

CITY OF ALTON, ILLINOIS

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2018

CITY OF ALTON, ILLINOIS

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

January 3, 2019

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, 2018, 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, 2018, 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 61 through 78, 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 on page 79 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. The other supplementary information on pages 79-87 as listed in the table of contents 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 and the other supplementary information as listed in the table of contents 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 January 3, 2019, 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

January 3, 2019

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, 2018, 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 January 3, 2019.

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: 2018-1, 2018-2, and 2018-3.

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: 2018-4.

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 2018-5. 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

January 3, 2019

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, 2018. 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 Uniform Guidance 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, 2018.

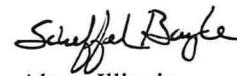
Report on Internal Control over Compliance

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, 2018

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, 2018. 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, 2018

- 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, 2018 and March 31, 2017.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 33.0	\$ 34.1	\$ 3.3	\$ 4.8	\$ 36.3	\$ 38.9
Fixed Assets	101.3	99.8	17.7	17.3	119.0	117.1
Other Noncurrent Assets	2.0	2.0			2.0	2.0
Total Assets	<u>\$ 136.3</u>	<u>\$ 135.9</u>	<u>\$ 21.0</u>	<u>\$ 22.1</u>	<u>\$ 157.3</u>	<u>\$ 158.0</u>
Deferred Outflows of Resources	<u>\$ 23.2</u>	<u>\$ 38.8</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 23.4</u>	<u>\$ 39.0</u>
Current Liabilities	\$ 2.8	\$ 5.1	\$ 0.8	\$ 0.8	\$ 3.6	\$ 5.9
Long-Term Liabilities	160.5	213.5	5.5	6.3	166.0	219.8
Total Liabilities	<u>\$ 163.3</u>	<u>\$ 218.6</u>	<u>\$ 6.3</u>	<u>\$ 7.1</u>	<u>\$ 169.6</u>	<u>\$ 225.7</u>
Deferred Inflows of Resources	<u>\$ 51.2</u>	<u>\$ 14.2</u>	<u>\$ 0.6</u>	<u>\$ 0.2</u>	<u>\$ 51.8</u>	<u>\$ 14.4</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 93.0	\$ 90.2	\$ 15.3	\$ 14.4	\$ 108.3	\$ 104.6
Restricted	12.7	13.3	0.3	1.1	13.0	14.4
Unrestricted	<u>(160.7)</u>	<u>(161.6)</u>	<u>(1.3)</u>	<u>(0.5)</u>	<u>(162.0)</u>	<u>(162.1)</u>
Total Net Position	<u>\$ (55.0)</u>	<u>\$ (58.1)</u>	<u>\$ 14.3</u>	<u>\$ 15.0</u>	<u>\$ (40.7)</u>	<u>\$ (43.1)</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, 2018 of \$2.6 million. This is comprised of \$2.5 million for governmental activities and \$0.1 million for business-type activities. Compared to the year ended March 31, 2017, \$2.6 million was reported for compensated absences, which included \$2.5 million for governmental activities and \$0.1 million for business-type activities.

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018

The following table (in millions) is a summary of the Statement of Activities for fiscal years ending March 31, 2018 and March 31, 2017.

Statement of Activities (in millions of dollars)						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 5.0	\$ 4.1	\$ 5.0	\$ 4.8	\$10.0	\$ 8.9
Operating Grants and Contributions	0.8	0.8			0.8	0.8
Capital Grants and Contributions	3.8	8.2			3.8	8.2
General Revenues						
Property Taxes, Levied for General Purpose	9.4	9.3			9.4	9.3
Property Taxes, Levied for Debt Service	0.2	0.6			0.2	0.6
Sales, Franchise, Utility and Other Taxes	12.9	12.5			12.9	12.5
Intergovernmental	7.2	7.9			7.2	7.9
Miscellaneous	3.9	9.3	0.1	0.1	4.0	9.4
Total Revenues	<u>\$43.2</u>	<u>\$52.7</u>	<u>\$ 5.1</u>	<u>\$ 4.9</u>	<u>\$48.3</u>	<u>\$57.6</u>
Expenditures						
General Government	\$ 3.4	\$ 3.7			\$ 3.4	\$ 3.7
Public Safety	20.6	34.8			20.6	34.8
Highways and Streets	6.8	6.7			6.8	6.7
Sanitation	2.6	2.7			2.6	2.7
Health	2.0	1.7			2.0	1.7
Culture and Recreation	3.1	2.9			3.1	2.9
Development	0.6	1.6			0.6	1.6
Capital Projects	0.6	0.1			0.6	0.1
Miscellaneous	0.1	0.1			0.1	0.1
Interest on Long-Term Debt	0.2	0.2			0.2	0.2
Sewer			\$ 4.8	\$ 4.4	4.8	4.4
Marina			1.1	1.1	1.1	1.1
Total Expenditures	<u>\$40.0</u>	<u>\$54.5</u>	<u>\$ 5.9</u>	<u>\$ 5.5</u>	<u>\$45.9</u>	<u>\$60.0</u>
Net Transfers	<u>(0.1)</u>	<u>(0.5)</u>	<u>0.1</u>	<u>0.5</u>		
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>\$ 3.1</u>	<u>\$(2.3)</u>	<u>\$(0.7)</u>	<u>\$(0.1)</u>	<u>\$ 2.4</u>	<u>\$(2.4)</u>

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018

Governmental Activities

Revenues for the City's governmental activities decreased by 18% from the prior fiscal year and total expenses decreased by 26.6% during the same period. The decrease in total revenues is primarily due to not receiving as much grants monies for the Multimodal Tiger Grant and the Alton Passenger Rail Station as in the prior year due to the projects nearing completion. The decrease in expense is primarily attributable to the reduction in grant funding for the projects previously mentioned.

Business-type Activities

Revenues and expenses of the City's business type activities remained relatively the same over the prior fiscal year.

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 \$33.6 million including the amendments. Actual revenues for the general fund were \$32.5 million. The initial budgeted expenditures for the year ended March 31, 2018 were \$34 million. The final budgeted expenditures were \$34.3 million including amendments. Actual expenditures for the general fund were \$33.1 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, 2018, a 2.5% increase from a balance of \$22.6 million at March 31, 2017. 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, 2018</u>
Nonspendable	\$ 2,943,350
Restricted	9,822,803
Committed	501,758
Assigned	4,326,751
Unassigned	<u>5,592,183</u>
Total Fund Balances	<u>\$ 23,186,845</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2018, the City had \$119 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, 2018

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 24.0	\$24.0			\$ 24.0	\$ 24.0
Construction in Progress	0.7	18.1	\$ 0.5	\$ 0.1	1.2	18.2
Buildings and Improvements	40.1	18.6	16.2	16.2	56.3	34.8
Furniture and Equipment	1.2	1.4	0.6	0.5	1.8	1.9
Vehicles	1.3	1.2	0.4	0.6	1.7	1.8
Infrastructure	34.0	36.6			34.0	36.6
Totals	<u>\$101.3</u>	<u>\$99.9</u>	<u>\$17.7</u>	<u>\$17.4</u>	<u>\$119.0</u>	<u>\$117.3</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, decreased by 25%. At the end of the current fiscal year, the City had \$160.5 million in total long-term debt for the governmental activities and \$5.5 million in sewer related debt compared to \$213.5 million in total long-term debt for governmental activities and \$6.3million in sewer related debt at the prior year end. The decrease is primarily attributable to the decrease in the total net pension liability of \$53.9 million related to the Police and Fire Pension Funds. 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 budget for fiscal year ending March 31, 2018. The budgeted expenditures for the general, special revenue and capital projects funds for the upcoming year was established by City ordinance at \$55.1 million.

The Alton economy continues to evolve towards the service sector and away from its industrial past. Economic strongholds include healthcare, gaming, education, retail sales, hospitality/lodging and other tourism related services. The top five (5) employers in Alton provide over 3,500 jobs to area residents. As of the end of fiscal year 2018, the City of Alton had 201 full-time employees.

Alton's local economy continues to see new business starts and private investment fueled in part by Alton's selection as the winner of the national Small Business Revolution reality-based web series.

Residential Development

In-fill Housing Development:

In-fill housing development remains as priority as the City seeks to revitalize older, inner core neighborhoods. Recent single-family construction and the development of scattered site affordable housing units have been developed in keeping with this goal. Additional housing projects are in the que subject to financing commitments.

Market-Rate Housing Development:

The City of Alton continues to encourage the development of market-rate housing. In an effort to stabilize existing neighborhoods and increase market value, the City operates a rehabilitation grant program for owner-occupied single-family residences. Stabilizing existing neighborhoods and home values are key to the subsequent development of market-rate housing.

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018

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. Additional condo development projects are in the pre-development stage including the former Steve's Antiques building which exceeds over 80,000 sq. ft.

Industrial Development

Alton Center Business Park:

Alton Center Business Park continues to experience new tenant growth and expansion of existing tenants. Total full-time employment at the business park currently stands at approx. 800 jobs. Recently completed capital improvements include energy saving HVAC modifications, enhanced lighting, security updates including active shooter strobe, security alert systems and modified fire suppression systems, new employee breakroom and parking lot expansion to accommodate employee growth.

Industrial Corridor Infrastructure Improvements:

The City of Alton is actively working to implement a long-range revitalization strategy within the industrial corridor. Components of the strategy will include identifying sites for remediation, repurposing of brownfield and former industrial sites, property acquisition and public transportation improvements. The timing and implementation of some local efforts will be contingent upon state and federal grant awards.

Commercial Development

Multi-Modal Transit Facility:

The Alton Regional Multi-modal Transportation Center (RMTC) opened to significant local fanfare in the fall of 2017. The approx. \$20-million-dollar transit facility will accommodate the expansion of high-speed passenger rail service from Chicago to Alton. The development, north of Homer Adams Parkway, includes a new 9,000 sq. ft. train station, mass transit connections, joint use paths, as well as infrastructure improvements to Golf Road and Barons Commerce Parkway. The City continues to comprehensively plan the anticipated transit oriented development adjacent to the multi-modal facility whereas approx. 30 acres is available for commercial development.

Homer Adams Parkway:

Homer Adams Parkway continues its near capacity growth with recent new construction and renovation activity. Recent developments include the new Tucker Automotive, Andy's Auto body and Service Center, and U-Haul Rental Center, and Best Western Premier hotel. Additional retail development is currently in the plan review phase.

Alton Square Mall:

The owners of Alton Square Mall, Hull Property Group, continue their revitalization efforts to increase tenant occupancy stabilize the mall proper and surrounding out lots. In an effort to aid the long-term redevelopment, the City recently enacted a Tax Increment Financing district to encompass the mall. \$38 million in contemplated redevelopment costs include: lower level renovation, façade improvements, lighting replacement, parking lot resurfacing, tenant buildout and out parcel development.

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018

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 9th 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 the Alton Exposition Festival, Alison Krauss concert, An Evening of Disney Magic live performance and the 4th 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. Taste of Mexico and Solara Wine Bar both offer niche fare which has attracted diverse patrons from across the region. Other recent or planned additions include Tony's Prohibition Lounge, Brown Bag Bistro, State Street Market and Lucianna's Pastries all offer unique dining and entertainment offerings.

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, 2018

Park and Recreation Department

In fiscal year 2017-2018, the City has:

- A new, inclusive playground was installed at Gordon Moore Park with a \$125,000 donation from Phillips 66 and matched by an IPRA/GameTime grant. An additional \$400,000 has been raised by the Gordon Moore Park Restoration Committee to construct a new concession and restroom facility. The new building is complete and in working order. The attached pavilion should be complete by spring of 2019 along with an updated entrance to Gordon Moore Park through a CMAQ grant obtained by the city worth approximately \$1.8 million.
- Renovations of 6 tennis courts at the Simpson Tennis Complex were completed with donations from the Simpson Tennis Committee and through Madison County PEP Grant dollars.
- Implemented or hosted new events and tournaments such as: Mother Son Luau, Daddy Daughter Dance, Christmas Workshop, GameTime Baseball Tournaments, Relay for Life Softball Tournament, GMB Baseball Tournaments, NFL Hall of Fame Youth Football Tournament, and First Responders Kickball Tournament.
- Managed the Alton Riverfront Amphitheater. The City of Alton Riverfront Amphitheater hosted 23 events/concerts in 2017-2018.
- 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. Construction was completed last year on the upper portion of the park and just recently the sunken garden's new sidewalks have been completed.
- The Alton Park and Recreation Department operates the Dog Park and currently sells passes for annual memberships. There are currently 140 memberships.
- Gordon Moore Park hosted its 32nd ASA Co-Ed state softball championship on August 11th-13th.
- Alton Park and Recreation was awarded \$138,655 from the Madison County PEP Grant for sidewalk improvements and installing ADA compliant viewing areas around basketball courts at Killion Park, fencing and ADA viewing at diamond 6, Simpson Courts and clubhouse renovations, ADA compliance at soccer field 4, as well as portions of renovations at concession 1 through the PEP Loan program through Madison County.
- 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.
- Friends of Haskell (now called Middletown Neighbors) continue to beautify their neighborhood parks with landscaping and painting, as needed. A new Children's Museum Committee has been established to alter the Haskell House into a Children's Museum.

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 Kirby Ontis, Comptroller, at Alton City Hall, 101 East Third Street, Alton, Illinois 62002.

CITY OF ALTON, ILLINOIS
STATEMENT OF NET POSITION
MARCH 31, 2018

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Current Assets:			
Cash and Cash Equivalents	\$ 16,708,244	\$ 803,808	\$ 17,512,052
Investments (at fair value)	1,951,863	1,574,682	3,526,545
Receivables (net, where applicable of allowance for uncollectibles):			
Taxes	9,495,402		9,495,402
Gaming Tax Surcharge	362,077		362,077
Intergovernmental	3,368,482		3,368,482
Accounts Receivable	681,758	548,578	1,230,336
Due from Other Funds	3,935	12,932	16,867
Inventory (at cost)	69,965	24,927	94,892
Prepaid Expenses	273,386	32,725	306,111
Other Current Assets	44,885		44,885
Restricted Assets:			
Cash and Investments (at fair value)		255,200	255,200
Total Current Assets	<u>\$ 32,959,997</u>	<u>\$ 3,252,852</u>	<u>\$ 36,212,849</u>
Noncurrent Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 101,385,491	\$ 17,662,495	\$ 119,047,986
Other Assets (net of accumulated amortization)			
Due from Other Funds - Loan to Alton Marina	2,000,000		2,000,000
Note Receivable	49,835		49,835
Total Noncurrent Assets	<u>\$ 103,435,326</u>	<u>\$ 17,662,495</u>	<u>\$ 121,097,821</u>
Total Assets	<u>\$ 136,395,323</u>	<u>\$ 20,915,347</u>	<u>\$ 157,310,670</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension Contributions	<u>\$ 23,266,881</u>	<u>\$ 193,115</u>	<u>\$ 23,459,996</u>
Total Deferred Outflows of Resources	<u>\$ 23,266,881</u>	<u>\$ 193,115</u>	<u>\$ 23,459,996</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 159,662,204</u>	<u>\$ 21,108,462</u>	<u>\$ 180,770,666</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 700,940	\$ 311,316	\$ 1,012,256
Accrued Payroll	680,497	75,054	755,551
Other Payables	695,830		695,830
Due to Other Funds	12,932	3,935	16,867
Bonds and Notes Payable	682,387	348,387	1,030,774
Capital Lease Obligations	51,397		51,397
Accrued Interest on Bonds, Notes Payable, and Capital Leases	64,787	16,609	81,396
Total Current Liabilities	<u>\$ 2,888,770</u>	<u>\$ 755,301</u>	<u>\$ 3,644,071</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 7,556,991	\$ 1,984,420	\$ 9,541,411
Capital Lease Obligations	125,131		125,131
Due to Other Funds - Loan from General Fund		2,000,000	2,000,000
Net Pension Liability	134,057,247	(149,562)	133,907,685
OPEB Obligation	16,301,454	1,511,439	17,812,893
Compensated Absences	2,485,880	151,344	2,637,224
Total Long-Term Liabilities	<u>\$ 160,526,703</u>	<u>\$ 5,497,641</u>	<u>\$ 166,024,344</u>
Total Liabilities	<u>\$ 163,415,473</u>	<u>\$ 6,252,942</u>	<u>\$ 169,668,415</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property Taxes	\$ 9,495,402		\$ 9,495,402
Prepaid Title Sponsorship	50,000		50,000
Prepaid Boat Slip Revenue		\$ 86,804	86,804
Deferred Inflows Related to Net Pension Liability	41,737,960	510,310	42,248,270
Total Deferred Inflows of Resources	<u>\$ 51,283,362</u>	<u>\$ 597,114</u>	<u>\$ 51,880,476</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 92,969,585	\$ 15,329,688	\$ 108,299,273
Restricted For:			
Special Revenue Purposes	12,705,297		12,705,297
Long-Term Debt		168,032	168,032
Sewer Reserves, Replacements, and Maintenance		87,168	87,168
Unrestricted	(160,711,513)	(1,326,482)	(162,037,995)
Total Net Position	<u>\$ (55,036,631)</u>	<u>\$ 14,258,406</u>	<u>\$ (40,778,225)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 159,662,204</u>	<u>\$ 21,108,462</u>	<u>\$ 180,770,666</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 3,459,247	\$ 444,547			\$ (3,014,700)		\$ (3,014,700)
Public Safety	20,639,897	1,472,747	\$ 147,005		(19,020,145)		(19,020,145)
Highways and Streets	6,805,031	22,787	708,697		(6,073,547)		(6,073,547)
Sanitation	2,591,474	2,752,324			160,850		160,850
Health	2,017,815				(2,017,815)		(2,017,815)
Culture and Recreation	3,104,778	332,320		\$ 193,267	(2,579,191)		(2,579,191)
Development	660,060			981,667	321,607		321,607
Capital Projects	604,099			2,643,355	2,039,256		2,039,256
Miscellaneous	124,200				(124,200)		(124,200)
Interest on Long-Term Debt	238,033				(238,033)		(238,033)
Total Governmental Activities	\$ 40,244,634	\$ 5,024,725	\$ 855,702	\$ 3,818,289	\$ (30,545,918)	\$ 0	\$ (30,545,918)
Business-Type Activities:							
Sewer	\$ 4,839,555	\$ 4,207,900		\$ 41,344		\$ (590,311)	\$ (590,311)
Marina	1,104,463	816,475				(287,988)	(287,988)
Total Business-Type Activities	\$ 5,944,018	\$ 5,024,375	\$ 0	\$ 41,344	\$ 0	\$ (878,299)	\$ (878,299)
Total Primary Government	\$ 46,188,652	\$ 10,049,100	\$ 855,702	\$ 3,859,633	\$ (30,545,918)	\$ (878,299)	\$ (31,424,217)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 9,406,848		\$ 9,406,848
Property Taxes, Levied for Debt Service					205,079		205,079
Sales, Franchise, Utility, and Other Taxes					12,907,193		12,907,193
Intergovernmental					7,272,807		7,272,807
Miscellaneous					3,940,989	\$ 38,585	3,979,574
Transfers					(162,511)	162,511	
Total General Revenues					\$ 33,570,405	\$ 201,096	\$ 33,771,501
Change in Net Position					\$ 3,024,487	\$ (677,203)	\$ 2,347,284
Net Position, Beginning					(58,061,118)	14,935,609	(43,125,509)
Net Position, Ending					\$ (55,036,631)	\$ 14,258,406	\$ (40,778,225)

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

CITY OF ALTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2018

<u>ASSETS</u>	<u>GENERAL</u>	<u>MULTIMODAL TIGER GRANT</u>	<u>MOTOR FUEL TAX</u>	<u>TIF BOND FUND</u>	<u>TAX INCREMENTAL FINANCING FUND</u>	<u>TIF PROJECT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and Cash Equivalents	\$ 6,013,459	\$ 1,481,329	\$ 575,420	\$ 30,943	\$ 6,613,473	\$ 11,268	\$ 1,982,352	\$ 16,708,244
Investments (at fair value)	1,951,863							1,951,863
Receivables (net, where applicable of allowance for uncollectibles):								
Taxes	6,483,464				2,278,218		733,720	9,495,402
Gaming Tax Surcharge	349,577						12,500	362,077
Intergovernmental	3,326,843		54,139					3,380,982
Accounts Receivable	516,900		4,007			135,847	12,504	669,258
Note Receivable						49,835		49,835
Due from Other Funds	541,576	458,983	8,103		600,000	1,807	229,405	1,839,874
Due from Other Funds - Loan to Alton Marina	2,000,000							2,000,000
Inventory (at cost)	69,965							69,965
Prepaid Expenses	273,386							273,386
Other Assets	44,885							44,885
Total Assets	<u>\$ 21,571,918</u>	<u>\$ 1,940,312</u>	<u>\$ 641,669</u>	<u>\$ 30,943</u>	<u>\$ 9,491,691</u>	<u>\$ 198,757</u>	<u>\$ 2,970,481</u>	<u>\$ 36,845,771</u>
<u>LIABILITIES</u>								
Accounts Payable	\$ 413,849		\$ 14,311			167,083	\$ 105,697	\$ 700,940
Accrued Payroll	680,005	\$ 492						680,497
Other Payables	32,310							32,310
Due to Other Funds	509,282	337		\$ 187,208			1,152,042	1,848,869
Total Liabilities	<u>\$ 1,635,446</u>	<u>\$ 829</u>	<u>\$ 14,311</u>	<u>\$ 187,208</u>	<u>\$ 0</u>	<u>\$ 167,083</u>	<u>\$ 1,257,739</u>	<u>\$ 3,262,616</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Property Taxes	\$ 6,483,464				\$ 2,278,218		\$ 733,720	\$ 9,495,402
Other Taxes	850,908							850,908
Prepaid Title Sponsorship							50,000	50,000
Total Deferred Inflows of Resources	<u>\$ 7,334,372</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,278,218</u>	<u>\$ 0</u>	<u>\$ 783,720</u>	<u>\$ 10,396,310</u>
<u>FUND BALANCES</u>								
Nonspendable	\$ 2,343,350				\$ 600,000			\$ 2,943,350
Restricted	947,049		\$ 608,185		6,613,473	\$ 31,674	\$ 1,622,422	9,822,803
Committed	251,758						250,000	501,758
Assigned	2,018,885	\$ 1,939,483	19,173				349,210	4,326,751
Unassigned	7,041,058			\$ (156,265)			(1,292,610)	5,592,183
Total Fund Balance (Deficit)	<u>\$ 12,602,100</u>	<u>\$ 1,939,483</u>	<u>\$ 627,358</u>	<u>\$ (156,265)</u>	<u>\$ 7,213,473</u>	<u>\$ 31,674</u>	<u>\$ 929,022</u>	<u>\$ 23,186,845</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,571,918</u>	<u>\$ 1,940,312</u>	<u>\$ 641,669</u>	<u>\$ 30,943</u>	<u>\$ 9,491,691</u>	<u>\$ 198,757</u>	<u>\$ 2,970,481</u>	<u>\$ 36,845,771</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, 2018

Total fund balances for governmental funds		\$ 23,186,845
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	\$ 24,029,751	
Construction in Progress	655,908	
Infrastructure, net of \$52,262,904 accumulated depreciation	34,062,670	
Buildings and Improvements, net of \$20,036,065 accumulated depreciation	40,082,608	
Vehicles, net of \$3,200,044 accumulated depreciation	1,308,502	
Equipment, net of \$2,689,156 accumulated depreciation	<u>1,246,052</u>	
		101,385,491
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.		
		850,908
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.		
		(663,520)
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds.		
		(18,471,081)
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, 2018:		
Accrued Interest on Bonds and Capital Leases	\$ (64,787)	
Bonds and Notes Payable	(8,239,378)	
Capital Leases Payable	(176,528)	
OPEB Obligation	(16,301,454)	
Net Pension Liability	(134,057,247)	
Compensated Absences	<u>(2,485,880)</u>	
Total		<u>(161,325,274)</u>
Total net position of governmental activities		<u>\$ (55,036,631)</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, 2018

	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	\$ 6,515,099				\$ 2,384,683		\$ 712,145	\$ 9,611,927
Food and Beverage Tax							405,748	405,748
Tourism Tax							492,882	492,882
Municipal Auto Rental Tax	24,592							24,592
State Sales Tax	5,643,061							5,643,061
Local Sales Tax	3,332,089							3,332,089
Business District Tax	237,792							237,792
Electric Franchise Tax	1,064,340							1,064,340
Gas Franchise Tax	345,756							345,756
Cable TV Franchise Tax	315,300							315,300
Telephone Franchise Tax	538,793							538,793
Water Utility Tax	444,647							444,647
Off Track Betting Tax	51,115							51,115
Municipal Aggregation	73,961							73,961
Total Taxes	\$ 18,586,545	\$ 0	\$ 0	\$ 0	\$ 2,384,683	\$ 0	\$ 1,610,775	\$ 22,582,003
Intergovernmental:								
Illinois Income Tax	\$ 2,806,566							\$ 2,806,566
Corporate Personal Property Replacement Tax	1,333,932						\$ 185,854	1,519,786
Gaming Tax	3,173,442						52,728	3,226,170
Total Intergovernmental	\$ 7,313,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,582	\$ 7,552,522
Grants	\$ 340,272	\$ 2,643,355	\$ 708,697			\$ 2,225		\$ 3,694,549
Licenses and Permits	327,644							327,644
Fines and Forfeitures	367,997							367,997
Charges for Current Services	4,189,366						\$ 139,718	4,329,084
Revenue from Use of Money and Property	603,849	3,479	1,561	\$ 13	\$ 42,969	1,613	6,263	659,747
Other Revenue	746,123		83,005				2,577,757	3,406,885
Total Revenues	\$ 32,475,736	\$ 2,646,834	\$ 793,263	\$ 13	\$ 2,427,652	\$ 3,838	\$ 4,573,095	\$ 42,920,431
Expenditures:								
Current-								
General Government	\$ 2,502,604							\$ 2,502,604
Public Safety	21,627,679							21,627,679
Highways and Streets	3,569,841		\$ 632,023					4,201,864
Sanitation	2,591,474							2,591,474
Health	113,684						\$ 1,967,282	2,080,966
Culture and Recreation	2,151,415						794,504	2,945,919
Development	408,178						315,833	724,011
Capital Projects		\$ 2,949,842				\$ 392,883	916,426	4,259,151
Miscellaneous	124,170		30					124,200
Debt Service Expenditures-								
Principal Retirement				\$ 1,195,088			124,913	1,320,001
Interest and Fiscal Charges				186,774	\$ 240		83,614	270,628
Total Expenditures	\$ 33,089,045	\$ 2,949,842	\$ 632,053	\$ 1,381,862	\$ 240	\$ 392,883	\$ 4,202,572	\$ 42,648,497
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (613,309)	\$ (303,008)	\$ 161,210	\$ (1,381,849)	\$ 2,427,412	\$ (389,045)	\$ 370,523	\$ 271,934
Other Financing Sources (Uses):								
Operating Transfers In	\$ 488,945			\$ 1,388,209		\$ 100,000		\$ 1,977,154
Operating Transfers Out					\$ (1,488,209)		\$ (651,456)	(2,139,665)
Proceeds From Line of Credit	424,104							424,104
Total Other Financing Sources (Uses)	\$ 913,049	\$ 0	\$ 0	\$ 1,388,209	\$ (1,488,209)	\$ 100,000	\$ (651,456)	\$ 261,593
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 299,740	\$ (303,008)	\$ 161,210	\$ 6,360	\$ 939,203	\$ (289,045)	\$ (280,933)	\$ 533,527
Fund Balance, Beginning	12,302,360	2,242,491	466,148	(162,625)	6,274,270	320,719	1,209,955	22,653,318
Fund Balance (Deficit), Ending	\$ 12,602,100	\$ 1,939,483	\$ 627,358	\$ (156,265)	\$ 7,213,473	\$ 31,674	\$ 929,022	\$ 23,186,845

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, 2018

Net change in fund balances - total governmental funds		\$ 533,527
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 capital outlay exceeded depreciation expense in the current period.		661,265
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.		(119,593)
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.		(342,597)
Donated and contributed fixed assets are not recorded on the fund statements because there is no monetary transaction.		979,442
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.		(424,104)
Changes in the net pension liability, deferred outflows of resources from pension contributions, and deferred inflows related to net pension liability, are not recorded on the fund statements but are reported on Statement of Activities		855,883
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	\$ 1,977	
Current year increase in OPEB Obligation	(819,059)	
Current year decrease in health insurance claims payable	63,150	
Change in accrued interest on capital leases and notes payable	(945)	
Change in accrued interest on bonds payable	<u>6,601</u>	
		(748,276)
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		25,995
Repayment of principal on capital lease obligations is an expenditure in the governmental funds but reduces liability in the Statement of Position		98,207
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>1,504,738</u>
Total change in net position of governmental activities		<u>\$ 3,024,487</u>

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

CITY OF ALTON, ILLINOIS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
MARCH 31, 2018

<u>ASSETS</u>	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
Current Assets:			
Cash and Cash Equivalents	\$ 724,189	\$ 79,619	\$ 803,808
Investments (at fair value)	1,574,682		1,574,682
Accounts Receivables (net, where applicable of allowance for uncollectibles)	527,408	21,170	548,578
Due from Other Funds		12,932	12,932
Inventory (at cost)		24,927	24,927
Prepaid Expenses	31,185	1,540	32,725
Restricted Cash and Cash Equivalents	87,168	168,032	255,200
Total Current Assets	<u>\$ 2,944,632</u>	<u>\$ 308,220</u>	<u>\$ 3,252,852</u>
Other Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 15,289,806	\$ 2,372,689	\$ 17,662,495
Other Assets (net of accumulated amortization)			
Total Other Assets	<u>\$ 15,289,806</u>	<u>\$ 2,372,689</u>	<u>\$ 17,662,495</u>
Total Assets	<u>\$ 18,234,438</u>	<u>\$ 2,680,909</u>	<u>\$ 20,915,347</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension Contribution	\$ 193,115		\$ 193,115
Total Deferred Outflows of Resources	<u>\$ 193,115</u>	<u>\$ 0</u>	<u>\$ 193,115</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 18,427,553</u>	<u>\$ 2,680,909</u>	<u>\$ 21,108,462</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 285,168	\$ 26,148	\$ 311,316
Accrued Payroll	75,054		75,054
Due to Other Funds	3,935		3,935
Bonds and Notes Payable	348,387		348,387
Accrued Interest on Bonds Payable	16,609		16,609
Total Current Liabilities	<u>\$ 729,153</u>	<u>\$ 26,148</u>	<u>\$ 755,301</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 1,984,420		\$ 1,984,420
Due to Other Funds - Loan from General Fund		\$ 2,000,000	2,000,000
OPEB Obligation	1,511,439		1,511,439
Compensated Absences	151,344		151,344
Net Pension Liability	(149,562)		(149,562)
Total Long-Term Liabilities	<u>\$ 3,497,641</u>	<u>\$ 2,000,000</u>	<u>\$ 5,497,641</u>
Total Liabilities	<u>\$ 4,226,794</u>	<u>\$ 2,026,148</u>	<u>\$ 6,252,942</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Boat Slip Revenue		\$ 86,804	\$ 86,804
Deferred Inflows of Resources Related to Net Pension Liability	\$ 510,310		510,310
Total Deferred Inflows of Resources	<u>\$ 510,310</u>	<u>\$ 86,804</u>	<u>\$ 597,114</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 12,956,999	\$ 2,372,689	\$ 15,329,688
Restricted For:			
Long-Term Debt		168,032	168,032
Sewer Reserves, Replacements, and Maintenance	87,168		87,168
Unrestricted	646,282	(1,972,764)	(1,326,482)
Total Net Position	<u>\$ 13,690,449</u>	<u>\$ 567,957</u>	<u>\$ 14,258,406</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 18,427,553</u>	<u>\$ 2,680,909</u>	<u>\$ 21,108,462</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, 2018

	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Charges For Services	\$ 4,207,900	\$ 816,475	\$ 5,024,375
OPERATING EXPENSES:			
Personnel Services	2,156,250	396,897	2,553,147
Contractual Services	1,498,897	190,771	1,689,668
Commodities	152,469	231,381	383,850
Minor Equipment	160,433		160,433
Bad Debts			
Depreciation and Amortization	793,997	262,735	1,056,732
Total Operating Expenses	<u>\$ 4,762,046</u>	<u>\$ 1,081,784</u>	<u>\$ 5,843,830</u>
OPERATING INCOME (LOSS)	<u>\$ (554,146)</u>	<u>\$ (265,309)</u>	<u>\$ (819,455)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	\$ 28,720	\$ 232	\$ 28,952
Grants	41,344		41,344
Other Revenue (Expense)	9,920	(287)	9,633
Interest and Fiscal Charges	(77,509)	(22,679)	(100,188)
Total Non-Operating Revenues (Expenses)	<u>\$ 2,475</u>	<u>\$ (22,734)</u>	<u>\$ (20,259)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (551,671)</u>	<u>\$ (288,043)</u>	<u>\$ (839,714)</u>
TOTAL OPERATING TRANSFERS FROM OTHER FUNDS		<u>162,511</u>	<u>162,511</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (551,671)</u>	<u>\$ (125,532)</u>	<u>\$ (677,203)</u>
TOTAL NET POSITION, BEGINNING	<u>14,242,120</u>	<u>693,489</u>	<u>14,935,609</u>
TOTAL NET POSITION, ENDING	<u>\$ 13,690,449</u>	<u>\$ 567,957</u>	<u>\$ 14,258,406</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, 2018

	<u>SEWER FUND</u>	<u>MARINA FUND</u>	<u>TOTALS</u>
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 3,928,428	\$ 728,923	\$ 4,657,351
Cash Payments for Goods and Services	(1,733,480)	(432,137)	(2,165,617)
Cash Payments to Employees	(2,078,650)	(396,897)	(2,475,547)
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,298</u>	<u>\$ (100,111)</u>	<u>\$ 16,187</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowings (to) from Other Funds	\$ 1,200	\$ (942)	\$ 258
Operating Transfers (to) from Other Funds		162,511	162,511
Other Receipts (Payments)	9,920	(287)	9,633
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ 11,120</u>	<u>\$ 161,282</u>	<u>\$ 172,402</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Paid	\$ (80,164)	\$ (24,730)	\$ (104,894)
Payments for Capital Acquisitions	(1,374,895)		(1,374,895)
Repayments of Debt	(382,960)	(205,000)	(587,960)
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (1,796,675)</u>	<u>\$ (229,730)</u>	<u>\$ (2,026,405)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Investments	\$ 1,568,097		\$ 1,568,097
Receipts from Maturity of Investments	(1,590,292)		(1,590,292)
Receipt of Interest	28,720	\$ 232	28,952
Net Cash Provided by Investing Activities	<u>\$ 6,525</u>	<u>\$ 232</u>	<u>\$ 6,757</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	\$ (1,662,732)	\$ (168,327)	\$ (1,831,058)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,474,088</u>	<u>415,977</u>	<u>2,890,066</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 811,357</u>	<u>\$ 247,651</u>	<u>\$ 1,059,007</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (554,146)	\$ (265,309)	\$ (819,455)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	\$ 793,997	\$ 262,735	\$ 1,056,732
(Increase) Decrease in Accounts Receivables	(279,472)	(1,759)	(281,231)
(Increase) Decrease in Inventory		(1,676)	(1,676)
(Increase) Decrease in Prepaid Expenses	(1,081)		(1,081)
(Increase) Decrease in Deferred Outflows of Resources	39,199		39,199
Increase (Decrease) in Accounts Payable	79,400	(8,310)	71,090
Increase (Decrease) in Accrued Payroll	3,287		3,287
Increase (Decrease) in Deferred Revenue		(85,793)	(85,793)
Increase (Decrease) in OPEB Obligation	69,484		69,484
Increase (Decrease) in Deferred Inflows of Resources	453,767		453,767
Increase (Decrease) in IMRF Net Pension Liability	(500,472)		(500,472)
Increase (Decrease) in Compensated Absences	12,335		12,335
Total Adjustments	<u>\$ 670,444</u>	<u>\$ 165,198</u>	<u>\$ 835,642</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,298</u>	<u>\$ (100,111)</u>	<u>\$ 16,187</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, 2018

<u>ASSETS</u>	<u>POLICEMEN'S PENSION TRUST FUND</u>	<u>FIREFIGHTERS' PENSION TRUST FUND</u>	<u>TOTALS</u>
Cash	\$ 798,659	\$ 916,420	\$ 1,715,079
Receivables:			
Interest Receivable	\$ 86,318	\$ 50,110	\$ 136,428
Total Receivables	<u>\$ 86,318</u>	<u>\$ 50,110</u>	<u>\$ 136,428</u>
Investments:			
Government Securities	\$ 4,228,988	\$ 4,049,683	\$ 8,278,671
Corporate Securities	3,319,808	2,811,690	6,131,498
Municipal Securities	276,203	165,283	441,486
Mutual Funds	12,992,428	11,206,096	24,198,524
Stocks	1,795,036	1,480,748	3,275,784
Total Investments	<u>\$ 22,612,463</u>	<u>\$ 19,713,500</u>	<u>\$ 42,325,963</u>
Total Assets	<u>\$ 23,497,440</u>	<u>\$ 20,680,030</u>	<u>\$ 44,177,470</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts Payable	\$ 9,467	\$ 9,467	\$ 18,934
Total Liabilities	<u>\$ 9,467</u>	<u>\$ 9,467</u>	<u>\$ 18,934</u>
<u>NET POSITION</u>			
Net Position Held in Trust For Pension Benefits and Other Purposes	<u>\$ 23,487,973</u>	<u>\$ 20,670,563</u>	<u>\$ 44,158,536</u>
Total Net Position	<u>\$ 23,497,440</u>	<u>\$ 20,680,030</u>	<u>\$ 44,177,470</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, 2018

	<u>POLICEMEN'S PENSION TRUST FUND</u>	<u>FIREFIGHTERS' PENSION TRUST FUND</u>	<u>TOTALS</u>
Additions:			
Interest	\$ 308,633	\$ 236,965	\$ 545,598
Dividends	547,169	472,214	1,019,383
Realized Gain (Loss) on Sale of Investments	390,004	519,223	909,227
Unrealized Gain (Loss) on Investments	890,160	568,364	1,458,524
Employee Contributions	447,269	288,324	735,593
Contributions from City	3,002,272	3,408,803	6,411,075
Other Income		365	365
Total Additions	<u>\$ 5,585,507</u>	<u>\$ 5,494,258</u>	<u>\$ 11,079,765</u>
Deductions:			
Benefit Payments	\$ 4,116,406	\$ 3,834,058	\$ 7,950,464
Administration	90,678	105,916	196,594
Total Deductions	<u>\$ 4,207,084</u>	<u>\$ 3,939,974</u>	<u>\$ 8,147,058</u>
Change in Net Position	\$ 1,378,423	\$ 1,554,284	\$ 2,932,707
Net Position, Beginning	<u>22,109,550</u>	<u>19,116,279</u>	<u>41,225,829</u>
Net Position, Ending	<u>\$ 23,487,973</u>	<u>\$ 20,670,563</u>	<u>\$ 44,158,536</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, 2018

	<u>2% FOREIGN FIRE TAX</u>
<u>ASSETS</u>	
Cash	\$ <u>66,221</u>
Total Assets	\$ <u><u>66,221</u></u>
<u>NET POSITION</u>	
Net Position Held for the Benefit of Others	\$ <u>66,221</u>
Total Liabilities and Net Position	\$ <u><u>66,221</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, the General Property Taxes Receivable less allowance for uncollectible accounts was as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>
General Property Taxes Receivable	\$ 6,615,780	\$ 2,816,545	\$ 256,861
2% Allowances	<u>(132,316)</u>	<u>(56,331)</u>	<u>(5,137)</u>
Net Amount for 2017 Levy	<u>\$ 6,483,464</u>	<u>\$ 2,760,214</u>	<u>\$ 251,724</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, 2018

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. Firemen can receive compensation for each day of earned sick leave up to fifteen days and one-half day for each day over fifteen days up to thirty 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 \$2,485,880 for payments to qualified employees of the General and Special Revenue Funds and \$151,344 for payments to qualified employees of the Enterprise Funds as of March 31, 2018. These amounts have been accrued for under the heading Compensated Absences.

M. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1- that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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:

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 \$2,943,350 as of March 31, 2018.

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, 2018, revenues received exceeded expenditures disbursed from these monies, resulting in a restricted fund balance of \$637,749.

2. 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, 2018, revenues received exceeded expenditures disbursed from gaming and tourism taxes, resulting in a restricted fund balance of \$831,967.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

B. Restricted Fund Balance (Continued)

3. Motor Fuel Taxes

Proceeds from motor fuel taxes and the related expenditures have been included in the Motor Fuel Tax Fund. At March 31, 2018, revenues received exceeded expenditures disbursed from motor fuel taxes, resulting in a restricted fund balance of \$608,183.

4. 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, 2018, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$6,709,825.

5. Various

Proceeds from various minor revenues and the related expenditures have been included in their respective funds of the City. At March 31, 2018, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$1,035,079.

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 \$501,758 of committed fund balances as of March 31, 2018.

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 \$4,326,751 of assigned fund balances as of March 31, 2018.

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 \$5,592,183 of unassigned fund balances as of March 31, 2018.

CITY OF ALTON, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2018

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

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.

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of March 31, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 17,512,052
Investments	3,526,545
Restricted Cash and Investments	<u>255,200</u>
	\$ 21,293,797
Fiduciary Funds	
Cash	\$ 1,715,079
Investments	<u>42,325,963</u>
	\$ 44,041,042
Agency Funds:	
Cash	<u>\$ 66,221</u>
Total Cash and Investments	<u><u>\$ 65,401,060</u></u>

Cash and investments as of March 31, 2018 consisted of the following:

Cash on Hand	\$ 1,765
Deposits with Financial Institutions	23,073,332
Government Securities	8,278,671
Corporate Securities	6,131,498
Municipal Securities	441,486
Mutual Funds	24,198,524
Stocks	<u>3,275,784</u>
	<u><u>\$ 65,401,060</u></u>

The City, as well as, the Policemen and Firefighters' Pension Funds are authorized to invest in securities as authorized by Illinois Compiled Statutes.

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.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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>	
City Funds					
Certificates of Deposit	\$ 1,131,296	\$ 2,395,249			\$ 3,526,545
Policemen's Pension					
U.S. Treasury Notes	457,376	1,047,892	\$ 690,086	\$ 947,018	3,142,372
U.S. Treasury Bonds				61,300	61,300
Mortgage-backed Securities			440	222,782	223,222
Federal Agency Securities	49,869		86,671	665,554	802,094
Corporate Securities	421,419	476,735	1,042,676	1,378,978	3,319,808
Municipal Securities		24,611	68,556	183,036	276,203
Mutual Funds	12,992,428				12,992,428
Stocks	1,795,036				1,795,036
Firefighters' Pension					
U.S. Treasury Notes	529,234	1,184,046	566,674	1,068,643	3,348,597
U.S. Treasury Bonds				32,083	32,083
Mortgage-backed Securities			2,948	178,064	181,012
Federal Agency Securities	25,193		93,271	369,527	487,991
Corporate Securities	368,309	219,068	868,411	1,355,902	2,811,690
Municipal Securities		19,689	43,845	101,749	165,283
Mutual Funds	11,206,096				11,206,096
Stocks	1,480,748				1,480,748
Totals	<u>\$30,457,004</u>	<u>\$ 5,367,290</u>	<u>\$ 3,463,578</u>	<u>\$ 6,564,636</u>	<u>\$45,852,508</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, 2018</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.

\$ 404,234

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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 \$953 deposited into various accounts with the Illinois Funds, which are fully collateralized but not held by the City or in the City's name. The Illinois Funds are rated AAAm. Presented below is the rating as of March 31, 2018 for each investment type.

<u>Investment Type</u>	<u>Ratings as of Year End</u>					
	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>
U.S. Treasury Notes	\$ 6,490,969	\$ 6,490,969				
U.S. Treasury Bonds	93,383	93,383				
Mortgage-backed Securities	404,234		\$ 404,234			
Federal Agency Securities	1,290,085		1,290,085			
Corporate Securities	6,131,498	\$121,434	785,591	\$ 2,331,911	\$ 2,892,562	
Municipal Securities	441,486	142,882	298,604			
Certificates of Deposit	3,526,545	3,526,545				
Mutual Funds	24,198,524	24,198,524				
Stocks	3,275,784	3,275,784				
Totals	<u>\$45,852,508</u>	<u>\$37,585,205</u>	<u>\$264,316</u>	<u>\$ 2,778,514</u>	<u>\$ 2,331,911</u>	<u>\$ 2,892,562</u>
						<u>\$ 0</u>

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, 2018.

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, 2018, \$19,232,476 of the City's deposits with financial institutions exceeded federal depository insurance limits, \$19,232,476 of which were held in accounts collateralized with securities held by the City or in the City's name. There were no deposits as of March 31, 2018 that were uninsured or uncollateralized.

As of March 31, 2018, the Firefighters' Pension and the Policemen's Pension deposits in institutional money market funds with brokerage firms did not require coverage as these assets were not subject to lending by the bank.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significantly unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of March 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Leveling Not Required</u>	<u>Total</u>
Investments by Fair Value Level:				
U.S. Treasury Notes	\$ 6,490,969			\$ 6,490,969
U.S. Treasury Bonds	93,383			93,383
Mortgage-Backed Securities		\$ 404,234		404,234
Federal Agency Securities		1,290,085		1,290,085
Corporate Securities		6,131,498		6,131,498
Municipal Securities		441,486		441,486
Mutual Funds	24,198,524			24,198,524
Stocks	3,275,784			3,275,784
Certificates of Deposit			\$ 3,526,545	3,526,545
Total	<u>\$ 34,058,660</u>	<u>\$ 8,267,303</u>	<u>\$ 3,526,545</u>	<u>\$ 45,852,508</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities, including U.S. Government Securities, common stocks, and mutual funds. Investments classified in Level 2 of the fair value hierarchy, including Federal Agency Securities, Corporate Securities, Municipal Securities, and Mortgage-Backed Securities, are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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 2016 tax levy was received before March 31, 2018. The property taxes receivable reflected in these financial statements are the taxes expected to be collected in the following fiscal year on the 2017 levy.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 4. PROPERTY TAXES (CONTINUED)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
General	0.3459	0.5594	0.4906	0.4224	0.7118
Band	0.0182	0.0184	0.0187	0.0189	0.0185
Retirement	0.2448	0.2552	0.3053	0.3249	0.3175
Policemen's Pension	0.9422	0.8467	0.8287	0.8075	0.6012
Firefighter's Pension	0.9285	0.8418	0.8236	0.7787	0.5384
Refunding bonds	<u>0.0915</u>	<u>0.0751</u>	<u>0.2224</u>	<u>0.1418</u>	<u>0.1384</u>
Total	<u>2.5711</u>	<u>2.5966</u>	<u>2.6893</u>	<u>2.4942</u>	<u>2.3258</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018, was as follows:

	<u>Balance</u>		<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u>
	<u>April 1, 2017</u>	<u>Additions</u>			<u>March 31, 2018</u>
Governmental Activities:					
Not Being Depreciated:					
Land/Land Improvements	\$ 24,024,613	\$ 5,138			\$ 24,029,751
Construction in Progress	18,072,139	5,247,141	\$ 22,663,372		655,908
Subtotal	<u>\$ 42,096,752</u>	<u>\$ 5,252,279</u>	<u>\$ 22,663,372</u>	<u>\$ 0</u>	<u>\$ 24,685,659</u>
Other Capital Assets:					
Buildings and Improvements	\$ 37,458,118	\$ 22,799,241	\$ 58,000	\$ 80,686	\$ 60,118,673
Furniture and Equipment	3,937,047	202,151	203,990		3,935,208
Vehicles	4,374,943	335,852	202,249		4,508,546
Infrastructure	86,146,743	178,831			86,325,574
Subtotal	<u>\$ 131,916,851</u>	<u>\$ 23,516,075</u>	<u>\$ 464,239</u>	<u>\$ 80,686</u>	<u>\$ 154,888,001</u>
Accumulated Depreciation:					
Buildings and Improvements	\$ 18,815,438	\$ 1,351,362	\$ 56,100	74,635	\$ 20,036,065
Furniture and Equipment	2,573,350	198,669	82,863		2,689,156
Vehicles	3,134,184	267,642	201,782		3,200,044
Infrastructure	49,626,256	2,636,648			52,262,904
Subtotal	<u>\$ 74,149,228</u>	<u>\$ 4,454,321</u>	<u>\$ 340,745</u>	<u>\$ 74,635</u>	<u>\$ 78,188,169</u>
Net Other Capital Assets	<u>\$ 57,767,623</u>	<u>\$ 19,061,754</u>	<u>\$ 123,494</u>	<u>\$ 6,051</u>	<u>\$ 76,699,832</u>
Net Capital Assets	<u>\$ 99,864,375</u>	<u>\$ 24,314,033</u>	<u>\$ 22,786,866</u>	<u>\$ 6,051</u>	<u>\$ 101,385,491</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 212,278
Public Safety	471,509
Highways and Streets	2,909,927
Development	20,666
Capital Projects	342,279
Culture and Recreation	497,662
Total	<u>\$ 4,454,321</u>

CITY OF ALTON, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2018

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>April 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>March 31, 2018</u>
Business-Type Activities:					
Not Being Depreciated:					
Land	\$ 30,400				\$ 30,400
Construction in Progress	95,654	\$ 1,263,578	\$ 910,025		449,207
Subtotal	<u>\$ 126,054</u>	<u>\$ 1,263,578</u>	<u>\$ 910,025</u>	<u>\$ 0</u>	<u>479,607</u>
Other Capital Assets:					
Buildings and Improvements	\$ 39,786,152	\$ 927,025		\$ 80,686	\$ 40,713,177
Furniture and Equipment	1,472,783	88,265			1,561,048
Vehicles	1,424,667				1,424,667
Subtotal	<u>\$ 42,683,602</u>	<u>\$ 1,015,290</u>	<u>\$ 0</u>	<u>\$ 80,686</u>	<u>\$ 43,698,892</u>
Accumulated Depreciation:					
Buildings and Improvements	\$ 23,543,809	\$ 888,237		74,635	\$ 24,506,681
Furniture and Equipment	983,920	78,043			1,061,963
Vehicles	939,251	88,795			1,028,046
Subtotal	<u>\$ 25,466,980</u>	<u>\$ 1,055,075</u>	<u>\$ 0</u>	<u>\$ 74,635</u>	<u>\$ 26,596,690</u>
Net Other Capital Assets	<u>\$ 17,216,622</u>	<u>\$ (39,785)</u>	<u>\$ 0</u>	<u>\$ 6,051</u>	<u>\$ 17,182,888</u>
Net Capital Assets	<u>\$ 17,342,676</u>	<u>\$ 1,223,793</u>	<u>\$ 910,025</u>	<u>\$ 6,051</u>	<u>\$ 17,662,495</u>

Depreciation was charged to functions as follows:

Business-Type Activities:	
Sewer	\$ 793,997
Marina	261,078
Total	<u>\$ 1,055,075</u>

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, 2018:

	<u>Payable</u> <u>April 1, 2017</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, 2018</u>
Governmental Activities:					
General Obligation Bonds 2014	\$ 945,000		\$ 945,000		\$ 0
General Obligation Bonds 2016	7,935,000		375,000		7,560,000
Bond Premiums	261,006		25,995		235,011
Capital Lease Purchases	171,090	\$ 103,645	98,207		176,528
Line of Credit	308,644	320,459	184,736		444,367
Net Pension Liability	187,491,884			\$ (53,434,637)	134,057,247
OPEB Liability	15,482,395			819,059	16,301,454
Compensated Absences	2,487,856	1,820,448	1,822,424		2,485,880
Total	<u>\$ 215,082,875</u>	<u>\$ 2,244,552</u>	<u>\$ 3,451,362</u>	<u>\$ (52,615,578)</u>	<u>\$ 161,260,487</u>
Business-Type Activities:					
Sewer Wastewater Project	\$ 2,714,749		\$ 381,942		\$ 2,332,807
General Obligation Refunding Bonds	205,000		205,000		
Capital Lease Purchases	1,017		1,017		
Net Pension Liability	350,910			\$ (500,472)	(149,562)
OPEB Liability	1,441,955			69,484	1,511,439
Compensated Absences	139,009	\$ 168,135	155,800		151,344
Total	<u>\$ 4,852,640</u>	<u>\$ 168,135</u>	<u>\$ 743,759</u>	<u>\$ (430,988)</u>	<u>\$ 3,846,028</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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

Long-term debts at March 31, 2018 are comprised of the following individual issues:

Governmental Activities:

General Obligation Bonds

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	\$ 7,560,000
	<u>\$ 7,560,000</u>

Capital lease purchases of eight pieces of equipment with varying payments between February 2012 and December 2020.

Three Ford Interceptors	\$ 77,220
Three 2017 Ford Explorers	50,842
Two Mowers	<u>48,466</u>
	<u>\$ 176,528</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%	\$ 50,687
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Note Payable to Bank of \$410,000 Line of Credit due in annual installments of \$23,994 through June 2028, interest at 2.85%	120,312
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Note Payable to Bank of \$400,000 Line of Credit due in semi-annual installments of \$42,063 through October 2021, interest at 1.85%	<u>273,368</u>
	<u>\$ 444,367</u>

Business-Type Activities:

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	\$ 175,357
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CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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

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

\$ 771,306

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

1,386,144

\$ 2,332,807

Following is a summary of bond and loan principal maturities and interest requirements as of March 31, 2018:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General</u>	<u>Line of</u>	<u>Sewer</u>		
	<u>Obligation</u>		<u>Wastewater</u>		
	<u>Bonds</u>	<u>Credit</u>	<u>Project</u>		
2019	\$ 728,428	\$ 158,807	\$ 361,855	\$	\$ 1,249,090
2020	733,727	285,560	407,143		1,426,430
2021	733,727		361,856		1,095,583
2022	730,977		316,568		1,047,545
2023	732,977		316,568		1,049,545
2024	734,602		240,698		975,300
2025	733,102		164,828		897,930
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	738,953				738,953
Total	\$ 9,558,058	\$ 444,367	\$ 2,581,586	\$	\$ 12,584,011
Less Interest	1,998,058		248,779		2,246,837
Outstanding Principal	\$ 7,560,000	\$ 444,367	\$ 2,332,807	\$	\$ 10,337,174

The following is a summary of capital lease obligations and interest requirements as of March 31, 2018.

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental</u> <u>Activities</u>
2019	\$ 75,941
2020	75,941
2021	30,635
Total	\$ 182,517
Less Interest	5,989
Outstanding Principal	\$ 176,528

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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

Total interest expense on the above bonds for the fiscal year ended March 31, 2018 was \$325,516 consisting of: General Obligation Refunding Bonds of \$4,100, General Obligation Bonds of \$250,928, and Sewer Wastewater Project Loans of \$70,488. 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.

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivables and payables balances at March 31, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 2,541,576	\$ 501,180
Special Revenue Funds:		
Restaurant Tax		12,932
Tax Increment Financing Fund	601,807	187,208
Tax Increment Financing Fund #2		600,000
Tourism Tax		23,040
Riverfront Marina		1,470
Capital Projects Funds:		
Multimodal Tiger Grant	458,983	338
Alton Passenger Rail Station	42,197	
Debt Service Funds:		
GO Bond Series 2016	187,208	459,600
Internal Service Funds:		
Health Insurance Fund		55,000
Subtotal	<u>\$ 3,831,771</u>	<u>\$ 1,840,768</u>
Business-Type Activities:		
Marina	\$ 12,932	\$ 2,000,000
Sewer		3,935
Subtotal	<u>\$ 12,932</u>	<u>\$ 2,003,935</u>
Total	<u>\$ 3,844,703</u>	<u>\$ 3,844,703</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, 2018

NOTE 8. DEFICIT FUND BALANCES AND BUDGETS EXCEEDED

The following funds had a deficit fund balance at March 31, 2018:

Governmental Activities:

Debt Service Funds:

General Obligation Bonds Series 2016 \$ (80,214)

Special Revenue Funds:

Tax Increment Financing #2 (411,218)

Tax Increment Financing Bond (156,265)

Employee Health Benefits (622,533)

Riverfront Amphitheater (4,016)

Capital Project Funds:

Alton Passenger Rail Station (9,952)

The following funds had expenditures over budget for the year ended March 31, 2018:

Governmental Activities:

Special Revenue Funds:

Riverfront Amphitheater \$ (179,957)

Tourism Tax (65,955)

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>
2019	\$ 11,232
2020	8,424
	<u>\$ 19,656</u>

Rental expense for the year ended March 31, 2018 is \$11,232.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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.

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, 2017, the following employees were covered by the Regular Plan:

Retirees and Beneficiaries currently receiving benefits	157
Inactive Plan Members entitled to but not yet receiving benefits	37
Active Plan Members	<u>104</u>
Total	<u>298</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

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 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 adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

A. Illinois Municipal Retirement Fund (Continued)

Regular Plan (Continued)

Asset Class	Target Allocation	Return 12/31/2017	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37%	19.60%	8.30%	6.85%
International Equities	18%	27.53%	8.45%	6.75%
Fixed Income	28%	4.67%	3.05%	3.00%
Real Estate	9%	9.10%	6.90%	5.75%
Alternatives	7%			
Private Equity		N/A	12.45%	7.35%
Hedge Funds		N/A	5.35%	5.05%
Commodities		N/A	4.25%	2.65%
Cash Equivalents	1%	N/A	2.25%	2.25%
Total	100.00%			

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 3.31%, 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, 2017, were as follows:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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, 2016	\$ 47,785,011	\$ 44,275,907	\$ 3,509,104
Changes for the year:			
Service Cost	588,096		588,096
Interest	3,505,909		3,505,909
Difference between expected and actual experience	533,328		533,328
Changes in assumptions	(1,460,594)		(1,460,594)
Contributions-employees		251,624	(251,624)
Contributions- employer		616,743	(616,743)
Net investment income		7,841,113	(7,841,113)
Benefit payments including refunds of employee contributions	(2,667,219)	(2,667,219)	0
Other (Net Transfer)		(538,019)	538,019
Net Changes	<u>499,520</u>	<u>5,504,242</u>	<u>(5,004,722)</u>
Balance, December 31, 2017	<u>\$ 48,284,531</u>	<u>\$ 49,780,149</u>	<u>\$ (1,495,618)</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%	\$ 3,815,746
Current discount rate	7.50%	(1,495,618)
1% increase	8.50%	(5,930,681)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2018, the City recognized pension expense of \$537,704. At March 31, 2018, 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	\$ 449,930	\$ 301,183
Changes of assumptions	16,485	1,115,474
Net difference between projected and actual earnings on Plan investments	1,328,162	3,686,442
Contributions after Measurement Date	136,568	
Total	<u>\$ 1,931,145</u>	<u>\$ 5,103,099</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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,	
2018	\$ (531,676)
2019	(654,836)
2020	(1,063,833)
2021	(921,609)
2022	0
Thereafter	0
Total	<u>\$ (3,171,954)</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, 2018 (based on an actuarial valuation as of April 1, 2017 for fiscal year ending March 31, 2018), the Police Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	81
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	<u>58</u>
Total	<u>140</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, 2018

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 10 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 proceeding 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, 2018

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. The investment policy was not modified during the fiscal year ended March 31, 2018.

All investments in the plan are recorded at fair value using quoted market prices, or valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted 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, 2018.

For the year ended March 31, 2018, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was 9.26%. 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, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate Of Return</u>
Foreign Equity	16%	5.93%
Emerging Foreign Equity	4%	6.66%
Fixed Income	38%	2.55%
Large Cap Domestic Equity	21%	5.13%
SMID Cap Domestic Equity	10%	5.77%
Commodities/Energy	5%	3.12%
Real Estate	4%	4.05%
Cash	2%	
Total	<u>100%</u>	

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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, 2018, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 94,126,360
Plan Fiduciary Net Position	22,109,550
Net Pension Liability	\$ 72,016,810
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	23.49%

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, 2017 for the fiscal year ending March 31, 2018, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	Varies based on years of service
Discount Rate	5.57%
Investment Rate of Return	6.50%, net of pension plan investment expense

Mortality rates were based on the fully generational RP-2006 Table with Blue Collar adjustments, projected to the valuation date using Scale MP-2016. 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 5.57%. 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 5.57%, 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
	4.57%	5.57%	6.57%
Net Pension Liability	\$ 87,556,641	\$ 72,016,810	\$ 59,697,856

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2018, the City recognized pension expense of \$4,169,045. At March 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

B. Policemen's Pension (Continued)

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,213,599	
Changes of assumptions	9,368,984	18,762,586
Net difference between projected and actual earnings on Plan investments	1,226,919	462,410
Contributions after Measurement Date	3,002,272	
Total	\$ 14,811,774	\$ 19,224,996

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

Year ending March 31,	
2018	\$ 3,094,616
2019	(1,512,669)
2020	(4,500,669)
2021	(1,494,500)
2022	0
Thereafter	0
Total	\$ (4,413,222)

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, 2018 (based on an actuarial valuation as of April 1, 2017 for fiscal year ending March 31, 2018), the Firefighters' Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	82
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	43
Total	128

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.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

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.

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.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

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 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. The investment policy was not modified during the fiscal year ended March 31, 2018.

All investments in the plan are recorded at fair value using quoted market prices, or valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted 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, 2018.

For the year ended March 31, 2018, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was 9.19%. 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, 2018:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate Of Return</u>
Foreign Equity	16%	5.93%
Emerging Foreign Equity	4%	6.66%
Fixed Income	38%	2.55%
Large Cap Domestic Equity	21%	5.13%
SMID Cap Domestic Equity	10%	5.77%
Commodities/Energy	5%	3.12%
Real Estate	4%	4.05%
Cash	2%	
Total	<u>100%</u>	

Net Pension Liability. The components of the net pension liability of the plan at March 31, 2018, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 82,502,772
Plan Fiduciary Net Position	<u>19,116,279</u>
Net Pension Liability	<u>\$ 63,386,493</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	23.17%

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, 2017 for the fiscal year ending March 31, 2018, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	Varies based on years of service
Discount Rate	5.87%
Investment Rate of Return	6.50%, net of pension plan investment expense

Mortality rates were based on the fully generational RP-2006 Table with Blue Collar adjustments, projected to the valuation date using Scale MP-2016. 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 5.87%. 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 5.87%, 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:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

	1% Decrease 4.87%	Current Discount Rate 5.87%	1% Increase 6.87%
Net Pension Liability	\$ 75,527,128	\$ 63,386,493	\$ 53,567,996

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2018, the City recognized pension expense of \$1,092,968. At March 31, 2018, 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	\$ 49,746	\$ 674,891
Changes of assumptions	2,472,363	16,966,437
Net difference between projected and actual earnings on Plan investments	1,140,707	278,847
Contributions after Measurement Date	3,054,260	
Total	<u>\$ 6,717,076</u>	<u>\$ 17,920,175</u>

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

Year ending March 31,	
2018	\$ (3,359,189)
2019	(8,057,670)
2020	283,471
2021	(69,711)
2022	0
Thereafter	0
Total	<u>\$ (11,203,099)</u>

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.

At March 31, 2018, membership consisted of:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retirees and Beneficiaries Currently Receiving Benefits and Inactive Participants Entitled to But Not Yet Receiving Benefits	147
Active Participants and Covered Dependents	<u>743</u>
Total	<u>890</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 \$350 per month for single coverage or \$900 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, 2018, retirees contributed \$981,202, active employees contributed \$344,885 and the City contributed \$3,512,474.

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 Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
March 31, 2018	\$ 1,465,278	\$ 576,734	39.4%	\$ 17,812,893
March 31, 2017	1,411,385	622,300	44.1	16,924,350
March 31, 2016	1,240,517	622,300	50.2	16,135,266

The net OPEB obligation (NOPEBO) as of March 31, 2018, was calculated as follows:

Annual Required Contribution	\$ 1,767,155
Interest on Net OPEB Obligation	676,974
Amortization	<u>(978,852)</u>
Annual OPEB Cost	1,465,277
Contributions Made	<u>576,734</u>
Increase (Decrease) in Net OPEB Obligation	888,543
Net OPEB Obligation, Beginning of Year	16,924,350
Net OPEB Obligation, End of Year	<u>\$ 17,812,893</u>

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

Funded Status and Funding Progress. The funded status of the plan as of March 31, 2018, was as follows:

Actuarial Accrued Liability (AAL)	\$ 17,396,875
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 17,396,875
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Members)	\$ 14,744,990
UAAL as a Percentage of Covered Payroll	118.0%

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2018 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included 4.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 7.0% reduced by 0.25% each year to arrive at an ultimate healthcare cost trend rate of 4.0%. 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, 2018, was 21 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.

NOTE 14. ECONOMIC DEPENDENCY

Included in revenue is approximately \$3.0 million received from one source for the fiscal year ending March 31, 2018. This amount represents the City's portion of gaming tax collected from Argosy's Alton Belle Casino.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 15. INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2018 consisted of the following:

	Transfer From:		
	<u>Tax</u>	<u>Non Major</u>	<u>Total</u>
	<u>Increment</u>	<u>Funds</u>	<u>Total</u>
<u>Transfer To:</u>	<u>Financing</u>	<u>Funds</u>	<u>Total</u>
General Fund		\$ 488,945	\$ 488,945
TIF Bond Fund	\$ 1,388,209		1,388,209
TIF Project Fund	100,000		100,000
Marina Fund		162,511	162,511
Total	\$ 1,488,209	\$ 651,456	\$ 2,139,665

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.

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, 2018, the City transferred \$3,512,474 to the Employee Health Benefit Fund from the governmental and enterprise funds.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

NOTE 18. TAX ABATEMENTS

The City negotiates tax abatement agreements on an individual basis. The city has tax abatement agreements with five entities as of March 31, 2018:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated/Refunded during the Fiscal Year</u>	<u>Entered into during the Reporting Period?</u>
To facilitate the development of a specific parcel of land within the Redevelopment Project Area	7%	\$178,253	Yes
To facilitate the development of a specific parcel of land within the Redevelopment Project Area	1%	25,000	Yes
To facilitate the development of a specific parcel of land within the Redevelopment Project Area	1%	10,188	Yes
To facilitate the development of a specific parcel of land within the Redevelopment Project Area	1%	1,325	Yes
To facilitate the development of a specific parcel of land within the Redevelopment Project Area	52%	70,312	Yes

Each agreement was negotiated under The Business District Act or the Tax Increment Allocation Redevelopment Act, which are governed by State Statute to abate taxes for a variety of economic development purposes, including business relocation, retention, and expansion. The abatements may be granted to any business located within or promising to relocate to a local government's geographic area.

The City has chosen to disclose information about its tax abatement agreements individually.

The City is also subject to tax abatement agreements entered into by other governmental entities. The City's property taxes were reduced by approximately \$223,500 under agreements entered into by Madison County. Abatements were made to various businesses within the enterprise zone, which falls within the city limits, as an incentive for moving into the area and building, expanding and/or renovating facilities. The enterprise zone is administered by Madison County Community Development. The abatement agreement for all projects within the enterprise zone lasts for four years after the completion of the project.

NOTE 19. 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. Management noted the item below:

Subsequent to year end, City Council approved the sale of the City's sanitary sewer system to a third party for approximately \$53.8 million. As of the date of this report, the sale had not been finalized.

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, 2018

	GENERAL FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Taxes:			
General Property Taxes	\$ 6,631,318	\$ 6,631,318	\$ 6,515,099
Municipal Auto Rental Tax	21,000	21,000	24,592
State Sales Tax	5,500,000	5,500,000	5,643,061
Local Sales Tax	3,250,000	3,185,000	3,332,089
Business District Tax	300,000	300,000	237,792
Electric Franchise Tax	225,000	641,667	1,064,340
Gas Franchise Tax	300,000	300,000	345,756
Cable TV Franchise Tax	320,000	320,000	315,300
Telephone Franchise Tax	610,000	610,000	538,793
Water Utility Tax	400,000	400,000	444,647
Off Track Betting Tax	50,000	50,000	51,115
Municipal Aggregation	75,000	75,000	73,961
Total Taxes	<u>\$17,682,318</u>	<u>\$18,033,985</u>	<u>\$18,586,545</u>
Intergovernmental:			
Illinois Income Tax	\$ 2,800,000	\$ 2,800,000	\$ 2,806,566
Corporate Personal Property Replacement Tax	1,462,000	1,462,000	1,333,932
Gaming Tax	3,208,000	3,208,000	3,173,442
Total Intergovernmental	<u>\$ 7,470,000</u>	<u>\$ 7,470,000</u>	<u>\$ 7,313,940</u>
Grants	\$ 598,691	\$ 598,691	\$ 340,272
Licenses and Permits	349,635	349,635	327,644
Fines and Forfeitures	214,375	214,375	367,997
Charges for Current Services	4,044,500	4,044,500	4,189,366
Revenue from Use of Money and Property	1,864,105	1,864,105	603,849
Other Revenue	1,090,625	1,046,310	746,123
Total Revenues	<u>\$33,314,249</u>	<u>\$33,621,601</u>	<u>\$32,475,736</u>
Expenditures:			
General Government	\$ 2,590,891	\$ 2,640,922	\$ 2,502,604
Public Safety	21,854,262	21,975,965	21,627,679
Highways and Streets	3,369,117	3,512,096	3,569,841
Sanitation	2,581,292	2,581,292	2,591,474
Health	125,148	125,148	113,684
Culture and Recreation	2,352,248	2,334,215	2,151,415
Development	1,009,120	1,049,120	408,178
Miscellaneous	125,600	125,600	124,170
Total Expenditures	<u>\$34,007,678</u>	<u>\$34,344,358</u>	<u>\$33,089,045</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (693,429)</u>	<u>\$ (722,757)</u>	<u>\$ (613,309)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 249,300	\$ 301,153	\$ 488,945
Operating Transfers Out	(200,000)	(200,000)	
Proceeds From Line of Credit			424,104
Total Other Financing Sources (Uses)	<u>\$ 49,300</u>	<u>\$ 101,153</u>	<u>\$ 913,049</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (644,129)</u>	<u>\$ (621,604)</u>	<u>\$ 299,740</u>
Fund Balance, Beginning			<u>12,302,360</u>
Fund Balance, Ending			<u>\$12,602,100</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, 2018

	<u>MULTIMODAL TIGER GRANT</u>		
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>GAAP Basis</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	
Revenues:			
Grants	\$ 1,902,456	\$ 1,902,456	\$ 2,643,355
Revenue from Use of Money and Property	1,000	1,000	3,479
Total Revenues	<u>\$ 1,903,456</u>	<u>\$ 1,903,456</u>	<u>\$ 2,646,834</u>
Expenditures:			
Capital Projects	\$ 2,388,521	\$ 3,464,895	\$ 2,949,842
Total Expenditures	<u>\$ 2,388,521</u>	<u>\$ 3,464,895</u>	<u>\$ 2,949,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (485,065)</u>	<u>\$ (1,561,439)</u>	<u>\$ (303,008)</u>
Other Financing Sources (Uses):			
Operating Transfers In			
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ (485,065)	\$ (1,561,439)	\$ (303,008)
Fund Balance, Beginning			<u>2,242,491</u>
Fund Balance, Ending			<u>\$ 1,939,483</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, 2018

	MOTOR FUEL TAX		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Grants	\$ 708,000	\$ 708,000	\$ 708,697
Revenue from Use of Money and Property	2,500	2,500	1,561
Other Revenue	120,000	120,000	83,005
Total Revenues	<u>\$ 830,500</u>	<u>\$ 830,500</u>	<u>\$ 793,263</u>
Expenditures:			
Highways and Streets	\$ 1,555,528	\$ 1,555,528	\$ 632,023
Miscellaneous			30
Total Expenditures	<u>\$ 1,555,528</u>	<u>\$ 1,555,528</u>	<u>\$ 632,053</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (725,028)</u>	<u>\$ (725,028)</u>	<u>\$ 161,210</u>
Other Financing Sources (Uses):			
Operating Transfers Out	\$ (49,300)	\$ (49,300)	
Total Other Financing Sources (Uses)	<u>\$ (49,300)</u>	<u>\$ (49,300)</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (774,328)</u>	<u>\$ (774,328)</u>	<u>\$ 161,210</u>
Fund Balance, Beginning			<u>466,148</u>
Fund Balance, Ending			<u><u>\$ 627,358</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, 2018

	<u>TIF BOND FUND</u>		
	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>
	<u>Original Budget</u>	<u>Final Budget</u>	
Revenues:			
Revenue from Use of Money and Property		\$ 3	\$ 13
Total Revenues	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 13</u>
Expenditures:			
Principal Retirement	\$ 1,195,087	\$ 1,195,087	\$ 1,195,088
Interest and Fiscal Charges	187,244	187,244	186,774
Total Expenditures	<u>\$ 1,382,331</u>	<u>\$ 1,382,331</u>	<u>\$ 1,381,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,382,331)</u>	<u>\$ (1,382,328)</u>	<u>\$ (1,381,849)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 1,382,331	\$ 1,382,331	\$ 1,388,209
Total Other Financing Sources (Uses)	<u>\$ 1,382,331</u>	<u>\$ 1,382,331</u>	<u>\$ 1,388,209</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 0	\$ 3	\$ 6,360
Fund Balance (Deficit), Beginning			<u>(162,625)</u>
Fund Balance (Deficit), Ending			<u><u>\$ (156,265)</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, 2018

	TAX INCREMENTAL FINANCING FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Taxes:			
General Property Taxes	\$ 2,246,612	\$ 2,246,612	\$ 2,384,683
Total Taxes	\$ 2,246,612	\$ 2,246,612	\$ 2,384,683
Revenue from Use of Money and Property	\$ 5,000	\$ 100	\$ 42,969
Total Revenues	\$ 2,251,612	\$ 2,246,712	\$ 2,427,652
Expenditures:			
Interest and Fiscal Charges	\$ 240	\$ 240	\$ 240
Total Expenditures	\$ 240	\$ 240	\$ 240
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,251,372	\$ 2,246,472	\$ 2,427,412
Other Financing Sources (Uses):			
Operating Transfers Out	\$ (2,500,331)	\$ (2,500,331)	\$ (1,488,209)
Total Other Financing Sources (Uses)	\$ (2,500,331)	\$ (2,500,331)	\$ (1,488,209)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ (248,959)	\$ (253,859)	\$ 939,203
Fund Balance, Beginning			6,274,270
Fund Balance, Ending			\$ 7,213,473

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, 2018

	TIF PROJECT FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Grants			\$ 2,225
Revenue from Use of Money and Property	\$ 5,659	\$ 5,659	1,613
Other Revenue	130,000		
Total Revenues	\$ 135,659	\$ 5,659	\$ 3,838
Expenditures:			
Capital Projects	\$ 1,118,000	\$ 1,118,000	\$ 392,883
Total Expenditures	\$ 1,118,000	\$ 1,118,000	\$ 392,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (982,341)	\$ (1,112,341)	\$ (389,045)
Other Financing Sources (Uses):			
Operating Transfers In	\$ 1,118,000	\$ 1,118,000	\$ 100,000
Total Other Financing Sources (Uses)	\$ 1,118,000	\$ 1,118,000	\$ 100,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 135,659	\$ 5,659	\$ (289,045)
Fund Balance, Beginning			320,719
Fund Balance, Ending			\$ 31,674

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, 2018

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, 2018:

Governmental Activities:

Special Revenue Funds:

Riverfront Amphitheater	(\$179,957)
Tourism Tax	(65,955)

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,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service Cost	\$ 588,096	\$ 587,371	574,905							
Interest on the Total Pension Liability	3,505,909	3,446,056	3,310,934							
Benefit Changes	0	0	0							
Difference between Expected and Actual Experience	533,328	(679,841)	375,299							
Assumption Changes	(1,460,594)	(103,831)	104,133							
Benefit Payments and Refunds	(2,667,219)	(2,482,647)	(2,411,393)							
Net Change in Total Pension Liability	499,520	767,108	1,953,878							
Total Pension Liability - Beginning	47,785,011	47,017,903	45,064,025							
Total Pension Liability - Ending (a)	\$ 48,284,531	\$ 47,785,011	\$ 47,017,903							
Plan Fiduciary Net Position										
Employer Contributions	\$ 616,743	\$ 628,755	658,601							
Employee Contributions	251,624	245,631	252,553							
Pension Plan Net Investment Income	7,841,113	2,950,424	215,069							
Benefit Payments and Refunds	(2,667,219)	(2,482,647)	(2,411,393)							
Other	(538,019)	230,103	224,835							
Net Change in Plan Fiduciary Net Position	5,504,242	1,572,266	(1,060,335)							
Plan Fiduciary Net Position - Beginning	44,275,907	42,703,641	43,763,976							
Plan Fiduciary Net Position - Ending (b)	\$ 49,780,149	\$ 44,275,907	\$ 42,703,641							
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ (1,495,618)	\$ 3,509,104	\$ 4,314,262							
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	103.10%	92.66%	90.82%							
Covered Valuation Payroll	\$ 5,594,480	\$ 5,448,481	\$ 5,591,989							
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	(26.73%)	64.41%	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%
2016	628,755	628,755	0	5,448,481	11.54%
2017	617,071	616,743	328	5,594,480	11.02%

CITY OF ALTON, ILLINOIS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2017 CONTRIBUTION RATE*
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR PLAN

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 2017 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2015 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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service Cost	\$ 900,163	\$ 667,498	\$ 551,116							
Interest Cost	4,954,538	5,034,709	4,305,227							
Differences Between Expected and Actual Experiences	1,094,347	680,823	38,984							
Assumption Changes	(24,535,690)	10,011,444	12,435,062							
Benefit Payments, Including Refunds of Member Contributions	(4,150,407)	(3,561,503)	(3,580,559)							
Net Change in Total Pension Liability	\$ (21,737,049)	12,832,971	13,749,830							
Total Pension Liability - Beginning	115,863,409	103,030,438	89,280,608							
Total Pension Liability - Ending (a)	\$ 94,126,360	\$ 115,863,409	\$ 103,030,438							
Plan Fiduciary Net Position										
Employer Contributions	\$ 2,907,295	\$ 3,069,684	\$ 2,335,246							
Member Contributions	436,548	419,745	410,047							
Net Investment Income	1,966,479	(469,561)	1,221,657							
Benefit Payments, Including Refunds of Member Contributions	(4,150,407)	(3,561,503)	(3,580,559)							
Administrative Expense	(47,014)	(56,646)	(37,246)							
Net Change in Plan Fiduciary Net Position	1,112,901	(598,281)	349,145							
Plan Fiduciary Net Position - Beginning	20,996,649	21,594,930	21,245,785							
Plan Fiduciary Net Position - Ending (b)	\$ 22,109,550	\$ 20,996,649	\$ 21,594,930							
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ 72,016,810	\$ 94,866,760	\$ 81,435,508							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	23.49%	18.12%	20.96%							
Covered Valuation Payroll	\$ 4,349,923	\$ 4,219,399	\$ 4,251,978							
Net Pension Liability as a Percentage of Covered Valuation Payroll	1655.59%	2248.35%	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%
2017	3,226,180	3,489,429	(263,249)	4,219,399	82.70%
2018	2,947,591	3,343,842	(396,251)	4,349,923	76.87%

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

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	8.75%	-2.19%	5.06%

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service Cost	\$ 695,587	\$ 582,852	\$ 524,105							
Interest Cost	4,565,657	4,721,449	3,947,749							
Differences Between Expected and Actual Experiences	(799,726)	(447,130)	1,406,475							
Assumption Changes	(25,803,123)	6,203,232	11,439,714							
Benefit Payments, Including Refunds of Member Contributions	(3,771,223)	(3,688,228)	(3,630,139)							
Net Change in Total Pension Liability	\$ (25,112,828)	7,372,175	13,687,904							
Total Pension Liability - Beginning	107,615,600	100,243,425	86,555,521							
Total Pension Liability - Ending (a)	\$ 82,502,772	\$ 107,615,600	\$ 100,243,425							
Plan Fiduciary Net Position										
Employer Contributions	\$ 2,959,202	\$ 2,970,632	\$ 2,217,922							
Member Contributions	277,272	283,978	282,099							
Net Investment Income	1,553,810	(491,239)	1,056,637							
Benefit Payments, Including Refunds of Member Contributions	(3,771,223)	(3,688,228)	(3,630,139)							
Administrative Expense	(51,452)	(54,986)	(45,396)							
Net Change in Plan Fiduciary Net Position	967,609	(979,843)	(118,877)							
Plan Fiduciary Net Position - Beginning	18,148,669	19,128,512	19,247,389							
Plan Fiduciary Net Position - Ending (b)	\$ 19,116,278	\$ 18,148,669	\$ 19,128,512							
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ 63,386,494	\$ 89,466,931	\$ 81,114,913							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	23.17%	16.86%	19.08%							
Covered Valuation Payroll	\$ 3,023,628	\$ 2,978,318	\$ 3,035,197							
Net Pension Liability as a Percentage of Covered Valuation Payroll	2096.37%	3003.94%	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%
2017	3,295,421	3,254,610	40,811	2,978,318	109.28%
2018	2,999,896	3,236,474	(236,578)	3,023,628	107.04%

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

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	8.63%	-2.07%	5.26%

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, 2017

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 (Level Percent of Pay)
Asset Valuation Method	Investment gains and losses are recognized over a five year period
Mortality Rate	RP-2006 Generational Mortality Table with Blue Collar Adjustment and MP-2016 Projection Scale Starting in 2013.
Investment Rate of Return	6.50%, net of investment expenses
Internal Rate of Return	3.86%
Retirement Age	Varies by age and service
Salary Increases	Varies by years of service
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, 2018

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)
3/31/18	\$0	\$ 17,444,164	\$ 17,444,164	0.0%	\$ 14,744,990	118.3%
3/31/17	0	17,003,319	17,003,319	0.0	14,744,990	115.3
3/31/16	0	14,598,316	14,598,316	0.0	14,613,631	102.2

CITY OF ALTON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor	Name of Grant - Grant ID No.	Federal Expenditures
Department of Homeland Security				
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		EMW-2016-FH-00426	\$ 138,780
Total Staffing for Adequate Fire & Emergency Response (SAFER)				\$ 138,780
<i>Total Department of Homeland Security</i>				\$ 138,780
United States Department of Justice				
Bulletproof Vest Partnership Program	16.607			\$ 1,895
Total Bulletproof Vest Partnership Program				\$ 1,895
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Granite City	2014 JAG Equipment Project 2014-DJ-BX-1192	\$ 5,042
Total Edward Byrne Memorial Justice Assistance Grant Program				\$ 5,042
<i>Total United States Department of Justice</i>				\$ 6,937
Department of Transportation				
Highway Planning and Construction	20.205	Illinois Department of Transportation	Bridgewest Beautification Plan	\$ 2,225
Highway Planning and Construction	20.205	Illinois Department of Transportation	CMAQ Park Road/IL 140 16-00239-00-PV	18,032
Total Highway Planning and Construction				\$ 20,257
ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	Illinois Department of Transportation	Chicago-St. Louis Corridor FR-HSR-0015-11-01-02	\$ 916,251
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants				\$ 916,251
National Infrastructure Investments	20.933		FY 2011 TIGER Grant	\$ 2,643,355
Total National Infrastructure Investments				\$ 2,643,355
<i>Total Department of Transportation</i>				\$ 3,579,863
Total Expenditures of Federal Awards				\$ 3,725,580

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, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weaknesses Identified? Yes
See 2018-1, 2018-2, and 2018-3

Significant Deficiencies Identified That Are Not Considered to Be Material Weaknesses? Yes
See 2018-4

Noncompliance noted? Yes
See 2018-5

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

2018-1

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, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses (Continued)

2018-1 (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.

2018-2

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.

2018-3

Condition: The City did not perform bank reconciliations in a timely fashion throughout the fiscal year.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors in a timely manner.

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

Effect: The possibility exists that errors or other problems might not be recognized and resolved in a timely manner.

Recommendation: It is recommended that the City reconcile the bank statements to the general ledger on a monthly basis to ensure accurate financial reporting and to reduce the possibility of undetected errors.

Response: See the Corrective Action Plan.

CITY OF ALTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiencies

2018-4

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 prepared to ensure that the recording of transactions is accurate and proper.

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 financial reporting.

Response: See the Corrective Action Plan.

Compliance and Other Matters

2018-5

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 139 individuals, 76 had not filed by the May 1st deadline. As of the date of this report, eight individuals 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

CITY OF ALTON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2017-1

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.

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.

Current Status: 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. This is a recurring finding. See 2018-1.

2017-2

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 of fixed assets at year end.

Current Status: 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. This is a recurring finding. See 2018-2.

Significant Deficiencies

2017-3

Condition: The City has not designated a centralized person to maintain accountability over grant compliance and related expenditures.

Recommendation: The City should consider the costs and benefits of hiring additional expertise or designating a current employee who possesses the ability to maintain accountability over grant compliance requirements and related expenditures.

Current Status: Management has considered the recommendation and has determined that the current practice of utilizing department heads to oversee grants that pertain to their departments to maintain accountability over grant compliance and related expenditures is sufficient. This finding does not warrant any further action.

CITY OF ALTON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiencies (Continued)

2017-4

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.

Current Status: Management has considered the recommendation and will look into adopting procedures to ensure the reconciliation is performed. This is a recurring finding. See 2018-4.

Compliance and Other Matters

2017-5

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 130 individuals, 57 had not filed by the May 1st deadline. As of the date of this report, two individuals 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].

Current Status: 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. This is a recurring finding. See 2018-5.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



OFFICE OF MAYOR
BRANT WALKER

CITY OF ALTON
ILLINOIS
www.cityofaltonil.com

101 E. THIRD ST.
ROOM 201
ALTON, IL 62002

January 3, 2019

CORRECTIVE ACTION PLAN

Department of Transportation

The City of Alton, Illinois respectfully submits the following corrective action plan for the year ended March 31, 2018.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended March 31, 2018

The findings from the January 3, 2019, 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

2018-1

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.

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.

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.

2018-2

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)

2018-2 (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.

2018-3

Condition: The City did not perform bank reconciliations in a timely fashion throughout the fiscal year.

Recommendation: It is recommended that the City reconcile the bank statements to the general ledger on a monthly basis to ensure accurate financial reporting and reduce the possibility of undetected errors.

View of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation and has adopted procedures to ensure timely completion of the bank reconciliations.

Significant Deficiencies

2018-4

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 has considered the recommendation will look into adopting procedures to ensure the reconciliation is performed.

Compliance and Other Matters

2018-5

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 139 individuals, 76 had not filed by the May 1st deadline. As of the date of this report, eight individuals 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].

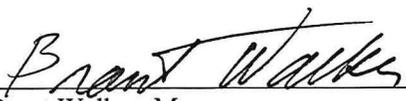
View of Responsible Officials and Planned Corrective Action: Management has agreed with the recommendation and will have personnel in the City Clerk's office follow up more diligently with the County Clerk in the future to verify that all qualified persons have filed in a timely manner.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

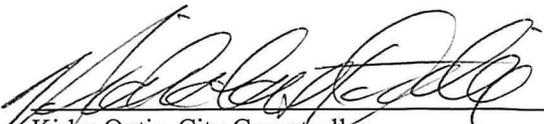
None

If the Department of Transportation has any questions regarding this plan, contact Kirby Ontis at 618-463-3550.

Sincerely yours,



Brant Walker, Mayor



Kirby Ontis, City Comptroller

CITY OF ALTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

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, 2018. 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, 2018.

NOTE 3. NONMONETARY ASSISTANCE

The City did not receive any nonmonetary assistance from federal programs during the year ended March 31, 2018.

NOTE 4. FEDERAL INSURANCE

The City had no federal insurance as it relates to federal programs in effect for the year ended March 31, 2018.

NOTE 5. LOANS AND LOAN GUARANTEES

The City had loans outstanding of \$2,332,807 related to federal programs as of March 31, 2018.

NOTE 6. INDIRECT COST RATE

The City has elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.