**

**Downtown Loft/Condo Development:**

Revitalization efforts to convert former commercial buildings into downtown residential living spaces have continued throughout the downtown central business district. Prior completed projects include Laura Lofts, Lincoln Lofts, the former Germania and Wead buildings, Mineral Springs Mall and Cracker Factory Building.

**Industrial Development**

**Alton Center Business Park:**

Alton Center Business Park continues to experience new tenant growth and expansion of existing tenants. The park's two (2) principal tenants, American Water Works and Imperial Manufacturing, both maintain strong employment levels with the total number of employees currently exceeding 600 people. American Water Works, American Water Resources, Imperial Manufacturing and Advanced Outsource Solutions collectively occupy approximately 350,000 sq.ft.

**Industrial Corridor Infrastructure Improvements:**

The City of Alton recently completed a \$1.3 million dollar enhancement project along Landmarks Boulevard and the western terminus of IL Rt. 143. The project includes the construction of the flood memorial and streetscape improvements to Landmarks Blvd. The flood memorial includes a landscaped plaza with concrete pavers and radial concrete banding (representing the three rivers), serpentine retaining wall, limestone benches, trash receptacles and interpretive signage. The streetscape improvements include landscape enhancements (native plantings), decorative banner poles denoting the scenic byway, decorative bollards, and installation of irrigation on Landmarks Blvd. and IL 143 (to the entrance of Alton Center Business Park).

**Commercial Development**

**Multi-Modal Transit Facility:**

In 2011, the City of Alton was awarded a \$13.8 million dollar TIGER grant through USDOT for the development of a multi-modal transit facility to accommodate the expansion of high-speed rail service from Chicago to Alton. This mixed use development, north of Homer Adams Parkway, will include the construction of a new 9,000 sq. ft. train station, mass transit connections, retail development as well as infrastructure improvements to Golf Road, Barons Commerce Parkway, and the construction of a new service road to serve the site. The project is currently under construction with substantial completion anticipated by June 30, 2017.

**Homer Adams Parkway:**

Homer Adams Parkway continues it's near capacity growth with recent new construction activity. Recent developments include a newly constructed MedExpress Convenient Care, Kay Jewelers, and Davita Dialysis Center. Planned improvements along the corridor include the development of a new 84 room Hampton Inn Hotel adjacent to the Wadlow Town Center site. The hotel is near completion with an anticipated opening in the fall of 2016. Additional retail space is currently in the plan review phase. The City continues to comprehensively plan the anticipated transit oriented development adjacent to the multi-modal facility directly north of the parkway.

**Alton Square Mall:**

The owners of Alton Square Mall, Hull Property Group, continue their revitalization efforts to increase tenant occupancy with the mall. Hull Property Group has over 40 years of retail real estate experience and the City firmly believes that the new owner will be able to leverage its relationships with national retailers to stabilize the property and attract new tenants. Recent interior improvements to the property have been made to improve lighting, increase lines of sight and obscure vacant spaces. The aforesaid improvements are aimed at increasing demand for the available vacant spaces.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

**CURRENT ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)**

**Central Business District**

**Riverfront Park:**

Liberty Bank Alton Amphitheater, a 4,000 seat riverfront facility is currently in its 7th year of operation as a commercially staged entertainment venue. The City's Amphitheater Commission has continued its corporate sponsorship revenue model to sustain commercial operations and expand the entertainment offerings featuring national recording artists. The current season enjoyed large turnouts for several events including Rodney Atkins, Jana Kramer, Travis Tritt and the 2<sup>nd</sup> Annual Sauce Magazine Food Truck Festival.

**Dining & Entertainment:**

The downtown area has continued to experience the revitalization of former commercial spaces offering new dining and entertainment options. Old Bakery Beer Company and Elijah P's Burgers & Brews both offer niche fare which has attracted diverse patrons from across the region. Both developments follow the recent trend of successful craft brewers in the St. Louis metropolitan area and the desire for unique dining options.

**TIF Grant Program:**

To encourage additional redevelopment within the tax increment financing district, the City anticipates continued funding for this program which makes available up to \$25,000 for interior or exterior improvements. Recent program amendments provide assistance for the conversion of commercial space into residential units within the TIF district. A development subsidy of \$7,500 is provided for each new or substantially renovated unit. Additional financial assistance may be available for eligible architectural fees related to residential development.

**Commercial Facade Program:**

The Commercial Facade Program is available for commercially zoned business generally located south of Homer Adams Parkway. The program provides a 25% reimbursement grant to improve the exterior facades of a building. A maximum grant reimbursement of \$7,500 is available for a single façade and \$10,000 for multiple facades. Free architectural services for exterior improvements are available through the Alton Marketplace Association and Illinois Historic Preservation Agency.

CITY OF ALTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016

**Park and Recreation Department**

In fiscal year 2015-2016, the City has:

- Implemented new events such as: Daddy Daughter Dance; Christmas Workshop; and Shake the Dust Off Softball Tournament.
- Managed the Alton Riverfront Amphitheater. The City of Alton Riverfront Amphitheater hosted 23 events/concerts in 2015-2016.
- The Alton Park and Recreation Department was awarded a \$405,000 Scenic Byways Grant to renovate Riverview Park overlooking the Mississippi River in conjunction with an OSLAD grant for \$125,000 for the lower renovations of the park. The OSLAD grant is currently on hold due to state restrictions. Construction is nearly complete on the park with Scenic Byways money.
- The Alton Park and Recreation Department operates the Dog Park and currently sells passes for annual memberships. There are currently 120 memberships.
- Gordon Moore Park hosted its 30th ASA Co-Ed state championship on August 12<sup>th</sup>, 13<sup>th</sup>, and 14th.
- Gordon F. Moore Park hosted the annual "Kick It" 3x3 youth soccer Midwest regional tourney on July 30<sup>th</sup>.
- Alton Park and Recreation was awarded \$138,655 from the Madison County PEP Grant for new dog park equipment, resealing of basketball courts at Olin and Hellrung Parks, lighting upgrades at Gordon Moore Park, upgrades to Concession #1, and new picnic tables and trash cans for various parks.
- The Alton Park and Recreation Department has continued with recycling centers at Gordon F. Moore Park and Alton Riverfront Park/Marina Complex in conjunction with "Cool Cities" initiative.
- The Alton Park and Recreation Department, Alton Middle School, Upper Alton Business Association, and Drug Free Alton scheduled "Clean Up" work days in Rock Spring Park. In addition, the City repaired the waterfall at the entrance and corrected the erosion problems existing in the creek bed below the tennis courts.
- The Alton Park and Recreation Department, Alton Police Department, Alton Fire Department will host its 15<sup>th</sup> National night out kick-off party at the amphitheater.
- Friends of Haskell and Riverview Park continue to beautify their neighborhood parks with landscaping and painting, as needed.
- Friends of Haskell Park completed renovations on the Haskell Playhouse with the money raised last year.
- Aces 4 Youth have been helping beautify Hellrung Park by landscaping, picking up trash, and gardening.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or wish to request additional information, contact Jeannie Cowan, Comptroller, at Alton City Hall, 101 East Third Street, Alton, Illinois 62002.

CITY OF ALTON, ILLINOIS  
STATEMENT OF NET POSITION  
MARCH 31, 2016

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Current Assets:			
Cash and Cash Equivalents	\$ 17,059,952	\$ 1,706,146	\$ 18,766,098
Investments (at fair value)	1,098,000	3,587,919	4,685,919
Receivables (net, where applicable of allowance for uncollectibles):			
Taxes	9,853,155		9,853,155
Gaming Tax Surcharge	375,610		375,610
Intergovernmental	3,721,034		3,721,034
Accounts Receivable	826,359	308,930	1,135,289
Due from Other Funds	2,378	13,718	16,096
Inventory (at cost)	81,675	9,816	91,491
Prepaid Expenses	254,956	31,489	286,445
Other Current Assets	119,596		119,596
Restricted Assets:			
Cash and Investments (at fair value)		1,347,361	1,347,361
Total Current Assets	<u>\$ 33,392,715</u>	<u>\$ 7,005,379</u>	<u>\$ 40,398,094</u>
Noncurrent Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 87,781,751	\$ 15,761,034	\$ 103,542,785
Other Assets (net of accumulated amortization)		4,141	4,141
Due from Other Funds - Loan to Alton Marina	2,000,000		2,000,000
Note Receivable	55,968		55,968
Total Noncurrent Assets	<u>\$ 89,837,719</u>	<u>\$ 15,765,175</u>	<u>\$ 105,602,894</u>
Total Assets	<u>\$ 123,230,434</u>	<u>\$ 22,770,554</u>	<u>\$ 146,000,988</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension Contributions	\$ 27,320,267	\$ 290,378	\$ 27,610,645
Total Deferred Outflows of Resources	<u>\$ 27,320,267</u>	<u>\$ 290,378</u>	<u>\$ 27,610,645</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 150,550,701</u>	<u>\$ 23,060,932</u>	<u>\$ 173,611,633</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 362,040	\$ 123,644	\$ 485,684
Accrued Payroll	626,090	70,531	696,621
Other Payables	756,377		756,377
Due to Other Funds	13,718	2,378	16,096
Bonds and Notes Payable	1,397,634	685,865	2,083,499
Capital Lease Obligations	102,253	969	103,222
Accrued Interest on Bonds, Notes Payable, and Capital Leases	68,422	24,335	92,757
Total Current Liabilities	<u>\$ 3,326,534</u>	<u>\$ 907,722</u>	<u>\$ 4,234,256</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 9,341,096	\$ 2,879,477	\$ 12,220,573
Capital Lease Obligations	116,441	1,017	117,458
Due to Other Funds - Loan from General Fund		2,000,000	2,000,000
Net Pension Liability	166,433,167	431,426	166,864,593
OPEB Obligation	14,707,931	1,427,335	16,135,266
Compensated Absences	2,510,506	149,893	2,660,399
Total Long-Term Liabilities	<u>\$ 193,109,141</u>	<u>\$ 6,889,148</u>	<u>\$ 199,998,289</u>
Total Liabilities	<u>\$ 196,435,675</u>	<u>\$ 7,796,870</u>	<u>\$ 204,232,545</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property Taxes	\$ 9,853,156		\$ 9,853,156
Grants Received In Advance	10,585		10,585
Prepaid Title Sponsorship	50,000		50,000
Prepaid Boat Slip Revenue		\$ 185,221	185,221
Total Deferred Inflows of Resources	<u>\$ 9,913,741</u>	<u>\$ 185,221</u>	<u>\$ 10,098,962</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 76,824,327	\$ 12,193,706	\$ 89,018,033
Restricted For:			
Special Revenue Purposes	12,587,649		12,587,649
Long-Term Debt		110,258	110,258
Sewer Reserves, Replacements, and Maintenance		1,237,103	1,237,103
Unrestricted	(145,210,691)	1,537,774	(143,672,917)
Total Net Position	<u>\$ (55,798,715)</u>	<u>\$ 15,078,841</u>	<u>\$ (40,719,874)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 150,550,701</u>	<u>\$ 23,060,932</u>	<u>\$ 173,611,633</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 3,301,117	\$ 406,410			\$ (2,894,707)		\$ (2,894,707)
Public Safety	27,456,808	806,897	\$ 83,263		(26,566,648)		(26,566,648)
Highways and Streets	6,396,945	44,245	714,148		(5,638,552)		(5,638,552)
Sanitation	2,189,900	2,562,207			372,307		372,307
Health	1,441,761				(1,441,761)		(1,441,761)
Culture and Recreation	3,075,121	206,320	3,200	\$ 202,829	(2,662,772)		(2,662,772)
Development	1,692,683			644,496	(1,048,187)		(1,048,187)
Capital Projects	246,176			1,558,907	1,312,731		1,312,731
Miscellaneous	150,656				(150,656)		(150,656)
Interest on Long-Term Debt	438,384				(438,384)		(438,384)
<b>Total Governmental Activities</b>	<b>\$ 46,389,551</b>	<b>\$ 4,026,079</b>	<b>\$ 800,611</b>	<b>\$ 2,406,232</b>	<b>\$ (39,156,629)</b>	<b>\$ 0</b>	<b>\$ (39,156,629)</b>
<b>Business-Type Activities:</b>							
Sewer	\$ 4,232,836	\$ 3,805,231				\$ (427,605)	\$ (427,605)
Marina	1,063,657	777,744				(285,913)	(285,913)
<b>Total Business-Type Activities</b>	<b>\$ 5,296,493</b>	<b>\$ 4,582,975</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (713,518)</b>	<b>\$ (713,518)</b>
<b>Total Primary Government</b>	<b>\$ 51,686,044</b>	<b>\$ 8,609,054</b>	<b>\$ 800,611</b>	<b>\$ 2,406,232</b>	<b>\$ (39,156,629)</b>	<b>\$ (713,518)</b>	<b>\$ (39,870,147)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, Levied for General Purposes					\$ 8,905,593		\$ 8,905,593
Property Taxes, Levied for Debt Service					383,784		383,784
Sales, Franchise, Utility, and Other Taxes					12,719,969		12,719,969
Intergovernmental					8,252,624		8,252,624
Miscellaneous					4,505,259	\$ 85,558	4,590,817
Transfers					(145,596)	145,596	
<b>Total General Revenues</b>					<b>\$ 34,621,633</b>	<b>\$ 231,154</b>	<b>\$ 34,852,787</b>
<b>Change in Net Position</b>					<b>\$ (4,534,996)</b>	<b>\$ (482,364)</b>	<b>\$ (5,017,360)</b>
<b>Net Position, Beginning (As Restated)</b>					<b>(51,263,719)</b>	<b>15,561,205</b>	<b>(35,702,514)</b>
<b>Net Position, Ending</b>					<b>\$ (55,798,715)</b>	<b>\$ 15,078,841</b>	<b>\$ (40,719,874)</b>

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

CITY OF ALTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2016

	GENERAL	MULTIMODAL TIGER GRANT	MOTOR FUEL TAX	TIF BOND FUND	TAX INCREMENTAL FINANCING FUND	TIF PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 7,465,679	\$ 952,029	\$ 708,465	\$ 2,941	\$ 4,697,835	\$ 9,057	\$ 3,223,946	\$ 17,059,952
Investments (at fair value)	1,098,000							1,098,000
Receivables (net, where applicable of allowance for uncollectibles):								
Taxes	6,177,267				2,378,025		1,297,863	9,853,155
Gaming Tax Surcharge	356,696						18,914	375,610
Intergovernmental	3,687,298		52,650					3,739,948
Accounts Receivable	399,378	284,485	2,403			99,516	21,663	807,445
Note Receivable						55,968		55,968
Due from Other Funds	519,771				631,298			1,151,069
Due from Other Funds - Loan to Alton Marina	2,000,000							2,000,000
Inventory (at cost)	81,675							81,675
Prepaid Expenses	254,956							254,956
Other Assets	119,596							119,596
Total Assets	<u>\$ 22,160,316</u>	<u>\$ 1,236,514</u>	<u>\$ 763,518</u>	<u>\$ 2,941</u>	<u>\$ 7,707,158</u>	<u>\$ 164,541</u>	<u>\$ 4,562,386</u>	<u>\$ 36,597,374</u>
<b>LIABILITIES</b>								
Accounts Payable	\$ 204,937	\$ 81,022	\$ 30,601			\$ 16,881	\$ 28,599	\$ 362,040
Accrued Payroll	623,604	470					2,016	626,090
Other Payables	131,891							131,891
Due to Other Funds	1,336	2,793					1,158,280	1,162,409
Total Liabilities	<u>\$ 961,768</u>	<u>\$ 84,285</u>	<u>\$ 30,601</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,881</u>	<u>\$ 1,188,895</u>	<u>\$ 2,282,430</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes	\$ 6,177,268				\$ 2,378,025		\$ 1,297,863	\$ 9,853,156
Other Taxes	1,174,938							1,174,938
Grants Received In Advance	10,585							10,585
Prepaid Title Sponsorship							50,000	50,000
Total Deferred Inflows of Resources	<u>\$ 7,362,791</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,378,025</u>	<u>\$ 0</u>	<u>\$ 1,347,863</u>	<u>\$ 11,088,679</u>
<b>FUND BALANCES</b>								
Nonspendable	\$ 2,336,631				\$ 600,000			\$ 2,936,631
Restricted	419,653	\$ 1,152,229	\$ 718,052	\$ 2,941	4,729,133	\$ 147,660	\$ 2,545,469	9,715,137
Committed	250,000						250,000	500,000
Assigned	1,924,582		14,865				389,643	2,329,090
Unassigned	8,904,891						(1,159,484)	7,745,407
Total Fund Balance (Deficit)	<u>\$ 13,835,757</u>	<u>\$ 1,152,229</u>	<u>\$ 732,917</u>	<u>\$ 2,941</u>	<u>\$ 5,329,133</u>	<u>\$ 147,660</u>	<u>\$ 2,025,628</u>	<u>\$ 23,226,265</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 22,160,316</u>	<u>\$ 1,236,514</u>	<u>\$ 763,518</u>	<u>\$ 2,941</u>	<u>\$ 7,707,158</u>	<u>\$ 164,541</u>	<u>\$ 4,562,386</u>	<u>\$ 36,597,374</u>

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

CITY OF ALTON, ILLINOIS  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
MARCH 31, 2016

Total fund balances for governmental funds		\$ 23,226,265
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 23,992,447	
Construction in Progress	5,051,433	
Infrastructure, net of \$46,995,569 accumulated depreciation	37,285,523	
Buildings and Improvements, net of \$17,819,076 accumulated depreciation	19,561,409	
Vehicles, net of \$3,154,651 accumulated depreciation	1,009,601	
Equipment, net of \$2,408,688 accumulated depreciation	<u>881,338</u>	
		87,781,751
Certain taxes applicable to the City's governmental activities are not earned until available for fund financial reporting and accordingly are not reported as revenues on the fund statements.		
		1,174,938
The City's health insurance is a self-insured plan. An estimate has been made for the amount of claims currently in process but not paid and accordingly are not reported as expenditures on the fund statements.		
		(624,486)
Deferred outflows of resources related to pensions are not reported in the governmental funds.		
		27,320,267
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.		
Balances at March 31, 2016:		
Accrued Interest on Bonds and Capital Leases	\$ (68,422)	
Bonds and Notes Payable	(10,738,730)	
Capital Leases Payable	(218,694)	
OPEB Obligation	(14,707,931)	
Net Pension Liability	(166,433,167)	
Compensated Absences	<u>(2,510,506)</u>	
Total		<u>(194,677,450)</u>
Total net position of governmental activities		<u>\$ (55,798,715)</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	GENERAL	MULTIMODAL TIGER GRANT	MOTOR FUEL TAX	TIF BOND FUND	TAX INCREMENTAL FINANCING FUND	TIF PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:								
Taxes:								
General Property Taxes	\$ 5,853,646				\$ 2,289,370		\$ 1,146,361	\$ 9,289,377
Food and Beverage Tax							401,764	401,764
Tourism Tax							324,272	324,272
Municipal Auto Rental Tax	20,762							20,762
State Sales Tax	5,810,335							5,810,335
Local Sales Tax	3,634,134							3,634,134
Business District Tax	344,904							344,904
Electric Franchise Tax	216,956							216,956
Gas Franchise Tax	236,632							236,632
Cable TV Franchise Tax	334,784							334,784
Telephone Franchise Tax	855,335							855,335
Water Utility Tax	379,226							379,226
Off Track Betting Tax	49,373							49,373
Municipal Aggregation	85,437							85,437
Total Taxes	\$ 17,821,524	\$ 0	\$ 0	\$ 0	\$ 2,289,370	\$ 0	\$ 1,872,397	\$ 21,983,291
Intergovernmental:								
Illinois Income Tax	\$ 3,001,903							\$ 3,001,903
Corporate Personal Property Replacement Tax	1,594,909						\$ 180,083	1,774,992
Gaming Tax	3,426,135						81,856	3,507,991
Total Intergovernmental	\$ 8,022,947	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 261,939	\$ 8,284,886
Grants	\$ 247,346	\$ 1,558,907	\$ 714,148			\$ 99,516		\$ 2,619,917
Licenses and Permits	317,763							317,763
Fines and Forfeitures	297,426							297,426
Charges for Current Services	3,358,529						\$ 52,361	3,410,890
Revenue from Use of Money and Property	1,161,946	1,555	3,149	\$ 8	\$ 29,294	1,748	14,279	1,211,979
Other Revenue	1,565,983		6,923		528	123,604	1,980,468	3,677,506
Total Revenues	\$ 32,793,464	\$ 1,560,462	\$ 724,220	\$ 8	\$ 2,319,192	\$ 224,868	\$ 4,181,444	\$ 41,803,658
Expenditures:								
Current-								
General Government	\$ 2,483,804							\$ 2,483,804
Public Safety	20,240,812							20,240,812
Highways and Streets	3,283,870		\$ 551,763					3,835,633
Sanitation	2,189,900							2,189,900
Health	110,461						\$ 1,308,696	1,419,157
Culture and Recreation	1,965,052						778,921	2,743,973
Development	1,327,012						460,639	1,787,651
Capital Projects		\$ 1,784,762				\$ 584,903	56,713	2,426,378
Miscellaneous	150,473		181					150,654
Debt Service Expenditures-								
Principal Retirement					\$ 845,000		271,290	1,116,290
Interest and Fiscal Charges					54,303		151,098	489,358
Total Expenditures	\$ 31,751,384	\$ 1,784,762	\$ 551,944	\$ 899,303	\$ 283,957	\$ 584,903	\$ 3,027,357	\$ 38,883,610
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,042,080	\$ (224,300)	\$ 172,276	\$ (899,295)	\$ 2,035,235	\$ (360,035)	\$ 1,154,087	\$ 2,920,048
Other Financing Sources (Uses):								
Operating Transfers In	\$ 525,809	\$ 873,706		\$ 1,142,493	\$ 243,186	\$ 822,194	\$ 100,011	\$ 3,707,399
Operating Transfers Out	(100,011)		\$ (59,352)	(243,186)	(1,964,687)		(1,485,759)	(3,852,995)
Proceeds From Line of Credit	108,086							108,086
Total Other Financing Sources (Uses)	\$ 533,884	\$ 873,706	\$ (59,352)	\$ 899,307	\$ (1,721,501)	\$ 822,194	\$ (1,385,748)	\$ (37,510)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 1,575,964	\$ 649,406	\$ 112,924	\$ 12	\$ 313,734	\$ 462,159	\$ (231,661)	\$ 2,882,538
Fund Balance (Deficit), Beginning	12,259,793	502,823	619,993	2,929	5,015,399	(314,499)	2,257,289	20,343,727
Fund Balance (Deficit), Ending	\$ 13,835,757	\$ 1,152,229	\$ 732,917	\$ 2,941	\$ 5,329,133	\$ 147,660	\$ 2,025,628	\$ 23,226,265

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

CITY OF ALTON, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2016

Net change in fund balances - total governmental funds	\$ 2,882,538
Total net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(1,047,109)
Gains and losses from the sale of fixed assets are recorded based on proceeds in the Statement of Revenues, Expenditures, and Changes in Fund Balances, and net of net book value on the Statement of Activities.	(384,228)
Certain taxes applicable to the City's governmental activities are not earned until available for fund financial reporting and accordingly are not reported as revenues on the fund statements.	(6,208)
Donated and contributed fixed assets are not recorded on the fund statements because there is no monetary transaction.	586,926
Proceeds from debt issuance is Other Financing Sources in the governmental funds, but a debt issue increases long-term liabilities in the Statement of Net Position.	(108,086)
Changes in the net pension liability and deferred outflows of resources from pension contributions are not recorded on the fund statements but are reported on the Statement of Activities	(7,371,525)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Current year decrease in compensated absences	\$ 117,899
Current year increase in OPEB Obligation	(559,487)
Current year increase in health insurance claims payable	(58,434)
Change in accrued interest on capital leases and notes payable	2,677
Change in accrued interest on bonds payable	<u>42,741</u>
	(454,604)
Bond reissuance costs are not reported as expenditures in the governmental funds	193,710
Bond premiums received are reported as revenue in the governmental funds but are reported as a liability and amortized over the life of the bonds on the Statement of Net Position	(185,475)
Repayment of principal on capital lease obligations is an expenditure in the governmental funds but reduces liability in the Statement of Position	144,991
Repayment of principal on bonds and notes payable is an expenditure in the governmental funds but reduces liability in the Statement of Net Position	<u>1,214,074</u>
Total change in net position of governmental activities	<u>\$ (4,534,996)</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
MARCH 31, 2016

<u>ASSETS</u>	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
Current Assets:			
Cash and Cash Equivalents	\$ 1,490,861	\$ 215,285	\$ 1,706,146
Investments (at fair value)	3,587,919		3,587,919
Accounts Receivables (net, where applicable of allowance for uncollectibles)	297,115	11,815	308,930
Due from Other Funds	1,336	12,382	13,718
Inventory (at cost)		9,816	9,816
Prepaid Expenses	29,949	1,540	31,489
Restricted Cash and Cash Equivalents	1,237,103	110,258	1,347,361
Total Current Assets	<u>\$ 6,644,283</u>	<u>\$ 361,096</u>	<u>\$ 7,005,379</u>
Other Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 12,876,161	\$ 2,884,873	\$ 15,761,034
Other Assets (net of accumulated amortization)		4,141	4,141
Total Other Assets	<u>\$ 12,876,161</u>	<u>\$ 2,889,014</u>	<u>\$ 15,765,175</u>
Total Assets	<u>\$ 19,520,444</u>	<u>\$ 3,250,110</u>	<u>\$ 22,770,554</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension Contribution	\$ 290,378		\$ 290,378
Total Deferred Outflows of Resources	<u>\$ 290,378</u>	<u>\$ 0</u>	<u>\$ 290,378</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,810,822</u>	<u>\$ 3,250,110</u>	<u>\$ 23,060,932</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 99,699	\$ 23,945	\$ 123,644
Accrued Payroll	70,531		70,531
Due to Other Funds	2,378		2,378
Bonds and Notes Payable	330,865	355,000	685,865
Capital Lease Obligations	969		969
Accrued Interest on Bonds Payable	18,912	5,423	24,335
Total Current Liabilities	<u>\$ 523,354</u>	<u>\$ 384,368</u>	<u>\$ 907,722</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 2,674,477	\$ 205,000	\$ 2,879,477
Capital Lease Obligations	1,017		1,017
Due to Other Funds - Loan from General Fund		2,000,000	2,000,000
OPEB Obligation	1,427,335		1,427,335
Compensated Absences	149,893		149,893
Net Pension Liability	431,426		431,426
Total Long-Term Liabilities	<u>\$ 4,684,148</u>	<u>\$ 2,205,000</u>	<u>\$ 6,889,148</u>
Total Liabilities	<u>\$ 5,207,502</u>	<u>\$ 2,589,368</u>	<u>\$ 7,796,870</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Boat Slip Revenue		\$ 185,221	\$ 185,221
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 185,221</u>	<u>\$ 185,221</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 9,868,833	\$ 2,324,873	\$ 12,193,706
Restricted For:			
Long-Term Debt		110,258	110,258
Sewer Reserves, Replacements, and Maintenance	1,237,103		1,237,103
Unrestricted	3,497,384	(1,959,610)	1,537,774
Total Net Position	<u>\$ 14,603,320</u>	<u>\$ 475,521</u>	<u>\$ 15,078,841</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 19,810,822</u>	<u>\$ 3,250,110</u>	<u>\$ 23,060,932</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Charges For Services	\$ 3,805,231	\$ 777,744	\$ 4,582,975
OPERATING EXPENSES:			
Personnel Services	2,125,583	386,908	2,512,491
Contractual Services	1,121,949	202,832	1,324,781
Commodities	133,111	176,185	309,296
Minor Equipment	60,248		60,248
Depreciation and Amortization	701,154	262,574	963,728
Total Operating Expenses	<u>\$ 4,142,045</u>	<u>\$ 1,028,499</u>	<u>\$ 5,170,544</u>
OPERATING INCOME (LOSS)	<u>\$ (336,814)</u>	<u>\$ (250,755)</u>	<u>\$ (587,569)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	\$ 55,148	\$ 1,153	\$ 56,301
Other Revenue (Expense)	28,998	259	29,257
Interest and Fiscal Charges	(90,791)	(35,158)	(125,949)
Total Non-Operating Revenues (Expenses)	<u>\$ (6,645)</u>	<u>\$ (33,746)</u>	<u>\$ (40,391)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (343,459)</u>	<u>\$ (284,501)</u>	<u>\$ (627,960)</u>
TOTAL OPERATING TRANSFERS FROM OTHER FUNDS	<u>(89,999)</u>	<u>235,595</u>	<u>145,596</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (433,458)</u>	<u>\$ (48,906)</u>	<u>\$ (482,364)</u>
TOTAL NET POSITION, BEGINNING (AS RESTATED)	<u>15,036,778</u>	<u>524,427</u>	<u>15,561,205</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 14,603,320</u></u>	<u><u>\$ 475,521</u></u>	<u><u>\$ 15,078,841</u></u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>SEWER FUND</u>	<u>MARINA FUND</u>	<u>TOTALS</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 3,856,670	\$ 742,471	\$ 4,599,141
Cash Payments for Goods and Services	(1,290,825)	(351,475)	(1,642,300)
Cash Payments to Employees	(2,014,115)	(386,908)	(2,401,023)
Net Cash Provided by Operating Activities	<u>\$ 551,730</u>	<u>\$ 4,088</u>	<u>\$ 555,818</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Borrowings (to) from Other Funds	\$ (2,731)	\$ 798	\$ (1,933)
Operating Transfers (to) from Other Funds	(89,999)	235,595	145,596
Other Receipts (Payments)	28,998	259	29,257
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ (63,732)</u>	<u>\$ 236,652</u>	<u>\$ 172,920</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest Paid	\$ (97,943)	\$ (37,927)	\$ (135,870)
Payments for Capital Acquisitions	(823,354)		(823,354)
Repayments of Debt	(363,633)	(350,000)	(713,633)
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (1,284,930)</u>	<u>\$ (387,927)</u>	<u>\$ (1,672,857)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments	\$ (1,542,679)		\$ (1,542,679)
Receipts from Maturity of Investments	1,700,273		1,700,273
Receipt of Interest	55,148	\$ 1,153	56,301
Net Cash Provided by Investing Activities	<u>\$ 212,742</u>	<u>\$ 1,153</u>	<u>\$ 213,895</u>
NET (DECREASE) IN CASH AND RESTRICTED CASH	\$ (584,190)	\$ (146,034)	\$ (730,225)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>3,312,154</u>	<u>471,578</u>	<u>3,783,732</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,727,964</u>	<u>\$ 325,543</u>	<u>\$ 3,053,507</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	<u>\$ (336,814)</u>	<u>\$ (250,755)</u>	<u>\$ (587,569)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	\$ 701,154	\$ 262,574	\$ 963,728
(Increase) Decrease in Accounts Receivables	51,439	(3,855)	47,584
(Increase) Decrease in Inventory		5,126	5,126
(Increase) Decrease in Prepaid Expenses	(3,935)		(3,935)
Increase (Decrease) in Accounts Payable	28,418	22,416	50,834
Increase (Decrease) in Accrued Payroll	18,439		18,439
Increase (Decrease) in Deferred Revenue		(31,418)	(31,418)
Increase (Decrease) in OPEB Obligation	58,731		58,731
Increase (Decrease) in Compensated Absences	6,650		6,650
Total Adjustments	<u>\$ 860,896</u>	<u>\$ 254,843</u>	<u>\$ 1,115,739</u>
Net Cash Provided by Operating Activities	<u>\$ 524,082</u>	<u>\$ 4,088</u>	<u>\$ 528,170</u>

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

CITY OF ALTON, ILLINOIS  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 MARCH 31, 2016

<u>ASSETS</u>	<u>POLICEMEN'S PENSION TRUST FUND</u>	<u>FIREFIGHTERS' PENSION TRUST FUND</u>	<u>TOTALS</u>
Cash	\$ 987,729	\$ 524,987	\$ 1,512,716
Receivables:			
Interest Receivable	\$ 56,324	\$ 35,952	\$ 92,276
Total Receivables	<u>\$ 56,324</u>	<u>\$ 35,952</u>	<u>\$ 92,276</u>
Due from Other Funds	<u>                    </u>	\$ 50,000	\$ 50,000
Investments:			
Government Securities	\$ 4,754,748	\$ 4,249,158	\$ 9,003,906
Corporate Securities	3,883,861	3,600,623	7,484,484
Municipal Securities	180,335	123,544	303,879
Mutual Funds	9,336,038	7,840,824	17,176,862
Stocks	1,847,614	1,723,581	3,571,195
Total Investments	<u>\$ 20,002,596</u>	<u>\$ 17,537,730</u>	<u>\$ 37,540,326</u>
Total Assets	<u>\$ 21,046,649</u>	<u>\$ 18,148,669</u>	<u>\$ 39,195,318</u>
<u>LIABILITIES</u>			
Liabilities:			
Due to Other Funds	\$ 50,000	<u>                    </u>	\$ 50,000
Total Liabilities	<u>\$ 50,000</u>	<u>\$ 0</u>	<u>\$ 50,000</u>
<u>NET POSITION</u>			
Net Position Held in Trust			
For Pension Benefits and Other Purposes	<u>\$ 20,996,649</u>	<u>\$ 18,148,669</u>	<u>\$ 39,145,318</u>
Total Liabilities and Net Position	<u>\$ 21,046,649</u>	<u>\$ 18,148,669</u>	<u>\$ 39,195,318</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	POLICEMEN'S PENSION TRUST FUND	FIREFIGHTERS' PENSION TRUST FUND	TOTALS
Additions:			
Interest	\$ 309,687	\$ 249,708	\$ 559,395
Dividends	473,500	440,191	913,691
Realized Gain (Loss) on Sale of Investments	(177,918)	(201,072)	(378,990)
Unrealized Gain (Loss) on Investments	(1,078,075)	(931,913)	(2,009,988)
Employee Contributions	419,745	283,978	703,723
Contributions from City	3,069,684	2,922,886	5,992,570
Total Additions	<u>\$ 3,016,623</u>	<u>\$ 2,763,778</u>	<u>\$ 5,780,401</u>
Deductions:			
Benefit Payments	\$ 3,561,440	\$ 3,688,228	\$ 7,249,668
Administration	106,779	103,140	209,919
Total Deductions	<u>\$ 3,668,219</u>	<u>\$ 3,791,368</u>	<u>\$ 7,459,587</u>
Change in Net Position	\$ (651,596)	\$ (1,027,590)	\$ (1,679,186)
Net Position, Beginning	<u>21,648,245</u>	<u>19,176,259</u>	<u>40,824,504</u>
Net Position, Ending	<u>\$ 20,996,649</u>	<u>\$ 18,148,669</u>	<u>\$ 39,145,318</u>

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

CITY OF ALTON, ILLINOIS  
STATEMENT OF AGENCY NET POSITION  
AGENCY FUNDS  
MARCH 31, 2016

	<u>2% FOREIGN FIRE TAX</u>
<u>ASSETS</u>	
Cash	<u>\$ 65,944</u>
Total Assets	<u><u>\$ 65,944</u></u>
<u>NET POSITION</u>	
Net Position Held for the Benefit of Others	<u>\$ 65,944</u>
Total Liabilities and Net Position	<u><u>\$ 65,944</u></u>

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

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alton, Illinois was incorporated during 1837. The City is a Home Rule Unit of Government and operates under a mayor-aldermanic form of government. As authorized by its charter, the City provides the following services: public safety (police and fire), highways and streets, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services. The City operates independently of any other local government units.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

A. Reporting Entity

These financial statements present the City of Alton, Illinois. There are no component units, as defined in GASB Statement No. 14, which are to be included in the City's reporting entity.

The accounting policies of the City of Alton, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

B. Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works and general administrative services are classified as governmental activities. The City's marina and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police and fire protection, parks and recreation, public works, etc.) or a business-type activity. Operating grants and contributions include operating-specific and discretionary (either operating or capital) sources while the capital grants and contributions column reflects capital-specific sources.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or utility taxes, intergovernmental revenues, interest income, etc.).

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City reports the following major funds:

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements – Fund Financial Statement (Continued)

General Fund – This is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Multimodal Tiger Grant – This fund is used to account for all activity related to the construction of a new Alton Regional Multimodal Transportation Center and a new passenger rail station at the Robert Wadlow Town Centre.

Motor Fuel Tax – This fund is used to account for state allotments of motor fuel tax receipts and the subsequent use of those monies for purposes outlined.

TIF Bond Fund – This fund is used to accumulate resources for, and payment of, the Tax Increment Financing District bonds.

Tax Increment Financing (TIF) District – This fund is used to collect revenues of the TIF District.

TIF Project Fund – This fund is used for the payment of projects located within the TIF District.

Sewer Fund – This fund is used to account for all activity of the Sewer Department.

Marina Fund – This fund is used to account for all activity of the Alton Marina.

Additionally, the government reports the following fund types:

Special Revenue Funds – 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 legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds, Special Assessment Funds, and Trust Funds).

Special Assessment Funds – Special Assessment Funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Nonexpendable Trust Funds – Nonexpendable Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds. Pension Trust Funds are accounted for essentially in the same manner as proprietary funds since capital maintenance is critical.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City's internal service fund is presented in the governmental funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

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

Where appropriate, the prior year's financial information has been reclassified to conform to the current year presentation.

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the government-wide and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

G. Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

H. Investments

Investment securities, including those held in the pension funds, are recorded at fair value using quoted market prices. Amortization of premiums and the accretion of discounts are reported in interest income and recognized ratably over the lives of the securities. Time deposits and other deposits with financial institutions are recorded at original cost and include accrued interest, if any.

I. Receivables

Based on prior years' experience, the City sets up a 2% allowance for uncollectible accounts for General Property Taxes. For the fiscal year ended March 31, 2016, the General Property Taxes Receivable less allowance for uncollectible accounts was as follows:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>
General Property Taxes Receivable	\$ 6,303,334	\$ 3,141,953	\$ 608,953
2% Allowances	<u>(126,067)</u>	<u>(62,839)</u>	<u>(12,179)</u>
Net Amount for 2015 Levy	<u>\$ 6,177,267</u>	<u>\$ 3,079,114</u>	<u>\$ 596,774</u>

J. Inventories

All inventories are carried at cost on a first-in, first-out basis. However, purchases of supplies are expensed when recorded.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 (\$20,000 for infrastructure) or more are reported at historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets and right of ways are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20-40 years
Sewer system	30-50 years
Machinery and equipment	5-20 years
Vehicles	5-15 years
Infrastructure	30 years

L. Vacation and Sick Leave

Sick leave is earned for City employees at the rate of twelve days a year (no maximum) with the exception of firemen, who earn 5 days a year, or 120 hours. Civilian employees and policemen are eligible to receive compensation for each day of earned sick leave up to thirty days and one-half day for each day over thirty days while firemen can only receive full compensation for the first fifteen days. However, policemen can elect to waive payment for the first 30 days and receive full compensation for each day thereafter. Each employee who has accumulated and maintained a minimum of twenty sick leave days (fifteen sick leave days for firemen) is eligible to request payment of unused sick pay earned during the year. The City is liable in the amount of \$2,510,506 for payments to qualified employees of the General and Special Revenue Funds and \$149,893 for payments to qualified employees of the Enterprise Funds as of March 31, 2016. These amounts have been accrued for under the heading Compensated Absences.

M. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables (due from other funds) and payables (due to other funds) as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCE REPORTING

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and how these balances are reported:

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The City had nonspendable funds of \$2,936,631 as of March 31, 2016.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity, such as restrictions imposed by creditors, grantors, contributors, or law and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specific purposes. The City has several revenue sources received within different funds that fall into these categories:

1. Property Tax Levy and Replacement Taxes

Proceeds from the restricted property tax levy and restricted replacement tax monies are accounted for in the respective funds of the City. At March 31, 2016, revenues received exceeded expenditures disbursed from these monies, resulting in a restricted fund balance of \$381,445.

2. Federal Grants

Proceeds from federal grants and the related expenditures have been included in their respective funds of the City. At March 31, 2016 expenditures disbursed exceeded revenues received from federal grants by \$406, resulting in a restricted fund balance of \$0. However, as part of the City’s matching portion related to the Multimodal Tiger Grant, \$1,275,000 has been transferred to the Multimodal Tiger Grant Fund from the Tourism Fund, of which \$1,148,921 is restricted under the terms of the grant at March 31, 2016.

3. Gaming and Tourism Taxes

Proceeds from gaming and tourism taxes and the related expenditures have been included in their respective funds of the City. At March 31, 2016, revenues received exceeded expenditures disbursed from gaming and tourism taxes, resulting in a restricted fund balance of \$2,068,298.

4. Motor Fuel Taxes

Proceeds from motor fuel taxes and the related expenditures have been included in the Motor Fuel Tax Fund. At March 31, 2016, revenues received exceeded expenditures disbursed from motor fuel taxes, resulting in a restricted fund balance of \$718,052.

5. Tax Increment Financing Districts

Proceeds from tax increment financing districts and the related expenditures have been included in their respective funds of the City. At March 31, 2016, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$4,876,793.

6. General Obligation Bonds

Proceeds from general obligation bonds and the related expenditures have been included in their respective funds of the City. At March 31, 2016, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$2,941.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

B. Restricted Fund Balance (Continued)

7. Employee Health Benefits

Proceeds from employee health benefits and the related expenditures have been included in the Employee Health Benefits Fund. At March 31, 2016, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$14,639.

8. Various

Proceeds from various minor revenues and the related expenditures have been included in their respective funds of the City. At March 31, 2016, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$504,048.

C. Committed Fund Balance

The committed fund balance classification refers to 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's Board). 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. The City's Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City had \$500,000 of committed fund balances as of March 31, 2016.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the City's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The City had \$2,329,090 of assigned fund balances as of March 31, 2016.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. It also encompasses any other Governmental Fund with a negative fund balance at year end. The City had \$7,745,407 of unassigned fund balances as of March 31, 2016.

F. Expenditures of Fund Balance

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 ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of March 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 18,766,098
Investments	4,685,919
Restricted Cash and Investments	<u>1,347,361</u>
	\$ 24,799,378
Fiduciary Funds	
Cash	\$ 1,512,716
Investments	<u>37,540,326</u>
	\$ 39,053,042
Agency Funds:	
Cash	<u>65,944</u>
Total Cash and Investments	<u><u>\$ 63,918,364</u></u>

Cash and investments as of March 31, 2016 consisted of the following:

Cash on Hand	\$ 1,765
Deposits with Financial Institutions	26,376,273
Government Securities	9,003,904
Corporate Securities	7,484,485
Municipal Securities	303,880
Mutual Funds	17,176,862
Stocks	<u>3,571,195</u>
	<u><u>\$ 63,918,364</u></u>

The City is authorized to invest in U.S. Treasury Securities, U.S. Government Agencies and Instrumentalities, Direct Obligations of Banks and Savings Institutions, Money Market Mutual Funds and State Investment Pools.

The Policemen's and Firefighters' Pension Funds are allowed to invest in the following.

1. Interest bearing bonds or tax anticipation warrants
2. Insured accounts with savings and loans and credit unions
3. Savings accounts or Certificates of Deposit with banks
4. Securities described in item 5.1 of section 1-113 of the Illinois Code
5. Investments in FNMA and SLMA
6. General accounts of a life insurance company
7. Accounts comprised of common or preferred stocks, bonds, or money market instruments, with each separate account not to exceed 45% of the aggregate book value of all investments.
8. Mutual Funds, not to exceed 35% of the aggregate book value of all investments.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided in the following table that shows the distribution of the City's investments by maturity.

<u>Investment Type</u>	<u>Remaining Maturity</u>				<u>Total</u>
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>	
<u>City Funds</u>					
Certificates of Deposit	\$ 3,153,756	\$ 1,532,163			\$ 4,685,919
<u>Policemen's Pension</u>					
U.S. Treasury Notes	55,577	821,374	\$ 1,337,294	\$ 847,069	3,061,314
U.S. Treasury Bonds	268,419	166,902		53,836	489,157
Mortgage-backed Securities		472	90,400	141,030	231,902
Federal Agency Securities				972,375	972,375
Corporate Securities	288,508	283,537	1,787,065	1,524,751	3,883,861
Municipal Securities		100,313	24,982	55,040	180,335
Mutual Funds	9,336,038				9,336,038
Stocks	1,847,614				1,847,614
<u>Firefighters' Pension</u>					
U.S. Treasury Notes	9,991	1,315,529	880,802	1,028,983	3,235,305
U.S. Treasury Bonds	39,766			16,111	55,877
Mortgage-backed Securities	77		117,181	173,242	290,500
Federal Agency Securities	72,351		3,984	591,141	667,476
Corporate Securities	209,255	252,828	1,821,135	1,317,405	3,600,623
Municipal Securities		63,351	19,986	40,207	123,544
Mutual Funds	7,840,824				7,840,824
Stocks	<u>1,723,581</u>				<u>1,723,581</u>
Totals	<u>\$24,845,757</u>	<u>\$ 4,536,469</u>	<u>\$ 6,082,829</u>	<u>\$ 6,761,190</u>	<u>\$42,226,245</u>

Investments with fair values highly sensitive to interest rate fluctuations

The Policemen's and Firefighters' Pension investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

<u>Highly Sensitive Investments</u>	<u>Fair Value at March 31, 2016</u>
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Mortgage-backed securities – These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

\$ 522,402

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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 a nationally recognized statistical ratings organization. The City has \$1,208,313 deposited into various accounts with the Illinois Funds. The Illinois Funds are rated AAAM. Presented below is the rating as of March 31, 2016 for each investment type.

<u>Investment Type</u>		<u>Exempt from Disclosure</u>	<u>Ratings as of Year End</u>				
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>
U.S. Treasury Notes	\$ 6,296,619	\$ 6,296,619					
U.S. Treasury Bonds	545,034	545,034					
Mortgage-backed Securities	522,402			\$ 522,402			
Federal Agency Securities	1,639,851		\$116,687	1,523,164			
Corporate Securities	7,484,484		71,193	527,243	\$ 3,020,006	\$ 3,801,088	\$ 64,954
Municipal Securities	303,879		44,968	258,911			
Certificates of Deposit	4,685,919	4,685,919					
Mutual Funds	17,176,862	17,176,862					
Stocks	3,571,195	3,571,195					
<b>Totals</b>	<b>\$42,226,245</b>	<b>\$32,275,629</b>	<b>\$232,848</b>	<b>\$ 2,831,720</b>	<b>\$ 3,020,006</b>	<b>\$ 3,801,088</b>	<b>\$ 64,954</b>

Concentration of Credit Risk

The investment policy of the City limits the amount of investments in any one issuer to 25% of the total investments of the City. The Policemen's and Firefighters' Pensions do not specifically limit the amount in any one issuer. The City of Alton, the Firefighter's Pension, and the Policemen's Pension did not hold investments in any one issuer that represents 5% or more of total investments as of March 31, 2016.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a 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. The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of March 31, 2016, \$22,947,546 of the City's deposits with financial institutions exceeded federal depository insurance limits but were held in accounts collateralized with securities held by the City or in the City's name.

As of March 31, 2016, \$1,208,313 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in accounts collateralized with securities but not held by the City or in the City's name.

As of March 31, 2016, the Firefighters' Pension and the Policemen's Pension deposits in institutional money market funds with brokerage firms were covered by the securities investor protection coverage and were held in accounts collateralized with securities held by the pensions or in the pensions' names.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City prior to or on the second Tuesday of September. The county bills and collects property taxes for the City. Final settlement of the 2014 tax levy was received on March 31, 2016. The property taxes receivable reflected in these financial statements are the taxes expected to be collected in the following fiscal year on the 2015 levy and the final payment on the 2014 levy.

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
General	0.4906	0.4224	0.7118		
Band	0.0187	0.0189	0.0185	0.0181	0.0167
Liability Insurance					0.2051
Playground and Recreation					0.0738
Parks				0.0738	0.0576
Retirement	0.3053	0.3249	0.3175	0.3464	0.3195
Policemen's Pension	0.8287	0.8075	0.6012	0.7562	0.5810
Firefighter's Pension	0.8236	0.7787	0.5384	0.6875	0.6040
Refunding bonds	<u>0.2224</u>	<u>0.1418</u>	<u>0.1384</u>	<u>0.1149</u>	<u>0.1109</u>
Total	<u>2.6893</u>	<u>2.4942</u>	<u>2.3258</u>	<u>1.9969</u>	<u>1.9686</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2016, was as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>April 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>March 31, 2016</u>
Governmental Activities:					
Not Being Depreciated:					
Land/Land Improvements	\$ 23,992,447				\$ 23,992,447
Construction in Progress	2,248,096	\$ 3,106,396	\$ 303,058		5,051,434
Subtotal	<u>26,240,543</u>	<u>\$ 3,106,396</u>	<u>\$ 303,058</u>	<u>\$ 0</u>	<u>\$ 29,043,881</u>
Other Capital Assets:					
Buildings and Improvements	\$ 37,177,712	\$ 202,773			\$ 37,380,485
Furniture and Equipment	3,178,634	160,683	\$ 51,191	\$ 1,900	3,290,026
Vehicles	4,678,348	180,000	743,662	49,565	4,164,251
Infrastructure	84,117,462	163,629			84,281,091
Subtotal	<u>\$ 129,152,156</u>	<u>\$ 707,085</u>	<u>\$ 794,853</u>	<u>\$ 51,465</u>	<u>\$ 129,115,853</u>
Accumulated Depreciation:					
Buildings and Improvements	\$ 16,812,608	\$ 1,006,467			\$ 17,819,075
Furniture and Equipment	2,307,839	150,140	\$ 51,191	\$ 1,900	2,408,688
Vehicles	3,219,019	245,501	359,434	49,565	3,154,651
Infrastructure	44,427,071	2,568,498			46,995,569
Subtotal	<u>\$ 66,766,537</u>	<u>\$ 3,970,606</u>	<u>\$ 410,625</u>	<u>\$ 51,465</u>	<u>\$ 70,377,983</u>
Net Other Capital Assets	<u>\$ 62,385,619</u>	<u>\$ (3,263,521)</u>	<u>\$ 384,228</u>	<u>\$ 0</u>	<u>\$ 58,737,870</u>
Net Capital Assets	<u>\$ 88,626,162</u>	<u>\$ (157,125)</u>	<u>\$ 687,286</u>	<u>\$ 0</u>	<u>\$ 87,781,751</u>

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 155,548
Public Safety	438,926
Highways and Streets	2,853,595
Culture and Recreation	<u>522,537</u>
Total	<u>\$ 3,970,606</u>

	<u>Balance</u> <u>April 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>March 31, 2016</u>
Business-Type Activities:					
Not Being Depreciated:					
Land	\$ 30,400				\$ 30,400
Construction in Progress	246,066	\$ 762,969	\$ 893,919		115,116
Subtotal	<u>\$ 276,466</u>	<u>\$ 762,969</u>	<u>\$ 893,919</u>	<u>\$ 0</u>	<u>145,516</u>
Other Capital Assets:					
Buildings and Improvements	\$ 36,583,889	\$ 893,919			\$ 37,477,808
Furniture and Equipment	1,202,447	60,385	\$ 38,526		1,224,306
Vehicles	1,709,822		243,506	\$ 51,465	1,414,851
Subtotal	<u>\$ 39,496,158</u>	<u>\$ 954,304</u>	<u>\$ 282,032</u>	<u>\$ 51,465</u>	<u>\$ 40,168,430</u>
Accumulated Depreciation:					
Buildings and Improvements	\$ 21,861,130	\$ 831,947			\$ 22,693,077
Furniture and Equipment	912,879	45,872	\$ 38,526		920,225
Vehicles	1,099,691	83,425	243,506	\$ 51,465	888,145
Subtotal	<u>\$ 23,873,700</u>	<u>\$ 961,244</u>	<u>\$ 282,032</u>	<u>\$ 51,465</u>	<u>\$ 24,552,912</u>
Net Other Capital Assets	<u>\$ 15,622,458</u>	<u>\$ (6,940)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,615,518</u>
Net Capital Assets	<u>\$ 15,898,924</u>	<u>\$ 756,029</u>	<u>\$ 893,919</u>	<u>\$ 0</u>	<u>\$ 15,761,034</u>

Depreciation was charged to functions as follows:

Business-Type Activities:	
Sewer	\$ 701,154
Marina	<u>260,090</u>
Total	<u>\$ 961,244</u>

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended March 31, 2016.

	<u>Payable</u> <u>April 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u> <u>in OPEB</u> <u>Liability/Pension</u> <u>Liability</u>	<u>Payable</u> <u>March 31, 2016</u>
<b>Governmental Activities:</b>					
General Obligation Bonds 2006A	\$ 3,095,000		\$ 3,095,000		\$ 0
General Obligation Bonds 2006B	5,675,000		5,675,000		0
General Obligation Bonds 2014	2,690,000		845,000		1,845,000
General Obligation Bonds 2016		\$ 8,305,000			8,305,000
Bond Premiums	104,047	276,484	91,009		289,522
Capital Lease Purchases	255,599	108,086	144,991		218,694
Line of Credit	396,992		97,784		299,208
Net Pension Liability	85,371,666			\$ 81,061,501	166,433,167
OPEB Liability	14,148,444			559,487	14,707,931
Compensated Absences	2,628,405	1,742,711	1,860,610		2,510,506
Total	<u>\$ 114,365,153</u>	<u>\$ 10,432,281</u>	<u>\$ 11,809,394</u>	<u>\$ 81,620,988</u>	<u>\$ 194,609,028</u>
<b>Business-Type Activities:</b>					
Sewer Wastewater Project	\$ 3,368,052		\$ 362,710		\$ 3,005,342
General Obligation Refunding Bonds	910,000		350,000		560,000
Capital Lease Purchases	2,910		924		1,986
Net Pension Liability				\$ 431,426	431,426
OPEB Liability	1,368,604			58,731	1,427,335
Compensated Absences	143,243	\$ 230,545	223,895		149,893
Total	<u>\$ 5,792,809</u>	<u>\$ 230,545</u>	<u>\$ 937,529</u>	<u>\$ 490,157</u>	<u>\$ 5,575,982</u>

Long-term debts at March 31, 2016 are comprised of the following individual issues:

Governmental Activities:

General Obligation Bonds

General Obligation Bonds, Series 2014, \$3,515,000 General Obligation Bonds due in annual installments of \$825,000 to \$945,000 through January 2018, interest at 2.00 percent \$ 1,845,000

General Obligation Bonds, Series 2016, \$8,305,000 General Obligation Bonds due in annual installments of \$370,000 to \$715,000 through January 2031, interest at 2.00 to 4.00 percent 8,305,000

\$10,150,000

On January 28, 2016, the City of Alton issued General Obligation Bonds, Series 2016, for the purpose of refunding the existing General Obligation Bond Series 2006A and 2006B. The new interest rate on the tax-exempt bonds ranges from 2.00% to 4.00% through January 2031. These interest rates replaced existing rates on the bonds of 4.00% to 4.375% from 2016 through 2026. Net present value savings considering the time value of money was \$480,630. Present value savings as a percent of refunding principal was 5.787%.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 6. CHANGES IN LONG-TERM DEBT (CONTINUED)

Capital lease purchases of eleven pieces of equipment with varying payments between February 2012 and May 2020.

John Deere Cab Tractor	\$ 10,597
Smeal Pumper	49,341
Ford Interceptor	7,227
Ford Interceptor	7,200
Four 2014 Ford Interceptors	52,724
Two Mowers	89,115
Toshiba eStudio 4540C Copier/Printer	<u>2,490</u>
	<u>\$ 218,694</u>

Line of Credit

Note Payable to Bank of \$450,000 Line of Credit due in annual installments of \$52,342 through October 2018, interest at 1.85% \$ 299,208

Business-Type Activities:

General Obligation Refunding Bonds

General Obligation Refunding Bonds Series 2010 due in annual installments of \$205,000 to \$355,000 through November 2017, interest at 2.00 to 3.00 percent. \$ 560,000

Sewer Wastewater Project

Project loan approved in the amount of \$1,399,672 under the provisions of the Environmental Protection Act to the City at 2.625 percent; payable in semi-annual payments through April, 2020 \$ 341,802

Project loan approved in the amount of \$2,293,917 under the provisions of the Environmental Protection Act to the City at 2.675 percent; payable in semi-annual payments through August, 2023 1,024,984

Project loan approved in the amount of \$2,310,465 under the provisions of the Environmental Protection Act to the City at 2.5 percent; payable in semi-annual payments through June, 2027 1,638,556

\$ 3,005,342

Capital lease purchase of one piece of equipment with annual payments of \$1,044 between March 2014 and March 2018.

Toshiba E355S Copier	<u>\$ 1,986</u>
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CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 6. CHANGES IN LONG-TERM DEBT (CONTINUED)

Following is a summary of bond and loan principal maturities and interest requirements as of March 31, 2016:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Line of</u> <u>Credit</u>	<u>Sewer</u> <u>Wastewater</u> <u>Project</u>	<u>General</u> <u>Obligation</u> <u>Refunding</u> <u>Bonds</u>	
2017	\$ 1,545,853	\$ 104,684	\$ 407,143	\$ 371,268	\$ 2,428,948
2018	1,589,827	104,684	407,143	211,150	2,312,804
2019	728,427	89,840	407,143		1,225,410
2020	733,727		407,143		1,140,870
2021	733,727		361,856		1,095,583
2022	730,977		316,568		1,047,545
2023	732,977		316,567		1,049,544
2024	734,603		240,698		975,301
2025	733,103		164,828		897,931
2026	736,153		164,828		900,981
2027	737,753		164,828		902,581
2028	738,353		82,414		820,767
2029	742,953				742,953
2030	736,353				736,353
2031	738,952				738,952
Total	\$ 12,693,738	\$ 299,208	\$ 3,441,159	\$ 582,418	\$ 17,016,523
Less Interest	2,543,738		435,817	22,418	3,001,973
Outstanding Principal	\$ 10,150,000	\$ 299,208	\$ 3,005,342	\$ 560,000	\$ 14,014,550

The following is a summary of capital lease obligations and interest requirements as of March 31, 2016.

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2017	\$ 128,644	\$ 1,044
2018	50,990	1,044
2019	22,990	
2020	22,990	
2021	3,832	
Total	\$ 229,446	\$ 2,088
Less Interest	10,752	102
Outstanding Principal	\$ 218,694	\$ 1,986

Total interest expense on the above bonds for the fiscal year ended March 31, 2016 was \$592,353 consisting of: General Obligation Refunding Bonds of \$21,809, General Obligation Bonds of \$487,976, and Sewer Wastewater Project Loans of \$82,568. Accrued Employee Benefits, Pension Obligations, and Other Post Employment Benefit Obligations will be paid from revenues earned from the funds in which the respective benefits were accrued.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivables and payables balances at March 31, 2016 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 2,519,771	\$ 1,336
Special Revenue Funds:		
Restaurant Tax		12,382
Tax Increment Financing Fund	631,298	
Tax Increment Financing Fund #2		600,000
Capital Projects Funds:		
Multimodal Tiger Grant		2,793
Debt Service Funds:		
GO Bond Series 2016		490,898
Internal Service Funds:		
Health Insurance Fund		55,000
Subtotal	<u>\$ 3,151,069</u>	<u>\$ 1,162,409</u>
Business-Type Activities:		
Marina	\$ 12,382	\$ 2,000,000
Sewer	1,336	2,378
Subtotal	<u>\$ 13,718</u>	<u>\$ 2,002,378</u>
Fiduciary Funds:		
Police Pension Fund		\$ 50,000
Fire Pension Fund	\$ 50,000	
Subtotal	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Total	<u>\$ 3,214,787</u>	<u>\$ 3,214,787</u>

The \$2,000,000 due to the General Fund from the Marina Fund resulted from loans made to build the Marina. The \$2,000,000 will be paid back to the General Fund when funds become available but it is not expected to be paid back in the near term.

The \$600,000 due to the Tax Increment Financing Fund from the Tax Increment Financing Fund #2 resulted from a loan made to establish funds for the second TIF district. The \$600,000 will be paid back to the Tax Increment Financing Fund when funds become available.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 8. DEFICIT FUND BALANCES

The following funds had a deficit fund balance at March 31, 2016:

Governmental Activities:

Debt Service Funds:

General Obligation Bonds Series 2016 \$ (473,172)

Special Revenue Funds:

Tax Increment Financing #2 (576,538)

Capital Project Funds:

Alton Passenger Rail Station (9,777)

NOTE 9. LEASES

On December 23, 2014, the City signed an operating lease agreement to lease nine copiers for various departments. The lease term is 60 months with a monthly payment amount of \$936 beginning in January 2015. Future minimum lease payments for the copier lease agreement are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental</u> <u>Activities</u>
2017	\$ 11,232
2018	11,232
2019	11,232
2020	8,424
	<u>\$ 42,120</u>

Rental expense for the year ended March 31, 2016 is \$11,232.

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS

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 District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

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

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

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

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

Regular Plan

**Plan Membership.** At December 31, 2015, the following employees were covered by the Regular Plan:

Retirees and Beneficiaries currently receiving benefits	148
Inactive Plan Members entitled to but not yet receiving benefits	41
Active Plan Members	<u>106</u>
Total	<u>295</u>

**Contributions.** As set by statute, the City's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2015 was 11.43%. For the fiscal year ended March 31, 2016, the City contributed \$635,889 to the plan. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.



CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

Regular Plan (Continued)

Asset Class	Target Allocation	Return 12/31/2015	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	38%	0.02%	8.85%	7.39%
International Equities	17%	(1.90%)	9.55%	7.59%
Fixed Income	27%	(0.09%)	3.05%	3.00%
Real Estate	8%	11.99%	7.20%	6.00%
Alternatives	9%			
Private Equity		N/A	13.15%	8.15%
Hedge Funds		N/A	5.55%	5.25%
Commodities		N/A	4.40%	2.75%
Cash Equivalents	1%	N/A	2.25%	2.25%
<b>Total</b>	<b>100.00%</b>			

**Single Discount Rate.** A single discount rate of 7.48% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.48%.

**Changes in City's Net Pension Liability.** Changes in the City's net pension liability for the year ended December 31, 2015, were as follows:

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

Regular Plan (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2014	\$ 45,064,025	\$ 43,763,976	\$ 1,300,049
Changes for the year:			
Service Cost	574,905		574,905
Interest	3,310,934		3,310,934
Difference between expected and actual experience	375,299		375,299
Changes in assumptions	104,133		104,133
Contributions-employees		252,553	(252,553)
Contributions- employer		658,601	(658,601)
Net investment income		215,069	(215,069)
Benefit payments including refunds of employee contributions	(2,411,393)	(2,411,393)	0
Other (Net Transfer)		224,835	(224,835)
Net Changes	<u>1,953,878</u>	<u>(1,060,335)</u>	<u>3,014,213</u>
Balance, December 31, 2015	<u>\$ 47,017,903</u>	<u>\$ 42,703,641</u>	<u>\$ 4,314,262</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.48%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.48%	\$ 9,933,207
Current discount rate	7.48%	4,314,262
1% increase	8.48%	(353,211)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.** For the year ended March 31, 2016, the City recognized pension expense of \$912,370. At March 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 270,005	
Changes of assumptions	74,917	
Net difference between projected and actual earnings on Plan investments	2,415,522	
Contributions after Measurement Date	143,332	
<b>Total</b>	<u>\$ 2,903,776</u>	<u>\$ 0</u>

CITY OF ALTON, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

Regular Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2016	\$ 881,722
2017	738,390
2018	679,782
2019	603,882
2020	0
Thereafter	0
Total	<u>\$ 2,903,776</u>

Elected County Official (ECO) Plan

**Plan Membership.** At December 31, 2015, the following members were covered by the ECO Plan:

Retirees and Beneficiaries currently receiving benefits	2
Inactive Plan Members entitled to but not yet receiving benefits	0
Active Plan Members	<u>0</u>
Total	<u>2</u>

**Contributions.** Because there are no active ECO plan members, no employer and employee contribution rates are provided to the City. The ECO plan is for officials elected prior to August 8, 2011, and was closed to new participants after that date.

**Net Pension Liability.** The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The following are the methods and assumptions used to determine total pension liability at December 31, 2015:



CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

ECO Plan (Continued)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Return 12/31/2015</b>	<b>Projected Returns/Risk</b>	
			<b>One Year Arithmetic</b>	<b>Ten Year Geometric</b>
Equities	38%	0.02%	8.85%	7.39%
International Equities	17%	(1.90%)	9.55%	7.59%
Fixed Income	27%	(0.09%)	3.05%	3.00%
Real Estate	8%	11.99%	7.20%	6.00%
Alternatives	9%			
Private Equity		N/A	13.15%	8.15%
Hedge Funds		N/A	5.55%	5.25%
Commodities		N/A	4.40%	2.75%
Cash Equivalents	1%	N/A	2.25%	2.25%
<b>Total</b>	<b>100.00%</b>			

**Single Discount Rate.** A single discount rate of 7.50% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.

**Changes in City's Net Pension Liability.** Changes in the City's net pension liability for the year ended December 31, 2015, were as follows:

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

ECO Plan (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2014	\$ 626,295	\$ 594,249	\$ 32,046
Changes for the year:			
Service Cost			0
Interest	46,972		46,972
Difference between expected and actual experience	(125,895)		(125,895)
Changes in assumptions			0
Contributions-employees			0
Contributions- employer			0
Net investment income		2,971	(2,971)
Benefit payments including refunds of employee contributions			0
Other (Net Transfer)		(49,758)	49,758
Net Changes	(78,923)	(46,787)	(32,136)
Balance, December 31, 2015	<u>\$ 547,372</u>	<u>\$ 547,462</u>	<u>\$ (90)</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	\$ 52,271
Current discount rate	7.50%	(90)
1% increase	8.50%	(44,949)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.** For the year ended March 31, 2016, the City recognized pension income of \$63,922. At March 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings on Plan investments	\$ 31,786	
Contributions after Measurement Date		
<b>Total</b>	<u>\$ 31,786</u>	<u>\$ 0</u>

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

ECO Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2016	\$ 7,946
2017	7,946
2018	7,946
2019	7,948
2020	0
Thereafter	0
Total	<u>\$ 31,786</u>

B. Policemen's Pension

**Plan Description.** Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City administers and accounts for the plan as a pension trust fund. The City does not separately issue a financial report for the police pension plan.

Management of the Police Pension Plan is vested in the City's Police Pension Fund Board of Trustees, which consists of five members – two appointed by the mayor or president of the board of trustees, two elected from the active participants of the police pension fund by such active participants, and one elected by and from the beneficiaries.

**Plan Membership.** At March 31, 2016 (based on an actuarial valuation as of April 1, 2015 for fiscal year ending March 31, 2016), the Police Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	76
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	<u>59</u>
Total	<u>137</u>

**Benefits Provided.** The Police Pension Plan provides retirement benefits as well as death and disability benefits. The Police Pension Plan has two tiers for eligibility. Participants first entering the Police Pension Plan prior to January 1, 2011 are eligible for Tier 1 benefits. Participants first entering the Police Pension Plan after December 31, 2010 are eligible for Tier 2 benefits.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

B. Policemen's Pension (Continued)

**Normal Retirement Benefit**

Under Tier 1, police officers attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of 50% of the monthly salary at retirement. The pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such salary. The minimum monthly benefit is \$1,000. Police officers 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 equal to 2.5% of the monthly salary on the date of retirement or separation of service, for each year of creditable service.

Under Tier 2, police officers attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly retirement benefit of 2.5% of the final average salary at retirement for each year of service with a maximum of 75%. Police officers 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 equal to 2.5% of the final average salary at retirement or separation for each year of service with a maximum of 75%. Final average salary is the highest salary based on the highest consecutive 96 months of the final 120 months of service.

**Disability Retirement Benefit**

Under Tier 1 and Tier 2, police officers, whether disabled while in the line of duty or not in the line of duty, are entitled to receive a monthly pension of 50% of the monthly salary at disability retirement. If an officer receives benefits under the Workers Compensation or Workers' Occupational Disease Acts, disability pension benefits are reduced. The minimum monthly pension is \$1,000.

**Survivor Benefits**

Benefits are payable to the surviving spouse, dependent children, and, if no other dependents survive the police officer, dependent parents.

Under Tier 1, upon the death of a police officer while in service with at least 20 years of creditable service or who retired with at least 20 years of service, or who dies while receiving a disability pension, the surviving spouse is entitled to a pension equal to the pension the police officer was receiving or entitled to receive. Upon the death of a police officer with less than 20 years of creditable service while active in the line of duty, or if not in the line of duty with at least 10 years of creditable service, the surviving spouse is entitled to a pension equal to 50% of the salary of the officer at the time of death. The minimum surviving spouse's pension is \$1,000 per month.

Under Tier 2, the surviving spouse is entitled to a pension equal to 66.67% of the salary of the officer at the time of death.

**Pension Increases**

Under Tier 1, pensions are increased by 3% of the original pension, first paid on the anniversary date of retirement upon reaching the age of at least 55 years, and by 3% annually each year thereafter on January 1.

Under Tier 2, pensions are increased by the lesser of 3% or half of the Consumer Price Index for the preceding calendar year of the original pension for each full month that has elapsed since the pension began and by 3% annually each year thereafter on January 1, provided the retired police officer is the age of at least 60 years.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

B. Policemen's Pension (Continued)

For a disability retirement, pensions are increased by 3% of the original pension for each full month that has elapsed since the pension began and by 3% annually thereafter on January 1, provided the retired police officer is the age of at least 60 years.

**Contributions.** Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If a covered employee leaves employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary.

**Investment Policy.** The fund's Board of Trustees is required to adopt an investment policy, which can be amended by a majority vote of the Board of Trustees. The pension plan's investment policy complies with the investment guidelines set forth in Chapter 40 ILCS 5/1-113. Investments allowed under the plan are listed in Note 3. The investment policy was not modified during the fiscal year ended March 31, 2016.

All investments in the plan are recorded at fair value using quoted market prices. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. Amortization of premiums and the accretion of discounts are reported in interest income and recognized ratably over the lives of the securities. The plan does not specifically limit the amount in any one issuer. The plan did not hold investments in any one issuer that represents 5% or more of total investments as of March 31, 2016.

For the year ended March 31, 2016, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was -2.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the Board's adopted asset allocation policy and best estimate of arithmetic real rates of return as of March 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate Of Return</u>
Foreign Equity	16%	5.87%
Emerging Foreign Equity	4%	6.81%
Fixed Income	40%	2.21%
Large Cap Domestic Equity	20%	5.61%
SMID Cap Domestic Equity	10%	5.98%
Commodities/Energy	5%	2.54%
Real Estate	5%	4.45%
Total	<u>100%</u>	

CITY OF ALTON, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

B. Policemen's Pension (Continued)

**Net Pension Liability.** The components of the net pension liability of the plan at March 31, 2016, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 103,030,438
Plan Fiduciary Net Position	21,594,930
Net Pension Liability	\$ 81,435,508
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	20.96%

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the plan.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of April 1, 2015 for the fiscal year ending March 31, 2016, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	3.00%
Discount Rate	4.94%
Investment Rate of Return	6.75%, net of pension plan investment expense

Mortality rates were based on the fully generational RP-2014 Table with Blue Collar adjustments, projected to the valuation date using Scale MP2014. The date of the most recent experience study for which significant assumptions are based upon is not available.

**Discount Rate.** The discount rate used to measure the total pension liability was 4.94%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the net pension liability of the plan, calculated using the discount rate of 4.94%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Discount Rate	1% Increase
	3.94%	4.94%	5.94%
Net Pension Liability	\$ 101,625,088	\$ 81,435,508	\$ 65,907,736

CITY OF ALTON, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension

**Plan Description.** Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois State Statutes (Chapter 40 ILCS 5/4) and may be amended only by the Illinois legislature. The City administers and accounts for the plan as a pension trust fund. The City does not separately issue a financial report for the police pension plan.

Management of the Firefighters' Pension Plan is vested in the City's Fire Pension Fund Board of Trustees, which consists of five members – two appointed by the mayor or president of the board of trustees, two elected from the active participants of the firefighters' pension fund by such active participants, and one who is retired under the Firemen's Pension Fund Act of 1919 or Article 4.

**Plan Membership.** At March 31, 2016 (based on an actuarial valuation as of April 1, 2015 for fiscal year ending March 31, 2016), the Firefighters' Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	83
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	<u>45</u>
Total	<u>131</u>

**Benefits Provided.** The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. The Firefighters' Pension Plan has two tiers for eligibility. Participants first entering the Firefighters' Pension Plan prior to January 1, 2011 are eligible for Tier 1 benefits. Participants first entering the Firefighters' Pension Plan after December 31, 2010 are eligible for Tier 2 benefits.

**Normal Retirement Benefit**

Under Tier 1, firefighters attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of 50% of the monthly salary at retirement. The pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such salary. Firefighters 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 equal the following percentage of monthly salary on the date of retirement or separation from service:

<u>Service</u>	<u>Percentage</u>	<u>Service</u>	<u>Percentage</u>
10	15.0%	15	30.0%
11	17.6	16	33.6
12	20.4	17	37.4
13	23.4	18	41.4
14	26.6	19	45.6

Under Tier 2, firefighters attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly retirement benefit of 2.5% of the final average salary at retirement for each year of service with a maximum of 75%. Final average salary is the highest salary based on the highest consecutive 96 months of the final 120 months of service.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

**Disability Retirement Benefit**

Under Tier 1 and Tier 2, firefighters, whether disabled in the line of duty or due to an occupational disease, are entitled to receive a monthly pension of 65% of the monthly salary at disability retirement or the normal retirement benefit, if greater, plus \$20 per month for each dependent unmarried child under age 18, to a maximum of 75% of monthly salary. Firefighters disabled while not in the line of duty are entitled to a monthly pension of 50% of the monthly salary at disability retirement.

**Survivor Benefits**

Benefits are payable to the surviving spouse, dependent children, and, if no other dependents survive the firefighter, dependent parents. Death must occur while the firefighter is active, on disability retirement, after retirement with 20 or more years of service, or while on a vested deferred pension.

Under Tier 1, the surviving spouse is entitled to a regular pension of 54% of the monthly salary at death or retirement plus 12% for each dependent child, to a maximum of 75% but not less than 100% of the monthly pension earned by the firefighter at the time of death. If there is no surviving spouse and no surviving dependent children, a dependent parent is eligible for 18% of the pension. If there are no surviving dependents, then the firefighter's contributions less any payments are refunded to his estate.

The surviving spouse's pension shall not be less than 100% of the monthly salary at death of a firefighter who died because of sickness, accident or injury incurred or resulting from the performance of an act of duty or from the cumulative effects of acts of duty.

Under Tier 2, the surviving spouse is entitled to a pension equal to 66-2/3% of the pension of the firefighter at the time of death, increased annually by the lesser of half of the Consumer Price Index – Urban (CPI-U) or 3% of the original pension amount after attainment of age 60, followed by an additional 3% of the originally granted pension amount on each January 1 thereafter.

**Pension Increases**

Under Tier 1, pensions are increased by 3% of the original pension upon reaching the age of at least 55 years, and by 3% annually each year thereafter on January 1.

Under Tier 2, service retirement pensions are increased by the lesser of half of the CPI-U or 3% of the original pension amount after attainment of age 60, followed by 3% of the originally granted pension amount on each January 1 thereafter. For Tier 2, disability retirement pensions are increased by 3% of the original pension amount after attainment of age 60, followed by 3% of the original granted pension amount on each January 1 thereafter.

**Contributions.** Covered employees are required to contribute 6.955% of their salary plus 2.5% for the automatic increase in pensions to the Firefighters' Pension Plan. If a covered employee leaves employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts (not less than 9.25%) necessary to finance the plan as actuarially determined by an enrolled actuary.

**Investment Policy.** The fund's Board of Trustees is required to adopt an investment policy, which can be amended by a majority vote of the Board of Trustees. The pension plan's investment policy complies with the investment guidelines set forth in Chapter 40 ILCS 5/1-113. Investments allowed under the plan are listed in Note 3. The investment policy was not modified during the fiscal year ended March 31, 2016.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

All investments in the plan are recorded at fair value using quoted market prices. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. Amortization of premiums and the accretion of discounts are reported in interest income and recognized ratably over the lives of the securities. The plan does not specifically limit the amount in any one issuer. The plan did not hold investments in any one issuer that represents 5% or more of total investments as of March 31, 2016.

For the year ended March 31, 2016, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was -2.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the Board's adopted asset allocation policy and best estimate of arithmetic real rates of return as of March 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate Of Return</u>
Foreign Equity	16%	5.87%
Emerging Foreign Equity	4%	6.81%
Fixed Income	40%	2.21%
Large Cap Domestic Equity	20%	5.61%
SMID Cap Domestic Equity	10%	5.98%
Commodities/Energy	5%	2.54%
Real Estate	5%	4.45%
Total	<u>100%</u>	

**Net Pension Liability.** The components of the net pension liability of the plan at March 31, 2016, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 100,243,425
Plan Fiduciary Net Position	19,128,512
Net Pension Liability	<u>\$ 81,114,913</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.08%

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the plan.

CITY OF ALTON, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of April 1, 2015 for the fiscal year ending March 31, 2016, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	3.00%
Discount Rate	4.77%
Investment Rate of Return	6.75%, net of pension plan investment expense

Mortality rates were based on the fully generational RP-2014 Table with Blue Collar adjustments, projected to the valuation date using Scale MP2014. The date of the most recent experience study for which significant assumptions are based upon is not available.

**Discount Rate.** The discount rate used to measure the total pension liability was 4.77%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the net pension liability of the plan, calculated using the discount rate of 4.77%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Discount Rate	1% Increase
	3.77%	4.77%	5.77%
Net Pension Liability	\$ 99,507,272	\$ 81,114,913	\$ 66,787,150

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care 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 activity of the plan is reported in the City's Employee Health Benefits Fund.

Benefits Provided

The City provides post-employment health care insurance benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the IMRF. 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 retiree is removed from this plan and has the option of participating in a supplemental plan that is not subsidized by the City.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

At March 31, 2016, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Inactive Participants Entitled to But Not Yet Receiving Benefits	154
Active Participants and Covered Dependents	<u>568</u>
Total	<u>722</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 approximately \$300 per month for single coverage or \$800 for family coverage of the actuarially determined premium to the plan, if the retiree is non-medicare eligible. The City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insured plan (pay as you go). Since the City is self-insured, this amount fluctuates on an annual basis. For the fiscal year ended March 31, 2016, retirees contributed \$945,339, active employees contributed \$324,626 and the City contributed \$3,788,224.

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
March 31, 2016	\$ 1,240,517	\$ 622,300	50.2%	\$ 16,135,266
March 31, 2015	1,176,742	750,000	63.7	15,517,048
March 31, 2014	2,952,787	750,000	25.4	15,090,306

The net OPEB obligation (NOPEBO) as of March 31, 2016, was calculated as follows:

Annual Required Contribution	\$ 1,474,232
Interest on Net OPEB Obligation	775,853
Amortization	<u>(1,009,567)</u>
Annual OPEB Cost	1,240,518
Contributions Made	<u>622,300</u>
Increase (Decrease) in Net OPEB Obligation	618,218
Net OPEB Obligation, Beginning of Year	<u>15,517,048</u>
Net OPEB Obligation, End of Year	<u>\$ 16,135,266</u>

The above table is derived from an actuarial study performed on a bi-annual basis.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

*Funded Status and Funding Progress.* The funded status of the plan as of March 31, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$	14,598,316
Actuarial Value of Plan Assets		0
Unfunded Actuarial Accrued Liability (UAAL)	\$	14,598,316
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.0%
Covered Payroll (Active Members)	\$	14,613,631
UAAL as a Percentage of Covered Payroll		99.9%

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 ARCs 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 financial statements, presents multi-year 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. 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 March 31, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included 5.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 7.0% reduced by 0.50% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include an inflation assumption. The actuarial value of assets was \$0. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at March 31, 2016, was 23 years.

NOTE 12. LITIGATION

The City is a defendant in numerous lawsuits arising in the normal course of operations. While the results of litigation cannot be predicted with certainty, it appears, based upon advice from legal counsel, the final outcome of such litigation will not materially adversely affect the financial position of the City.

The City is under an agreement with the Firefighters' Pension Fund and the Policemen's Pension Fund that requires the City to contribute annually a sum established by an actuary mutually agreeable to both parties to assure that the pension funds meet the "fully funded" definition as established by the Illinois Department of Insurance.

NOTE 13. COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all City funds; instead, certain funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 14. ECONOMIC DEPENDENCY

Included in revenue is approximately \$3.2 million received from one source for the fiscal year ending March 31, 2016. This amount represents the City's portion of gaming tax collected from Argosy's Alton Belle Casino.

NOTE 15. INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2016 consisted of the following:

Transfer To:	Transfer From:						Total
	General	Motor Fuel Tax	TIF Bond Fund	Tax Increment Financing	Non Major Funds	Sewer Fund	
General Fund		\$ 59,352			\$ 466,457		\$ 525,809
Multimodal Tiger Grant					783,707	\$ 89,999	873,706
TIF Bond Fund				\$ 1,142,493			1,142,493
Tax Increment Financing			\$ 243,186				243,186
TIF Project Fund				822,194			822,194
Non Major Funds	\$ 100,011						100,011
Marina Fund					235,595		235,595
Total	<u>\$ 100,011</u>	<u>\$ 59,352</u>	<u>\$ 243,186</u>	<u>\$ 1,964,687</u>	<u>\$ 1,485,759</u>	<u>\$ 89,999</u>	<u>\$ 3,942,994</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16. TAX INCREMENTAL FINANCING FUND

During the fiscal year ending March 31, 1995, the City adopted a riverfront redevelopment plan subject to tax incremental financing. The Tax Incremental Financing Fund (TIF) was established to account for the portion of taxes attributable to the increase in the current equalized assessed valuation of property within the riverfront and industrial corridor redevelopment area. Such property tax increases, if any, are to be paid to the City for deposit into the TIF Fund for the purpose of paying obligations incurred from Riverfront Redevelopment Project costs.

During the fiscal year ending March 31, 2010, the City adopted a redevelopment plan for the area known as Hunterstown subject to tax incremental financing. The Tax Incremental Financing Fund 2 (TIF 2) was established to account for the portion of taxes attributable to the increase in the current equalized assessed valuation of property within the Hunterstown Redevelopment Project Area. Such property tax increases, if any, are to be paid to the City for deposit into the TIF 2 Fund for the purpose of paying obligations incurred from the Hunterstown Redevelopment Project costs.

NOTE 17. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; worker's compensation, and employee benefits. The City purchases general liability and property insurance and worker's compensation insurance from the Illinois Municipal League Risk Management Association. The City purchases commercial insurance for all other risks. There have been no significant reductions in insurance for any risk of loss in the past year and the City believes it is reasonably covered for all possible risks of loss.

CITY OF ALTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 17. RISK MANAGEMENT (Continued)

The City has established a medical self-insurance internal service fund. The purpose of this fund is to pay medical claims of the City employees and their covered dependents to minimize the total cost of annual medical insurance to the City. Under this program, the City is self-insured up to \$100,000 per employee claim. Claims in excess of these amounts are covered by the Employee Reinsurance Corporation. During fiscal year ending March 31, 2016, the City transferred \$3,788,224 to the Employee Health Benefit Fund from the governmental and enterprise funds.

NOTE 18. COMMITMENTS

The City of Alton entered into a grant agreement with the U.S. Department of Transportation's Federal Railroad Administration for the Alton Regional Multimodal Transportation Center project, which has a performance period from July 1, 2013 through December 31, 2017. The total estimated project cost is \$17,312,500 with federal funding assistance of 80%, or \$13,850,000. The remaining project cost of 20%, or \$3,462,500, is to come from dedicated land valued at \$1,437,000, in-kind work of \$432,525, with the remaining portion coming from contributions from Madison County Transit as well as tourism revenues.

The City of Alton entered into an intergovernmental agreement with the Illinois Department of Transportation for the Chicago-St. Louis Corridor High Speed Rail project, which has a completion date no later than September 30, 2017. The total federal funds available for this grant are \$6,496,434 and there is no local match required by the City.

NOTE 19. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City adopted Statement No. 67 and 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. These statements require the City to change the accounting for the pension costs related to the City's participation in the Illinois Municipal Retirement Fund (IMRF), the City's Police Pension Fund, and the City's Fire Pension Fund. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial value, and attribute the present value to periods of employee service. The Statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. In addition, the City will also be recognizing a net pension liability, deferred outflows of resources and deferred inflows of resources related to the City's proportionate share of the collective amounts in these pension plans.

The implementation of GASB Statement No. 67 and 68 had the following effect:

	Governmental Activities	Business-Type Activities
Net Position, March 31, 2015	\$ (4,894,010)	\$ 15,674,605
Recognition of Net Pension Activity	(46,369,709)	(113,400)
Restated Net Position, March 31, 2015	\$ (51,263,719)	\$ 15,561,205

NOTE 20. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through the date of this report, which is the date the financial statements were available to be issued. From this evaluation, there were no subsequent events that were determined to meet the criteria for disclosure.

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	GENERAL FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Taxes:			
General Property Taxes	\$ 5,957,887	\$ 5,957,887	\$ 5,853,646
Municipal Auto Rental Tax	21,000	21,000	20,762
State Sales Tax	5,490,000	5,490,000	5,810,335
Local Sales Tax	3,500,000	3,500,000	3,634,134
Business District Tax	330,000	330,000	344,904
Electric Franchise Tax	220,000	220,000	216,956
Gas Franchise Tax	100,000	240,000	236,632
Cable TV Franchise Tax	310,000	310,000	334,784
Telephone Franchise Tax	525,000	525,000	855,335
Water Utility Tax	380,000	380,000	379,226
Off Track Betting Tax	45,000	45,000	49,373
Municipal Aggregation	95,000	95,000	85,437
Total Taxes	<u>\$16,973,887</u>	<u>\$17,113,887</u>	<u>\$17,821,524</u>
Intergovernmental:			
Illinois Income Tax	\$ 1,950,000	\$ 1,950,000	\$ 3,001,903
Corporate Personal Property Replacement Tax	1,320,608	1,320,608	1,594,909
Gaming Tax	3,635,585	3,660,585	3,426,135
Total Intergovernmental	<u>\$ 6,906,193</u>	<u>\$ 6,931,193</u>	<u>\$ 8,022,947</u>
Grants	\$ 309,000	\$ 311,500	\$ 247,346
Licenses and Permits	293,800	293,800	317,763
Fines and Forfeitures	288,000	288,000	297,426
Charges for Current Services	3,301,200	3,331,700	3,358,529
Revenue from Use of Money and Property	619,325	1,006,609	1,161,946
Other Revenue	594,775	1,613,944	1,565,983
Total Revenues	<u>\$29,286,180</u>	<u>\$30,890,633</u>	<u>\$32,793,464</u>
Expenditures:			
General Government	\$ 2,822,248	\$ 2,824,546	\$ 2,483,804
Public Safety	21,048,701	21,482,591	20,240,812
Highways and Streets	3,665,140	3,303,569	3,283,870
Sanitation	2,385,440	2,385,440	2,189,900
Health	141,173	109,005	110,461
Culture and Recreation	1,922,900	1,928,142	1,965,052
Development			1,327,012
Miscellaneous	89,100	75,600	150,473
Total Expenditures	<u>\$32,074,702</u>	<u>\$32,108,893</u>	<u>\$31,751,384</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,788,522)</u>	<u>\$ (1,218,260)</u>	<u>\$ 1,042,080</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 132,467	\$ 132,467	\$ 525,809
Operating Transfers Out			(100,011)
Proceeds From Line of Credit			108,086
Total Other Financing Sources (Uses)	<u>\$ 132,467</u>	<u>\$ 132,467</u>	<u>\$ 533,884</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (2,656,055)</u>	<u>\$ (1,085,793)</u>	<u>\$ 1,575,964</u>
Fund Balance, Beginning			<u>12,259,793</u>
Fund Balance, Ending			<u>\$13,835,757</u>

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>MULTIMODAL TIGER GRANT</u>		
	<u>Budgeted Amounts</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>
Revenues:			
Grants	\$ 1,000,000	\$ 1,000,000	\$ 1,558,907
Revenue from Use of Money and Property	500	1,000	1,555
Total Revenues	<u>\$ 1,000,500</u>	<u>\$ 1,001,000</u>	<u>\$ 1,560,462</u>
Expenditures:			
Capital Projects	\$ 836,776	\$ 836,776	\$ 1,784,762
Total Expenditures	<u>\$ 836,776</u>	<u>\$ 836,776</u>	<u>\$ 1,784,762</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 163,724</u>	<u>\$ 164,224</u>	<u>\$ (224,300)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 900,000	\$ 900,000	\$ 873,706
Total Other Financing Sources (Uses)	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 873,706</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 1,063,724	\$ 1,064,224	\$ 649,406
Fund Balance, Beginning			<u>502,823</u>
Fund Balance, Ending			<u><u>\$ 1,152,229</u></u>

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	MOTOR FUEL TAX		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Grants	\$ 684,000	\$ 684,000	\$ 714,148
Revenue from Use of Money and Property	4,001	4,001	3,149
Other Revenue	8,000	8,000	6,923
Total Revenues	<u>\$ 696,001</u>	<u>\$ 696,001</u>	<u>\$ 724,220</u>
Expenditures:			
Highways and Streets	\$ 1,646,183	\$ 1,646,183	\$ 551,763
Miscellaneous			181
Total Expenditures	<u>\$ 1,646,183</u>	<u>\$ 1,646,183</u>	<u>\$ 551,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (950,182)</u>	<u>\$ (950,182)</u>	<u>\$ 172,276</u>
Other Financing Sources (Uses):			
Operating Transfers Out	\$ (132,467)	\$ (132,467)	\$ (59,352)
Total Other Financing Sources (Uses)	<u>\$ (132,467)</u>	<u>\$ (132,467)</u>	<u>\$ (59,352)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (1,082,649)</u>	<u>\$ (1,082,649)</u>	<u>\$ 112,924</u>
Fund Balance, Beginning			<u>619,993</u>
Fund Balance, Ending			<u><u>\$ 732,917</u></u>

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	TIF BOND FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Revenue from Use of Money and Property			\$ 8
Total Revenues	\$ 0	\$ 0	\$ 8
Expenditures:			
Principal Retirement	\$ 845,000	\$ 845,000	\$ 845,000
Interest and Fiscal Charges	297,986	297,986	54,303
Total Expenditures	\$ 1,142,986	\$ 1,142,986	\$ 899,303
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,142,986)	\$ (1,142,986)	\$ (899,295)
Other Financing Sources (Uses):			
Operating Transfers In	\$ 1,142,986	\$ 1,142,986	\$ 1,142,493
Operating Transfers Out			(243,186)
Total Other Financing Sources (Uses)	\$ 1,142,986	\$ 1,142,986	\$ 899,307
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 0	\$ 0	\$ 12
Fund Balance, Beginning			2,929
Fund Balance, Ending			\$ 2,941

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	TAX INCREMENTAL FINANCING FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Taxes:			
General Property Taxes	\$ 2,238,000	\$ 2,238,000	\$ 2,289,370
Total Taxes	<u>\$ 2,238,000</u>	<u>\$ 2,238,000</u>	<u>\$ 2,289,370</u>
Revenue from Use of Money and Property	\$ 20,000	\$ 20,000	\$ 29,294
Other Revenue			528
Total Revenues	<u>\$ 2,258,000</u>	<u>\$ 2,258,000</u>	<u>\$ 2,319,192</u>
Expenditures:			
Interest and Fiscal Charges	\$ 240	\$ 240	\$ 283,957
Total Expenditures	<u>\$ 240</u>	<u>\$ 240</u>	<u>\$ 283,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,257,760</u>	<u>\$ 2,257,760</u>	<u>\$ 2,035,235</u>
Other Financing Sources (Uses):			
Operating Transfers In			\$ 243,186
Operating Transfers Out	\$ (2,500,000)	\$ (2,500,000)	(1,964,687)
Total Other Financing Sources (Uses)	<u>\$ (2,500,000)</u>	<u>\$ (2,500,000)</u>	<u>\$ (1,721,501)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ (242,240)	\$ (242,240)	\$ 313,734
Fund Balance, Beginning			<u>5,015,399</u>
Fund Balance, Ending			<u>\$ 5,329,133</u>

CITY OF ALTON, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

	TIF PROJECT FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Revenue from Use of Money and Property	\$ 4,674	\$ 4,674	\$ 1,748
Other Revenue			123,604
Total Revenues	<u>\$ 4,674</u>	<u>\$ 4,674</u>	<u>\$ 224,868</u>
Expenditures:			
Capital Projects	\$ 2,420,000	\$ 2,420,000	\$ 584,903
Total Expenditures	<u>\$ 2,420,000</u>	<u>\$ 2,420,000</u>	<u>\$ 584,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,415,326)</u>	<u>\$ (2,415,326)</u>	<u>\$ (360,035)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 2,500,000	\$ 2,500,000	\$ 822,194
Total Other Financing Sources (Uses)	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 822,194</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 84,674	\$ 84,674	\$ 462,159
Fund Balance, Beginning			<u>(314,499)</u>
Fund Balance (Deficit), Ending			<u>\$ 147,660</u>

CITY OF ALTON, ILLINOIS  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2016

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During the first quarter of the fiscal year, the Mayor submits to the City Council a proposed appropriation ordinance for the year commencing April 1 of that quarter.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 31, the appropriation ordinance is legally enacted.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions.
5. Budgets for the General and Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

The following funds had actual expenditures in excess of budgeted expenditures for fiscal year ended March 31, 2016:

Governmental Activities:

Debt Service Funds:

General Obligation Bonds Series 2016 \$ (112,616)

Special Revenue Funds:

Riverfront Amphitheater (31,071)

Tax Increment Financing District (283,717)

Capital Projects Funds:

Alton Passenger Rail Station (56,713)

Multimodal Tiger Grant (947,986)

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR PLAN

LAST 10 CALENDAR YEARS  
(schedule to be built prospectively from 2015)

Calendar year ending December 31,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability</b>										
Service Cost	\$ 574,905									
Interest on the Total Pension Liability	3,310,934									
Benefit Changes	0									
Difference between Expected and Actual Experience	375,299									
Assumption Changes	104,133									
Benefit Payments and Refunds	(2,411,393)									
<b>Net Change in Total Pension Liability</b>	<b>1,953,878</b>									
<b>Total Pension Liability - Beginning</b>	<b>45,064,025</b>									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 47,017,903</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 658,601									
Employee Contributions	252,553									
Pension Plan Net Investment Income	215,069									
Benefit Payments and Refunds	(2,411,393)									
Other	224,835									
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,060,335)</b>									
<b>Plan Fiduciary Net Position - Beginning</b>	<b>43,763,976</b>									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 42,703,641</b>									
<b>Net Pension Liability/(Asset) -Ending (a)-(b)</b>	<b>\$ 4,314,262</b>									
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	90.82%									
Covered Valuation Payroll	\$ 5,591,989									
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	77.15%									

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR PLAN

LAST 10 CALENDAR YEARS  
(schedule to be built prospectively from 2015)

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2015	\$ 639,164	\$ 658,601	\$ (19,437)	\$ 5,591,989	11.78%

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND - ECO PLAN

LAST 10 CALENDAR YEARS  
(schedule to be built prospectively from 2015)

Calendar year ending December 31,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability</b>										
Service Cost	\$ 0									
Interest on the Total Pension Liability	46,972									
Benefit Changes	0									
Difference between Expected and Actual Experience	(125,895)									
Assumption Changes	0									
Benefit Payments and Refunds	-									
<b>Net Change in Total Pension Liability</b>	<b>\$ (78,923)</b>									
<b>Total Pension Liability - Beginning</b>	<b>626,295</b>									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 547,372</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 0									
Employee Contributions	0									
Pension Plan Net Investment Income	2,971									
Benefit Payments and Refunds	0									
Other	(49,758)									
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(46,787)</b>									
<b>Plan Fiduciary Net Position - Beginning</b>	<b>594,249</b>									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 547,462</b>									
<b>Net Pension Liability/(Asset) -Ending (a)-(b)</b>	<b>\$ (90)</b>									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.02%									
Covered Valuation Payroll	\$ 0									
Net Pension Liability as a Percentage of Covered Valuation Payroll	0.00%									

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND - ECO PLAN

LAST 10 CALENDAR YEARS  
(schedule to be built prospectively from 2015)

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2015	\$ 0	\$ 0	\$ 0	\$ 0	0.00%

CITY OF ALTON, ILLINOIS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS  
USED IN THE CALCULATION OF THE 2015 CONTRIBUTION RATE\*  
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR & ECO PLANS

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	4.00%
Price Inflation	3.00% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

**Other Information:**

Notes There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
POLICEMEN'S PENSION

LAST 10 FISCAL YEARS  
(schedule to be built prospectively from 2016)

Fiscal Year Ending March 31,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service Cost	\$ 551,116									
Interest Cost	4,305,227									
Differences Between Expected and Actual Experiences	38,984									
Assumption Changes	12,435,062									
Benefit Payments, Including Refunds of Member Contributions	(3,580,559)									
<b>Net Change in Total Pension Liability</b>	13,749,830									
<b>Total Pension Liability - Beginning</b>	89,280,608									
<b>Total Pension Liability - Ending (a)</b>	\$ 103,030,438									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 2,335,246									
Member Contributions	410,047									
Net Investment Income	1,221,657									
Benefit Payments, Including Refunds of Member Contributions	(3,580,559)									
Administrative Expense	(37,246)									
<b>Net Change in Plan Fiduciary Net Position</b>	349,145									
<b>Plan Fiduciary Net Position - Beginning</b>	21,245,785									
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 21,594,930									
<b>Net Pension Liability/(Asset) -Ending (a)-(b)</b>	\$ 81,435,508									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	20.96%									
Covered Valuation Payroll	\$ 4,251,978									
Net Pension Liability as a Percentage of Covered Valuation Payroll	1915.24%									

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
POLICEMEN'S PENSION

LAST 10 FISCAL YEARS  
(schedule to be built prospectively from 2016)

<u>Fiscal Year</u> <u>Ending</u> <u>March 31</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2016	\$ 2,611,132	\$ 2,745,293	\$ (134,161)	\$ 4,251,978	64.57%

CITY OF ALTON, ILLINOIS  
SCHEDULE OF INVESTMENT RETURNS  
POLICEMEN'S PENSION

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	-2.19%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF ALTON, ILLINOIS  
 MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 FIREFIGHTERS' PENSION

LAST 10 FISCAL YEARS  
 (schedule to be built prospectively from 2016)

Fiscal Year Ending March 31,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service Cost	\$ 524,105									
Interest Cost	3,947,749									
Differences Between Expected and Actual Experiences	1,406,475									
Assumption Changes	11,439,714									
Benefit Payments, Including Refunds of Member Contributions	(3,630,139)									
<b>Net Change in Total Pension Liability</b>	13,687,904									
<b>Total Pension Liability - Beginning</b>	86,555,521									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 100,243,425</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 2,217,922									
Member Contributions	282,099									
Net Investment Income	1,056,637									
Benefit Payments, Including Refunds of Member Contributions	(3,630,139)									
Administrative Expense	(45,396)									
<b>Net Change in Plan Fiduciary Net Position</b>	(118,877)									
<b>Plan Fiduciary Net Position - Beginning</b>	19,247,389									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 19,128,512</b>									
<b>Net Pension Liability/(Asset) -Ending (a)-(b)</b>	<b>\$ 81,114,913</b>									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	19.08%									
Covered Valuation Payroll	\$ 3,035,197									
Net Pension Liability as a Percentage of Covered Valuation Payroll	2672.48%									

CITY OF ALTON, ILLINOIS  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
FIREFIGHTERS' PENSION

LAST 10 FISCAL YEARS  
(schedule to be built prospectively from 2016)

<u>Fiscal Year</u> <u>Ending</u> <u>March 31</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2016	\$ 2,696,592	\$ 2,500,021	\$ 196,571	\$ 3,035,197	82.37%

CITY OF ALTON, ILLINOIS  
SCHEDULE OF INVESTMENT RETURNS  
FIREFIGHTERS' PENSION

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	-2.07%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF ALTON, ILLINOIS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS  
USED TO DETERMINE TOTAL PENSION LIABILITY AND CONTRIBUTION  
POLICEMEN'S PENSION AND FIREFIGHTERS' PENSION

**Valuation Date:** April 1, 2015

Notes Actuarially determined contribution rates are calculated as of April 1 each year, which is 12 months prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Investment gains and losses are recognized over a five year period
Mortality Rate	Fully generational RP-2014 Table with Blue Collar adjustments; projected using Scale MP2014
Investment Rate of Return	6.75%, net of investment expenses
Internal Rate of Return	4.00%
Retirement Age	Varies by age and service
Salary Increases	3.00%
Tier 2 Cost of Living Adjustment	1.25%
Marital Assumptions	80% of members are assumed to be married; male spouses are assumed to be three years older than female spouses

CITY OF ALTON, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – RETIREE MEDICAL PLAN  
MARCH 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/16	\$0	\$ 14,598,316	\$ 14,598,316	0.0%	\$ 14,613,631	99.9%
3/31/15	0	14,310,419	14,310,419	0.0	14,613,631	97.9
3/31/14	0	32,395,268	32,395,268	0.0	12,686,092	255.4

CITY OF ALTON, ILLINOIS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED MARCH 31, 2016

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and	Name of Grant - Grant ID No.	Federal Expenditures
<b>Other Programs</b>				
United States Department of Justice				
Bulletproof Vest Partnership Program	16.607			\$ 1,931
Total Bulletproof Vest Partnership Program				\$ 1,931
<i>Total United States Department of Justice</i>				\$ 1,931
<b>Department of Transportation</b>				
Highway Planning and Construction	20.205	Illinois Department of Transportation	Bridgewest Beautification Plan	\$ 99,516
Highway Planning and Construction	20.205	Illinois Department of Transportation	ITEP Funds	\$ 4,954
Highway Planning and Construction	20.205	Illinois Department of Transportation	Scenic By-Way	51,827
Total Highway Planning and Construction				\$ 156,297
ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants (M)	20.319	Illinois Department of Transportation	Chicago-St. Louis Corridor FR- HSR-0015-11-01-02	\$ 56,713
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants				\$ 56,713
National Infrastructure Investments (M)	20.933		FY 2011 TIGER Grant	\$ 1,558,907
Total National Infrastructure Investments				\$ 1,558,907
<i>Total Department of Transportation</i>				\$ 1,771,917
<b>Department of Health and Human Services</b>				
Drug-Free Communities Support Program Grants				
Drug-Free Communities Support Program Grants	93.276			\$ 70,389
Total Drug-Free Communities Support Program Grants				\$ 70,389
<i>Total Department of Health and Human Services</i>				\$ 70,389
<b>Total Expenditures of Federal Awards</b>				<b>\$ 1,844,237</b>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ALTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weaknesses Identified? Yes  
See 2016-1 and 2016-2

Significant Deficiencies Identified That Are Not Considered to Be Material Weaknesses? Yes  
See 2016-3 and 2016-4

Noncompliance noted? Yes  
See 2016-5

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses Identified? No  
Significant Deficiencies Identified That Are Not Considered To Be Material Weaknesses? No

Type of Auditor's Report Issued On Compliance For Major Programs: Unmodified

Audit Findings Required to be Reported in Accordance with 2 CFR section 200.516(a): No

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.933	National Infrastructure Investments
20.319	ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants

Dollar Threshold Used To Determine Between Type A and Type B Programs: \$750,000

Auditee does not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2016-1

*Condition:* The City of Alton relies on its auditors for the preparation of the City's financial statements, schedule of expenditures of federal awards, and related disclosures in accordance with generally accepted accounting principles.

*Criteria:* Generally accepted accounting principles is the body of rules that all accountants must follow when they prepare financial statements. These rules cover how your assets, liabilities, revenues, and expenses are recorded in your books and records. Your books and records are then used to prepare financial statements and related disclosures. Again, generally accepted accounting principles will determine proper presentation of your assets, liabilities, revenues, and expenses and the related disclosures. This is deemed necessary so that misstatements will not occur in the financial statements.

*Cause:* The City does not have personnel who are adequately trained to ensure the City's annual financial statements and schedule of expenditures of federal awards are prepared in accordance with generally accepted accounting principles.

CITY OF ALTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses (Continued)

2016-1 (Continued)

*Effect*: The possibility exists that the financial statements are not properly prepared to accurately report financial activity and the possibility that the schedule of expenditures of federal awards is not accurate or complete.

*Recommendation*: The City should consider the costs and benefits of hiring additional expertise or training accounting staff to ensure the City's financial statements and schedule of expenditures of federal awards are prepared in accordance with generally accepted accounting principles.

*Response*: See the Corrective Action Plan.

2016-2

*Condition*: A large amount of journal entries are made in various areas by Scheffel Boyle to convert the City's books to the accrual basis of accounting.

*Criteria*: Scheffel Boyle makes journal entries to capitalize fixed assets and record depreciation expense for the fiscal year as well as prepares and maintains the fixed asset and associated depreciation expense schedule for the City's capital assets to be presented on the Government-Wide Financial Statements. Scheffel Boyle also makes accrual journal entries to record receivables, payables, and prepaid expenses in accordance with generally accepted accounting principles.

*Cause*: The City does not have personnel who are adequately trained to make the journal entries to convert the City's books to the accrual basis of accounting or to prepare and maintain the fixed asset and associated depreciation expense schedule.

*Effect*: Since the City does not make these journal entries or prepare its depreciation schedule, there is a greater possibility that if there were an error or omission, City personnel may not detect it. The possibility exists that the financial statements are not properly prepared to accurately report financial activity.

*Recommendation*: The City should consider the costs and benefits of hiring additional expertise or training accounting staff to record these accrual entries and maintain the fixed asset and depreciation schedule, and to acquire the necessary software to maintain the fixed asset schedule. At a minimum, the City should maintain a schedule of additions and deletions of fixed assets at year end.

*Response*: See the Corrective Action Plan.

Significant Deficiencies

2016-3

*Condition*: The City has designated an individual to maintain centralized control over financial reporting of grant expenditures, including federal expenditures, as required by various granting agencies. However, not all grants are being reviewed for compliance under this individual's control.

*Criteria*: Granting agencies contain rules regarding internal control compliance requirements for grant programs. These rules are designed to provide reasonable assurance regarding management and other personnel's preparation of reliable financial statements, maintaining accountability over assets, and demonstrating compliance with laws and regulations. In addition, granting agencies require that management and personnel complete transactions in compliance with: laws and regulations of grant agreements that could have a direct and material effect on the federal program, any regulations identified in the compliance supplement, and that funds, property, and assets are properly safeguarded against loss due to unauthorized use or disposition.

CITY OF ALTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiencies (Continued)

2016-3 (Continued)

*Cause:* The City's designated person to maintain accountability over grant compliance and related expenditures is not receiving all grants for review of compliance.

*Effect:* The possibility exists that the City is not complying with grant requirements including federal program laws and regulations which could result in the disallowance of grant expenditures.

*Recommendation:* The City should ensure that the individual who was designated to maintain accountability over grant compliance requirements and related expenditures is receiving all grant information to perform this assigned function.

*Response:* See the Corrective Action Plan.

2016-4

*Condition:* The City did not perform any reconciliation of the aging account reports to the general ledger during the fiscal year.

*Criteria:* A reconciliation of accounts receivable from the general ledger to the aging account reports should be

*Cause:* City personnel did not perform monthly reconciliations due to staffing changes and time constraints.

*Effect:* The possibility exists that errors or other problems might not be recognized and resolved on a timely basis.

*Recommendation:* It is recommended that the City reconcile the aging account reports to the general ledger on a monthly basis to ensure that the billings and collections are being appropriately accounted for and to ensure accurate

*Response:* See the Corrective Action Plan.

Compliance and Other Matters

2016-5

*Condition:* The City had numerous individuals who failed to timely file an economic interest state pursuant to the Illinois Government Ethics Act [5 ILCS 420/4A-101]. Out of 133 individuals, 63 had not filed by the May 1st deadline. Out of 133 individuals, 38 had not filed by the extended due date of June 1st that was granted by the Madison County Clerk this year. As of the date of this report, one individual still had not filed an annual statement.

*Criteria:* Certain persons within a local government are required to file written statements of economic interests annually with the county, pursuant to the Illinois Government Ethics Act [5 ILCS 420/4A-101].

*Cause:* The filings were mistakenly overlooked by those individuals.

*Effect:* The City is in violation of the Illinois Government Ethics Act [5 ILCS 420/4A-101].

*Recommendation:* The City Clerk's office should check with the county to see that all qualifying persons file economic interest statements timely to ensure compliance with the Illinois Government Ethics Act [5 ILCS 420/4A-101].

*Response:* See the Corrective Action Plan.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

September 30, 2016

## CORRECTIVE ACTION PLAN

Department of Transportation

The City of Alton, Illinois respectfully submits the following corrective action plan for the year ended March 31, 2016.

Name and address of independent public accounting firm:

Scheffel Boyle  
322 State Street  
Alton, IL 62002

Audit Period: For the Year Ended March 31, 2016

The findings from the September 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### Material Weaknesses

2016-1

*Condition:* The City of Alton does not have personnel who are adequately trained or possess the necessary knowledge that enables the preparation of the City's financial statements and disclosures in accordance with generally accepted accounting principles.

*Recommendation:* The City should consider the costs and benefits of hiring additional expertise or training accounting staff to ensure the City's financial statements are prepared in accordance with generally accepted accounting principles.

*View of Responsible Officials and Planned Corrective Action:* Management has considered the recommendation but feels that it does not have the necessary resources to expend general funds to address this finding. Management will continue to rely on the assistance of Scheffel Boyle in the preparation of the City's financial statements and related disclosures in accordance with generally accepted accounting principles. Management will continue to oversee and approve the financial statements and related disclosures and take responsibility for them.

2016-2

*Condition:* A large amount of journal entries are made in various areas by Scheffel Boyle to convert the City's books to the accrual basis of accounting.

*Recommendation:* The City should consider the costs and benefits of hiring additional expertise or training accounting staff to record these accrual entries and maintain the fixed asset and depreciation schedule, and to acquire the necessary software to maintain the fixed asset schedule. At a minimum, the City should maintain a schedule of additions and deletions at year end.



OFFICE OF THE  
CITY COMPTROLLER

**CITY OF ALTON  
ILLINOIS**

101 E. THIRD ST.  
ROOM 104  
ALTON, IL 62002

September 30, 2016

**CORRECTIVE ACTION PLAN**

Department of Transportation

The City of Alton, Illinois respectfully submits the following corrective action plan for the year ended March 31, 2016.

Name and address of independent public accounting firm:

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Audit Period: For the Year Ended March 31, 2016

The findings from the September 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

Material Weaknesses

2016-1

*Condition:* The City of Alton does not have personnel who are adequately trained or possess the necessary knowledge that enables the preparation of the City's financial statements and disclosures in accordance with generally accepted accounting principles.

*Recommendation:* The City should consider the costs and benefits of hiring additional expertise or training accounting staff to ensure the City's financial statements are prepared in accordance with generally accepted accounting principles.

*View of Responsible Officials and Planned Corrective Action:* Management has considered the recommendation but feels that it does not have the necessary resources to expend general funds to address this finding. Management will continue to rely on the assistance of Scheffel Boyle in the preparation of the City's financial statements and related disclosures in accordance with generally accepted accounting principles. Management will continue to oversee and approve the financial statements and related disclosures and take responsibility for them.

2016-2

*Condition:* A large amount of journal entries are made in various areas by Scheffel Boyle to convert the City's books to the accrual basis of accounting.

*Recommendation:* The City should consider the costs and benefits of hiring additional expertise or training accounting staff to record these accrual entries and maintain the fixed asset and depreciation schedule, and to acquire the necessary software to maintain the fixed asset schedule. At a minimum, the City should maintain a schedule of additions and deletions at year end.

## FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

2016-2 (Continued)

*View of Responsible Officials and Planned Corrective Action:* Management has considered the recommendation but feels that it does not have the necessary resources to expend general funds to address this finding. Management will continue to rely on the assistance of Scheffel Boyle in the preparation of the necessary accrual entries and the fixed asset and associated depreciation expense schedule. Management will continue to oversee and approve the financial statements and related disclosures and take responsibility for them.

### Significant Deficiencies

2016-3

*Condition:* The City has designated an individual to maintain centralized control over financial reporting of grant expenditures, including federal expenditures, as required by various granting agencies. However, not all grants are being reviewed for compliance and proper financial reporting under this individual's control.

*Recommendation:* The City should ensure that the individual who was designated to maintain accountability over grant compliance requirements and related expenditures is receiving all grant information to perform this assigned function.

*View of Responsible Officials and Planned Corrective Action:* Management has considered the recommendation and will follow up with the designated individual to verify that all grants are being reviewed for compliance.

2016-4

*Condition:* The City did not perform any reconciliation of the aging account reports to the general ledger during the fiscal year.

*Recommendation:* It is recommended that the City reconcile the aging account reports to the general ledger on a monthly basis to ensure that the billings and collections are being appropriately accounted for and to ensure accurate financial reporting.

*View of Responsible Officials and Planned Corrective Action:* Management agrees with the recommendation and has adopted procedures to ensure the reconciliation is performed.

### Compliance and Other Matters

2016-5

*Condition:* The City had numerous individuals who failed to timely file an economic interest statement pursuant to the Illinois Government Ethics Act [5 ILCS 420/4A-101]. Out of 133 individuals, 63 had not filed by the May 1st deadline. Out of 133 individuals, 38 had not filed by the extended due date of June 1st that was granted by the Madison County Clerk this year. As of the date of this report, one individual still had not filed an annual statement.

*Recommendation:* The City Clerk's office should check with the county to see that all qualifying persons file economic interest statements timely to ensure compliance with the Illinois Government Ethics Act [5 ILCS 420/4A-101].

*View of Responsible Officials and Planned Corrective Action:* Management has agreed with the recommendation and will have personnel in the City Clerk's office follow up more diligently with the County Clerk in the future to verify that all qualified persons have filed in a timely manner.

## FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

If the Department of Transportation has any questions regarding this plan, contact Jeannie M. Cowan at 618-463-3550.

Sincerely yours,

  
\_\_\_\_\_  
Brant Walker, Mayor

  
\_\_\_\_\_  
Jeannie M. Cowan, Comptroller

CITY OF ALTON, ILLINOIS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Alton, Illinois (the City) under programs of the federal government for the year ended March 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Federal awards passed through other governmental agencies are included on the Schedule.

NOTE 2. SUBRECIPIENTS

The City did not pass through any federal funds to subrecipients during the year ended March 31, 2016.

NOTE 3. NONMONETARY ASSISTANCE

The City did not receive any nonmonetary assistance from federal programs during the year ended March 31, 2016.

NOTE 4. FEDERAL INSURANCE

The City had no federal insurance as it relates to federal programs in effect for the year ended March 31, 2016.

NOTE 5. LOANS AND LOAN GUARANTEES

The City had loans outstanding of \$3,005,342 related to federal programs as of March 31, 2016.

NOTE 6. INDIRECT COST RATE

The City has elected to use the 10% de minimis cost rate.