

CITY OF ALTON, ILLINOIS

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2019

CITY OF ALTON, ILLINOIS

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

October 15, 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, 2019, 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, 2019, 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 5 through 12 and 61 through 81, 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 other supplementary information on pages 82-88 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 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 October 15, 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

October 15, 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, 2019, 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 October 15, 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: 2019-1, 2019-2, and 2019-3.

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: 2019-4.

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 2019-5 and 2019-6. 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

CITY OF ALTON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019. The MD&A is designed to:

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

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, 2019

Reporting the City's Most Significant Funds- (Continued)

Fund Financial Statements (Continued)

- 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, 2019 and March 31, 2018.

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 37.7	\$ 33.0	\$ 5.0	\$ 3.3	\$ 42.7	\$ 36.3
Fixed Assets	98.7	101.3	18.1	17.7	116.8	119.0
Other Noncurrent Assets	2.0	2.0			2.0	2.0
Total Assets	<u>\$ 138.4</u>	<u>\$ 136.3</u>	<u>\$ 23.1</u>	<u>\$ 21.0</u>	<u>\$ 161.5</u>	<u>\$ 157.3</u>
Deferred Outflows of Resources	<u>\$ 30.2</u>	<u>\$ 23.2</u>	<u>\$ 1.0</u>	<u>\$ 0.2</u>	<u>\$ 31.2</u>	<u>\$ 23.4</u>
Current Liabilities	\$ 3.2	\$ 2.8	\$ 0.5	\$ 0.8	\$ 3.7	\$ 3.6
Long-Term Liabilities	179.2	160.5	6.2	5.5	185.4	166.0
Total Liabilities	<u>\$ 182.4</u>	<u>\$ 163.3</u>	<u>\$ 6.7</u>	<u>\$ 6.3</u>	<u>\$ 189.1</u>	<u>\$ 169.6</u>
Deferred Inflows of Resources	<u>\$ 41.9</u>	<u>\$ 51.2</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ 42.4</u>	<u>\$ 51.8</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 90.3	\$ 93.0	\$ 16.1	\$ 15.3	\$ 106.4	\$ 108.3
Restricted	15.1	12.7		0.3	15.1	13.0
Unrestricted	<u>(161.2)</u>	<u>(160.7)</u>	<u>0.7</u>	<u>(1.3)</u>	<u>(160.5)</u>	<u>(162.0)</u>
Total Net Position	<u>\$ (55.8)</u>	<u>\$ (55.0)</u>	<u>\$ 16.8</u>	<u>\$ 14.3</u>	<u>\$ (39.0)</u>	<u>\$ (40.7)</u>

Shown within the long-term liabilities section on the Statement of Net Position is the year-end balance of compensated absences for vacation and sick time for the year ended March 31, 2019 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, 2018, \$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, 2019

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

The following table (in millions) is a summary of the Statement of Activities for fiscal years ending March 31, 2019 and March 31, 2018.

	Statement of Activities (in millions of dollars)					
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for Services	\$ 5.4	\$ 5.0	\$ 8.1	\$ 5.0	\$13.5	\$10.0
Operating Grants and Contributions	1.0	0.8			1.0	0.8
Capital Grants and Contributions	0.3	3.8			0.3	3.8
General Revenues						
Property Taxes, Levied for General Purpose	9.3	9.4			9.3	9.4
Property Taxes, Levied for Debt Service	0.3	0.2			0.3	0.2
Sales, Franchise, Utility and Other Taxes	13.9	12.9			13.9	12.9
Intergovernmental	7.5	7.2			7.5	7.2
Miscellaneous	3.8	3.9		0.1	3.8	4.0
Total Revenues	<u>\$41.5</u>	<u>\$43.2</u>	<u>\$ 8.1</u>	<u>\$ 5.1</u>	<u>\$49.6</u>	<u>\$48.3</u>
Expenditures						
General Government	\$ 4.9	\$ 3.4			\$ 4.9	\$ 3.4
Public Safety	19.7	20.6			19.7	20.6
Highways and Streets	6.8	6.8			6.8	6.8
Sanitation	2.7	2.6			2.7	2.6
Health	2.7	2.0			2.7	2.0
Culture and Recreation	3.1	3.1			3.1	3.1
Development	1.4	0.6			1.4	0.6
Capital Projects	0.8	0.6			0.8	0.6
Miscellaneous	0.2	0.1			0.2	0.1
Interest on Long-Term Debt	0.2	0.2			0.2	0.2
Sewer			\$ 4.2	\$ 4.8	4.2	4.8
Marina			1.1	1.1	1.1	1.1
Total Expenditures	<u>\$42.5</u>	<u>\$40.0</u>	<u>\$ 5.3</u>	<u>\$ 5.9</u>	<u>\$47.8</u>	<u>\$45.9</u>
Net Transfers	0.2	(0.1)	(0.2)	0.1	0.0	0.0
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$(0.8)</u>	<u>\$ 3.1</u>	<u>\$ 2.6</u>	<u>\$(0.7)</u>	<u>\$ 1.8</u>	<u>\$ 2.4</u>

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019

Governmental Activities

Revenues for the City's governmental activities decreased by 4% from the prior fiscal year and total expenses increased by 6.3% during the same period. The decrease in total revenues is primarily due to not receiving as much grants monies in the current year as prior fiscal years. The increase in expense is primarily attributable to the increase in other post-employment benefits liability due to the actuarial valuation performed after the adoption of Governmental Accounting Standards (GASB Statement) No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."

Business-type Activities

Revenues for the City's business type activities increased by 59% from the prior fiscal year and total expenses decreased by 10% during the same period. The increase in revenues is primarily due to a new sewer fee consumption rate schedule that was implemented in January 2018. The decrease in expense is primarily attributable to less sewer projects in the current year due to the upcoming sewer sale in fiscal year 2020.

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 \$33.5 million including the amendments. Actual revenues for the general fund were \$34.2 million. The initial and final budgeted expenditures for the year ended March 31, 2019 were \$36.3 million. Actual expenditures for the general fund were \$37.5 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 \$22.3 million at March 31, 2019, a 3.8% decrease from a balance of \$23.2 million at March 31, 2018. The following is a listing of the City's governmental funds reserves reported on the modified-accrual basis of accounting under GASB 34 rules.

<u>Fund Balance Category</u>	<u>Fiscal Year Ending</u> <u>March 31, 2019</u>
Nonspendable	\$ 2,962,827
Restricted	12,224,315
Committed	592,508
Assigned	5,711,905
Unassigned	<u>785,777</u>
 Total Fund Balances	 <u>\$ 22,277,332</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2019, the City had \$116.7 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, 2019

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>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 24.3	\$ 24.0			\$ 24.3	\$ 24.0
Construction in Progress	0.9	0.7	\$ 0.3	\$ 0.5	1.2	1.2
Buildings and Improvements	39.0	40.1	16.9	16.2	55.9	56.3
Furniture and Equipment	1.5	1.2	0.5	0.6	2.0	1.8
Vehicles	1.2	1.3	0.4	0.4	1.6	1.7
Infrastructure	31.7	34.0			31.7	34.0
Totals	\$ 98.6	\$101.3	\$18.1	\$17.7	\$116.7	\$119.0

Debt

The City of Alton continues to maintain responsible and manageable debts. Total long-term outstanding debt, including compensated absences, OPEB and the net pension liability, increased by 11.7%. At the end of the current fiscal year, the City had \$179.2 million in total long-term debt for the governmental activities and \$6.2 million in sewer related debt compared to \$160.5 million in total long-term debt for governmental activities and \$5.5 million in sewer related debt at the prior year end. The increase is primarily attributable to the increase in the total net pension liability of \$14.8 million related to the Police and Fire Pension Funds. To help manage the City's debt, subsequent to the fiscal year end, the City entered into an agreement to sell the sewer system to a third party. This sale generated revenues of \$53.8 million. A majority of these revenues will be used to help reduce the Police and Fire Pension funds Net Pension Liability. 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, 2019. The budgeted expenditures for the general, special revenue and capital projects funds for the upcoming year was established by City ordinance at \$48.2 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 2019, the City of Alton had 184 full-time employees.

Alton's local economy continues to see new business starts and private investment fueled in part by Alton's rising regional and national profile including, the success of the Hulu "Small Business Revolution" reality-based web series, AARP and Forbes magazine designation as best places to retire in Illinois.

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.

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019

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

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 and growth through future annexations are key to the subsequent development of market-rate housing.

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. The proposed \$25 million "Alton Works" redevelopment project will likely spur additional housing development within the downtown corridor.

Industrial Development

Alton Center Business Park:

The four (4) tenants at Alton Center Business Park continue to maintain rising employment levels and provide high wage jobs for the local labor market. Total full-time employment at the business park currently exceeds 800 jobs. The existing buildings are near capacity as only approx. 69,000 of the 450,000 sq. ft. remains available for lease. The 150-acre park still has sufficient ground available to support built-to-suit commercial and/or industrial tenants.

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) has spurred additional development interest since its opening in late 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 is evaluating various development proposals for the 35 acres available for commercial development adjacent to the station.

Homer Adams Parkway:

Homer Adams Parkway continues its near capacity growth with recent new construction and renovation activity. Recent developments include Smoothie King and Santino's Steak & Pasta. Additional retail and commercial development projects are in the plan review and pre-development stages.

Alton Square Mall:

The owners of Alton Square Mall, Hull Property Group, continue their revitalization efforts to increase tenant occupancy and 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. Adoption of TIF financing was the impetus to undertake approx. \$38 million in planned renovations and new construction. The mall is currently undergoing phase I renovations which include: 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, 2019

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 10th 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, Beach Boys, Magical Night with Disney, Bikes and BBQ, Alton Jazz & Wine Festival, Annual Fireworks Fest, and the 5th 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 Decaro's, Mac's on Third, 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.

Park and Recreation Department

In fiscal year 2018-2019, the City has:

- With the new, inclusive playground installed at Gordon Moore Park in 2017 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 is now complete with an updated entrance still to come at Gordon Moore Park through a CMAQ grant obtained by the city worth approximately \$1.8 million.
- Renovations of restroom at the Simpson Tennis Complex was completed.
- Implemented or hosted new events and tournaments such as: Mother Son Bowling, Daddy Daughter Dance, Christmas Workshop, GameTime Baseball Tournaments, Relay for Life Softball Tournament, GMB Baseball Tournaments, and First Responders Kickball Tournament.
- Managed the Alton Riverfront Amphitheater. The City of Alton Riverfront Amphitheater hosted 18 events/concerts in 2018-2019. Many were cancelled due to flooding of the Riverfront.
- 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.

CITY OF ALTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019

Park and Recreation Department (Continued)

- The Alton Park and Recreation Department operates the Dog Park and currently sells passes for annual memberships. There are currently 160 memberships.
- Gordon Moore Park hosted its 33rd ASA Co-Ed state softball championship on August 10th-12th.
- Alton Park and Recreation was awarded \$138,655 from the Madison County PEP Grant for fencing around soccer fields, field 6 ADA viewing area, repairs at tennis courts, soccer player benches, backstop nets, lighting improvements, sidewalks, and pavilion upgrades at Gordon Moore. Killion Park receives an ADA compliant viewing area at basketball courts, sidewalk replacement. Norside Park has received parking lot and sidewalk improvements in addition to a new playground and pavilion. Additionally, portions of renovations at concession 1 were paid 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 park 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.
- A committee has been formed to help with the restoration of Killion Park. They have started fundraising.
- Various 5k's and walks throughout our park system including the Pee Wee Run, Sickle Cell Walk, Rally 4 Ron, Margarita 5k, Power of the Giraffe 5k, Bra Walk, Walk a Mile in Your Shoes.
- Disc Golf Tournaments and Cyclocross events at Rock Spring Park and Gordon Moore Park.

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, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 19,323,978	\$ 2,717,815	\$ 22,041,793
Investments (at fair value)	3,783,832	1,601,618	5,385,450
Receivables (net, where applicable of allowance for uncollectibles):			
Taxes	9,566,464		9,566,464
Gaming Tax Surcharge	340,175		340,175
Intergovernmental	3,573,207		3,573,207
Accounts Receivable	677,521	688,617	1,366,138
Due from Other Funds	2,757		2,757
Inventory (at cost)	89,441	27,279	116,720
Prepaid Expenses	273,386	32,725	306,111
Other Current Assets	89,945		89,945
Restricted Assets:			
Cash and Investments (at fair value)		9	9
Total Current Assets	<u>\$ 37,720,706</u>	<u>\$ 5,068,063</u>	<u>\$ 42,788,769</u>
Noncurrent Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 98,641,172	\$ 18,068,436	\$ 116,709,608
Due from Other Funds - Loan to Alton Marina	2,000,000		2,000,000
Note Receivable	50,098		50,098
Total Noncurrent Assets	<u>\$ 100,691,270</u>	<u>\$ 18,068,436</u>	<u>\$ 118,759,706</u>
Total Assets	<u>\$ 138,411,976</u>	<u>\$ 23,136,499</u>	<u>\$ 161,548,475</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension and OPEB Contributions	\$ 30,201,897	\$ 980,953	\$ 31,182,850
Total Deferred Outflows of Resources	<u>\$ 30,201,897</u>	<u>\$ 980,953</u>	<u>\$ 31,182,850</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 168,613,873</u>	<u>\$ 24,117,452</u>	<u>\$ 192,731,325</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 1,089,822	\$ 117,080	\$ 1,206,902
Accrued Payroll	739,793	67,543	807,336
Other Payables	515,310		515,310
Due to Other Funds		2,757	2,757
Bonds and Notes Payable	782,462	313,943	1,096,405
Capital Lease Obligations	51,397		51,397
Accrued Interest on Bonds, Notes Payable, and Capital Leases	64,557	12,823	77,380
Total Current Liabilities	<u>\$ 3,243,341</u>	<u>\$ 514,146</u>	<u>\$ 3,757,487</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 7,464,141	\$ 1,669,356	\$ 9,133,497
Capital Lease Obligations	26,264		26,264
Due to Other Funds - Loan from General Fund		2,000,000	2,000,000
Net Pension Liability	147,929,180	529,750	148,458,930
OPEB Obligation	21,323,142	1,882,457	23,205,599
Compensated Absences	2,522,839	117,801	2,640,640
Total Long-Term Liabilities	<u>\$ 179,265,566</u>	<u>\$ 6,199,364</u>	<u>\$ 185,464,930</u>
Total Liabilities	<u>\$ 182,508,907</u>	<u>\$ 6,713,510</u>	<u>\$ 189,222,417</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property Taxes	\$ 9,566,464		\$ 9,566,464
Advance on Sale of Sewer System	5,000,000		5,000,000
Prepaid Title Sponsorship	210,000		210,000
Prepaid Boat Slip Revenue		\$ 128,054	128,054
Deferred Inflows Related to Net Pension Liability	27,163,700	410,169	27,573,869
Total Deferred Inflows of Resources	<u>\$ 41,940,164</u>	<u>\$ 538,223</u>	<u>\$ 42,478,387</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 90,316,908	\$ 16,085,137	\$ 106,402,045
Restricted For:			
Special Revenue Purposes	15,128,710		15,128,710
Long-Term Debt		9	9
Sewer Reserves, Replacements, and Maintenance			
Unrestricted	(161,280,816)	780,573	(160,500,243)
Total Net Position	<u>\$ (55,835,198)</u>	<u>\$ 16,865,719</u>	<u>\$ (38,969,479)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 168,613,873</u>	<u>\$ 24,117,452</u>	<u>\$ 192,731,325</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, 2019

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	\$ 4,866,317	\$ 589,615			\$ (4,276,702)		\$ (4,276,702)
Public Safety	19,746,825	1,677,582	\$ 311,480		(17,757,763)		(17,757,763)
Highways and Streets	6,838,659	23,315	709,455		(6,105,889)		(6,105,889)
Sanitation	2,704,399	2,814,247			109,848		109,848
Health	2,694,292				(2,694,292)		(2,694,292)
Culture and Recreation	3,098,662	367,065		\$ 250,524	(2,481,073)		(2,481,073)
Development	1,404,432			105,615	(1,298,817)		(1,298,817)
Capital Projects	848,443				(848,443)		(848,443)
Miscellaneous	159,440				(159,440)		(159,440)
Interest on Long-Term Debt	223,827				(223,827)		(223,827)
Total Governmental Activities	<u>\$ 42,585,296</u>	<u>\$ 5,471,824</u>	<u>\$ 1,020,935</u>	<u>\$ 356,139</u>	<u>\$ (35,736,398)</u>	<u>\$ 0</u>	<u>\$ (35,736,398)</u>
Business-Type Activities:							
Sewer	\$ 4,231,188	\$ 7,283,408				\$ 3,052,220	\$ 3,052,220
Marina	1,123,961	812,125				(311,836)	(311,836)
Total Business-Type Activities	<u>\$ 5,355,149</u>	<u>\$ 8,095,533</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,740,384</u>	<u>\$ 2,740,384</u>
Total Primary Government	<u>\$ 47,940,445</u>	<u>\$ 13,567,357</u>	<u>\$ 1,020,935</u>	<u>\$ 356,139</u>	<u>\$ (35,736,398)</u>	<u>\$ 2,740,384</u>	<u>\$ (32,996,014)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 9,309,808		\$ 9,309,808
Property Taxes, Levied for Debt Service					252,466		252,466
Sales, Franchise, Utility, and Other Taxes					13,926,151		13,926,151
Intergovernmental					7,508,179		7,508,179
Miscellaneous					3,759,503	\$ 48,653	3,808,156
Transfers					181,724	(181,724)	
Total General Revenues					<u>\$ 34,937,831</u>	<u>\$ (133,071)</u>	<u>\$ 34,804,760</u>
Change in Net Position					\$ (798,567)	\$ 2,607,313	\$ 1,808,746
Net Position, Beginning					(55,036,631)	14,258,406	(40,778,225)
Net Position, Ending					<u>\$ (55,835,198)</u>	<u>\$ 16,865,719</u>	<u>\$ (38,969,479)</u>

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

CITY OF ALTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2019

	<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>
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 8,111,886	\$ 484,995	\$ 709,635	\$ 30,940	\$ 8,004,700	\$ 58,387	\$ 1,923,435	\$ 19,323,978
Investments (at fair value)	2,783,832						1,000,000	3,783,832
Receivables (net, where applicable of allowance for uncollectibles):								
Taxes	6,423,136				2,336,057		807,271	9,566,464
Gaming Tax Surcharge	327,675						12,500	340,175
Intergovernmental	3,533,125		52,582					3,585,707
Accounts Receivable	532,237		15,111			105,615	12,058	665,021
Note Receivable						50,098		50,098
Due from Other Funds	517,357	458,983			600,000	6,927	229,456	1,812,723
Due from Other Funds - Loan to Alton Marina	2,000,000							2,000,000
Inventory (at cost)	89,441							89,441
Prepaid Expenses	273,386							273,386
Other Assets	89,945							89,945
Total Assets	<u>\$ 24,682,020</u>	<u>\$ 943,978</u>	<u>\$ 777,328</u>	<u>\$ 30,940</u>	<u>\$ 10,940,757</u>	<u>\$ 221,027</u>	<u>\$ 3,984,720</u>	<u>\$ 41,580,770</u>
<u>LIABILITIES</u>								
Accounts Payable	\$ 635,405		\$ 25,691			\$ 327,891	\$ 100,835	\$ 1,089,822
Accrued Payroll	739,793							739,793
Other Payables	32,310							32,310
Due to Other Funds	501,231			\$ 187,208			1,121,527	1,809,966
Total Liabilities	<u>\$ 1,908,739</u>	<u>\$ 0</u>	<u>\$ 25,691</u>	<u>\$ 187,208</u>	<u>\$ 0</u>	<u>\$ 327,891</u>	<u>\$ 1,222,362</u>	<u>\$ 3,671,891</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Property Taxes	\$ 11,423,135				\$ 2,336,057		\$ 807,271	\$ 14,566,463
Other Taxes	855,084							855,084
Prepaid Title Sponsorship							210,000	210,000
Total Deferred Inflows of Resources	<u>\$ 12,278,219</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,336,057</u>	<u>\$ 0</u>	<u>\$ 1,017,271</u>	<u>\$ 15,631,547</u>
<u>FUND BALANCES</u>								
Nonspendable	\$ 2,362,827				\$ 600,000			\$ 2,962,827
Restricted	486,925		\$ 726,612		8,004,700		\$ 3,006,078	12,224,315
Committed	342,508						250,000	592,508
Assigned	4,171,897	\$ 943,978	25,025				571,005	5,711,905
Unassigned	3,130,905			\$ (156,268)		\$ (106,864)	(2,081,996)	785,777
Total Fund Balance (Deficit)	<u>\$ 10,495,062</u>	<u>\$ 943,978</u>	<u>\$ 751,637</u>	<u>\$ (156,268)</u>	<u>\$ 8,604,700</u>	<u>\$ (106,864)</u>	<u>\$ 1,745,087</u>	<u>\$ 22,277,332</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,682,020</u>	<u>\$ 943,978</u>	<u>\$ 777,328</u>	<u>\$ 30,940</u>	<u>\$ 10,940,757</u>	<u>\$ 221,027</u>	<u>\$ 3,984,720</u>	<u>\$ 41,580,770</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, 2019

Total fund balances for governmental funds		\$ 22,277,332
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	\$ 24,258,133	
Construction in Progress	921,142	
Infrastructure, net of \$54,908,580 accumulated depreciation	31,687,834	
Buildings and Improvements, net of \$21,596,898 accumulated depreciation	39,005,925	
Vehicles, net of \$3,444,862 accumulated depreciation	1,234,691	
Equipment, net of \$2,914,980 accumulated depreciation	<u>1,533,447</u>	
		98,641,172
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.		
		855,083
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.		
		(483,000)
Deferred inflows and outflows of resources related to pensions and OPEB are not reported in the governmental funds.		
		3,038,197
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, 2019:		
Accrued Interest on Bonds and Capital Leases	\$ (64,557)	
Bonds and Notes Payable	(8,246,603)	
Capital Leases Payable	(77,661)	
OPEB Obligation	(21,323,142)	
Net Pension Liability	(147,929,180)	
Compensated Absences	<u>(2,522,839)</u>	
Total		<u>(180,163,982)</u>
Total net position of governmental activities		<u>\$ (55,835,198)</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, 2019

	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	\$ 6,502,549				\$ 2,323,034		\$ 736,691	\$ 9,562,274
Food and Beverage Tax							410,042	410,042
Tourism Tax							565,383	565,383
Municipal Auto Rental Tax	31,395							31,395
State Sales Tax	5,634,747							5,634,747
Local Sales Tax	3,266,706							3,266,706
Business District Tax	222,206							222,206
Electric Franchise Tax	1,926,153							1,926,153
Gas Franchise Tax	536,789							536,789
Cable TV Franchise Tax	313,803							313,803
Telephone Franchise Tax	455,353							455,353
Water Utility Tax	427,858							427,858
Off Track Betting Tax	55,500							55,500
Municipal Aggregation	76,042							76,042
Total Taxes	<u>\$ 19,449,101</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,323,034</u>	<u>\$ 0</u>	<u>\$ 1,712,116</u>	<u>\$ 23,484,251</u>
Intergovernmental:								
Illinois Income Tax	\$ 2,705,384							\$ 2,705,384
Corporate Personal Property Replacement Tax	1,370,536						\$ 198,000	1,568,536
Gaming Tax	3,184,259						50,000	3,234,259
Total Intergovernmental	<u>\$ 7,260,179</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 248,000</u>	<u>\$ 7,508,179</u>
Grants	\$ 562,004		\$ 709,455			\$ 105,615		\$ 1,377,074
Licenses and Permits	481,185							481,185
Fines and Forfeitures	369,979							369,979
Charges for Current Services	4,496,372						\$ 124,288	4,620,660
Revenue from Use of Money and Property	649,155	\$ 4,003	6,411	\$ 369	\$ 73,103	103	11,676	744,820
Other Revenue	962,386		18,367				2,048,454	3,029,207
Total Revenues	<u>\$ 34,230,361</u>	<u>\$ 4,003</u>	<u>\$ 734,233</u>	<u>\$ 369</u>	<u>\$ 2,396,137</u>	<u>\$ 105,718</u>	<u>\$ 4,144,534</u>	<u>\$ 41,615,355</u>
Expenditures:								
Current-								
General Government	\$ 2,706,775							\$ 2,706,775
Public Safety	24,324,344							24,324,344
Highways and Streets	3,869,873		\$ 609,984					4,479,857
Sanitation	2,704,399							2,704,399
Health	111,655						\$ 2,763,450	2,875,105
Culture and Recreation	2,431,991						738,914	3,170,905
Development	1,200,098						273,183	1,473,281
Capital Projects						\$ 763,158		763,158
Miscellaneous	159,470		(30)					159,440
Debt Service Expenditures-								
Principal Retirement				\$ 323,447			161,554	485,001
Interest and Fiscal Charges				162,713	\$ 220		81,752	244,685
Total Expenditures	<u>\$ 37,508,605</u>	<u>\$ 0</u>	<u>\$ 609,954</u>	<u>\$ 486,160</u>	<u>\$ 220</u>	<u>\$ 763,158</u>	<u>\$ 4,018,853</u>	<u>\$ 43,386,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (3,278,244)</u>	<u>\$ 4,003</u>	<u>\$ 124,279</u>	<u>\$ (485,791)</u>	<u>\$ 2,395,917</u>	<u>\$ (657,440)</u>	<u>\$ 125,681</u>	<u>\$ (1,771,595)</u>
Other Financing Sources (Uses):								
Operating Transfers In	\$ 490,848			\$ 485,788		\$ 518,902	\$ 1,323,015	\$ 2,818,553
Operating Transfers Out		\$ (999,508)			\$ (1,004,690)		(632,631)	(2,636,829)
Proceeds From Line of Credit	680,358							680,358
Total Other Financing Sources (Uses)	<u>\$ 1,171,206</u>	<u>\$ (999,508)</u>	<u>\$ 0</u>	<u>\$ 485,788</u>	<u>\$ (1,004,690)</u>	<u>\$ 518,902</u>	<u>\$ 690,384</u>	<u>\$ 862,082</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (2,107,038)</u>	<u>\$ (995,505)</u>	<u>\$ 124,279</u>	<u>\$ (3)</u>	<u>\$ 1,391,227</u>	<u>\$ (138,538)</u>	<u>\$ 816,065</u>	<u>\$ (909,513)</u>
Fund Balance, Beginning	12,602,100	1,939,483	627,358	(156,265)	7,213,473	31,674	929,022	23,186,845
Fund Balance (Deficit), Ending	<u>\$ 10,495,062</u>	<u>\$ 943,978</u>	<u>\$ 751,637</u>	<u>\$ (156,268)</u>	<u>\$ 8,604,700</u>	<u>\$ (106,864)</u>	<u>\$ 1,745,087</u>	<u>\$ 22,277,332</u>

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, 2019

Net change in fund balances - total governmental funds	\$ (909,513)
Total net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(2,729,000)
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.	(15,322)
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.	4,176
Donated and contributed fixed assets are not recorded on the fund statements because there is no monetary transaction.	0
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.	(680,358)
Changes in deferred outflows of resources from OPEB contributions, and deferred inflows related to net opeb liability, are not recorded on the fund statements but are reported on the Statement of Activities	3,493,166
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 the Statement of Activities	4,144,178
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 increase in compensated absences	\$ (36,958)
Current year increase in OPEB Obligation	(5,021,688)
Current year decrease in health insurance claims payable	180,520
Change in accrued interest on capital leases and notes payable	(2,192)
Change in accrued interest on bonds payable	2,424
	<u>(4,877,894)</u>
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	18,431
Repayment of principal on capital lease obligations is an expenditure in the governmental funds but reduces liability in the Statement of Position	92,862
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>660,707</u>
Total change in net position of governmental activities	<u>\$ (798,567)</u>

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

CITY OF ALTON, ILLINOIS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
MARCH 31, 2019

<u>ASSETS</u>	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
Current Assets:			
Cash and Cash Equivalents	\$ 2,605,495	\$ 112,320	\$ 2,717,815
Investments (at fair value)	1,601,618		1,601,618
Accounts Receivables (net, where applicable of allowance for uncollectibles)	688,448	169	688,617
Inventory (at cost)		27,279	27,279
Prepaid Expenses	31,185	1,540	32,725
Restricted Cash and Cash Equivalents		9	9
Total Current Assets	<u>\$ 4,926,746</u>	<u>\$ 141,317</u>	<u>\$ 5,068,063</u>
Other Assets:			
Fixed Assets (net of accumulated depreciation)	\$ 15,955,765	\$ 2,112,671	\$ 18,068,436
Total Other Assets	<u>\$ 15,955,765</u>	<u>\$ 2,112,671</u>	<u>\$ 18,068,436</u>
Total Assets	<u>\$ 20,882,511</u>	<u>\$ 2,253,988</u>	<u>\$ 23,136,499</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow from Pension Contribution	\$ 980,953		\$ 980,953
Total Deferred Outflows of Resources	<u>\$ 980,953</u>	<u>\$ 0</u>	<u>\$ 980,953</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,863,464</u>	<u>\$ 2,253,988</u>	<u>\$ 24,117,452</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 67,109	\$ 49,971	\$ 117,080
Accrued Payroll	67,543		67,543
Due to Other Funds	2,757		2,757
Bonds and Notes Payable	313,943		313,943
Accrued Interest on Bonds Payable	12,823		12,823
Total Current Liabilities	<u>\$ 464,175</u>	<u>\$ 49,971</u>	<u>\$ 514,146</u>
Long-Term Liabilities:			
Bonds and Notes Payable	\$ 1,669,356		\$ 1,669,356
Due to Other Funds - Loan from General Fund		\$ 2,000,000	2,000,000
OPEB Obligation	1,882,457		1,882,457
Compensated Absences	117,801		117,801
Net Pension Liability	529,750		529,750
Total Long-Term Liabilities	<u>\$ 4,199,364</u>	<u>\$ 2,000,000</u>	<u>\$ 6,199,364</u>
Total Liabilities	<u>\$ 4,663,539</u>	<u>\$ 2,049,971</u>	<u>\$ 6,713,510</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Boat Slip Revenue		\$ 128,054	\$ 128,054
Deferred Inflows of Resources Related to Net Pension Liability	\$ 410,169		410,169
Total Deferred Inflows of Resources	<u>\$ 410,169</u>	<u>\$ 128,054</u>	<u>\$ 538,223</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 13,972,466	\$ 2,112,671	\$ 16,085,137
Restricted For:			
Long-Term Debt		9	9
Unrestricted	2,817,290	(2,036,717)	780,573
Total Net Position	<u>\$ 16,789,756</u>	<u>\$ 75,963</u>	<u>\$ 16,865,719</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 21,863,464</u>	<u>\$ 2,253,988</u>	<u>\$ 24,117,452</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, 2019

	<u>SEWER</u>	<u>MARINA</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Charges For Services	\$ 7,283,408	\$ 812,125	\$ 8,095,533
OPERATING EXPENSES:			
Personnel Services	2,210,422	380,335	2,590,757
Contractual Services	985,570	196,051	1,181,621
Commodities	132,958	235,540	368,498
Minor Equipment	25,657		25,657
Bad Debts		30,495	30,495
Depreciation and Amortization	811,878	260,019	1,071,897
Total Operating Expenses	<u>\$ 4,166,485</u>	<u>\$ 1,102,440</u>	<u>\$ 5,268,925</u>
OPERATING INCOME (LOSS)	<u>\$ 3,116,923</u>	<u>\$ (290,315)</u>	<u>\$ 2,826,608</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	\$ 38,789	\$ 1,038	\$ 39,827
Other Revenue (Expense)	8,298	528	8,826
Interest and Fiscal Charges	(64,703)	(21,521)	(86,224)
Total Non-Operating Revenues (Expenses)	<u>\$ (17,616)</u>	<u>\$ (19,955)</u>	<u>\$ (37,571)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 3,099,307</u>	<u>\$ (310,270)</u>	<u>\$ 2,789,037</u>
TOTAL OPERATING TRANSFERS (TO) FROM OTHER FUNDS		<u>(181,724)</u>	<u>(181,724)</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 3,099,307</u>	<u>\$ (491,994)</u>	<u>\$ 2,607,313</u>
TOTAL NET POSITION, BEGINNING	<u>13,690,449</u>	<u>567,957</u>	<u>14,258,406</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 16,789,756</u></u>	<u><u>\$ 75,963</u></u>	<u><u>\$ 16,865,719</u></u>

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

CITY OF ALTON, ILLINOIS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>SEWER FUND</u>	<u>MARINA FUND</u>	<u>TOTALS</u>
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 7,122,368	\$ 843,881	\$ 7,966,249
Cash Payments for Goods and Services	(1,362,244)	(410,120)	(1,772,364)
Cash Payments to Employees	(2,089,125)	(380,335)	(2,469,460)
Net Cash Provided by Operating Activities	<u>\$ 3,670,999</u>	<u>\$ 53,426</u>	<u>\$ 3,724,425</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowings (to) from Other Funds	\$ (1,178)	\$ 12,932	\$ 11,754
Operating Transfers (to) from Other Funds		(181,724)	(181,724)
Other Receipts (Payments)	8,298	528	8,826
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ 7,120</u>	<u>\$ (168,264)</u>	<u>\$ (161,144)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Paid	\$ (68,489)	\$ (21,522)	\$ (90,011)
Payments for Capital Acquisitions	(1,477,837)		(1,477,837)
Repayments of Debt	(349,508)		(349,508)
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (1,895,834)</u>	<u>\$ (21,522)</u>	<u>\$ (1,917,356)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipt of Interest	\$ 11,853	\$ 1,038	12,891
Net Cash Provided by Investing Activities	<u>\$ 11,853</u>	<u>\$ 1,038</u>	<u>\$ 12,891</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	\$ 1,794,138	\$ (135,322)	\$ 1,658,816
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>811,357</u>	<u>247,651</u>	<u>1,059,008</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,605,495</u>	<u>\$ 112,329</u>	<u>\$ 2,717,824</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	<u>\$ 3,116,923</u>	<u>\$ (290,315)</u>	<u>\$ 2,826,608</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	\$ 811,878	\$ 260,019	\$ 1,071,897
(Increase) Decrease in Accounts Receivables	(161,040)	21,001	(140,039)
(Increase) Decrease in Inventory		(2,352)	(2,352)
(Increase) Decrease in Deferred Outflows of Resources	(787,838)		(787,838)
Increase (Decrease) in Accounts Payable	(218,059)	23,823	(194,236)
Increase (Decrease) in Accrued Payroll	(7,511)		(7,511)
Increase (Decrease) in Deferred Revenue		41,250	41,250
Increase (Decrease) in OPEB Obligation	371,018		371,018
Increase (Decrease) in Deferred Inflows of Resources	(100,141)		(100,141)
Increase (Decrease) in IMRF Net Pension Liability	679,312		679,312
Increase (Decrease) in Compensated Absences	(33,543)		(33,543)
Total Adjustments	<u>\$ 554,076</u>	<u>\$ 343,741</u>	<u>\$ 897,817</u>
Net Cash Provided by Operating Activities	<u>\$ 3,670,999</u>	<u>\$ 53,426</u>	<u>\$ 3,724,425</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, 2019

	POLICEMEN'S PENSION TRUST FUND	FIREFIGHTERS' PENSION TRUST FUND	TOTALS
Additions:			
Interest	\$ 294,722	\$ 270,688	\$ 565,410
Dividends	945,615	814,464	1,760,079
Realized Gain (Loss) on Sale of Investments	123,845	120,611	244,456
Unrealized Gain (Loss) on Investments	(660,031)	(548,688)	(1,208,719)
Employee Contributions	456,679	303,414	760,093
Contributions from City	4,249,659	4,359,812	8,609,471
Other Income	148		148
Total Additions	<u>\$ 5,410,637</u>	<u>\$ 5,320,301</u>	<u>\$ 10,730,938</u>
Deductions:			
Benefit Payments	\$ 4,247,154	\$ 3,962,863	\$ 8,210,017
Administration	94,552	98,123	192,675
Total Deductions	<u>\$ 4,341,706</u>	<u>\$ 4,060,986</u>	<u>\$ 8,402,692</u>
Change in Net Position	\$ 1,068,931	\$ 1,259,315	\$ 2,328,246
Net Position, Beginning	<u>23,487,973</u>	<u>20,670,563</u>	<u>44,158,536</u>
Net Position, Ending	<u>\$ 24,556,904</u>	<u>\$ 21,929,878</u>	<u>\$ 46,486,782</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, 2019

2% FOREIGN
FIRE TAX

ASSETS

Cash	\$ 65,466
Total Assets	<u>\$ 65,466</u>

NET POSITION

Net Position Held for the Benefit of Others	\$ 65,466
Total Liabilities and Net Position	<u>\$ 65,466</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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, the General Property Taxes Receivable less allowance for uncollectible accounts was as follows:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>
General Property Taxes Receivable	\$ 6,554,220	\$ 2,718,163	\$ 489,314
2% Allowances	<u>(131,084)</u>	<u>(54,363)</u>	<u>(9,786)</u>
Net Amount for 2018 Levy	<u>\$ 6,423,136</u>	<u>\$ 2,663,800</u>	<u>\$ 479,528</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, 2019

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 \$2,522,839 for payments to qualified employees of the General and Special Revenue Funds and \$117,801 for payments to qualified employees of the Enterprise Funds as of March 31, 2019. 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, 2019

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 \$2,962,827 as of March 31, 2019.

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, 2019, revenues received exceeded expenditures disbursed from these monies, resulting in a restricted fund balance of \$651,228.

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, 2019, revenues received exceeded expenditures disbursed from gaming and tourism taxes, resulting in a restricted fund balance of \$1,933,968.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019, revenues received exceeded expenditures disbursed from motor fuel taxes, resulting in a restricted fund balance of \$726,612.

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, 2019, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$8,004,700.

5. Various

Proceeds from various minor revenues and the related expenditures have been included in their respective funds of the City. At March 31, 2019, revenues received exceeded expenditures disbursed, resulting in a restricted fund balance of \$907,807.

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 \$592,508 of committed fund balances as of March 31, 2019.

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 \$5,711,905 of assigned fund balances as of March 31, 2019.

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 \$785,777 of unassigned fund balances as of March 31, 2019.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 22,041,793
Investments	5,385,450
Restricted Cash and Investments	9
	\$ 27,427,252
Fiduciary Funds	
Cash	\$ 3,259,938
Investments	43,121,804
	\$ 46,381,742
Agency Funds:	
Cash	\$ 65,466
Total Cash and Investments	\$ 73,874,460

Cash and investments as of March 31, 2019 consisted of the following:

Cash on Hand	\$ 1,765
Deposits with Financial Institutions	30,750,891
Government Securities	8,691,967
Corporate Securities	6,280,924
Municipal Securities	517,287
Mutual Funds	24,078,298
Stocks	3,553,328
	\$ 73,874,460

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, 2019

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	\$ 4,757,309	\$ 628,141			\$ 5,385,450
Policemen's Pension					
U.S. Treasury Notes	282,562	1,366,302	\$ 363,258	\$ 1,376,545	3,388,667
Mortgage-backed Securities		303		347,235	347,538
Federal Agency Securities		19,907	68,153	582,524	670,584
Corporate Securities	282,793	405,046	1,397,847	1,331,977	3,417,663
Municipal Securities	24,827		69,500	230,443	324,770
Mutual Funds	12,881,189				12,881,189
Stocks	1,947,552				1,947,552
Firefighters' Pension					
U.S. Treasury Notes	1,003,404	1,560,466	367,255	673,476	3,604,601
U.S. Treasury Bonds	21,869				21,869
Mortgage-backed Securities		1,301		242,382	243,683
Federal Agency Securities		10,949	83,956	320,120	415,025
Corporate Securities	95,179	378,888	1,130,960	1,258,234	2,863,261
Municipal Securities	19,862		44,592	128,063	192,517
Mutual Funds	11,197,109				11,197,109
Stocks	1,605,776				1,605,776
Totals	<u>\$34,119,431</u>	<u>\$ 4,371,303</u>	<u>\$ 3,525,521</u>	<u>\$ 6,490,999</u>	<u>\$48,507,254</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, 2019</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.

\$ 591,221

CITY OF ALTON, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2019

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. Presented below is the rating as of March 31, 2019 for each investment type.

<u>Investment Type</u>		<u>Exempt from Disclosure</u>	<u>Ratings as of Year End</u>				
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>
U.S. Treasury Notes	\$ 6,993,268	\$ 6,993,268					
U.S. Treasury Bonds	21,869	21,869					
Mortgage-backed Securities	591,221			\$ 591,221			
Federal Agency Securities	1,085,609			1,085,609			
Corporate Securities	6,280,924		\$ 121,858	667,341	\$ 2,331,157	\$ 3,160,568	
Municipal Securities	517,287		136,252	381,035			
Certificates of Deposit	5,385,450	5,385,450					
Mutual Funds	24,078,298	24,078,298					
Stocks	<u>3,553,328</u>	<u>3,553,328</u>					
Totals	<u>\$48,507,254</u>	<u>\$40,032,213</u>	<u>\$258,110</u>	<u>\$ 2,725,206</u>	<u>\$ 2,331,157</u>	<u>\$ 3,160,568</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, 2019.

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, 2019, \$23,395,052 of the City's deposits with financial institutions exceeded federal depository insurance limits, \$23,395,052 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, 2019 that were uninsured or uncollateralized.

As of March 31, 2019, 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, 2019

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, 2019:

	<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	\$ 6,993,268			\$ 6,993,268
U.S. Treasury Bonds	21,869			21,869
Mortgage-Backed Securities		\$ 591,221		591,221
Federal Agency Securities		1,085,609		1,085,609
Corporate Securities		6,280,924		6,280,924
Municipal Securities		517,287		517,287
Mutual Funds	24,078,298			24,078,298
Stocks	3,553,328			3,553,328
Certificates of Deposit			\$ 5,385,450	5,385,450
Total	<u>\$ 34,646,763</u>	<u>\$ 8,475,041</u>	<u>\$ 5,385,450</u>	<u>\$ 48,507,254</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 2017 tax levy was received before March 31, 2019. The property taxes receivable reflected in these financial statements are the taxes expected to be collected in the following fiscal year on the 2018 levy.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 4. PROPERTY TAXES (CONTINUED)

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

	<u>2018</u> <u>Levy</u>	<u>2017</u> <u>Levy</u>	<u>2016</u> <u>Levy</u>	<u>2015</u> <u>Levy</u>	<u>2014</u> <u>Levy</u>
General	2.1943	0.3459	0.5594	0.4906	0.4224
Band	0.0182	0.0182	0.0184	0.0187	0.0189
Retirement	0.1774	0.2448	0.2552	0.3053	0.3249
Policemen's Pension	0.0000	0.9422	0.8467	0.8287	0.8075
Firefighter's Pension	0.0000	0.9285	0.8418	0.8236	0.7787
Refunding bonds	<u>0.1738</u>	<u>0.0915</u>	<u>0.0751</u>	<u>0.2224</u>	<u>0.1418</u>
Total	<u>2.5637</u>	<u>2.5711</u>	<u>2.5966</u>	<u>2.6893</u>	<u>2.4942</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	<u>Balance</u> <u>April 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2019</u>
Governmental Activities:				
Not Being Depreciated:				
Land/Land Improvements	\$ 24,029,751	\$ 243,704	\$ 15,322	\$ 24,258,133
Construction in Progress	655,908	549,386	284,152	921,142
Subtotal	<u>\$ 24,685,659</u>	<u>\$ 793,090</u>	<u>\$ 299,474</u>	<u>\$ 25,179,275</u>
Other Capital Assets:				
Buildings and Improvements	\$ 60,118,674	\$ 484,149		\$ 60,602,823
Furniture and Equipment	3,935,208	513,219		4,448,427
Vehicles	4,508,546	215,342	\$ 44,335	4,679,553
Infrastructure	86,325,574	270,840		86,596,414
Subtotal	<u>\$ 154,888,002</u>	<u>\$ 1,483,550</u>	<u>\$ 44,335</u>	<u>\$ 156,327,217</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 20,036,065	\$ 1,560,833		\$ 21,596,898
Furniture and Equipment	2,689,156	225,824		2,914,980
Vehicles	3,200,044	289,153	\$ 44,335	3,444,862
Infrastructure	52,262,904	2,645,676		54,908,580
Subtotal	<u>\$ 78,188,169</u>	<u>\$ 4,721,486</u>	<u>\$ 44,335</u>	<u>\$ 82,865,320</u>
Net Other Capital Assets	<u>\$ 76,699,833</u>	<u>\$ (3,237,936)</u>	<u>\$ 0</u>	<u>\$ 73,461,897</u>
Net Capital Assets	<u>\$ 101,385,492</u>	<u>\$ (2,444,846)</u>	<u>\$ 299,474</u>	<u>\$ 98,641,172</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 210,102
Public Safety	518,372
Highways and Streets	2,923,536
Development	23,133
Capital Projects	545,368
Culture and Recreation	500,975
Total	<u>\$ 4,721,486</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>April 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2019</u>
Business-Type Activities:				
Not Being Depreciated:				
Land	\$ 30,400			\$ 30,400
Construction in Progress	449,207	\$ 1,446,892	\$ 1,592,898	303,201
Subtotal	<u>\$ 479,607</u>	<u>\$ 1,446,892</u>	<u>\$ 1,592,898</u>	<u>333,601</u>
Other Capital Assets:				
Buildings and Improvements	\$ 40,793,865	\$ 1,499,271		\$ 42,293,136
Furniture and Equipment	1,561,048			1,561,048
Vehicles	1,424,667	124,571		1,549,238
Subtotal	<u>\$ 43,779,580</u>	<u>\$ 1,623,842</u>	<u>\$ 0</u>	<u>\$ 45,403,422</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 24,506,681	\$ 897,285		\$ 25,403,966
Furniture and Equipment	1,061,963	82,581		1,144,544
Vehicles	1,028,046	92,031		1,120,077
Subtotal	<u>\$ 26,596,690</u>	<u>\$ 1,071,897</u>	<u>\$ 0</u>	<u>\$ 27,668,587</u>
Net Other Capital Assets	<u>\$ 17,182,890</u>	<u>\$ 551,945</u>	<u>\$ 0</u>	<u>\$ 17,734,835</u>
Net Capital Assets	<u>\$ 17,662,497</u>	<u>\$ 1,998,837</u>	<u>\$ 1,592,898</u>	<u>\$ 18,068,436</u>

Depreciation was charged to functions as follows:

Business-Type Activities:		
Sewer		\$ 811,878
Marina		260,019
Total		<u>\$ 1,071,897</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, 2019:

	<u>Payable</u> <u>April 1, 2018</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, 2019</u>
Governmental Activities:					
General Obligation Bonds 2016	\$ 7,560,000		\$ 485,000		\$ 7,075,000
Bond Premiums	235,011		18,432		216,579
Capital Lease Purchases	128,063		50,402		77,661
Notes Payable	48,465	\$ 424,937	42,460		430,942
Line of Credit	444,367	255,421	175,707		524,081
Net Pension Liability	134,057,247			\$ 13,871,933	147,929,180
OPEB Liability	16,301,454			5,021,688	21,323,142
Compensated Absences	2,500,922	1,836,685	1,814,768		2,522,839
Total	<u>\$ 161,275,529</u>	<u>\$ 2,517,043</u>	<u>\$ 2,586,769</u>	<u>\$ 18,893,621</u>	<u>\$ 180,099,424</u>
Business-Type Activities:					
Sewer Wastewater Project	\$ 2,332,807		\$ 349,508		\$ 1,983,299
Net Pension Liability	(149,562)			\$ 679,312	529,750
OPEB Liability	1,511,439			371,018	1,882,457
Compensated Absences	136,302	\$ 142,135	160,636		117,801
Total	<u>\$ 3,830,986</u>	<u>\$ 142,135</u>	<u>\$ 510,144</u>	<u>\$ 1,050,330</u>	<u>\$ 4,513,307</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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

Long-term debts at March 31, 2019 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	\$ 7,075,000
	\$ 7,075,000

Capital Lease Purchase

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

Three Ford Interceptors	\$ 25,661
Three 2017 Ford Explorers	52,000
	\$ 77,661

Notes Payable

Note Payable to Bank of \$142,578 due in annual installments of \$72,483 through October 2019, interest at 2.30%	\$ 142,578
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Note Payable to Bank of \$206,000 due in semi-annual installments of \$20,321 through November 2023, interest at 2.95%	187,451
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Note Payable to Bank of \$76,358 due in semi-annual installments of \$8,315 through March 2024, interest at 3.10%	76,358
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Note Payable to Bank of \$108,086 due in monthly installments of \$1,916 through May 2020, interest at 2.45%	24,555
	\$ 430,942

Line of Credit

Note Payable to Bank of \$410,000 Line of Credit due in annual installments of \$23,994 through June 2028, interest at 2.85%	\$ 330,870
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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%	193,211
	\$ 524,081

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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

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 \$ 88,822

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 \$ 639,321

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 1,255,156

\$ 1,983,299

Following is a summary of bond and loan principal maturities and interest requirements as of March 31, 2019:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	
	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Notes</u> <u>Payable</u>	<u>Line of</u> <u>Credit</u>	<u>Sewer</u> <u>Wastewater</u> <u>Project</u>	<u>Total</u>
2020	\$ 733,727	\$ 223,313	\$ 132,113	\$ 361,855	\$ 1,451,008
2021	733,727	61,105	391,968	361,855	1,548,655
2022	730,977	57,273		316,568	1,104,818
2023	732,977	57,273		316,568	1,106,818
2024	734,602	56,892		240,698	1,032,192
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	<u>\$ 8,829,630</u>	<u>\$ 455,856</u>	<u>\$ 524,081</u>	<u>\$ 2,174,442</u>	<u>\$ 11,984,009</u>
Less Interest	<u>1,754,630</u>	<u>24,914</u>		<u>191,143</u>	<u>1,970,687</u>
Outstanding Principal	<u>\$ 7,075,000</u>	<u>\$ 430,942</u>	<u>\$ 524,081</u>	<u>\$ 1,983,299</u>	<u>\$ 10,013,322</u>

The following is a summary of capital lease obligations and interest requirements as of March 31, 2019.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental</u> <u>Activities</u>
2020	\$ 52,951
2021	26,803
Total	<u>\$ 79,754</u>
Less Interest	<u>2,093</u>
Outstanding Principal	<u><u>\$ 77,661</u></u>

Total interest expense on the above bonds for the fiscal year ended March 31, 2019 was \$297,276 consisting of: General Obligation Bonds of \$243,428, and Sewer Wastewater Project Loans of \$53,848. 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, 2019 are as follows:

<u>Fund</u>	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
Governmental Activities:		
General Fund	\$ 2,517,357	\$ 501,231
Special Revenue Funds:		
Tax Increment Financing Fund	606,927	187,208
Tax Increment Financing Fund #2		600,000
Riverfront Marina		6,927
Capital Projects Funds:		
Multimodal Tiger Grant	458,983	
Alton Passenger Rail Station	42,197	
Debt Service Funds:		
GO Bond Series 2016	187,208	459,600
Internal Service Funds:		
Health Insurance Fund	51	55,000
Subtotal	<u>\$ 3,812,723</u>	<u>\$ 1,809,966</u>
Business-Type Activities:		
Marina		\$ 2,000,000
Sewer		2,757
Subtotal	<u>\$ 0</u>	<u>\$ 2,002,757</u>
Total	<u><u>\$ 3,812,723</u></u>	<u><u>\$ 3,812,723</u></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, 2019

NOTE 8. DEFICIT FUND BALANCES AND BUDGETS EXCEEDED

The following funds had a deficit fund balance at March 31, 2019:

Governmental Activities:

Debt Service Funds:

General Obligation Bonds Series 2016 \$ (70,027)

Special Revenue Funds:

Tax Increment Financing #2 (284,084)

Tax Increment Financing Project (106,864)

Tax Increment Financing Bond (156,268)

Employee Health Benefits (1,717,934)

Capital Project Funds:

Alton Passenger Rail Station (9,951)

The following funds had expenditures over budget for the year ended March 31, 2019:

Governmental Activities:

General Fund:

General Fund \$ (1,192,488)

Special Revenue Funds:

Employee Health Benefits (378,690)

Riverfront Amphitheater (10,272)

Marina Riverfront (27,693)

Tourism Tax (20,030)

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.

On April 6, 2017, the City signed an operating lease agreement to lease a copier for the Sewer Treatment Plant. The lease term is 60 months with a monthly payment amount of \$93 beginning in April 2017.

Future minimum lease payments for the copier lease agreements are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2020	\$ 8,424	\$ 1,116
2021		1,116
2022		1,116
Total	<u>\$ 8,424</u>	<u>\$ 3,348</u>

Rental expense for the year ended March 31, 2019 is \$11,232 and \$1,116 for Governmental Activities and Business-Type Activities, respectively.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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.

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

Plan Membership. At December 31, 2018, the following employees were covered by the Regular Plan:

Retirees and Beneficiaries currently receiving benefits	158
Inactive Plan Members entitled to but not yet receiving benefits	40
Active Plan Members	<u>103</u>
Total	<u>301</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (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:

Asset Class	Target Allocation	Return 12/31/2018	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37%	-6.08%	8.50%	7.15%
International Equities	18%	-14.16%	9.20%	7.25%
Fixed Income	28%	-0.28%	3.75%	3.75%
Real Estate	9%	8.36%	7.30%	6.25%
Alternatives	7%			
Private Equity		N/A	12.40%	8.50%
Hedge Funds		N/A	5.75%	5.50%
Commodities		N/A	4.75%	3.20%
Cash Equivalents	1%	N/A	2.50%	2.50%
Total	100.00%			

Single Discount Rate. A single discount rate of 7.25% 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 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Changes in City's Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2018, were as follows:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2017	\$ 48,284,531	\$ 49,780,149	\$ (1,495,618)
Changes for the year:			
Service Cost	548,035		548,035
Interest	3,534,483		3,534,483
Difference between expected and actual experience	(751,137)		(751,137)
Changes in assumptions	1,243,099		1,243,099
Contributions-employees		257,160	(257,160)
Contributions- employer		592,042	(592,042)
Net investment income		(2,995,455)	2,995,455
Benefit payments including refunds of employee contributions	(2,864,225)	(2,864,225)	0
Other (Net Transfer)		(72,386)	72,386
Net Changes	<u>1,710,255</u>	<u>(5,082,864)</u>	<u>6,793,119</u>
Balance, December 31, 2018	<u>\$ 49,994,786</u>	<u>\$ 44,697,285</u>	<u>\$ 5,297,501</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 7.25%, 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	6.25%	\$ 10,872,313
Current discount rate	7.25%	5,297,501
1% increase	8.25%	635,313

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2019, the City recognized pension expense of \$1,049,527. At March 31, 2019, 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	\$ 247,698	\$ 641,417
Changes of assumptions	876,403	695,439
Net difference between projected and actual earnings on Plan investments	6,004,698	2,764,831
Contributions after Measurement Date	99,868	
Total	<u>\$ 7,228,667</u>	<u>\$ 4,101,687</u>

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

A. Illinois Municipal Retirement Fund (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,	
2019	\$ 920,292
2020	411,427
2021	465,125
2022	1,330,136
2023	0
Thereafter	0
Total	<u>\$ 3,126,980</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, 2019 (based on an actuarial valuation as of April 1, 2018 for fiscal year ending March 31, 2019), the Police Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	83
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	<u>59</u>
Total	<u>143</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, 2019

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 preceding calendar year of the original pension for each full month that has elapsed since the pension began and by 3% annually each year thereafter on January 1, provided the retired police officer is the age of at least 60 years.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019.

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, 2019.

For the year ended March 31, 2019, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was 3.21%. 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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate Of Return</u>
Foreign Equity	16%	5.45%
Emerging Foreign Equity	4%	6.67%
Fixed Income	40%	1.09%
Large Cap Domestic Equity	21%	4.63%
SMID Cap Domestic Equity	10%	6.03%
Commodities/Energy	5%	3.01%
Real Estate	4%	4.45%
Cash	0%	
Total	<u>100%</u>	

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 100,460,454
Plan Fiduciary Net Position	<u>23,487,973</u>
Net Pension Liability	<u>\$ 76,972,481</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	23.38%

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, 2018 for the fiscal year ending March 31, 2019, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	Varies based on years of service
Discount Rate	5.37%
Investment Rate of Return	6.00%, 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 5.37%. 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 5.37%, 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
	<u>4.37%</u>	<u>5.37%</u>	<u>6.37%</u>
Net Pension Liability	\$ 93,698,139	\$ 76,972,481	\$ 63,719,847

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2019, the City recognized pension expense of \$5,453,467. At March 31, 2019, 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, 2019

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	\$ 1,210,776	
Changes of assumptions	6,500,852	\$ 12,989,482
Net difference between projected and actual earnings on Plan investments	805,747	438,911
Contributions after Measurement Date	4,249,659	
Total	\$ 12,767,034	\$ 13,428,393

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

Year ending March 31,	
2019	\$ 3,460,887
2020	(3,776,770)
2021	(770,604)
2022	425,128
2023	0
Thereafter	0
Total	<u>\$ (661,359)</u>

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, 2019 (based on an actuarial valuation as of April 1, 2018 for fiscal year ending March 31, 2019), the Firefighters' Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	83
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	46
Total	<u>132</u>

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

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019

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, 2019.

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, 2019.

For the year ended March 31, 2019, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was 3.39%. 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, 2019:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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%	5.45%
Emerging Foreign Equity	4%	6.67%
Fixed Income	40%	1.09%
Large Cap Domestic Equity	21%	4.63%
SMID Cap Domestic Equity	10%	6.03%
Commodities/Energy	5%	3.01%
Real Estate	4%	4.45%
Cash	0%	
Total	<u>100%</u>	

Net Pension Liability. The components of the net pension liability of the plan at March 31, 2019, calculated in accordance with GASB Statement No. 68 were as follows:

Total Pension Liability	\$ 86,859,513
Plan Fiduciary Net Position	<u>20,670,562</u>
Net Pension Liability	<u>\$ 66,188,951</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	23.80%

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, 2018 for the fiscal year ending March 31, 2019, using the following actuarial assumptions:

Inflation	1.25%
Salary Increases	Varies based on years of service
Discount Rate	5.51%
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-2017. 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 5.51%. 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 5.51%, 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, 2019

NOTE 10. PENSION AND RETIREMENT FUND COMMITMENTS (CONTINUED)

C. Firefighters' Pension (Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.51%	5.51%	6.51%
Net Pension Liability	\$ 79,159,084	\$ 66,188,951	\$ 55,716,289

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended March 31, 2019, the City recognized pension income of \$1,568,027. At March 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 1,399,028
Changes of assumptions	\$ 2,819,137	8,129,751
Net difference between projected and actual earnings		
on Plan investments	746,944	515,010
Contributions after Measurement Date	3,869,816	
Total	<u>\$ 7,435,897</u>	<u>\$ 10,043,789</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,	
2019	\$ (3,549,759)
2020	921,564
2021	96,771
2022	(76,468)
2023	0
Thereafter	0
Total	<u>\$ (2,607,892)</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.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

At March 31, 2019, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Inactive	
Participants Entitled to But Not Yet Receiving Benefits	151
Active Participants	<u>214</u>
Total	<u>365</u>

Contributions. The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute approximately \$375 per month for single coverage or \$955 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, 2019, retirees contributed \$1,037,359, active employees contributed \$348,037 and the City contributed \$3,717,740.

Net OPEB Liability. The components of the net OPEB liability of the plan at March 31, 2019, calculated in accordance with GASB Statement No. 75 were as follows:

Total OPEB Liability	\$ 23,205,599
Plan Fiduciary Net Position	<u>0</u>
Net OPEB Liability	<u>\$ 23,205,599</u>

Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%
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See the schedule of post-retirement benefits liability and related ratios in the required supplementary information for additional information related to the funded status of the plan.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of March 31, 2019, using the following actuarial assumptions:

Inflation	2.75%
Salary Increases	4.00%
Investment Rate of Return	N/A
20-year AA Municipal Bond Rate	3.79%
Mortality	RP-2014 Healthy Employee Table with MP 2018 projection
Healthcare Inflation	7.5%, grading down .25% per year until 4.0% is reached

Changes in Net OPEB Liability. Changes in net OPEB liability calculated under GASB Statement No. 75 are as follows:

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability (Asset)</u>
Balance, March 31, 2018	\$17,811,068	\$ 0	\$ 17,811,068
Changes for the year:			
Service Cost	842,260		842,260
Interest Cost	663,345		663,345
Assumption Changes	3,729,432		3,729,432
Actuarial Losses/(Gains)	776,599		776,599
Contributions- employer		617,105	(617,105)
Benefit Payments	(617,105)	(617,105)	0
Net Changes	<u>5,394,531</u>	<u>0</u>	<u>5,394,531</u>
Balance, March 31, 2019	<u>\$23,205,599</u>	<u>\$ 0</u>	<u>\$ 23,205,599</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 3.79%. Since the plan is unfunded, this is based on a current 20 Year Yield to Maturity of AA rated bonds.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the plan, calculated using the discount rate of 3.79%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	<u>Discount Rate</u>	Net OPEB <u>Liability (Asset)</u>
1% decrease	2.79%	\$ 25,780,031
Current discount rate	3.79%	23,205,599
1% increase	4.79%	21,014,565

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the plan, as well as, what the plan's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher:

	<u>Trend Rate</u>	Net OPEB <u>Liability (Asset)</u>
1% decrease	6.50%	\$ 20,794,959
Current discount rate	7.50%	23,205,599
1% increase	8.50%	26,103,289

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended March 31, 2019, the City recognized OPEB expense of \$2,260,384. At March 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 646,515	
Changes of assumptions	3,104,737	
Net difference between projected and actual earnings on Plan investments		
Plan Amendments		
Total	\$ 3,751,252	\$ 0

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

Year ending March 31,	
2020	\$ 754,779
2021	754,779
2022	754,779
2023	754,779
2024	732,136
Thereafter	0
Total	\$ 3,751,252

Actuarial Methods. 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 multi-year schedules of post retirement benefits and employer paid contributions, 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, 2019 actuarial valuation, the liability cost method was changed from the Projected Unit Credit to the Individual Entry Age Normal as a level percentage of pay.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods (Continued). The discount rate was changed from 4.0% to 2.60% to represent the yield to maturity of AA rated municipal bonds. Since the plan is unfunded, there is no longer term expected rate of return. The actuarial assumptions included a salary increase assumption of 4.0% per annum, the annual healthcare cost trend rate of 7.0% was increased to 7.5%, 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, 2019, was 20 years.

Significant Changes Since Prior Valuation. This valuation reflects the implementation of the new GASB reporting requirements under Statements No. 74 and 75. The reporting requirements fundamentally change the required disclosures, including balance sheet liabilities and annual expense. The GASB 74/75 Net Pension Liability is \$26,440,187 as of March 31, 2019. The annual expense was \$1,880,048 for the year ended March 31, 2019. In accordance with the new standards, the liability cost method was changed from Projected Unit Credit to Individual Entry Age Normal as a level percentage of pay. The discount rate was changed from 4.0% to 2.60% to represent the yield to maturity of AA rated municipal bonds. Since this plan is unfunded, there is no long term expected rate of return assumption. The mortality tables were updated and expected mortality improvement was incorporated to reflect the most recent Society of Actuaries studies. The salary increase assumption was set to 4.0% per annum. And the initial per capita medical trend rate was increased from 7.0% to 7.5%, grading down by .25% per year until an ultimate rate of 4.0% is reached. Due to these changes, liabilities increased substantially. The expected per capita medical claim cost for retirees increased 22% since the last valuation.

The GASB has issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The provisions in Statement 75, are effective for fiscal years beginning after June 15, 2017. Statement No. 75 supersedes Statement No. 45. The City previously adopted GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" and reported an Other Postemployment Benefits Liability on the Statement of Net Position. Due to this previous adoption, there is no prior period adjustment required in the current period.

NOTE 12. LITIGATION

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

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

NOTE 13. COMMON BANK ACCOUNT

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

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

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 14. ECONOMIC DEPENDENCY

Included in revenue is approximately \$3.0 million received from one source for the fiscal year ending March 31, 2019. This amount represents the City's portion of gaming tax collected from Argosy's Alton Belle Casino.

NOTE 15. INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2019 consisted of the following:

Transfer To:	Transfer From:				<u>Total</u>
	<u>Tax</u> <u>Increment</u> <u>Financing</u>	<u>Multimodal</u> <u>Tiger</u> <u>Grant</u>	<u>Non Major</u> <u>Funds</u>	<u>Marina</u> <u>Fund</u>	
General Fund			\$ 490,848		\$ 490,848
TIF Bond Fund	\$ 485,788				485,788
TIF Project Fund	518,902				518,902
Non Major Funds		\$ 1,000,000	100,000	\$ 223,015	1,323,015
Marina Fund			41,292		41,292
Total	\$ 1,004,690	\$ 1,000,000	\$ 632,140	\$ 223,015	\$ 2,859,845

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.

CITY OF ALTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019, the City transferred \$3,717,740 to the Employee Health Benefit Fund from the governmental and enterprise funds.

NOTE 18. TAX ABATEMENTS

The City negotiates tax abatement agreements on an individual basis. The city did not enter into or have any ongoing abatement agreements of March 31, 2019.

The City is also subject to tax abatement agreements entered into by other governmental entities. The City's property taxes were reduced by approximately \$211,000 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 has 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, 2019

	GENERAL FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Taxes:			
General Property Taxes	\$ 6,614,983	\$ 6,614,983	\$ 6,502,549
Municipal Auto Rental Tax	21,000	21,000	31,395
State Sales Tax	5,500,000	5,500,000	5,634,747
Local Sales Tax	3,250,000	3,250,000	3,266,706
Business District Tax	220,000	220,000	222,206
Electric Franchise Tax	1,719,420	1,719,420	1,926,153
Gas Franchise Tax	352,950	352,950	536,789
Cable TV Franchise Tax	315,300	315,300	313,803
Telephone Franchise Tax	500,000	500,000	455,353
Water Utility Tax	425,000	425,000	427,858
Off Track Betting Tax	50,000	50,000	55,500
Municipal Aggregation	78,000	78,000	76,042
Total Taxes	<u>\$19,046,653</u>	<u>\$19,046,653</u>	<u>\$19,449,101</u>
Intergovernmental:			
Illinois Income Tax	\$ 2,750,000	\$ 2,750,000	\$ 2,705,384
Corporate Personal Property Replacement Tax	1,462,000	1,462,000	1,370,536
Gaming Tax	3,018,000	3,018,000	3,184,259
Total Intergovernmental	<u>\$ 7,230,000</u>	<u>\$ 7,230,000</u>	<u>\$ 7,260,179</u>
Grants	\$ 533,690	\$ 533,690	\$ 562,004
Licenses and Permits	440,800	440,800	481,185
Fines and Forfeitures	203,625	203,625	369,979
Charges for Current Services	4,363,355	4,363,355	4,496,372
Revenue from Use of Money and Property	594,563	594,563	649,155
Other Revenue	1,085,650	1,085,650	962,386
Total Revenues	<u>\$33,498,336</u>	<u>\$33,498,336</u>	<u>\$34,230,361</u>
Expenditures:			
General Government	\$ 2,747,558	\$ 2,747,558	\$ 2,706,775
Public Safety	24,388,563	24,388,563	24,324,344
Highways and Streets	3,773,009	3,773,009	3,869,873
Sanitation	2,696,080	2,696,080	2,704,399
Health	150,684	150,684	111,655
Culture and Recreation	2,092,015	2,092,015	2,431,991
Development	342,603	342,603	1,200,098
Miscellaneous	125,600	125,600	159,470
Total Expenditures	<u>\$36,316,112</u>	<u>\$36,316,112</u>	<u>\$37,508,605</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,817,776)</u>	<u>\$ (2,817,776)</u>	<u>\$ (3,278,244)</u>
Other Financing Sources (Uses):			
Operating Transfers In			\$ 490,848
Proceeds From Line of Credit			680,358
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,171,206</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (2,817,776)</u>	<u>\$ (2,817,776)</u>	<u>\$ (2,107,038)</u>
Fund Balance, Beginning			<u>12,602,100</u>
Fund Balance, Ending			<u>\$10,495,062</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, 2019

	<u>MULTIMODAL TIGER GRANT</u>		
	<u>Budgeted Amounts</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>
Revenues:			
Grants	\$ 1,902,456	\$ 1,902,456	
Revenue from Use of Money and Property	1,000	1,000	\$ 4,003
Total Revenues	<u>\$ 1,903,456</u>	<u>\$ 1,903,456</u>	<u>\$ 4,003</u>
Expenditures:			
Capital Projects	\$ 2,388,521	\$ 3,464,895	
Total Expenditures	<u>\$ 2,388,521</u>	<u>\$ 3,464,895</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (485,065)</u>	<u>\$ (1,561,439)</u>	<u>\$ 4,003</u>
Other Financing Sources (Uses):			
Operating Transfers Out			\$ (999,508)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (999,508)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (485,065)</u>	<u>\$ (1,561,439)</u>	<u>\$ (995,505)</u>
Fund Balance, Beginning			<u>1,939,483</u>
Fund Balance, Ending			<u><u>\$ 943,978</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, 2019

	<u>MOTOR FUEL TAX</u>		
	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>
	<u>Original Budget</u>	<u>Final Budget</u>	
Revenues:			
Grants	\$ 720,000	\$ 720,000	\$ 709,455
Revenue from Use of Money and Property			6,411
Other Revenue			18,367
Total Revenues	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>\$ 734,233</u>
Expenditures:			
Highways and Streets	\$ 1,720,410	\$ 1,720,410	\$ 609,984
Miscellaneous			(30)
Total Expenditures	<u>\$ 1,720,410</u>	<u>\$ 1,720,410</u>	<u>\$ 609,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,000,410)</u>	<u>\$ (1,000,410)</u>	<u>\$ 124,279</u>
Other Financing Sources (Uses):			
Operating Transfers Out	\$ (49,590)	\$ (49,590)	
Total Other Financing Sources (Uses)	<u>\$ (49,590)</u>	<u>\$ (49,590)</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (1,050,000)</u>	<u>\$ (1,050,000)</u>	<u>\$ 124,279</u>
Fund Balance, Beginning			<u>627,358</u>
Fund Balance, Ending			<u>\$ 751,637</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, 2019

	TIF BOND FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Revenue from Use of Money and Property	\$ 50	\$ 50	\$ 369
Total Revenues	\$ 50	\$ 50	\$ 369
Expenditures:			
Principal Retirement	\$ 323,447	\$ 323,447	\$ 323,447
Interest and Fiscal Charges	163,342	163,342	162,713
Total Expenditures	\$ 486,789	\$ 486,789	\$ 486,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (486,739)	\$ (486,739)	\$ (485,791)
Other Financing Sources (Uses):			
Operating Transfers In	\$ 500,000	\$ 500,000	\$ 485,788
Total Other Financing Sources (Uses)	\$ 500,000	\$ 500,000	\$ 485,788
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	\$ 13,261	\$ 13,261	\$ (3)
Fund Balance (Deficit), Beginning			(156,265)
Fund Balance (Deficit), Ending			\$ (156,268)

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, 2019

	<u>TAX INCREMENTAL FINANCING FUND</u>		
	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>
	<u>Original Budget</u>	<u>Final Budget</u>	
Revenues:			
Taxes:			
General Property Taxes	\$ 2,357,000	\$ 2,357,000	\$ 2,323,034
Total Taxes	<u>\$ 2,357,000</u>	<u>\$ 2,357,000</u>	<u>\$ 2,323,034</u>
Revenue from Use of Money and Property	\$ 40,000	\$ 40,000	\$ 73,103
Total Revenues	<u>\$ 2,397,000</u>	<u>\$ 2,397,000</u>	<u>\$ 2,396,137</u>
Expenditures:			
Interest and Fiscal Charges	\$ 240	\$ 240	\$ 220
Total Expenditures	<u>\$ 240</u>	<u>\$ 240</u>	<u>\$ 220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,396,760</u>	<u>\$ 2,396,760</u>	<u>\$ 2,395,917</u>
Other Financing Sources (Uses):			
Operating Transfers Out	\$ (3,000,000)	\$ (3,000,000)	\$ (1,004,690)
Total Other Financing Sources (Uses)	<u>\$ (3,000,000)</u>	<u>\$ (3,000,000)</u>	<u>\$ (1,004,690)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ (603,240)</u>	<u>\$ (603,240)</u>	<u>\$ 1,391,227</u>
Fund Balance, Beginning			<u>7,213,473</u>
Fund Balance, Ending			<u>\$ 8,604,700</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, 2019

	TIF PROJECT FUND		
	Budgeted Amounts		Actual Amounts GAAP Basis
	Original Budget	Final Budget	
Revenues:			
Grants			\$ 105,615
Revenue from Use of Money and Property			103
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,718</u>
Expenditures:			
Capital Projects	<u>\$ 2,335,000</u>	<u>\$ 2,335,000</u>	<u>\$ 763,158</u>
Total Expenditures	<u>\$ 2,335,000</u>	<u>\$ 2,335,000</u>	<u>\$ 763,158</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,335,000)</u>	<u>\$ (2,335,000)</u>	<u>\$ (657,440)</u>
Other Financing Sources (Uses):			
Operating Transfers In	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 518,902</u>
Total Other Financing Sources (Uses)	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 518,902</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Sources (Uses)	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ (138,538)</u>
Fund Balance, Beginning			<u>31,674</u>
Fund Balance, Ending			<u><u>\$ (106,864)</u></u>

CITY OF ALTON, ILLINOIS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019:

Governmental Activities:

General Fund:

General Fund \$ (1,192,488)

Special Revenue Funds:

Employee Health Benefits (378,690)

Riverfront Amphitheater (10,272)

Marina Riverfront (27,693)

Tourism Tax (20,030)

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,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service Cost	\$ 548,035	\$ 588,096	\$ 587,371	\$ 574,905						
Interest on the Total Pension Liability	3,534,483	3,505,909	3,446,056	3,310,934						
Benefit Changes	0	0	0	0						
Difference between Expected and Actual Experience	(751,137)	533,328	(679,841)	375,299						
Assumption Changes	1,243,099	(1,460,594)	(103,831)	104,133						
Benefit Payments and Refunds	(2,864,225)	(2,667,219)	(2,482,647)	(2,411,393)						
Net Change in Total Pension Liability	1,710,255	499,520	767,108	1,953,878						
Total Pension Liability - Beginning	48,284,531	47,785,011	47,017,903	45,064,025						
Total Pension Liability - Ending (a)	\$ 49,994,786	\$ 48,284,531	\$ 47,785,011	\$ 47,017,903						
Plan Fiduciary Net Position										
Employer Contributions	\$ 592,042	\$ 616,743	\$ 628,755	\$ 658,601						
Employee Contributions	257,160	251,624	245,631	252,553						
Pension Plan Net Investment Income	(2,995,455)	7,841,113	2,950,424	215,069						
Benefit Payments and Refunds	(2,864,225)	(2,667,219)	(2,482,647)	(2,411,393)						
Other	(72,386)	(538,019)	230,103	224,835						
Net Change in Plan Fiduciary Net Position	(5,082,864)	5,504,242	1,572,266	(1,060,335)						
Plan Fiduciary Net Position - Beginning	49,780,149	44,275,907	42,703,641	43,763,976						
Plan Fiduciary Net Position - Ending (b)	\$ 44,697,285	\$ 49,780,149	\$ 44,275,907	\$ 42,703,641						
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ 5,297,501	\$ (1,495,618)	\$ 3,509,104	\$ 4,314,262						
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	89.40%	103.10%	92.66%	90.82%						
Covered Valuation Payroll	\$ 5,714,698	\$ 5,594,480	\$ 5,448,481	\$ 5,591,989						
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	92.70%	(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%
2018	592,043	592,043	1	5,714,698	10.36%

CITY OF ALTON, ILLINOIS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2018 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 2018 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): 25-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 20 years for most employers (two employers were financed over 29 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75%
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, 2016 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,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 1,137,651	\$ 900,163	\$ 667,498	\$ 551,116						
Interest Cost	5,210,136	4,954,538	5,034,709	4,305,227						
Differences Between Expected and Actual Experiences	538,968	1,094,347	680,823	38,984						
Assumption Changes	2,896,880	(24,535,690)	10,011,444	12,435,062						
Benefit Payments, Including Refunds of Member Contributions	(3,449,541)	(4,150,407)	(3,561,503)	(3,580,559)						
Net Change in Total Pension Liability	6,334,094	\$ (21,737,049)	12,832,971	13,749,830						
Total Pension Liability - Beginning	94,126,360	115,863,409	103,030,438	89,280,608						
Total Pension Liability - Ending (a)	\$ 100,460,454	\$ 94,126,360	\$ 115,863,409	\$ 103,030,438						
Plan Fiduciary Net Position										
Employer Contributions	\$ 3,002,272	\$ 2,907,295	\$ 3,069,684	\$ 2,335,246						
Member Contributions	447,269	436,548	419,745	410,047						
Net Investment Income	1,420,417	1,966,479	(469,561)	1,221,657						
Benefit Payments, Including Refunds of Member Contributions	(3,449,541)	(4,150,407)	(3,561,503)	(3,580,559)						
Administrative Expense	(41,994)	(47,014)	(56,646)	(37,246)						
Net Change in Plan Fiduciary Net Position	1,378,423	1,112,901	(598,281)	349,145						
Plan Fiduciary Net Position - Beginning	22,109,550	20,996,649	21,594,930	21,245,785						
Plan Fiduciary Net Position - Ending (b)	\$ 23,487,973	\$ 22,109,550	\$ 20,996,649	\$ 21,594,930						
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ 76,972,481	\$ 72,016,810	\$ 94,866,760	\$ 81,435,508						
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	23.38%	23.49%	18.12%	20.96%						
Covered Valuation Payroll	\$ 4,486,741	\$ 4,349,923	\$ 4,219,399	\$ 4,251,978						
Net Pension Liability as a Percentage of Covered Valuation Payroll	1715.55%	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%
2019	3,896,657	3,449,541	447,116	4,486,741	76.88%

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

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	3.21%	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,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 881,461	\$ 695,587	\$ 582,852	\$ 524,105						
Interest Cost	4,786,133	4,565,657	4,721,449	3,947,749						
Differences Between Expected and Actual Experiences	(1,637,256)	(799,726)	(447,130)	1,406,475						
Assumption Changes	4,023,896	(25,803,123)	6,203,232	11,439,714						
Benefit Payments, Including Refunds of Member Contributions	(3,697,493)	(3,771,223)	(3,688,228)	(3,630,139)						
Net Change in Total Pension Liability	4,356,741	\$ (25,112,828)	7,372,175	13,687,904						
Total Pension Liability - Beginning	82,502,772	107,615,600	100,243,425	86,555,521						
Total Pension Liability - Ending (a)	\$ 86,859,513	\$ 82,502,772	\$ 107,615,600	\$ 100,243,425						
Plan Fiduciary Net Position										
Employer Contributions	\$ 3,409,169	\$ 2,959,202	\$ 2,970,632	\$ 2,217,922						
Member Contributions	288,324	277,272	283,978	282,099						
Net Investment Income	1,618,379	1,553,810	(491,239)	1,056,637						
Benefit Payments, Including Refunds of Member Contributions	(3,697,493)	(3,771,223)	(3,688,228)	(3,630,139)						
Administrative Expense	(64,096)	(51,452)	(54,986)	(45,396)						
Net Change in Plan Fiduciary Net Position	1,554,283	967,609	(979,843)	(118,877)						
Plan Fiduciary Net Position - Beginning	19,116,278	18,148,669	19,128,512	19,247,389						
Plan Fiduciary Net Position - Ending (b)	\$ 20,670,561	\$ 19,116,278	\$ 18,148,669	\$ 19,128,512						
Net Pension Liability/(Asset) -Ending (a)-(b)	\$ 66,188,952	\$ 63,386,494	\$ 89,466,931	\$ 81,114,913						
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	23.80%	23.17%	16.86%	19.08%						
Covered Valuation Payroll	\$ 3,158,958	\$ 3,023,628	\$ 2,978,318	\$ 3,035,197						
Net Pension Liability as a Percentage of Covered Valuation Payroll	2095.28%	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%
2019	3,733,922	3,697,493	36,429	3,158,958	117.05%

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

LAST 10 FISCAL YEARS

Fiscal Year Ending March 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	3.39%	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, 2018

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	3.89%
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
MULTIYEAR SCHEDULE OF POST RETIREMENT BENEFITS
GASB 75 HISTORICAL NET OPEB LIABILITY

LAST 10 CALENDAR YEARS
(schedule to be built prospectively from 2018)

Calendar year ending March 31,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Discount Rate	3.79%	4.00%								
Service Cost	\$ 842,260	\$ 715,885								
Interest Cost	663,345	668,598								
Plan Amendments										
Actuarial Losses/(Gains)	776,599									
Assumption Changes	3,729,432									
Benefit Payments	(617,105)	(576,734)								
Net Change in Total OPEB Liability	5,394,531	807,749								
Total OPEB Liability - Beginning	17,811,068	17,003,319								
Total OPEB Liability - Ending (a)	\$ 23,205,599	\$ 17,811,068								
Plan Fiduciary Net Position										
Employer Contributions	\$ 617,105	\$ 576,734								
Employee Contributions										
Net Investment Income										
Benefit Payments	(617,105)	(576,734)								
Administrative Expenses										
Net Change in Plan Fiduciary Net Position	0	0								
Plan Fiduciary Net Position - Beginning	0	0								
Plan Fiduciary Net Position - Ending (b)	\$ 0	\$ 0								
Net OPEB Liability/(Asset) -Ending (a)-(b)	\$ 23,205,599	\$ 17,811,068								
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%								
Covered Valuation Payroll	\$ 13,806,583	\$ 14,744,990								
Net OPEB Liability as a Percentage of Covered Valuation Payroll	168.08%	120.79%								

CITY OF ALTON, ILLINOIS
MULTIYEAR SCHEDULE OF EMPLOYER PAID CONTRIBUTIONS
POST RETIREMENT BENEFITS

LAST 10 CALENDAR YEARS

<u>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>
2010	\$ 3,862,773	\$ 1,170,000	\$ 2,692,773	\$ 14,551,250	8.04%
2011	4,071,149	1,170,000	2,901,149	15,889,585	7.36%
2012	4,071,149	900,000	3,171,149	15,889,585	5.66%
2013	2,997,044	900,000	2,097,044	12,686,092	7.09%
2014	3,146,986	750,000	2,396,986	12,686,092	5.91%
2015	1,404,030	750,000	654,030	14,613,631	5.13%
2016	1,474,232	622,300	851,932	14,613,631	4.26%
2017	1,699,188	622,300	1,076,888	14,744,990	4.22%
2018	1,767,156	576,734	1,190,422	14,744,990	3.91%
2019	2,456,971	617,105	1,839,866	13,806,583	4.47%

CITY OF ALTON, ILLINOIS
NOTES TO THE SCHEDULE OF POST RETIREMENT BENEFITS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2019 TOTAL OPEB LIABILITY
POST RETIREMENT BENEFITS

Methods and Assumptions Used to Determine the 2019 Total Pension Liability:

Funding Method	Entry Age Normal Cost Method - A method under which the actuarial present value of the projected benefits of each active participant is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the Normal Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.										
Mortality Rates	<p>Pre-Retirement: Males: RP-2014 Healthy Employee Table for males, with projected mortality improvement based on the most recently published mortality improvement scale (MP 2018). Females: RP-2014 Healthy Employee Table for females, with projected mortality improvement based on the most recently published mortality improvement scale (MP 2018).</p> <p>Post-Retirement: Males: RP-2014 Healthy Employee Table for males, with projected mortality improvement based on the most recently published mortality improvement scale (MP 2018). Females: RP-2014 Healthy Employee Table for females, with projected mortality improvement based on the most recently published mortality improvement scale (MP 2018).</p>										
Discount Rate	3.79% per annum. Since the Plan is unfunded, this is based on a current 20 Year Yield to Maturity of AA rated bonds. 2.75% per annum										
Inflation	annum										
Salary Appreciation	Increase Rate: 4.0% per annum; compounded annually (includes 1.75% merit component)										
Assumed Retirement Age	Age 56 and the completion of 20 Years of Service but not later than Age 60 with 10 Years of Service.										
Termination prior to Retirement other than Death	T-1 Actuary's Table, Sample Values:										
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Probability of Termination</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">0.054417</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.037056</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.011306</td> </tr> <tr> <td style="text-align: center;">50+</td> <td style="text-align: center;">0.000000</td> </tr> </tbody> </table>	<u>Age</u>	<u>Probability of Termination</u>	20	0.054417	30	0.037056	40	0.011306	50+	0.000000
<u>Age</u>	<u>Probability of Termination</u>										
20	0.054417										
30	0.037056										
40	0.011306										
50+	0.000000										
Healthcare Inflation	Initial rate of 7.5%, grading down .25% per year until an ultimate rate of 4.0% is reached.										
Plan Assets and Funding Policy	There are no designated plan assets to pay benefits. Benefits are paid on a pay-as-you-go basis.										

CITY OF ALTON, ILLINOIS
NOTES TO THE SCHEDULE OF POST RETIREMENT BENEFITS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2019 TOTAL OPEB LIABILITY
POST RETIREMENT BENEFITS

Methods and Assumptions Used to Determine the 2019 Total Pension Liability Continued:

Age Weighted Retiree
 Medical Costs and
 Dental Costs

	<u>Retiree</u>	<u>Retiree Plus Spouse</u>
Non-Medicare Eligible	\$ 1,060.17	\$ 2,120.34
Medicare Eligible	22.94	45.88

Dental Costs are included above and are assumed to not be age weighted. For Medicare retirees, there is an employer liability for dental costs only.

Medical Premiums are age weighted for retirees based on the 2013 Society of Actuaries commissioned paper, "Health Care Costs-From Birth to Death", published in June 2013. The 5-year age weight bands are based on a 50% male/50% female claim distribution split, as follows:

<u>Age Group</u>	<u>Age Weight</u>
Less than 20	0.5435
20-24	0.5095
25-29	0.6660
30-34	0.8400
35-39	0.9230
40-44	1.0170
45-49	1.1825
50-54	1.4630
55-59	1.7875
60-64	2.2085

Coverage Election	It is assumed that 100% of active plan members who retiree and are eligible elect plan coverage.
Marital Status	Assumed 80% are married, Spouse is assumed to be 3 years younger than the participant.
Covered Lives for Claim Cost Development	For actives and retirees who are not married, it is assumed there are no covered dependents. For married actives, it is assumed there are 1.5 covered dependents on average. For married retirees, it is assumed there is 1 covered dependent.
Expense Load	Included in retiree per capita costs.

CITY OF ALTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weaknesses Identified? Yes

See 2019-1, 2019-2, and 2019-3

Significant Deficiencies Identified That Are Not Considered to Be Material Weaknesses? Yes

See 2019-4

Noncompliance noted? Yes

See 2019-5 and 2019-6

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2019-1

Condition: The City of Alton relies on its auditors for the preparation of the City's financial statements, 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 are prepared in accordance with generally accepted accounting principles.

Effect: 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 ensure the City's financial statements are prepared in accordance with generally accepted accounting principles.

Response: See the Corrective Action Plan.

CITY OF ALTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses (Continued)

2019-2

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.

2019-3

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 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, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiencies

2019-4

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

2019-5

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 36 individuals, 10 had not filed by the May 1st deadline. As of the date of this report, five 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.

2019-6

Condition: The City had five funds (General Fund, Employee Health Benefits, Riverfront Amphitheater, Marina Riverfront, and Tourism Tax) that had expenditures in excess of its approved budget.

Criteria: The City is required to spend within its legal budgetary authority.

Cause: Additional expenditures were incurred that were not originally budgeted for. Amendments to the budget were not made to encompass these additional expenditures.

Effect: The City did not amend its budget to account for the additional expenditures within the respective funds.

Recommendation: The City should adopt a reasonable budget and amend the budget as necessary in order to stay compliant.

Response: See the Corrective Action Plan.

CITY OF ALTON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2019

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.

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 2019-1.

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 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 2019-2.

2018-3

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

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

Current Status: Management has considered the recommendation and is looking into adopting methods and processes to ensure reconciliations are performed in a timely fashion. This is a recurring finding. See 2019-3.

CITY OF ALTON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2019

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.

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 is looking into adopting procedures to ensure the reconciliation is performed. This is a recurring finding. See 2019-4.

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.

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 2019-5.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



OFFICE OF MAYOR
BRANT WALKER

CITY OF ALTON
ILLINOIS
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101 E. THIRD ST.
ROOM 201
ALTON, IL 62002

October 15, 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, 2019.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended March 31, 2019

The findings from the October 15, 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

2019-1

Condition: The City of Alton relies on its auditors for the preparation of the City's financial statements, 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 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.

2019-2

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.

(618) 463-3500 • Fax (618) 463-3525

2019-2 (Continued)

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.

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.

2019-3

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 is in the process of adopting procedures to ensure timely completion of the bank reconciliations.

Significant Deficiencies

2019-4

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

2019-5

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 36 individuals, 10 had not filed by the May 1st deadline. As of the date of this report, five 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.

2019-6

Condition: As of fiscal year end, the City had five funds (General Fund, Employee Health Benefits, Riverfront Amphitheater, Marina Riverfront, and Tourism Tax) that had expenditures in excess of its approved budget.

Recommendation: The City should adopt a reasonable budget and amend the budget as necessary in order to stay compliant.

View of Responsible Officials and Planned Corrective Action: Management understands the importance of spending within its legal budgetary authority. In the future, the City will amend the budget as necessary in order to stay compliant.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

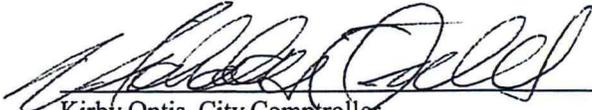
None

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